DAIMLER


# Sustainability Report 2013.

Our interactive online report: http://sustainability.daimler.com

# Key figures 2013.

## 01

**Financial year 2013**

| | Unit | 2013 | | 2012 | 2011 |
|---|---|---|---|---|---|
| **Corporate profile** | | | | | |
| Revenue[1] | in millions of € | 117,982 | ↗ | 114,297 | 106,540 |
| Operating profit/EBIT[1] | in millions of € | 10,815 | ↗ | 8,820 | 8,755 |
| Profit before taxes on income[1] | in millions of € | 10,139 | ↗ | 8,116 | 8,449 |
| Group net income | in millions of € | 8,720 | ↗ | 6,830 | 6,029 |
| Total vehicle sales | in millions | 2.35 | ↗ | 2.2 | 2.1 |
| Unit sales of Mercedes-Benz Cars | | 1,565,563 | ↗ | 1,451,569 | 1,381,416 |
| Unit sales of Daimler Trucks | | 484,211 | ↗ | 461,954 | 425,756 |
| Unit sales of Mercedes-Benz Vans | | 270,144 | ↗ | 252,418 | 264,193 |
| Unit sales of Daimler Buses | | 33,705 | ↗ | 32,088 | 39,741 |
| Contract volume of Daimler Financial Services | in millions of € | 83,538 | ↗ | 79,986 | 71,730 |
| **Product responsibility** | | | | | |
| Research and development expenditure on environmental protection | in millions of € | 2,471 | ↗ | 2,369 | 2,159 |
| $CO_2$ emissions of the European fleet (vehicles from Mercedes-Benz Cars) | in g $CO_2$/km | 134 | ↘ | 140 | 150 |
| **Operations-related environmental protection** | | | | | |
| Energy consumption (total) | in GWh | 11,059 | ↗ | 10,769 | 10,466 |
| of which electricity | in GWh | 4,545 | ↘ | 4,870 | 4,685 |
| of which natural gas | in GWh | 4,971 | ↗ | 4,305 | 4,161 |
| $CO_2$ emissions (total, scope 1 and 2) | in 1,000 t | 3,356 | ↗ | 3,336 | 3,436 |
| $CO_2$ emissions (total) per vehicle produced (Mercedes-Benz Cars) | in kg/vehicle | 1,043 | ↘ | 1,059 | 1,181 |
| $CO_2$ emissions (total) per vehicle produced (Daimler Trucks) | in kg/vehicle | 2,438 | ↘ | 2,762 | 2,724 |
| $CO_2$ emissions (total) per vehicle produced (Mercedes-Benz Vans) | in kg/vehicle | 997 | ↘ | 1,057 | 932 |
| $CO_2$ emissions (total) per vehicle produced (Daimler Buses) | in kg/vehicle | 2,386 | ↘ | 2,549 | 2,246 |
| Solvents (VOC), total | in t | 6,907 | ↗ | 6,618 | 6,355 |
| Solvents (VOC) per vehicle produced (Mercedes-Benz Cars) | in kg/vehicle | 1.18 | ↗ | 1.09 | 1.09 |
| Solvents (VOC) per vehicle produced (Daimler Trucks) | in kg/vehicle | 7.88 | ↘ | 8.70 | 8.28 |
| Solvents (VOC) per vehicle produced (Mercedes-Benz Vans) | in kg/vehicle | 4.02 | ↗ | 3.87 | 3.75 |
| Solvents (VOC) per vehicle produced (Daimler Buses) | in kg/vehicle | 10.63 | ↗ | 9.49 | 8.56 |
| Waste (recovery rate) | in percent | 90 | ↘ | 93 | 93 |
| Water consumption (total) | in millions of m³ | 15,175 | ↘ | 15,335 | 14,834 |
| **Our employees** | | | | | |
| Number of employees (worldwide) | | 274,616 | ↘ | 275,087 | 271,370 |
| Number of trainees (worldwide) | | 8,630 | ↗ | 8,267 | 8,499 |
| Average age of the workforce (worldwide) | in years | 42.3 | ↗ | 41.9 | 41.9 |
| Personnel expenses (worldwide) | in billions of € | 18.8 | ↗ | 18.0 | 17.4 |
| Average days of training and advanced development (per employee/year, Daimler AG) | in days | 4.1 | ↗ | 4.0 | 3.8 |
| Costs for training and advanced professional development (Daimler AG) | in millions of € | 235.5 | ↘ | 241.0 | 231.4 |
| Proportion of women (Daimler AG) | in percent | 14.6 | ↗ | 14.4 | 13.9 |
| Proportion of women in Level 4 management positions (Daimler AG) | in percent | 14.6 | ↗ | 13.8 | 12.9 |
| Workforce turnover (worldwide) | in percent | 4.4 | ↘ | 4.9 | 4.2 |
| Proportion of part-time employees (Daimler AG) | in percent | 7.4 | ↗ | 7.1 | 6.9 |
| Accident frequency[2] | number of cases | 9.6 | ↘ | 13.6[3,4] | 14.4[3] |
| Sickness figures (Germany) | in percent | 5.6 | ↗ | 5.4 | 5.3 |
| Provisions for retirement benefits and healthcare[5] | in billions of € | 9.9 | ↘ | 11.3 | 7.9 |
| **Social commitment** | | | | | |
| Cost of foundations, donations, and sponsorships | in millions of € | 60.0 | ↗ | 58.0 | 59.0 |

[1] For the year 2012, the figures have been adjusted , primarily for effects aring from application of the amended version of IAS 19.
[2] Occupational accidents with at least one day of absence per million attendance hours for the production facilities of Daimler AG, EvoBus GmbH and Mercedes-Benz Ludwigsfelde GmbH in Germany
[3] Accident figures refer to industrial workers
[4] This figure was not shown correctly in the Sustainability Report 2012. We regret this error.
[5] For the years 2012 and 2011, the reported figures have been adjusted for effects arising from the application of the amended version of IAS 19.

Interactive key figures: Online 001

# Materiality analysis.

Sustainability management is a continuous improvement process that can be realized successfully only in cooperation with our stakeholders. The aim is to find out what expectations stakeholders have of us as a global automotive group and what demands we place on ourselves in order to be successful on a sustained basis. In this process we concentrate our sustainability management on fields of action that are significant for our stakeholders and for our company.

In the preparation of relevant sustainability issues and the conceptualization of this report we were guided by the principles of completeness, sustainability context, materiality and stakeholder inclusiveness, formulated in the Global Reporting Initiative (GRI). Significant fields of action are important for our stakeholders as well as for our company. For our determination of the cross-section of perspectives, which do not always coincide, and to enable us to set priorities, we utilize a multi-step materiality analysis.

**Identification and relevance.** In order to obtain an exact picture of the expectations of the various stakeholder groups we also evaluate reader surveys on this report, customer and employees surveys, specialist unit workshops, dialogs with individual stakeholder groups, and the results of our "Daimler Sustainability Dialogues." In addition, we also take into account the analyses of our "News and Issues Management" and our "Society and Technology Research Group."

The following applies to the fields of action identified in this manner:
- They affect our present and future business activities.
- We are in a position to influence them – directly or indirectly.

We subsequently assign these fields of action to the responsibility dimensions of our sustainability strategy.

**International open stakeholder survey.** In order to prioritize the fields of action, in 2013 we conducted a second open Stakeholder Survey, for which we again did not preselect the target groups with a view to considering as many legitimate stakeholder interests as possible. In the approximate one-month period from October 28 to December 2, 2013, interested persons could take part in the survey on our website daimler.com and name and evaluate topics that were important to them. After the end of the survey, more than 800 responses had been received. In our assessment of results, we gave special consideration to the great significance of our primary stakeholder groups (shareholders and investors, customers, suppliers, and employees) as well as to the expertise of non-government organizations. That is why these groups are taken into account with a higher weighing factor.

**The materiality analysis.** The results of the online survey were incorporated into our materiality analysis for 2013, where they are compared with the results of a survey and an extensive discussion with the members of our company's sustainability bodies and the Board of Management of Daimler AG, who set the order of priorities from the company's perspective. The chart on page 4 shows all evaluated fields of action – organized thematically in line with the responsibility dimensions of our sustainability strategy and sorted in a decreasing order of stakeholder priorities. Their positioning indicates the major focal areas of our sustainability efforts. The importance of the majority of action fields for our stakeholders and for our company is high or very high. For greater transparency, we have reworked and have presented in table form the numerical assessments of the action fields and added the links to the contents of this Sustainability Report.

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**Continuous improvement process.** Using the established methodology for surveying key sustainability topics of material importance on the basis of an open survey, we have also modified our performance management and the related reporting: High-priority topics are now given greater attention within the scope of the sustainability program, this report, and our daily work. The specialist units are also examining the survey results in detail to this end. Through the specific interactive methodology of our materiality analysis we address the great importance assigned to materiality considerations in the new G4 Reporting Framework, according to which we are reporting for the first time this year. Since the materiality analysis is carried out and updated at regular intervals, we are also working on the conti-n-uous improvement and refinement of the surveying and assessment methodology, which was presented for discussion at our last "Daimler Sustainability Dialogue" and was refined jointly with the participating sustainability experts.

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MATERIALITY MATTERS
Global Reporting Initiative™
AT THE TIME OF PUBLICATION THE G4-17 TO G4-27 DISCLOSURES WERE CORRECTLY LOCATED IN THIS G4 CONTENT INDEX AND FINAL REPORT.
2014

GRI Materiality Matters indicators

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## 02

### Materiality analysis 2013

| Significant action fields for sustainability management | Evaluation 2013 (2012) in percent (very high 100% / high 75% / medium 50%) Stakeholders* | Company** | Page |
|---|---|---|---|
| **Product responsibility** | | | |
| Customer satisfaction | 87 (91) | 100 (100) | 57 |
| Innovative vehicle and powertrain technologies | 86 (91) | 92 (88) | 20 f., 32 f., 42 |
| Vehicle safety | 86 (86) | 92 (92) | 22 ff., 32 f., 42 |
| Fuel consumption and $CO_2$ emissions | 85 (92) | 98 (92) | 20 f., 32 f., 43 ff. |
| Conservation of resources (product) | 84 (84) | 83 (80) | 45 |
| Pollutant emissions (product) | 82 (84) | 86 (78) | 44 |
| Environmental product development | 82 (82) | 81 (81) | 40 |
| Mobility concepts and services | 75 (74) | 79 (75) | 26 f., 46 |
| Noise emissions (product) | 72 (84) | 80 (78) | 32 f., 45 |
| **Production responsibility** | | | |
| Energy efficiency and $CO_2$-free production | 83 (86) | 83 (83) | 20 f., 47 ff. |
| Water protection | 82 (85) | 81 (75) | 50 |
| Disposal and resource management | 82 (87) | 80 (80) | 49 |
| Air purification (production) | 80 (84) | 75 (78) | 49 |
| Conservation of nature, soil, biodiversity | 79 (76) | 75 (64) | 50 |
| Logistics and employee transportation | 75 (76) | 75 (75) | 50 |
| **Employee responsibility** | | | |
| Employer attractiveness | 88 (84) | 93 (93) | 51 |
| Training and continuing education | 84 (87) | 92 (92) | 53, 54 |
| Occupational health and safety | 83 (85) | 88 (88) | 54 |
| Generation management | 79 (77) | 81 (81) | 53, 66 |
| Co-determination | 78 (76) | 80 (80) | 51 |
| Diversity management | 70 (69) | 82 (73) | 53, 66 |
| **Ethical responsibility** | | | |
| Human rights | 90 (90) | 92 (88) | 14, 16 f., 55 f. |
| Data protection | 87 (–) | 92 (–) | 18, online 002 |
| Compliance | 86 (87) | 92 (92) | 17 f., 37, 55 f., 67, 71 |
| Integrity | 82 (87) | 96 (92) | 13 ff., 16, 30 f., 67, 71 |
| **Management responsibility** | | | |
| Sustainability strategy and organization | 84 (88) | 84 (84) | 3, 13-18 |
| Transparency in the reporting | 78 (77) | 83 (78) | 14, 25, 52, 58, 71 |
| Inclusion of our stakeholders | 73 (76) | 80 (77) | 3, 14 f., 30–33, 51–60 |
| Involvement in the political process | 70 (71) | 75 (80) | 32 f. |
| **Responsible business partners** | | | |
| Business partner integrity management | 85 (85) | 85 (88) | 17, 55 f. |
| Compliance with standards in the supply chain | 84 (87) | 85 (85) | 55 f. |
| **Social responsibility** | | | |
| Support of social sustainability initiatives | 74 (71) | 73 (73) | 13, 14, 58 f., 70 f. |
| Regional commitment at our locations | 68 (76) | 83 (83) | 15, 59 |
| Cross-regional commitment for social issues | 68 (60) | 70 (64) | 14 f., 32 f., 58 f. |
| Support of voluntary employee commitment | 67 (62) | 70 (61) | 59 |
| Commitment through own foundation efforts | 65 (64) | 66 (61) | 58 |
| Company-initiated projects | 57 (60) | 64 (64) | 58 f. |

*The evaluation of issues of particular relevance for the stakeholder dimension reflects the results of the open stakeholder survey.
**The evaluation of sustainability topics of particular relevance for the company dimension reflects the evaluation by Daimler (Board of Management, Sustainability Board, Sustainability Office).

