

Investment Stewardship Group

Voting Bulletin: Daimler AG

As part of our fiduciary duty, BlackRock's Investment Stewardship team (BIS) advocates for sound corporate governance and business practices that are aligned with long-term sustainable financial performance. This objective underpins all our engagements and votes at company meetings.

We engage company leadership on key topics emphasizing governance practices including management of environmental and social factors that potentially have material economic, operational or reputational ramifications for the company.

We determine our [engagement priorities](#) based on our observation of market developments and emerging governance themes and evolve them year over year as necessary. The BIS team's key engagement priorities include:

1. Board quality
2. Environmental risks and opportunities
3. Corporate strategy and capital allocation
4. Compensation that promotes long-termism
5. Human capital management

Our approach to investment stewardship is grounded in an expectation that the board will oversee and advise management, influencing management's approach to key business issues. When effective corporate governance is lacking, we believe that voting against the responsible director(s) is often the most impactful action a shareholder can take.

We are committed to enhancing the transparency of our stewardship practices. Where we believe it will help to understand our voting decisions at shareholder meetings, we will publish a Voting Bulletin explaining the rationale for how we have voted on select resolutions, and (where relevant) provide information around our engagement with the issuer.

Company	Daimler AG
Market	Germany
Meeting Date	8 th July 2020
Key Resolutions ¹	Item 4: Resolution on ratification of Supervisory Board members' actions in the 2019 financial year Item 7: Resolution on the election of Timotheus Höttges as a member of the Supervisory Board

¹ Full meeting resolutions can be accessed at: <https://www.daimler.com/documents/investors/annual-meeting/daimler-ir-am-2020-convocation-incl-agenda.pdf>.

	Item 12b: Resolution on the amendment of Article 16 of the Articles of Incorporation (Annual Meeting – Resolution)
Board Recommendation	The board recommends shareholders vote FOR all items.
BlackRock Vote	We voted AGAINST all key resolutions outlined above given our concerns about progress on climate-related risk reporting, the external mandates held by the proposed Supervisory Board member, and the reduction in shareholder rights from the proposed article amendment.

We believe that as companies face material climate risks, they must demonstrate that management have assessed how climate may impact operations and have determined an appropriate business strategy. As we describe in our commentaries on [our Approach to Engagement on Climate Risk](#) and [Emissions, Engagement, and Transition to a Low-Carbon Economy](#), we expect robust disclosures of climate-related risks and opportunities in line with the recommendations of the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD). Greater transparency will contribute to improved market-level data, better engagements with shareholders, and more informed voting decisions aligned with long-term value creation.

In our engagements with companies on managing climate-related risks and opportunities, we are mindful of both the need for an acceleration of the market's approach to disclosure, and the challenges inherent to that task. We recognize that producing comprehensive disclosures requires a significant investment in resources and time on the part of a company. We also recognize that each company is unique, starting from its own baseline, with its own capacities and limitations. We seek to achieve a balance between recognizing a company's current position, while encouraging the appropriate urgency in advancing reporting and the practices underlying it.

Overview

Daimler AG (Daimler) develops and manufactures passenger cars, trucks, vans, and buses. It operates through Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans, Daimler Buses, and Daimler Mobility divisions. Daimler is listed in Germany.

As a fiduciary on behalf of our clients, BIS has engaged with members of Daimler's Supervisory Board over the past several years on a range of governance and material sustainability topics, including the impact of climate risk on its business. In December 2017 we wrote a letter to the Chairman of Daimler's Board of Management asking the company to closely review the TCFD framework and to consider reporting in alignment with its recommendations.²

The company clearly considers climate risk in its strategy and has established a number of stepped targets to reduce its carbon intensity. For example, the company aims for CO₂-neutral production across its European operations beginning in 2022, plug-in hybrids or all-electric vehicles accounting for more than a 50% share of

² In Q4 2017, we sent letters to the CEOs and General Counsels at over 100 of the most carbon-intensive companies globally in BlackRock's equity portfolio. We asked them to review the TCFD's recommendations and consider reporting in alignment with them, and to engage with us so we can better understand the changes in reporting that might be necessary for them to achieve alignment and any obstacles the company anticipates.

passenger car sales by 2030 and CO2-neutral vehicles by 2039.³ While the company's 2019 climate-related disclosures provide useful insights into these efforts, its limited progress in explicitly aligning its reporting with the TCFD recommendations falls short of our expectation of large carbon emitters with a previous history of engagement with BIS on the topic.

Rationale for BlackRock vote

Based on our analysis and multi-year engagements with the company, BlackRock voted against the following agenda items:

Item 4: Resolution on ratification of Supervisory Board members' actions in the 2019 financial year (AGAINST)

We believe Supervisory Board members should be held accountable for the level of oversight provided on governance matters, including how management addresses material issues such as climate risk. Given the lack of progress Daimler has made on its climate disclosures, BIS' policy is to withhold support from the re-election of those Supervisory Board members who are most accountable through their membership of relevant board sub-committees. In the absence of such committees, BIS will hold accountable the most senior Supervisory Board member. However, Daimler has 'staggered' Supervisory Board elections, meaning that shareholders do not have the opportunity to vote on all members in any given year. Rather, Supervisory Board members are re-elected on rotation, in line with the expiry of their appointment term which is every five years at Daimler. While BIS accepts this as common practice in several markets across EMEA, the hindrance of this model to shareholders being able to optimally reflect their views is illustrated at this AGM. We are unable to withhold support from the re-election of Supervisory Board chair Dr. Manfred Bischoff as the most senior director responsible for climate disclosures. As such, BIS voted against the discharge of the Supervisory Board as a whole for actions taken in 2019.

We shared with the company that we expect disclosures in line with the TCFD framework by next year. Subsequent to our discussion, but after our vote instructions were submitted, the company published a TCFD-cross reference table on its website mapping the TCFD recommendations to the relevant pages in its 2019 annual and sustainability reports. BIS is encouraged by this progress as this type of TCFD-aligned disclosure meets our expectation as shared with the company in our latest engagement.

Item 7: Resolution on the election of Timotheus Höttges as a member of the Supervisory Board (AGAINST)

Additionally, as the role of director is becoming increasingly demanding, directors must be able to commit an appropriate amount of time to board and committee matters. Given the nature of the role, it is important a director has flexibility for unforeseen events and therefore only takes on the number of mandates to ensure such flexibility. Consistent with our [EMEA proxy voting guidelines](#), we view Timotheus Höttges to hold an excessive number of mandates. In addition to his proposed role at Daimler, Mr. Höttges already serves as CEO of Deutsche Telekom AG and a Supervisory Board member at Henkel AG & Co. KGaA. This raises substantial concerns about his ability to exercise sufficient oversight on Daimler's Supervisory Board.

Item 12b: Resolution on the amendment of Article 16 of the Articles of Incorporation (Annual Meeting – Resolution) (AGAINST)

Daimler has proposed to amend its articles such that support from 75% of votes cast would be required to dismiss a Supervisory Board member. This is an increase from the simple majority support stipulated in its current articles. BIS regards this proposed amendment to be a deterioration of shareholder rights and therefore voted against.

³ See Daimler Annual Report 2019, p. 45, <https://www.daimler.com/documents/investors/reports/annual-report/daimler/daimler-ir-annual-report-2019-incl-combined-management-report-daimler-ag.pdf>.

BIS voted in favour of all other management proposals.

We will continue to engage with the company and monitor developments, with a particular focus on progress on climate-related risk disclosures.