# Editorial.



**Dr. Dieter Zetsche**
Chairman of the Board of Management of Daimler AG, Head of Mercedes-Benz Cars

**Dr. Christine Hohmann-Dennhardt**
Member of the Board of Management of Daimler AG, Integrity and Legal Affairs, Co-Chairman of the Daimler Sustainability Board

**Prof. Dr. Thomas Weber**
Member of the Board of Management of Daimler AG, Group Research & Mercedes-Benz Cars Development, Co-Chairman of the Daimler Sustainability Board

## Dear readers,

There is a saying: “If everybody takes care of themselves, then everybody will be taken care of.” This sounds logical at first – but does everybody really benefit if we only think of ourselves? Does self-interest come before the common good? And do we want to live in an “elbow culture”? The questions are as rhetorical as they sound – and the answer is clearly a three-time: No.

After all, we do not live in a vacuum. On the contrary: Almost everything we do affects others and we almost always depend on the support of others. Therefore, our conviction is that only those who deliberate on and consider the effects their actions have on the environment and society will be successful in the long term. On the other hand, we as a company can do very little for the environment or society if we are not competitive in business. In essence, then, we must bring our economical, ecological and social goals in harmony. In doing so, we are guided by the ten principles of the UN Global Compact, as they relate to human rights, labor standards, environmental protection and the fight against corruption. In addition, these principles provide important impulses for us: Whether through our stakeholder surveys, our “Daimler Sustainability Dialogues” or through other channels – we thank you for it!

We are counting on your suggestions and feedback in the future as well. And we cordially invite you to acquaint yourself with our progress: How are we doing with respect to the reduction of $CO_2$ emissions – in our products and in production? What new mobility concepts do we have for the urban areas? When will our vehicles be driving autonomously on the road? What are we doing to come even closer to the “heartbeat” of the customer? And, how do we plan to anchor a corporate culture based on trust and responsibility?

One idea, which runs like a red thread through the answers to all these questions, is that our responsibility does not end at the doors of our offices or the gates of our plants. Because we can only “take care of everybody” if we think of our customers, employees, shareholders, and business partners, as well as our environment and society as a whole!

Best regards

**Dr. Dieter Zetsche** **Dr. Christine Hohmann-Dennhardt** **Prof. Dr. Thomas Weber**

# Contents.



Additional information, key figures, and all PDF files can be downloaded from our interactive online report:

**http://sustainbility.daimler.com**

Note on online information: Topics about which you can find more information online are indicated directly in the text. Simply enter the three-digit number you see (e.g. 207) into the search field in the interactive report in order to go to the content you're interested in.

# Facts and figures.



**Guidance system**

- Reference to online information
- Reference to a page within this report
- Reference to a page of the Daimler Annual Report 2013
- GRI Materiality Matters indicators

# Our view on sustainability.

»As the inventor of the automobile we believe that we have a responsibility to shape the future of mobility. This essentially means creating a balance between economy, ecology and social responsibility on a long-term basis. To succeed in this we must do one thing above all else: We must make sustainability sustainable!«

## Dr. Dieter Zetsche

Chairman of the Board of Management of Daimler AG,
Head of Mercedes-Benz Cars

»Where sustainability is concerned, we pull together with our commercial vehicle customers. Because low fuel consumption for our trucks and buses is not only good for the environment, it also automatically improves efficiency for the operators. In a word: We all benefit from sustainable use of resources.«

## Dr. Wolfgang Bernhard

Member of the Board of Management of Daimler AG,
Daimler Trucks & Buses

»In 2013 our compliance monitor confirmed the gold standard for us in matters of integrity and compliance. Our goal is to further build on this – because only sustainable business that respects the law and complies with ethical standards ensures long-term and stable profits.«

## Dr. Christine Hohmann-Dennhardt

Member of the Board of Management of Daimler AG,
Integrity and Legal Affairs,
Co-Chairman of the Daimler Sustainability Board

»Our success as a car manufacturer depends on the qualifications and the motivation of our employees and the wealth of ideas they generate. We contribute to sustainable value creation with our Group-wide personnel policy, which creates the prerequisites for cooperation based on fairness and trust.«

## Wilfried Porth

Member of the Board of Management of Daimler AG,
Human Resources and Director of Labor Relations & Mercedes-Benz Vans


»We have introduced numerous measures to ensure that our close relationships in and to China are sustainable and responsible. Because a clear commitment to China means extensive and long-term engagement – this is the only way to achieve success in this market that is so important for our company.«

## Hubertus Troska

Member of the Board of Management of Daimler AG,
Greater China

»Sustainability necessitates healthy, long-term and responsible financial planning, which creates trust in our company and ensures that investments can be made in the future. Customers, shareholders, investors and employees alike benefit from this.«

## Bodo Uebber

Member of the Board of Management of Daimler AG,
Finance & Controlling/Daimler Financial Services


»On the path to zero-emission and accident-free motoring our vehicles now lead in terms of environmental compatibility and efficiency. And our customers are delighted by our innovative safety technologies – that even extend to autonomous driving. This is what sustainable automobility means to us.«

## Prof. Dr. Thomas Weber

Member of the Board of Management of Daimler AG,
Group Research & Mercedes-Benz Cars Development,
Co-Chairman of the Daimler Sustainability Board

# The Group – general conditions.

Daimler AG is the parent company of the Daimler Group and is domiciled in Stuttgart (Mercedesstraße 137, 70327 Stuttgart, Germany). The main business of Daimler AG is the development, production and distribution of cars, trucks and vans in Germany and the management of the Daimler Group. In addition to the Daimler AG the Daimler Group incorporates all affiliated companies worldwide on which Daimler executes direct or indirect influence. The product portfolio is completed with a range of tailored financial services and mobility services.

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With its strong brands, Daimler is active in nearly all the countries of the world. The Group has production facilities in a total of 19 countries and approximately 8,000 sales centers worldwide. The global networking of research and development activities and of production and sales locations gives Daimler considerable advantages in international competition, additional growth opportunities and further potential to enhance efficiency. In addition, we can apply our innovative drive and safety technologies in a broad portfolio of vehicles while utilizing experience and expertise from all parts of the Group.

In the year 2013, Daimler increased its revenue by 3 percent to €118.0 billion. The individual divisions contributed to this total as follows: Mercedes-Benz Cars 52 percent, Daimler Trucks 25 percent, Mercedes-Benz Vans 8 percent, Daimler Buses 3 percent, and Daimler Financial Services 12 percent. At the end of 2013, Daimler employed a total workforce of approximately 275,000 people worldwide.

The products supplied by the **Mercedes-Benz Cars** division comprise a broad spectrum of premium vehicles of the Mercedes-Benz brand. Additional products are the high-quality small cars and innovative e-bikes of the smart brand. The main country of manufacture is Germany, but the division also has production facilities in the United States, China, France, Hungary, South Africa, India, Vietnam, and Indonesia, and since August 2013 the A-Class has also been produced for us by Valvet Automotive in Finland. Worldwide, Mercedes-Benz Cars has 17 production sites at present. In the medium term, we anticipate significant growth in worldwide demand for automobiles and above-average growth in the premium car segment. To ensure that we can participate in this development, we are creating additional production capacities, especially in China, the United States, and India. In 2013, we also decided to expand our global production network with a new plant in Brazil. We plan to produce the next generation of the C-Class as well as the GLA compact SUV there for the local market starting in 2016. The most important markets for Mercedes-Benz Cars in 2013 were Germany with 18 percent of unit sales, the other markets of Western Europe (23 percent), the United States (20 percent), and China (15 percent).

As the biggest globally active manufacturer of trucks above 6 metric tons gross vehicle weight, **Daimler Trucks** develops and produces vehicles in a global network under the brands Mercedes-Benz, Freightliner, Western Star, FUSO, and BharatBenz. The division's 27 production facilities are in the NAFTA region (14, thereof 11 in the United States and 3 in Mexico), Europe (7), Asia (3), South America (2), and Africa (1). In our new truck plant in Chennai, India, trucks of the new BharatBenz brand have been rolling off the production lines since June 2012. In China, Beijing Foton Daimler Automotive Co., Ltd. (BFDA), a joint venture with our Chinese partner Beiqi Foton Motor Co., Ltd., has been producing trucks under the Auman brand since July 2012. Daimler Trucks' product range includes light-, medium-, and heavy-duty trucks for local and long-distance deliveries and construction sites, as well as special vehicles for municipal applications. Due to close links in terms of production technology, the division's product range also includes the buses of the Thomas Built Buses and FUSO brands. Daimler Trucks' most important sales markets in 2013 were Asia with 34 percent of unit sales, the NAFTA region (28 percent), Western Europe (14 percent), and Latin America excluding Mexico (12 percent).

Daimler Trucks' area of responsibility also includes our investment in Tognum (since January 9, 2014, Rolls-Royce Power Systems AG), a globally leading supplier of complete systems in the field of industrial engines. This company is controlled by Rolls-Royce Power Systems Holding GmbH, in which Daimler and Rolls-Royce Holdings plc each hold a 50 percent interest.

The product range of the **Mercedes-Benz Vans** division in the segment of medium-sized and large vans comprises the Sprinter, Vito, and Viano series. In 2012, we expanded our portfolio with the addition of a city van, the Mercedes Benz Citan, making us a full-range supplier in the vans business. The division has production facilities at a total of seven locations: in Germany, Spain, the United States, Argentina, China in the context of the joint venture Fujian Benz Automotive Co., Ltd, and France in the context of the strategic alliance with Renault-Nissan; since the second half of 2013, the Mercedes-Benz Sprinter has been produced under license also by our partner GAZ in Russia. The most important markets for vans are in Western Europe, which accounts for 63 percent of unit sales.

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## 03
### Daimler group structure 2013

| | Mercedes-Benz Cars | Daimler Trucks | Mercedes-Benz Vans | Daimler Buses | Daimler Financial Services |
|---|---|---|---|---|---|
| Revenue | €64.3 billion | €31.5 billion | €9.4 billion | €4.1 billion | €14.5 billion |
| Employees | 96,895 | 79,020 | 14,838 | 16,603 | 8,107 |
| Brands | Mercedes-Benz, smart | Mercedes-Benz, Freightliner, FUSO, Western Star, Thomas Built Buses, BharatBenz | Mercedes-Benz, Freightliner | Mercedes-Benz, Setra | Mercedes-Benz Bank, Mercedes-Benz Financial, Daimler Truck Financial |

The **Daimler Buses** division with its brands Mercedes-Benz and Setra continues to be the world's leading manufacturer in its core markets in the segment of buses above 8 tons. The product range supplied by Daimler Buses comprises city and intercity buses, coaches, and bus chassis. The most important of the 13 production sites are in Germany, France, Spain, Turkey, Argentina, Brazil, and Mexico. In 2013, 49 percent of Daimler Buses' revenue was generated in Western Europe and 26 percent in Latin America (excluding Mexico). While we mainly sell complete buses in Europe, our business in Latin America, Mexico, Africa, and Asia is focused on the production and distribution of bus chassis.

The **Daimler Financial Services** division supports the sales of the Daimler Group's automotive brands in 40 countries. Its product portfolio primarily comprises tailored financing and leasing packages for customers and dealers, but it also provides services such as insurance, fleet management, investment products, and credit cards, as well as various mobility services such as the flexible car2go concept. The main areas of the division's activities are in Western Europe and North America, and increasingly also in Asia. In 2013, more than 40 percent of the vehicles sold by the Daimler Group were financed or leased by Daimler Financial Services. Its contract volume of €83.5 billion covers nearly 3.1 million vehicles. Daimler Financial Services also holds a 45 percent interest in the Toll Collect consortium, which operates an electronic road-charging system for trucks above 12 metric tons on highways in Germany.

Daimler still held a 7.4 percent equity interest in the European Aeronautic Defence and Space Company (EADS), a leading company in the aerospace and defense industries, at the end of 2012. Those shares were sold on April 17, 2013.

Through a broad network of holdings, joint ventures, and cooperations, Daimler is active in the global automotive industry and related sectors

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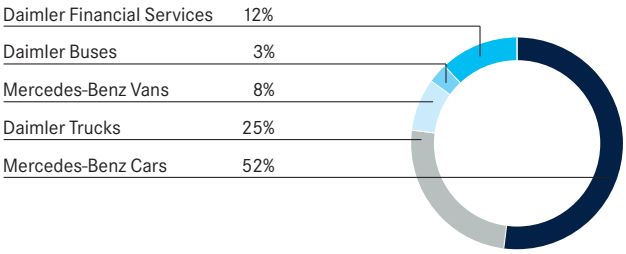
**Statement of investments of Daimler AG in accordance with Section 313 of the German Commercial Code (HGB) can be found in the Notes to the Consolidated Financial Statements AR 2013, Note 39: pp. 264 ff.**

## 04

**Consolidated revenue by division**




## Portfolio changes and strategic cooperations.

**Establishment of Daimler Mobility Services (since April 2014 moovel GmbH).** Daimler Financial Services is pursuing the goal of signifi cantly expanding its business with mobility services. For this purpose, in January 2013, Daimler Financial Services brought together all of its activities in the fi eld of innovative mobility services such as car2go and moovel in a new company, Daimler Mobility Services GmbH with headquarters in Ulm. In order to further strengthen this business, Daimler acquired equity interests in various companies during the course of the year. Those companies include the long-distance bus operator Flixbus and the chauffeur-service portal Blacklane GmbH.

**Agreement on the commercialization of fuel cells.** "Automotive Fuel Cell Cooperation" (AFCC) was already founded as a joint venture by Daimler (50.1 percent), Ford (30 percent), and Ballard (19.9 percent) in 2008. In January 2013, Daimler AG, Ford Motor Company, and our strategic cooperation partner Nissan Motor Co., Ltd. reached an agreement to continue with the commercialization of fuel cells. The aim of this venture is to jointly develop a fuel-cell system and thus to reduce development costs. All three partners will make equal investments in the project.

**Daimler sells remaining equity interest in EADS.** On March 27, 2013, the extraordinary shareholders' meeting of EADS approved a new management and shareholder structure. With the dissolution of the previous shareholders' pact, Daimler lost its signifi cant infl uence on EADS. On April 17, 2013, Daimler disposed of its remaining EADS shares constituting a stake of approximately 7.4 percent.

**Establishment of Daimler Trucks and Buses China Ltd. (DTBC).** DTBC was established as a legally separate company for the Group's business with trucks and buses in China in April 2013; it is the ideal framework to further develop the existing truck business and to continually expand the product portfolio in China – in the area of buses for example. With the new company, Daimler is consistently continuing the structural reorganization of its China business.

**Progress with the cooperation between Daimler and Renault-Nissan.** The cooperation between Daimler and Renault-Nissan developed very positively in 2013. The partnership, which started in April 2010 with three projects, has meanwhile grown to ten major projects and now also includes initiatives in North America and Asia.

Additional information: AR 2013 p. 78

**Daimler AG acquires 12 percent stake in BAIC Motor.** In November 2013, we acquired a 12 percent equity interest in our longstanding partner BAIC Motor, thus taking an important step within the framework of our China strategy. This makes Daimler the first non-Chinese automobile manufacturer to acquire a stake in a Chinese carmaker.

Additional information: AR 2013 p. 78

## Daimler strengthens customer focus.

In order to implement the growth strategies in all divisions and to sharpen the focus on customers and markets, the Board of Management of Daimler AG decided in September 2013 to strengthen the organization of the divisions. Responsibility for the main sales functions and the important sales markets has been directly anchored in each division.

Customers: p. 57

# Sustainability management and integrity.

We continuously strive to improve our sustainability performance and further develop our strategy, defining it more precisely. To this end we have established a Group-wide organization which combines unit-specific sustainability activities and ensures systematic consideration of stakeholders' requirements. In our sustainability management, we place a special focus on the lasting and effective establishment of a culture of integrity.

We have established sustainability as a basic principle of our corporate strategy. This strategy is based on four fundamental values, which include integrity along with passion, discipline, and respect. We therefore expect all our company employees to display integrity in their conduct. We have clearly formulated our standards of ethical conduct in our Integrity Code.

The ideas that are of fundamental importance to us include the ten principles of the UN Global Compact, to which we have a special commitment as one of the compact's founding members and a member of the LEAD group since 2011. Our internal standards and guidelines are based on this international frame of reference and other international principles. In our operational work we stress topics which we have identified as particularly relevant in our materiality analysis and therefore have embodied them in our sustainability strategy.

Business model: p. 11 ff.
Materiality analysis: p. 3 f.

**Focusing on opportunities and risks.** As a globally operating automaker we face special sustainability-related challenges which are associated with certain opportunities and risks:

- We are committed to upholding legal and ethical standards and ensure that these standards are also met worldwide by our business partners and suppliers.
- On the road to achieving sustainable mobility, we demonstrate our innovative prowess in the areas of safety and environmental protection.
- Our operations impact the environment, and this is especially the case in vehicle production. To keep the impact as low as possible, we therefore use a consistent system of environmental management.
- As an employer, we bear responsibility for ensuring fair and attractive working conditions for almost 275,000 employees worldwide.
- As a good corporate citizen we want to contribute to the common good in ways that go beyond our business operations and to ensure effective implementation.

We have therefore defined our sustainability strategy according to six areas of activity ("dimensions of responsibility"), defining goals for each of these dimensions. All targets taken together constitute our medium and long-term Sustainability Program 2020, on the basis of which we and our external partners can measure our performance. One of the main tasks of the interdisciplinary management is to control the sustainability program derived from the strategy on a consistent basis and to verifiably implement the program targets. The ongoing dialog with our stakeholders is of great importance for the continuation and possible modification of our sustainability strategy.

Overview: "The dimensions of our sustainability strategy": Online 101
In-depth Risk Report: AR 2013, pp. 129 ff.
More information about the Stakeholder Dialog: p. 14 f.

## Group-wide sustainability management.

The contents and organization of sustainability are incorporated in our Group-wide Corporate Governance system.

**Governance structures.** As a joint stock company incorporated under German law, the Daimler Group has a split leadership structure consisting of the Board of Management and the Supervisory Board. As intended by the German Corporate Governance Code, the two bodies work together very closely to promote the welfare of the company.

The aspiration to sustainable corporate governance is firmly anchored at Daimler – among other things through the integration of sustainability as a strategic element in the Daimler target pyramid ("Operational Excellence and Sustainability") and the target agreements of the individual Daimler Board of Management members, which have been supplemented by new non-financial indicators of integrity and the UN Global Compact in each year since 2011.

Daimler target system: Online 102

In our appointments of our management bodies we make allowance for the different aspects of diversity (such as the percentage of women, and internationality). This applies both to the Board of Management and the Supervisory Board. We have achieved the goals we set ourselves in 2013: On the shareholder's side of the Supervisory Board alone, women held 30 percent of the seats in 2013 and more than a third of the shareholder representatives come from foreign countries.

Remuneration Report: AR 2013, pp. 119 ff.
More about the composition of the Board of Management and Supervisory Board and the avoidance of conflicts of interest in the Corporate Governance Report: AR 2013, pp. 178 ff.
Report of the Supervisory Board: AR 2013, pp. 14 ff.

## 05

**Basic principles and guidelines for our sustainability management**

| Binding frame of reference: international and national principles | | | |
|---|---|---|---|
| UN Global Compact and UN Global Compact LEAD Group | Universal Declaration of Human Rights | Core Labor Standards of the International Labour Organization (ILO) | OECD Guidelines for Multinational Enterprises |
| Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy | UN Guiding Principles on Business and Human Rights | German Corporate Governance Code | Code of Responsible Conduct for Business (Germany) |

↓ ↓ ↓ ↓

| The most important principles and guidelines of Daimler AG | |
|---|---|
| Integrity Code | The Integrity Code defines the basic principles for daily conduct at the company and addresses the following issues: preservation of human rights, compliance with the laws, prevention of corruption and conflicts of interest, protection of Group assets, and observance of social responsibility. Supplemented by: Group policies and recommendations. |
| Principles of Social Responsibility (part of the Integrity Code) | UN Global Compact-based commitment to human rights and employees' rights – e.g. the right to organize and the right to work under satisfactory conditions. Signed by the Board of Management and the World Employee Committee in 2002; updated in 2012. |
| Environmental and Energy Guidelines | Framework guidance on environment- and energy-related issues, for all employees, as well as a framework for the definition of environment- and energy-related goals; updated in 2013. |
| Supplier Sustainability Standards | Social, environmental, and business ethics standards which are a binding element in supplier contracts. |

**The House of Policies brings together all regulations and makes them accessible via a central employee portal.**

Full texts of all principles and guidelines: Online 103

Our corporate sustainability management body is the Sustainability Board (CSB), headed by Prof. Dr. Thomas Weber (Board of Management member for Group Research & Mercedes-Benz Cars Development) and Dr. Christine Hohmann-Dennhardt, Board of Management member for Integrity and Legal Affairs. The CSB activities are managed by Prof. Dr. Herbert Kohler (Vice President Group Research and Sustainability, Chief Environmental Officer). The operational work is carried out by the Corporate Sustainability Office, together with representatives of the respective units.

Since 2011, we have used our Sustainability Scorecard as a guiding instrument in our efforts to reach the key sustainability targets. The scorecard uses a color-coded performance system to display successes in terms of quantitative indicators and qualitative objectives, or to indicate further action requirements. This allows effective measures to be taken with the direct involvement of corporate management.

Sustainability Governance Structure: Online 104

## 06

**Sustainability Ratings**

In 2013, independent rating agencies and research institutes once again evaluated and critically appraised our sustainability performance. In view of the varying quality and relevance of the large number of existing ratings and rankings, at the end of the 2012 the Sustainability Board (CSB) decided that Daimler will actively take part only in those ratings and rankings whose assessment methodology, quality, and transparency can be expected to result in a **meaningful analysis**. Since these conditions were not met in the Robeco-SAM survey, we did not participate in their assessment.

In view of the above criteria, we particularly would like to point out Daimler's performance in the ratings of **OEKOM Research** for 2012/2013. Daimler was again rated as **"Prime Investment,"** receiving a very good (for the automotive industry) overall rating of B- (on a scale of A+ to D-). Daimler also scored impressively in the **Carbon Disclosure Project** (CDP) rankings. We received the highest rating in the categories of reporting transparency and performance.

Daimler will continue to intensify its sustainability activities in order to improve our position in the relevant ratings and rankings.

## Stakeholder dialog.

Our business activities affect the interests of many people in various countries and regions. We therefore seek dialog with all stakeholders in order to exchange experiences and address controversial topics without preconditions. Thus, stakeholder dialog is a key element of the cross-unit management responsibilities in our sustainability strategy.

**Organization and responsibility.** In order to cultivate relations with our stakeholders we have defined clear areas of responsibility, communication channels, and topic-specific or case-specific forms of dialog. In addition to the institutionalized dialog management carried out by Investor Relations, the Procurement organization or Corporate Communications, the Sustainability Board and Office coordinate the social dialog and the central events for topic-specific dialogs.

G4-24 G4-25

**Targeted selection of stakeholders**. Our stakeholders are all the people and organizations toward whom our company has legal, financial, organizational, or ethical responsibilities. The criterion for identifying and evaluating our stakeholders is the extent to which a specific person or group is affected by our company's decisions or can influence such decisions. Our most important stakeholders are our employees, customers, shareholders, investors, and suppliers. However, civil groups such as non-governmental organizations also have legitimate interests, and in many cases special expertise, which we include in a structured way, as best possible. The same is true of analysts, associations, labor unions, media organizations, scientific institutes, government agencies, municipalities, and local residents and neighbors.

G4-26

**Forms of dialog.** We use a number of different techniques to get our stakeholders involved in a dialog, including online and print media, surveys, talks with experts, workshops, local dialog sessions, and regional dialog events. Moreover, we participate in a variety of associations, organizations, and sustainability initiatives. Of particular importance for us is the "Daimler Sustainability Dialogue," which has been held in Stuttgart every year since 2008. This event brings together the various stakeholders with board members and representatives of our company's management. We now also organize "Daimler Sustainability Dialogues" at other locations in line with our goal of promoting the establishment of, and compliance with, sustainability standards worldwide. To date, such "Sustainability Dialogues" have taken place in China and the U.S. In the year under review we organized a first dialog event in Japan. CSB has decided to work towards further internationalization of the "Daimler Sustainability Dialogues".

G4-26 G4-27

We want to reach as many stakeholder groups as possible with our dialog formats. In 2013, we therefore conducted a second open, international stakeholder survey, in which a total of about 800 people and organizations took part. The survey was not restricted to certain groups: every interested party was invited to assess the materiality of sustainability-related fields of action for our company. The results are reflected in our materiality analysis and are taken into account in our sustainability management system.

G4-26 G4-27

An overview of our various forms of dialog: Online 105
Membership and participation in initiatives: Online 106
Materiality analysis: p. 3 f.

**Effects on our sustainability program.** At the "Daimler Sustainability Dialogues" we focus on topics that are especially relevant to us and our stakeholders. We strive to turn any agreements reached at our dialog events into specific targets and measures which are then advanced in cooperation with the stakeholders during the year.

More about the "Daimler Sustainability Dialogues" and their results: Online 107

G4-26 G4-27

**Political dialog and interest representation.** Our principles for political dialog and lobbying set standards for responsible and ethical lobbying. These principles include remaining neutral with regard to political parties and interest groups.

Sustainability-related social renewal processes are often associated with far-reaching political decisions that have an impact on our company's long-term strategic focus. To help us make our planning more secure and enable us to contribute our ideas to these change processes, we speak with political decision-makers about topics such as $CO_2$ regulations, vehicle safety, new mobility concepts, electromobility, or lightweight design. Other focal topics include location-specific issues and education policy. We summarize our company's positions on relevant issues from the fields of environment, energy, transportation, and economy in an annual brochure on the occasion of the international motor shows in Germany, alternating the focus between passenger car and commercial vehicle topics. Since 2013 we have made this brochure available to a broader audience. Our positions are generally in accord with our declared principles, sustainability goals, and public statements. Given the fact that goals can be conflicting between sustainability dimensions, different nuances are possible.

Company Positions brochure: Online 108

The External Affairs department is the coordination center for political dialog. The department has offices in Berlin, Brussels, Beijing, Stuttgart, and Washington, and also coordinates the activities of more than 30 other corporate representations in key markets. In addition, a Group-wide "Lobbyists Register" ensures that political lobbying is carried out in accordance with the applicable regulations and ethical standards. Registration also serves to meet the existing registration requirements of public institutions.

## Risik management.

With regard to principles and initiatives such as the UN Global Compact, we take a precautionary approach to prevent risks. For us, active risk management means identifying risks at an early stage, assessing their significance, and addressing them consistently. To make this possible, we have set up steering and control systems that have been consolidated into a standardized Group-wide risk management system, which also helps us comply with legal regulations. We consider the main risk categories to be industry and business risks, company-specific risks, financial risks, risks from guarantees and legal

**Organization and responsibility.** Our Group Risk Management Committee (GRMC) coordinates the various risk management initiatives, examines whether the implemented processes are effective and work properly, and initiates any required adjustments. The GRMC has also established an information platform that provides our employees with information and promotes the sharing of ideas. Certain officers in the relevant legal entities and corporate functions are tasked with developing and monitoring measures to prevent and reduce risks. Such measures include our compliance risk assessment, the monitoring of our business partners' integrity, environmental risk analyses at our production facilities, and the incorporation of consumer protection issues in our quality management system. The systematic integration of environmental protection aspects into the entire life cycle of our vehicles also helps us hedge against risks. In the context of sustainability, further risks are analyzed, for example in relation to data protection and human rights.

Detailed Risk Report: AR 2013, pp. 129 ff.
Managing local impact: Online 109
Test Center: Investment in the Future of Mobility: pp. 32 f.

## A culture of integrity.

Integrity is one of the four corporate values which form the foundation for our business activities. We are convinced that doing business ethically brings us sustained success, and is also good for society as a whole. As a group of companies with global operations, we accept responsibility and want to be a pioneer in terms of ethical business conduct. We endeavor to firmly anchor integrity into our corporate culture. The further development and permanent establishment of integrity is therefore also a component of the target agreements for Board of Management remuneration.

**Dialog, communication, and training.** Daimler promotes integrity through a variety of measures. They include the Group-wide Integrity Dialog, which has been in progress since 2011 and was continued in 2013. The Integrity Dialog is aimed at the entire workforce and is managed by a workgroup made up of members from various Board of Management areas. The regular exchange of opinions on questions of integrity is to become an integral component of our everyday working life. This objective is supported by offers specific to various units and target groups as well as by extensive accompanying communication – for example through a dedicated Intranet section on the subject.

Our "Integrity Code," which took effect in November 2012, reflects the results of this dialog. The principles of behavior and guidelines for everyday conduct set out in the Integrity Code are therefore based on a shared understanding of values. The Code is valid throughout the Group and is available in 22 languages. In addition, an intranet guide has been prepared for the application of the Code in everyday situations, providing answers to the most frequently asked questions. Furthermore, a team of experts is available to answer questions on all aspects of the Code.

The Integrity Code also forms the basis for the range of training courses we offer on integrity and compliance. In 2013, we revised our training approach in order to intermesh the two areas more closely with each other. Depending on the risk and target group, we use face-to-face training and web-based training. In this way, we intend to anchor correct behaviour in conformance with rules and regulations at the Group over the long term.

In 2013, we developed a new course of web-based training that clearly communicates our principles of behavior and our shared understanding of values. The training course includes chapters on the prevention of corruption, on our BPO whistleblower system, and – in addition for managers – a module on antitrust law. The course is obligatory and is addressed at approximately 112,000 employees with e-mail access worldwide.

Our training programs: Online 110

From 2011 until 2013, we increased the awareness of our employees worldwide to integrity and compliance with our "fair-play" campaign – with posters and leaflets in 19 languages and in more than 40 countries.

Daimler's most important principles and guidelines: p. 14

**Managers as role models.** Our Integrity Code defines the expectations that Daimler has of its managers. Due to their role of setting an example, they have a special responsibility for the culture of integrity at Daimler. For this reason, we placed a focus on offers for this target group in 2013. That includes modules for integrity and compliance in all seminars for promoted managers. Our Top Management Meeting in 2013 also focused on the topic of leadership responsibility. In addition, integrity and compliance are important criteria in the annual target agreements and in assessing the target achievement of our managers.

**External perspective through the Advisory Board.** The "Advisory Board for Integrity and Corporate Responsibility" that we established in September 2012 with external experts from various fields accompanies the integrity process at Daimler with a constructively critical approach. The Board met three times in 2013 to exchange information and opinions on current topics with representatives of the Company.

The Integrity Advisory Board: A Critical View from Outside: pp. 30 f.

## Human rights.

We assign a very high priority to recognizing and protecting human rights. We have positioned the responsibility for human rights issues, codified in the UN Guiding Principles on Business and Human Rights, in the Integrity and Legal Affairs function of the Group's Board of Management. Moreover, we have incorporated this responsibility in the Integrity Code, the Supplier Sustainability Standards, and in suppliers' contracts as a central requirement for all employees and business partners.

Supplier Sustainability Standards: p. 55

**Differentiated approach to human rights.** For us as an automaker, the emphasis is on employee rights, fair working conditions, and the rejection of every form of discrimination, forced labor, and child labor. To identify and avoid potential human rights risks, we pursue differentiated approaches for our own production facilities, in sales (mainly in case-by-case reviews), in dealings with direct suppliers (Tier 1) as well as with other business partners and downstream suppliers (indirect influence).

**Creation of a risk management structure for human rights.** At several production facilities our operational approach includes a risk evaluation system for a due diligence process on human rights. Among other things, we use the Huamn Rights Compliance Assessment (HRCA)-Tool from the Danish Institute for Human Rights to identify possible country-specific risk factors for the observance of human rights. We conducted this assess-

ment in Germany, Mexico, and Egypt in 2012. Japan, France, Hungary, South Africa, Brazil, India, Spain, and the U.S. followed in the current reporting year. At the same time, we closed information gaps and strengthened preventive measures. We intend to carry out this assessment in all of the 19 countries in which we have majority-owned production facilities by the end of 2015. After that we will also include our minority shareholdings in this process. We also encourage our business partners to conduct a similar analysis.

Human rights are an integral component of the Supplier Sustainability Standards and the contractual terms of direct Daimler suppliers. With a view to additionally addressing the issue of human rights in the highly complex supply chain, on which we have only an indirect influence, we employ appropriate communication and training measures. We examine the observance of the sustainability standards by our suppliers in a multistage process based on a risk analysis which we conduct according to country and merchandise group.

Suppliers: p. 55 f.

**Training programs.** Human rights issues are part of the curriculum of the training programs for our employees as well as special groups of persons (such as internal and external security personnel).

**Investigating suspected violations.** To deal with cases of suspected human rights violations, we have a system for investigating tips from internal and external whistleblowers, the whistleblower system BPO. For our suppliers, who are obligated by the Daimler procurement standards to respect human rights, there is also an established complaint management process that is handled by the Global Employee Council. In the year under review, there were no suspected violations of the ban on child labor and forced labor, of the right to collective bargaining, or of the right to free association at Daimler. No aborigines are affected by our company's production operations.

Whistleblower system BPO: p. 17

## Compliance.

Compliance is an essential element of integrity culture at Daimler. For us, it is only natural that we adhere to all relevant legislation, voluntary commitments, and internal rules, and that we act in accordance with ethical principles. We place the utmost priority on complying with all applicable anti-corruption regulations and on maintaining and promoting fair competition. We have set this out in binding form in our Integrity Code, and we intend to permanently establish integrity and compliance as fixed components of our value chain.

**Compliance Management System** (CMS) as a foundation. Our CMS is based on national and international standards and helps us to ensure that we conduct ourselves in conformance with applicable laws and regulations in our day-to-day business. We continually review the effectiveness of the system and adjust it to worldwide developments, changed risks and new legal requirements. In this way, we continuously improve our efficiency and effectiveness. In 2013, we improved our processes, such as the due diligences of our business partners, and further developed the measures we take to prevent money laundering in goods trading. Our CMS is subject to periodic reviews by the Internal Auditing department and fulfills external requirements.

**Analysis of compliance risks.** Our CMS is based on national and international standards and helps us to ensure that we conduct ourselves in conformance with applicable laws and regulations in our day-to-day business. We continually review the effectiveness of the system and adjust it to worldwide developments, changed risks, and new legal requirements. In this way, we continuously improve our efficiency and effectiveness. In 2013, we improved our processes, such as the due diligences of our business partners, and further developed the measures we take to prevent money laundering in goods trading. Our CMS is subject to periodic reviews by the Internal Auditing department and fulfills external requirements.

**Strengthening our worldwide structures.** In order to further establish our Group-wide Compliance Organization as a partner of the divisions and to even better counteract the risks specific to our various divisions and markets, we have strengthened our divisional structure. Each division is supported by a divisional or regional compliance officer, who advises the business units on matters of compliance. In addition, worldwide local compliance managers make sure that our standards are observed. In order to guarantee the independence of the divisions, the divisional and regional compliance officers report to the Chief Compliance Officer. He reports directly to the Member of the Board of Management for Integrity and Legal Affairs and to the Chairman of the Supervisory Board.

**Whistleblower system.** Our whistleblower system BPO (Business Practices Office) serves as a valuable source of information on possible risks and specific violations of rules. For us, it is therefore an important instrument for good corporate governance.

Our whistleblower system receives information on misconduct from employees and from external parties worldwide, around the clock, through various reporting channels, and – if allowed by local law - also anonymously. This allows us to react appropriately, if possible before any damage has been caused for our employees and the Company. A prerequisite for the acceptance of a whistleblower system is that it is organized in a fair manner, that it follows the principle of proportionality, and that whistleblowers and other parties involved are equally protected. We laid down these criteria in a corporate policy with worldwide validity in 2013. In addition, since February 1, 2012, in Germany we have commissioned an independent attorney as a neutral intermediary who also accepts information on violations of rules and has a professional obligation to maintain confidentiality. Of the 84 BPO cases which were closed "with merit" in 2013, 11 belong in the cate-gory of "bribery." The company took adequate actions in these cases.

Information regarding criminal proceedings against Daimler AG is contained in the 2013 Annual Report. As a general rule, no report is made of proceedings directed against individuals because Daimler is not notified of convictions or decisions pursuant to criminal law.

Proceedings against Daimler AG: AR 2013, p. 140 and pp. 238 ff.

**Cooperation with our business partners.** We regard our business partners' integrity and behavior in conformance with regulations as a firm precondition for trusting cooperation. In the selection of our direct business partners, we ensure that they comply with the law and observe ethical principles. Depending on the risk, we offer our business partners web-based or classroom trainings. In addition, we have clearly formulated the expectations we have of our business partners in the brochure "Ethical Business. Our Shared Responsibility." We also reserve the right to terminate cooperation if business partners persistently bypass our standards

Our training programs: Online 110
Brochure "Ethical Business": Online 111
Supplier Sustainability Standards: p. 55

**Settlement with U.S. authorities: conclusion of monitorship.** The three-year monitorship by Louis Freeh agreed upon in the framework of the settlement reached with the U.S. Department of Justice ended as planned on March 31, 2013. The monitor confirmed that with the end of the monitorship, we had reached an exemplary standard of integrity and compliance. We regard this as an motivation and obligation to maintain the achieved standard, to develop it further, and to consistently remain on the path we have taken.

## Antitrust law.

In 2011, we introduced a Group-wide antitrust compliance program oriented around national and international standards. Based on such standards we developed a globally valid Daimler standard with binding rules for our internal assessment of issues related to competition law. Our rules are as strict as those laid out by the European antitrust authorities and courts. This standard ensures a consistent level of compliance advice in all countries. Our online antitrust training programs and more detailed onsite training sessions are designed for managers and personnel in selected functions. Preventive reviews at our corporate units supplement our antitrust-related risk analyses and support us in the continuous improvement of the effectiveness of our antitrust compliance program and the adjustments to worldwide developments, changed risks, and new legal requirements.

Antitrust legal proceedings against Daimler AG: AR 2013, p. 239

## Data protection.

Corporate policies for the handling of data of employees and customer and business partner data ensure an adequate level of data protection at all Daimler companies in the world. The corporate policies correspond at least to the regulations in the European Union's Data Protection Directive. They ensure compliance with the respective national regulations and establish a minimum standard for the processing of personal data.

**Organization and responsibility.** The Corporate Data Protection department coordinates data protection in the worldwide Daimler Group and works to ensure the observance of applicable data protection laws and internal standards. With the support of local data protection coordinators the Group's Chief Officer Corporate Data Protection monitors and promotes the global implementation of data protection, which includes reviews, audits, and complaint management. Managers are responsible for compliance with data protection requirements within their areas of responsibility.

**Training.** The offer of training and information for employees and managers is continuously improved and expanded. In addition to web-based training, on-site training, and information materials for specific target groups, the topic of data protection is increasingly being addressed in the internal corporate media.

**Incidents.** No significant data protection violations occurred in 2013, and no fines were imposed. The number of complaints filed with our Corporate Data Protection department was slightly higher than in the previous year. Misuse of customer data could be prevented. There were two cases in which regulatory authorities conducted investigations after receiving customer complaints. The cases have been satisfactorily completed.

**Recent developments.** The networking of the vehicle is a major innovative focus of the automobile industry. Connectivity with the Internet and new driver assistance systems are gaining in importance and raise new challenges in the area of data protection and information security. Increasingly, the Corporate Data Protection department supports and advises the development and service department to design new functions and services to enable them to comply with data protection requirements.

## Consumer protection.

All Daimler products are subject to the highest quality and safety requirements covering the entire product life cycle. The quality management systems applied in the individual areas play an important role here. Defined procedures for the prevention of product defects, and thus preventive measures to protect consumers, are contained in, among other things, the Daimler Product Safety Directive. These requirements are monitored in regular audits.

**Descriptions and information.** We are obligated to provide the users of our products with appropriate information regarding their proper use and possible risks, to warn users of any potential dangers, and to label the products. These requirements are described in, among other things, our Product Safety Directive. Operator's manuals, labels, product information, and technical background information enable customers to handle all our products responsibly and safely.

Daimler takes a strong interest in consumer protection issues and has taken systematic measures in this area. Nevertheless, we refrain from providing a detailed report on possible violations. Since there is no legal requirement to provide such a report and there are no industry-wide standards for such a report, comparability among competitors would not be ensured in our view.

Customer satisfaction and customer service: p. 57
Product responsibility: p. 40 ff.

# Products and services.

Daimler Group further increased its unit sales in 2013. Sales of 2.35 million vehicles were 7 percent higher than in 2012. This growth was driven by all the automotive divisions: Mercedes-Benz Cars (+8 percent), Daimler Trucks (+5 percent), Mercedes-Benz Vans (+7 percent), and Daimler Buses (+5 percent). Daimler Financial Services increased its contract volume by 11 percent.

## Mercedes-Benz Cars.

Our most important new model was the S-Class, a pioneer of automotive development that underscores our leadership in the luxury segment. Additional new models in 2013 were the new E-Class and the CLA compact coupe. We also unveiled the new GLA, a compact SUV. Targeted investment in our global production network and sustained improvements in efficiency have put us on track for further profitable growth.

## Daimler Trucks.

The presentation of the new Mercedes-Benz Arocs and Atego models and of the Mercedes-Benz SLT, Econic, and Unimog special trucks enabled Daimler Trucks to complete its Euro VI-compliant product range well before the stricter emissions standards came into effect at the beginning of 2014. The new product from Daimler Trucks North America, the Freightliner Cascadia Evolution, has met with an outstanding market response. The BharatBenz brand's expanded product lineup is also setting new standards on India's roads. The new "Asia Business Model," an excellence initiative of the "Daimler Trucks #1" program, reached a milestone when production of FUSO models commenced in Chennai, India.

## Mercedes-Benz Vans.

In 2013, Mercedes-Benz Vans launched the new Sprinter – the global vehicle in the van segment. With its new safety and assistance systems, the Sprinter sets new standards in its class. Our unit sales increased in 2013, and we achieved double-digit growth rates in China, Latin America, and Eastern Europe. Despite sharp market declines in Western Europe, we were able to improve our earnings. We are continuing our "Vans goes global" growth strategy. By starting production of the Sprinter Classic in Russia and strengthening our activities in China, we have laid the foundation for continued growth.

## Daimler Buses.

During the year under review, the division focused on converting the entire European product range to Euro VI-compliant exhaust-gas technology. Daimler Buses set new standards in the luxury coach segment with the presentation of the new Setra TopClass 500. Higher unit sales and further efficiency progress led to a significant earnings improvement in financial year 2013. The division thus confirmed its leadership in the core markets of Western Europe and Latin America.

## Daimler Financial Services.

At Daimler Financial Services, the number of financed or leased cars and commercial vehicles was above the three million mark for the first time ever. New business and contract volume reached new record levels. The division also set a new record for the brokerage of automotive insurance policies. At the end of 2013, the car-sharing program car2go had almost 600,000 customers and was the market leader in its segment.

## Daimler strengthens customer focus.

In order to implement the growth strategies in all divisions and to sharpen the focus on customers and markets, the Board of Management of Daimler AG decided in September 2013 to strengthen the organization of the divisions. Responsibility for the main sales functions and the important sales markets has been directly anchored in each division. At the same time, we have streamlined the cross-divisional functions at the country level. The functional Board of Management areas have been focused more on the requirements of the divisions. Following the successful start of product offensives for cars and commercial vehicles, the further development of our structures is now the next strategic step for the achievement of our growth targets. This is not primarily a matter of cost advantages, but of more direct customer relations and increased unit sales. Due to increasingly diverse customer needs, more and more importance is now placed on the ability to precisely meet customers' needs in each individual market. With the new structure, Daimler is creating ideal conditions to do that.

# $CO_2$: Sustained reduction of emissions in production and products.

One of Daimler's aims is to continuously reduce the $CO_2$ emissions of its production operations and its products. By 2016 the new car fleet is to achieve a $CO_2$ value of 125 grams per kilometer in the European market. At the same time, the company is planning to substantially reduce the $CO_2$ emissions from production. By the year 2020, the European plants are to cut these emissions by 20 percent compared to 1990. By then, the emissions per car will be reduced by about two-thirds.

Automobile production is an energy-intensive undertaking. Nevertheless, vehicles consume most of their primary energy and thus emit most of the associated $CO_2$ during the usage phase of their lifecycles. In the case of a passenger car with a conventional combustion engine, slightly less than 20 percent of emissions arise during the entire production chain, compared to around 80 percent that are generated during the vehicle use by customers. Therefore, Daimler always focuses on both sides of the equation: the $CO_2$ emissions of its products and those of its production operations.

## Production: Using energy efficiently and making employees aware of the issue.

Over the past six years, Daimler was able to reduce its $CO_2$ emissions per manufactured vehicle to such an extent that some of the business units, such as Mercedes-Benz Cars, have already achieved the company's self-imposed goal of cutting these emissions by 20 percent between 2007 and 2015. Energy optimization projects have led to the identification and implementation of hundreds of individual technical and organizational measures for the reduction of energy consumption. The Untertürkheim plant, for example, has cut the specific electricity consumption per gasoline or diesel engine produced by 28.3 percent since 2007.

In manufacturing, the company's experts exploit the full potential for making operations as energy-efficient as possible and achieving the lowest possible $CO_2$ emissions. Have the production machines' cycle times been optimized for increased energy efficiency? Have energy-saving standby measures been implemented for the machines? Are there any losses of compressed air? Are the air conditioning and lighting systems energy-efficient and are they operated appropriately? Questions such as these provide reliable indications of areas where energy is used inefficiently and offer specific energy-saving solutions.

After an initial analysis is made, achieving meaningful reductions usually requires the adjustment of several factors, some of which apply to building operations. For example, in production and work areas, several plants recalibrated the powerful ventilation systems, which were equipped with timers to operate when needed. In addition, consistent encapsulation of machinery and more precise equipment settings have led to the further optimization of extraction systems. And, instead of remaining in full operating mode on weekends and during brief downtimes, the machines now automatically switch themselves off – and on when they're needed again. Appropriate software adjustments have enabled Daimler to achieve potential energy savings of 70 percent for electricity and 30 percent for compressed air. In addition, many facilities are shut down on production-free days. To achieve sustained success in its energy management activities, Daimler has been making its entire workforce aware of the energy efficiency issue for a number of years. Employees are given a "pocket energy check" that explains the topic and why it is so important.

## Energy generation at the plants.

Daimler is also steadily expanding its in-house energy production activities with the aim of achieving more efficiency. To this end, the company has analyzed all of its facilities – for example, with regard to the use of efficient combined heat and power generation systems or the generation of energy from renewable sources. In Rastatt, for example, a geothermal facility has enabled the plant to save around five million kilowatt-hours of energy per year since 2010, which corresponds to adrop of around 800 tons in $CO_2$ emissions. The plant uses groundwater to heat the body shop in the winter and to cool it in the summer.

In October 2013, the Sindelfingen plant installed a new gas turbine and a heat-recovery boiler into an existing cogeneration facility. The resulting combined cycle plant is a pioneering facility. The gas turbine generates mechanical energy, which the attached generator converts into electricity. The flow of hot exhaust gas is used to generate additional electricity and to produce steam for the plant's production processes and for heating rooms. The thermal energy is also fed into the municipal district heating network. The new gas turbine can generate around 31 megawatts of electricity and 48 megawatts of thermal power. It operates 7,500 hours per year at base load.

## Products: Electrification and smart technology in all sizes.

One of Daimler's main development objectives is to increase the efficiency of the company's vehicles. Daimler achieves this in a variety of ways, including the electrification of the powertrain and the development of various efficiency-boosting technologies. The company is continuously reducing the fuel consumption and emissions of all of its vehicles, from the smart fortwo to the Mercedes-Benz Actros.

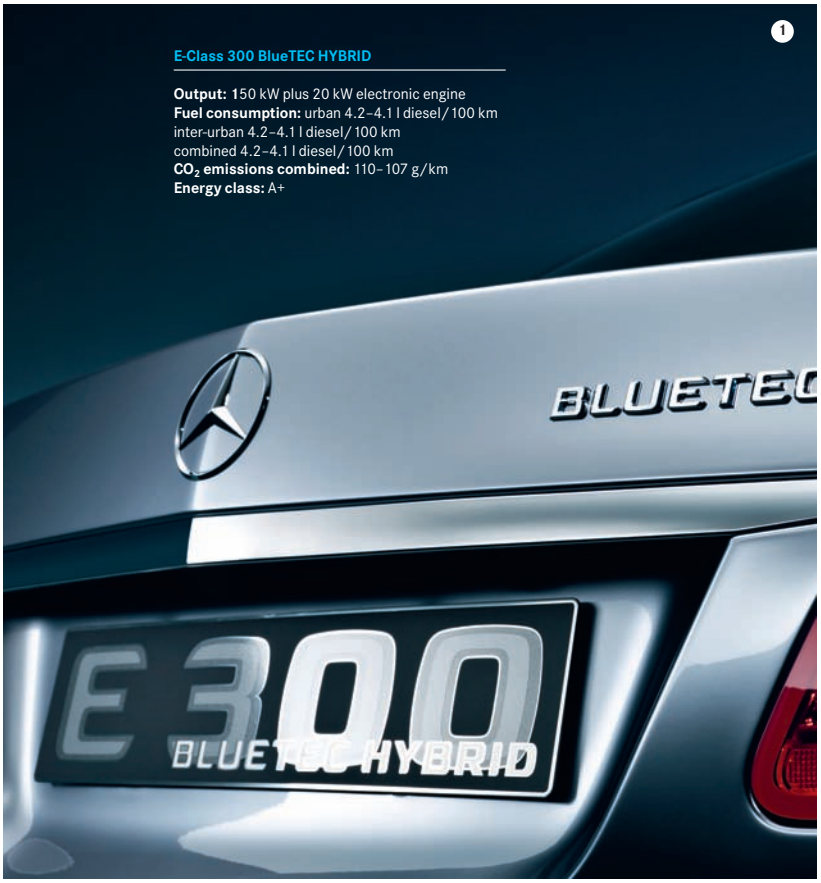
The smart fortwo electric drive has already been available for more than a year and is being introduced to more and more countries. After being launched in Europe, the U.S., Canada, and Japan, the electric smart has now also entered its 14th market, China. As a result, Daimler has become the first European importer of a locally emission-free all-electric vehicle in China. Beginning in 2014, the B-Class Electric Drive will impress drivers with locally emission-free driving pleasure and high levels of safety and comfort for up to five occupants. Meanwhile, the Mercedes-Benz SLS AMG Coupe Electric Drive currently embodies the pure fascination of electric mobility.

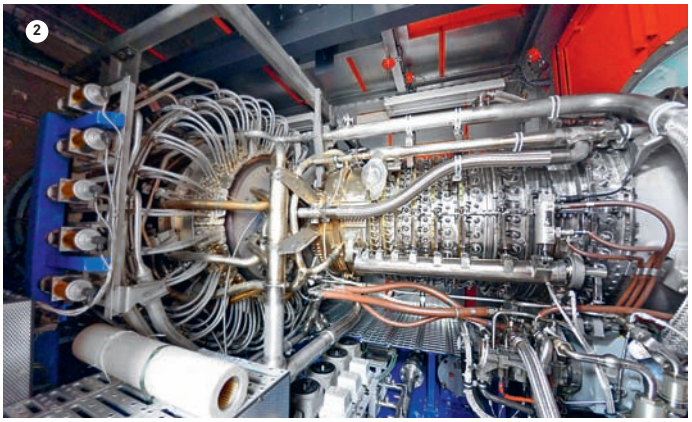
The E 300 BlueTEC HYBRID is currently the most fuel-efficient model in the upper mid-range segment. The vehicle combines a four-cylinder diesel engine with an electric motor, and emits only 107 grams of $CO_2$ per kilometer. Even more impressive is the upcoming S 500 PLUG-IN HYBRID, which sets new standards for fuel efficiency. At 69 grams of $CO_2$ per kilometer, the S-Class model's emission value would have been considered almost inconceivable for a luxury sedan only a few years ago.

In addition to electric cars, Daimler also offers a range of electrically powered commercial vehicles, such as the Vito E-CELL, produced since 2010, and the Fuso Canter E-CELL. In the U.S., Freightliner offers the Custom Chassis MT E-CELL All Electric. In addition, smart plug-in hybrid technology is extending the all-electric range of the Mercedes-Benz Citaro G BlueTec Hybrid. Thus, the vision of emission-free driving is now a step closer to becoming a reality for urban buses: Thanks to a battery system with a capacity of 27 kilowatt-hours and an output of 240 kW, the 18-meter long articulated bus can quietly travel up to 10 kilometers at a stretch through cities without producing any exhaust emissions. European cities have been using another bus, the Citaro FuelCELL Hybrid, for emission-free local public transport since 2011, thus demonstrating that fuel cell technology is also suited for use in large vehicles. Besides state-of-the-art engines and electrified drive components, commercial vehicles are increasingly using innovative technologies to boost efficiency. An example of this is the satellite-assisted Predictive Powertrain Control (PPC) shifting system for trucks and buses of the Mercedes-Benz and Setra brands. The system uses digital terrain data to automatically shift gears in anticipation of the road ahead. By making these drive line adjustments, PPC helps to save fuel.

Hybrid technology can also greatly reduce the consumption of diesel fuel – particularly in buses and commercial vehicles for distribution transport. For example, the Fuso Canter Eco Hybrid consumes around 25 percent less fuel than a comparable diesel truck, and the Freightliner M2e Hybrid consumes up to 30 percent less fuel than a diesel-powered M2 106. No other commercial vehicle manufacturer has more experience or has done more testing in the area of alternative drive systems and electric mobility. What's more, Daimler has the most extensive lineup of series-production vehicles in this field, ranging from vans and trucks to buses. For its entire European truck fleet, the company aims to reduce fuel consumption by an average of 20 percent per ton-kilometer for the period 2005–2020. The Group's experts continue to work hard to develop the technical innovations that will enable it to achieve this reduction.

All of these measures together help cut $CO_2$ emissions. Daimler consistently examines the entire production chain and the products it manufactures. Although a large number of new technologies are already helping the company achieve great progress in this area, technological advances will continue to result in even more improvements.




1 **Products:** To ensure $CO_2$ emissions are as low as possible, Daimler is focusing on development of efficiency technologies for all vehicles during their life cycle, from the smart to heavy-duty trucks. This also includes intelligent light-weight construction, the electrification of the powertrain and new drive technologies and components.

2 **Production:** With the aim of reducing $CO_2$ emission as much as possible, Daimler is using the full potential of designing vehicle production in an energy-efficient manner at all plants. This also includes environmentally-friendly and effective generation of energy. For example, since October 2013 the Sindelfingen plant has been using a new gas turbine, which has turned the plant's cogeneration facility into a pioneering system.

# Refrigerants: Looking forward to a clean and safe solution.

The debate about the use of climate-friendly refrigerants in automobiles has been in the focus of public opinion for several months. Daimler has opted for what it considers to be the only solution that can meet the maximum requirements for passenger safety and environmental compatibility: the development of air conditioning systems which use carbon dioxide ($CO_2$) as a refrigerant.

Their function is similar: Like refrigerators, vehicle air conditioning systems operate in a cooling cycle, which cools the air in the interior space and thus ensures comfortable temperatures inside the vehicle. A medium circulates in a closed system and transports heat to the exterior: the refrigerant. In recent months, the refrigerant used in vehicle air conditioning systems has come under intensive public discussion. According to a resolution of the European Union, the legal situation for Europe is clear: For new vehicle types certified after January 1, 2011, manufacturers may only use refrigerants in vehicle air conditioning systems that contribute less to the greenhouse effect than the refrigerant R134a, which was used worldwide until that time. Beginning from January 1, 2017, the air conditioning systems of all newly registered vehicles must be filled with such a climate-friendly refrigerant.

This creates a requirement for replacing R134a by another refrigerant. That is why Daimler and all automobile manufacturers worldwide jointly agreed to use the refrigerant R1234yf, which has a global warming potential (GWP) value of 4 and is thus significantly below the legally prescribed limit of 150.

## Safety comes first.

With a view to fulfilling the requirements of the EU Directive and setting an example in climate protection, Daimler wanted to be the first German manufacturer to introduce the new refrigerant in its products. In response to the persistently critical media reporting and the controversial public discussion on R1234yf, Daimler decided to verify the safe use of the refrigerant by conducting its own tests. Subsequently, a potential fire hazard in using R1234yf was identified in a series of tests conducted under everyday conditions, in which the engine compartment heats up as in a real driving situation. For example, such a hazard could arise if a frontal impact causes the fluid to leak into the engine compartment and come into contact with hot components.

»Responsible risk management is a top priority at Daimler. There must be no risk coming from a vehicle. That is why we have decided to use $CO_2$ as a refrigerant.«

Prof. Dr. Thomas Weber, Member of the Board of Management of Daimler AG, Group Research & Mercedes-Benz Cars Development, Co-chairman of the Daimler Sustainability Board

## Carbon dioxide as future refrigerant.

As a refrigerant, carbon dioxide has various advantages: It is neither flammable nor toxic – and it cools quickly. However, it does have to be compressed at high pressure, and the air conditioning system must be designed accordingly. The use of such air conditioning systems is planned for future vehicles.

**S-Class**

**Output:** 150–430 kW (depending on model variant)
**Fuel consumption:** urban 16.4–4.7 l/100 km
inter-urban 8.4–4.3 l/100 km
combined 11.3–4.4 l/100 km
**$CO_2$ emissions combined:** 264–115 g/km
**Energy class:** F–A+

In addition, the acid formed as a result of the refrigerant decomposition at elevated temperatures can irritate the skin and mucous membranes and cause eye inflammation. These safety risks detected during the testing finally led the company to the only possible decision to discontinue the use of the hazardous R1234yf and begin development and rapid serial introduction of a climate-friendly $CO_2$-based air conditioning medium that is safe for vehicle passengers, despite the fact that the air conditioning systems of the new A-Class, B-Class, CLA- and SL-Class vehicles had already been adapted for the use of the new coolant.

In addition to its low GWP of 1, carbon dioxide ($CO_2$) offers many advantages as a refrigerant: $CO_2$ is neither flammable nor highly toxic – and it cools quickly. However, it does have to be compressed at high pressure, which means that some development effort will be required before it can be used in passenger cars. The present air conditioning systems would not be able to cope with the high pressure and could not be simply filled with $CO_2$. Instead, it will be necessary to develop our own completely new systems.

Daimler will therefore return to using the safe refrigerant R134a until the serial launch of the new technology, as will the majority of other automobile manufacturers. According to an EU Directive, this will be permitted until the end of 2016, depending on the time and kind of the model registration. All models of the Mercedes-Benz and smart brands have a corresponding type approval that is valid across Europe.

### Responsible risk management.

Those who take responsibility in business are also prepared to weigh risks and to act accordingly even when this temporarily leads to problems. A well-functioning risk management system, which gives priority to the safety, health, and protection of lives of vehicle passengers and rescue staff, will pay off for all of us in the end. The refrigerants debate illustrates the high value assigned to responsible risk management at Daimler. Because of safety considerations the company has decided to use $CO_2$ as a refrigerant in the future and to drive forward with rapid development to enable its use as quickly as possible – in the interest of making an effective contribution to improving climate protection and ensuring a high level of safety for customers and vehicle occupants.

Contracts for work and services ensure a meaningful division of labor and enable us to benefit from special expertise. Daimler's standards for such contracts are setting a benchmark for the entire industry.

# Contracts for work and services: Creation of fair conditions.

## Contracts for work and services are an indispensable tool for corporate business activity.

Following criticism of the established practice, in the fall of 2013 Daimler promptly reviewed the existing contracts for work and services at the company and defined standards for the awarding of such contracts that go beyond the requirements of existing legal regulations.

Contracts for work and services are an important tool that enables companies to remain flexible in their business operations. Contracts for work and services provide for a precisely defined result (the "work"), which is provided in exchange for a fixed remuneration (wage). Following criticism of the established practice, in the fall of 2013 Daimler promptly decided on new standards for the awarding and implementation of contracts for work and services in order to ensure fair contract conditions for all partners. These standards in particular affect the working conditions and remuneration of the employees deployed by the contracting companies. An important criterion: In the company, contracts for work and services can only be awarded to companies that observe these standards.

The Daimler standards extend significantly beyond the legally prescribed requirements. "With these principles, we are taking on a pioneering role in the business sector," says Wilfried Porth, member of the Board of Management responsible for Human Resources and Labor Director of Daimler AG. The standards apply both to the awarding and performance of contracts for work and services. Through the transparent and fair organization of the conracts, Daimler ensures that the groupt can continue to use these tools in a competitive manner.

Contracts for work and services provide Daimler with work and services, which specialists of the respective contractor can perform better and more efficiently than the group itself. The range of such services is very broad and can extend from building services and the operation of plant cafeterias to specialized logistics and extremely complex services in areas such as development, computer technology (IT), and consulting.

Daimler's standards are setting the benchmark for the entire industry, because contracts for work and services play an important role in more than just the automotive sector: In order to safeguard their business success and long-term competitiveness in

a world of growing competition, companies from a wide variety of industries are increasingly specializing on their core areas of business, which allows them to make the most efficient use of their key competencies. Conversely, this development means that tasks which lie outside these companies' core areas of business can also be performed by other companies. Contracts for work and services are one means of delegating such tasks to external partners.

Contracts for work and services have become an important flexibilization instrument for all sectors of industry and thus also for Germany's success as a business location. As a case in point, in October 2014 the employers' association Südwestmetall emphasized that contracts for work and services are crucial for Germany's economic development.

The criticism that contracts for work and services displace jobs from the client company to the contractors does not apply to Daimler. The Stuttgart automotive group has the highest level of vertical integration for manufacturing and services in the industry in Germany and employs a total of 167,000 direct employees in research, development, production, and administration in its domestic locations.

## Standards create clarity and transparency.

Daimler also promotes fairness with regard to working conditions and remuneration. The new standards should now regulate these areas even more clearly and transparently. Among other things, the standards require contractors and service providers to pay their workers at least the entry-level remuneration stipulated by the respective industry's regional collective bargaining agreement, to the extent they are not already using collective wage agreements. For example, before a contract for work and services is awarded, a check is carried out to ensure that wages are paid in accordance with an appropriate remuneration system and that the temporary personnel working on a contract for work and services receive the industry-specific surcharges of the metal and electrical industries. These framework conditions also have to be fulfilled by the subcontractors of the contractors and service providers.

## Wide-ranging social principles.

The Daimler standards not only affect remuneration, but also regulate many other important aspects. For example, contracts for work and services at Daimler locations are only awarded to companies which also set high occupational health and safety standards and ensure that workers are provided with suitable accommodation. According to Labor Director Porth, it is very important that the determination of social principles for contractors is not reduced to the topic of remuneration. "We don't focus exclusively on labor costs when we conclude contracts for work and services. Rather, our main concern is to ensure a meaningful division of labor and to benefit from our partners' special expertise."

The formulation of new standards for contracts for work and services is part of the extensive public debate concerning employment conditions and job security. The newly created social principles are a further development and extension of Daimler's existing purchasing conditions for contractors. Thus, Daimler's latest step is the continuation of a decades-long tradition of successful legal and contractual regulation of contracts for work and services aimed at the fair and humane working conditions for everyone involved.

Daimler will rigorously monitor the situation to ensure that the new social principles have a long-term impact. Daimler will therefore not only examine whether companies comply with the standards when a tender is approved, but will also appoint company experts from a separate audit team to conduct regular reviews. In this way the world's oldest automaker will ensure that contracting companies treat their employees fairly. "We reject any kind of abuse and will permanently eliminate process weaknesses. I regret that we could not achieve an agreement with the General Works Council on the new social principles," said Wilfried Porth.

# Contracts for work and services: The legal basis.

For decades now, contracts for work and services have served as an important instrument for regulating the **industrial division of labor**. In Germany the legal basis for these contracts is provided by Paragraphs 631 to 651 of the German Civil Code (BGB). Service contracts, on the other hand, are regulated by Paragraphs 611 to 630 of the BGB. In contracts for work and services the client and the contractor agree on the creation of exactly specified "work" for a fixed wage.

A contract for work and services therefore doesn't specify which worker is to perform a certain task or when, but only stipulates that the **contracted work must be completed on time and to the agreed extent**. This work can take on many different forms. For example, it can consist of the development or design of an engine component. Examples of contracts for services include the provision of catering services to the client's workforce, the cleaning of buildings, the provision of consulting services, or the operational maintenance of an IT facility.

According to the BGB, contracts for work and services are concluded for a one-time **performance** with an exact definition of the work and the time by which it is to be completed. The work is remunerated at a piecework rate or in fixed amounts.

# Mobility concepts: To improve quality of life.

Daimler AG views itself as a versatile mobility provider. Innovative mobility services are included in its offerings. In early 2013, the company took another important step: It founded Daimler Mobility Services GmbH (since April 2014 moovel GmbH), a fully owned subsidiary of Daimler Financial Services AG, which underscores Daimler's claim as the top provider of mobility services even more clearly.

**An interview with Robert Henrich, Managing Director of moovel GmbH**

**What was the motivation behind moovel GmbH?**
We strive for a radical simplification of mobility – and thus also for an improvement in people's quality of life. As early as in 2007, we at Daimler Business Innovation were looking closely at the prerequisites which mobility will be offered and demanded in the future. At the time, there were three major social trends: global urbanization, an "always on" in daily life, and "access trumps ownership," according to which having access to goods is more important than actually owning them. Under these conditions we initially developed car2go as a project for the mobility of the future. Nowadays, increasing numbers of customers want to be mobile, especially in big cities – and we are offering them the possibility for this.

**You had some positive experiences during the project's early pilot phase in Ulm. What were other factors that led to the breakthrough of the innovative business model of car2go?**
The growing spread of smartphones we have been seeing since 2007 has helped us tremendously, because users have real flexibility if they can conduct their individual leasing transactions on the go. The "free-floating" approach we have developed at car2go is functioning smoothly today.

**Mobility as a motivation** – Robert Henrich has been active as Managing Director of moovel GmbH since January 2013. Henrich, who has a degree in social economics, was previously responsible for the Business Innovation unit of Daimler AG, where he played a major role in the development of the car2go urban mobility concept. At the beginning of 2010 he became Managing Director of the Daimler subsidiary car2go GmbH, based in Ulm.

**Today car2go is present in 25 cities around the world. What are the latest new developments for your "workhorse," the business model for fully flexible one-way leasing?**
In 2013, we added Minneapolis, Columbus, Montreal, Munich, and Milan to our list of cities with car2go. The special aspect about Milan is the high average age of car2go customers. Whereas the average age in the other cities is about 30, in Milan it's 38. Those who attended the opening event in the Italian metropolis will agree with me that the city was just waiting for car2go.

**moovel is a mobility platform that works hand in hand with car2go and other mobility providers. How will this service develop in the future?**
Since the kickoff in Stuttgart in mid-2012, we also have also introduced moovel in Berlin, the greater Nuremberg area, and the Rhine-Ruhr metropolitan region. In all of these areas, the local public transportation network forms the backbone of moovel. The moovel mobility platform bundles the offers of different mobility providers for the best way from A to B. With moovel, users in a given city can inform themselves of the best connections and compare the offers of the public transportation network, car2go, taxi, commuting opportunities, and bicycle rentals under the aspect of time and costs. In the next stage we will expand moovel on a broad scale, integrate more mobility services, and offer it in many cities.

**When will moovel start not only displaying alternative modes of transportation for the route from point A to point B but also combining different modes of transportation for the desired route?**
Intermodal routing is a theme we are working intensively on. Intelligently linked chains of transport connections will be the standard at moovel in the future. Example: You could travel the three kilometers to the next train station in a car2go, then take an S-Bahn across the city – and have a rental bike ready for you at the target train station to pedal the last few meters to your destination. Before you start your drive, moovel will show you the best connections and combinations and paying for the various means of transportation will soon be possible via moovel.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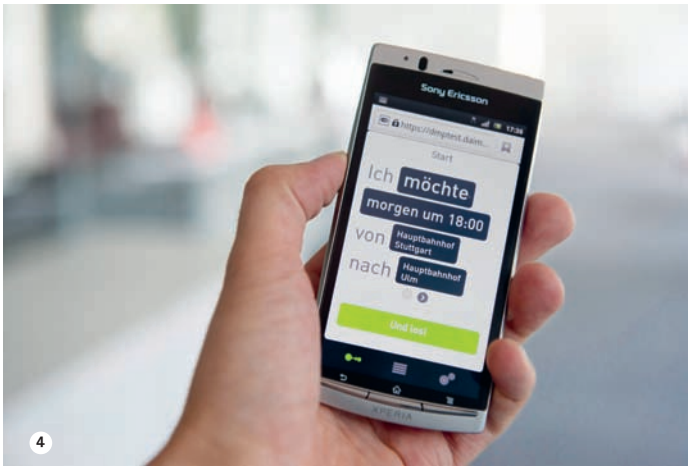

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### What additional services does moovel GmbH have in the pipeline?

Quite a few! With the Park2gether app, which we launched in November 2012, we are enabling so-called 'peer-to-peer parking.' Here, users can offer unused private parking spaces to people who are looking for a parking space via a smartphone-based platform. The idea of Park2gether is to radically simplify and improve parking in urban areas. This will save a lot of time – and as a by-product, the driver looking for a parking space will generate much less $CO_2$.

### What other contributions are your projects making in the area of sustainability?

One small example with a big effect is our "Eco-Score." During a drive, a display in the car shows car2go users how eco-friendly their driving is. Since we introduced this function, the average fuel consumption of the leased vehicles has dropped by as much as one liter per 100 kilometers. Our customers' willingness to conserve resources while driving is great. In our view, we are relieving traffic in the inner cities with car2go. The specific effects are currently being examined in a scientific study of the Ökoinstitut and the Institute for Social-Ecological Research (ISOE). We expect the first results in the course of the year 2014.

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www.car2go.com
www.moovel.com
www.park2gether.com

1 **car2go:** The pioneer of "free-floating" carsharing. Initiated in 2008 in Ulm, Germany, car2go is now available in 25 cities worldwide. More locations will follow in 2014.
2 **Park2gether:** "Reinvent parking with us" – with Park2gether we want to significantly improve parking in urban areas.
3 **moovel GmbH:** We want to simplify and develop mobility with our innovative services, participations, and cooperations.
4 **moovel:** The best path from A to B – our mobility platform moovel shows users the best connections and compares different offers in terms of time and cost.

## Mobility.

**The mobility options in the urban environment are numerous:** People move from A to B on foot, by bicycle, in their own car, with public transport, by taxi or with car sharing offers. Intelligent networking of different modes of transportation (specialist term: "Intermodal Routing") is one of the greatest challenges at the present.

**Daimler has a versatile offering.** The **moovel** mobility platform enables innovative linkage of different modes of transportation. The smartphone app bundles the offerings of various mobility providers, including the **car2go** smart fortwo, in line with the "free floating" principle. Other mobility concepts by Daimler extend way beyond traditional vehicle uses. For example, the offering for individual travel includes **car2go**, **Park2gether**, and the **myTaxi** app.


A world premiere at the IAA 2013 in Frankfurt, Germany:
The S 500 INTELLIGENT DRIVE rolls onto the stage on its own.

# Autonomous driving: The future of the automobile.

Safety and efficiency in road traffic are Daimler's top priorities. Autonomous driving functions have the potential to make mobility optimally safe and sustainable in the future. The S 500 INTELLIGENT DRIVE research vehicle has once again demonstrated Daimler's innovative capabilities with regard to autonomous driving.

In September 2013, the appearance of Dr. Dieter Zetsche, Chairman of the Board of Management of Daimler AG and Head of Mercedes-Benz Cars, was one of the highlights of the International Motor Show (IAA) in Frankfurt. Dr. Dieter Zetsche was driven onto the stage in the back seat of a modified S-Class S 500 INTELLIGENT DRIVE. The spectators were astonished to see that the sedan had no driver and had found its way autonomously – without any human assistance. Just a few weeks earlier, the research vehicle had retraced the historic journey Bertha Benz and her sons made from Mannheim and Pforzheim 125 years ago, thus demonstrating that autonomous driving is also possible in the urban and interurban traffic of the 21st century.

The self-driving vehicles of the future will have clear advantages over human drivers. Computer-assisted systems never tire and can continuously monitor a 360-degree view of the vehicle's surroundings. Moreover, they can react to potentially dangerous situations much faster and more precisely than a human being, thus increasing the safety of all road users. The company's "vision of accident-free driving" is one of the key forces driving these developments at Daimler, because it makes road safety one of the Group's main goals.

## One Approach, many advantages.

Autonomous vehicles can achieve high levels of fuel efficiency, for example by driving in perfectly coordinated columns or by looking very far ahead. The fuel savings will also lead to corresponding reductions of the autonomous models' pollutant emissions and thus benefit the environment.

Autonomous driving also has great potential when it comes to safety, profitability, and efficiency in the logistics and freight forwarding sectors. What's more, mobility concepts such as car2go, which enable customers to rent vehicles on the spur of the moment, can be made even more flexible and sustainable with the help of autonomous driving functions.

The most direct impact of autonomous driving will be on comfort. Motorists will be able to delegate monotonous driving tasks to the onboard computer at the push of a button. A strong argument for the further development of autonomous driving functions is the need to provide more mobility options for handicapped and elderly people who are unable to operate a vehicle on their own due to physical impairments. That's another reason why a key development objective for all of the Mercedes-Benz autonomous driving systems is to support motorists and reduce driver stress to the greatest extent possible. Daimler plans to introduce autonomous driving systems step by step by enhancing its existing driver assistance systems and developing completely new (semi-)autonomous driving functions.

## The S 500 INTELLIGENT DRIVE research vehicle.

The S 500 INTELLIGENT DRIVE research vehicle contains modifications that are not in the serial version of the S-Class. These modifications are based on sensor technologies that are already being used in urban traffic on a daily basis for monitoring of the automobile's surroundings. Examples include stereo cameras and short- and long-distance radars. As these technologies are already affordable and suitable for everyday use, they will simplify the transfer of additional autonomous driving functions to future series-production models. For the research vehicle, the engineers connected the sensor technology that is now close to series production with a highly detailed 3D map of the route and used sophisticated algorithms to calculate all autonomously performed driving maneuvers.

With this equipment, the S 500 INTELLIGENT DRIVE research vehicle drove a route that inimitably epitomizes the pioneering spirit in the automotive sector: the historic drive from Mannheim to Pforzheim. In August 1888 Bertha Benz drove her husband Carl's patented motorcar along this route, thus completing the first long-distance drive in automotive history and preparing the way for the global success story of the automobile. Exactly 125 years later, in August 2013, the research vehicle drove nearly the same route. It autonomously navigated 53 kilometers of country roads, 50 kilometers of city streets, and 18 traffic circles. The vehicle was monitored continuously by specially trained safety drivers who were able to intervene immediately in critical situations.

The system has still not reached the series-production stage. The next step will be to gradually expand the range of intelligent assistance systems that can increasingly perform autonomous driving tasks (e.g. on highways). The company's ultimate goal is to make its vision of accident-free driving a reality.

Autonomous driving uses a wide range of data – for example, in order to determine the exact location of the vehicle and issue accurate driving commands. When using this data, Daimler observes the applicable data protection regulations. If necessary, it is also willing to enhance them to protect its customers' privacy. Technical and organizational measures to ensure data security will be implemented.

A key basic technology for the expansion of autonomous driving functions involves the use of car-to-X communication (C2X), which monitors distant areas around the vehicle. C2X communication enables vehicles to share information with one another and with the traffic infrastructure so that automobiles can look ahead and "around the corner." C2X systems can make traffic more efficient and environmentally compatible by helping to optimize traffic flows. Daimler recognized the potential of C2X early on. For decades now, it has been a driving force in the research and development of this technology for use in series-production vehicles.

## A study of drivers' acceptance of autonomous driving.

Daimler researchers conducted a study in which they evaluated the attitudes of a representative group of approximately 100 drivers toward autonomous driving systems. In this study, the test subjects were able to gain first-hand experience of a self-driving Mercedes-Benz in a driving simulator. Since the vehicle in question won't be launched on the market for several years, the researchers used a variety of media to transport the participants into the virtual world of the year 2020.

The key finding of the study was that the participants registered a high level of acceptance for autonomous driving systems. This was particularly evident after the participants had finished their test drives in the driving simulator; by then, more than 80 percent of the drivers had been won over by the new functions. The results show that the systematic refinement of autonomous driving functions is leading Daimler on the right track to the future and that this approach is warmly welcomed by potential customers.

To investigate the future impact of autonomous driving on society as a whole, the Daimler and Benz Foundation is providing €2 million of funding for the interdisciplinary Villa Ladenburg research project. The project focuses on research of social and psychological issues as well as economic and legal aspects. The final report will be presented and made available to the public at the end of 2014.

One thing is certain: Laws will have to be modified wherever autonomous vehicles are to travel at high speeds on public roads. For example, Germany currently does not allow self-driving vehicles to drive at speeds faster than 10 km/h. In some U.S. states, autonomously operating vehicles can drive at higher speeds for test purposes as long as a human driver is on board. Autonomous driving will also require a reassessment of traffic liability issues.

## Mercedes-Benz INTELLIGENT DRIVE.

- Mercedes-Benz uses the term INTELLIGENT DRIVE to refer to all assistance systems that make driving safer and more comfortable and are already available in serial vehicles. Examples include Active Lane Keeping Assist and the PRE-SAFE® brake with a pedestrian recognition feature.
- The ability of the S 500 INTELLIGENT DRIVE to drive autonomously for long distances through cities and on country roads is tangible proof of Daimler's consistent, future-oriented efforts to network vehicles.
- The Mercedes-Benz Autobahnpilot has already been tested successfully. This system can take over all driving tasks on highways on behalf of the driver upon request.

http://technicity.daimler.com

# The Integrity Advisory Board: A critical view from outside

One of Daimler's declared goals is to anchor integrity sustainably in the corporate culture. With the creation of the Board of Management division for Integrity and Legal Affairs, we have implemented many initiatives that promote this corporate value. The Group considers these internal measures but also an external perspective to be important.

G4-26

In 2013 the Group continued its internal Integrity Dialogs in order to maintain ongoing communication with its employees concerning business ethics and the related challenges. As a globally operating industrial group and a member of the UN Global Compact, Daimler is also living up to its social responsibility and paying close attention to the concerns and demands of all stakeholders. For this it receives valuable support through its regular discussions with external interest groups and experts, such as the annual "Daimler Sustainability Dialogue."

**Internal measures for promoting integrity: p. 16**
**"Daimler Sustainability Dialogue": p. 15**

Another very important driving force for the Group is the Advisory Board for Integrity and Corporate Responsibility, established in September 2012 on the initiative of Dr. Christine Hohmann-Dennhardt, Member of the Board of Management responsible for Integrity and Legal Affairs. The Advisory Board is comprised of ten leading personalities from the fields of science, business, politics, journalism, and NGOs who are independent of the Daimler Group and serve on the Board solely in exchange for a reimbursement of expenses. Due to their respective professional backgrounds, they have a rich store of experience on issues related to ethical behavior. "In addition to offering the very best vehicles, Daimler endeavors to do its best in the area of integrity and responsible corporate behavior. We have already reached a very remarkable standard in this area and aim to raise it even further. One extremely helpful activity is our regular lively discussion with external, competent expert advisors, such as the members of our Advisory Board. We benefit greatly from their experience, occasional critical comments, and their suggestions," says Dr. Christine Hohmann-Dennhardt concerning the establishment of the Board.

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The members of the Advisory Board are regularly informed about Daimler's projects for promoting integrity, work progress, and other current topics with an impact on the Group. For example, last year's agenda for the Board meetings, which take place three times a year, included the topic of refrigerants, a discussion of contracts for work and services and the implementation of compliance for Formula One. At these meetings, the Advisory Board members discuss upcoming issues and the topics they have put on the agenda among themselves and also with Members of the Board of Management, especially with Dr. Christine Hohmann-Dennhardt and occasionally with the Chairman of the Board of Management, Dr. Dieter Zetsche. "Our dialog has already proved to be enriching for both sides. The Group receives valuable comments and suggestions for its integrity-related work from independent professional experts, and the members of the Advisory Board gain insights into corporate practices that expand their knowledge," says Dr. Christine Hohmann-Dennhardt.

In response to a request from Daimler AG's Supervisory Board, the Advisory Board provided it with an assessment of the Group's activities related to integrity and sustainability in 2013 business year. This was the first time the Advisory Board had submitted such an assessment. The aim was to give the Supervisory Board a point of reference for its evaluation of the activities of the Board of Management. This procedure will be continued and intensified in the future.

»Integrity requires far more than compliance with established rules. Bringing one's personal behavior into harmony with personal values is a goal that goes beyond the workplace. Compliance can only provide a framework. The crucial factor will be the employees' enthusiastic commitment to a new corporate culture. By establishing the Advisory Board for Integrity and Corporate Responsibility, Daimler AG is entering new territory. Being part of this exciting process is what I like about being a member of the Advisory Board.«

Board Member Sylvia Schenk, Frankfurt attorney, former Chair of Transparency Germany and German Olympic Academy

»I believe that the establishment of such advisory boards by business enterprises is basically a good idea. As an ethicist, I can help implement ethical standards in business practice. Conversely, through my work on the Board I am learning a lot about corporate practice.«

Board Member Julian Nida-Rümelin, Professor of Philosophy at Ludwig Maximilian University of Munich

**Members of the Daimler AG Advisory Board for Integrity and Corporate Responsibility with Dr. Christine Hohmann-Dennhardt (from left):**

- **Professor Michael Kittner,** former Professor of Business, Labor and Social Law, University of Kassel, and legal advisor for IG Metall
- **Sylvia Schenk,** Frankfurt attorney, former Chair of Transparency Germany and the German Olympic Academy
- **Professor Helmut Holzapfel,** Head of the Department of Integrated Traffic Planning and Mobility Development, University of Kassel
- **Renate Hornung-Draus,** Managing Director of the Confederation of German Employers' Associations (BDA), Director European and International Affairs
- **Professor Kai Bussmann,** Head of the Economy & Crime Research Center, Martin Luther University, Halle-Wittenberg
- **Dr. Christine Hohmann-Dennhardt,** Member of the Daimler AG Board of Management responsible for Integrity and Legal Affairs
- **Pierre Sané,** Board Member, UN Global Compact
- **Louis Freeh,** former FBI Director and U.S. Federal Judge, Compliance Monitor at Daimler from 2010 to 2013
- **Professor Ernst Ulrich von Weizsäcker,** environmental scientist, climate expert, and former Member of the Bundestag

- Not pictured: **Stefan Aust,** journalist, publicist, and author (he left the Board as of January 31, 2014 because of his new position as publisher of the daily "Die Welt").
- Not pictured: **Professor Julian Nida-Rümelin,** Professor of Philosophy at Ludwig Maximilian University of Munich

»The Advisory Board for Integrity and Corporate Responsibility performs the important and independent role of advising Daimler AG regarding 1) the state of its compliance and integrity programs from an external, expert-based perspective; 2) the current regulatory legal and reputational environment for all risks affecting the company's global business operations; and 3) any necessary recommendations for further strengthening the company's legal and integrity programs.«

Board Member Louis Freeh, former FBI Director and U.S. Federal Judge, Compliance Monitor at Daimler from 2010 to 2013

»Industry and environmental protection must work together. With some concern, I'm seeing that today people always talk of sustainability rather than responsibility for the environment, as they used to. In the process, they emphasize the so-called 'triangle' that puts the environment, the economy, and social issues on the same level. When that is done, there is a great temptation to celebrate economic benefits (which are always self-evident as a top priority for business enterprises) and good relations with the workforce (which are also almost a given for a modern company) as successful sustainability efforts and to treat environmental issues as secondary.«

Board Member Professor Ernst Ulrich von Weizsäcker, environmental scientist, climate expert, and former Member of the Bundestag

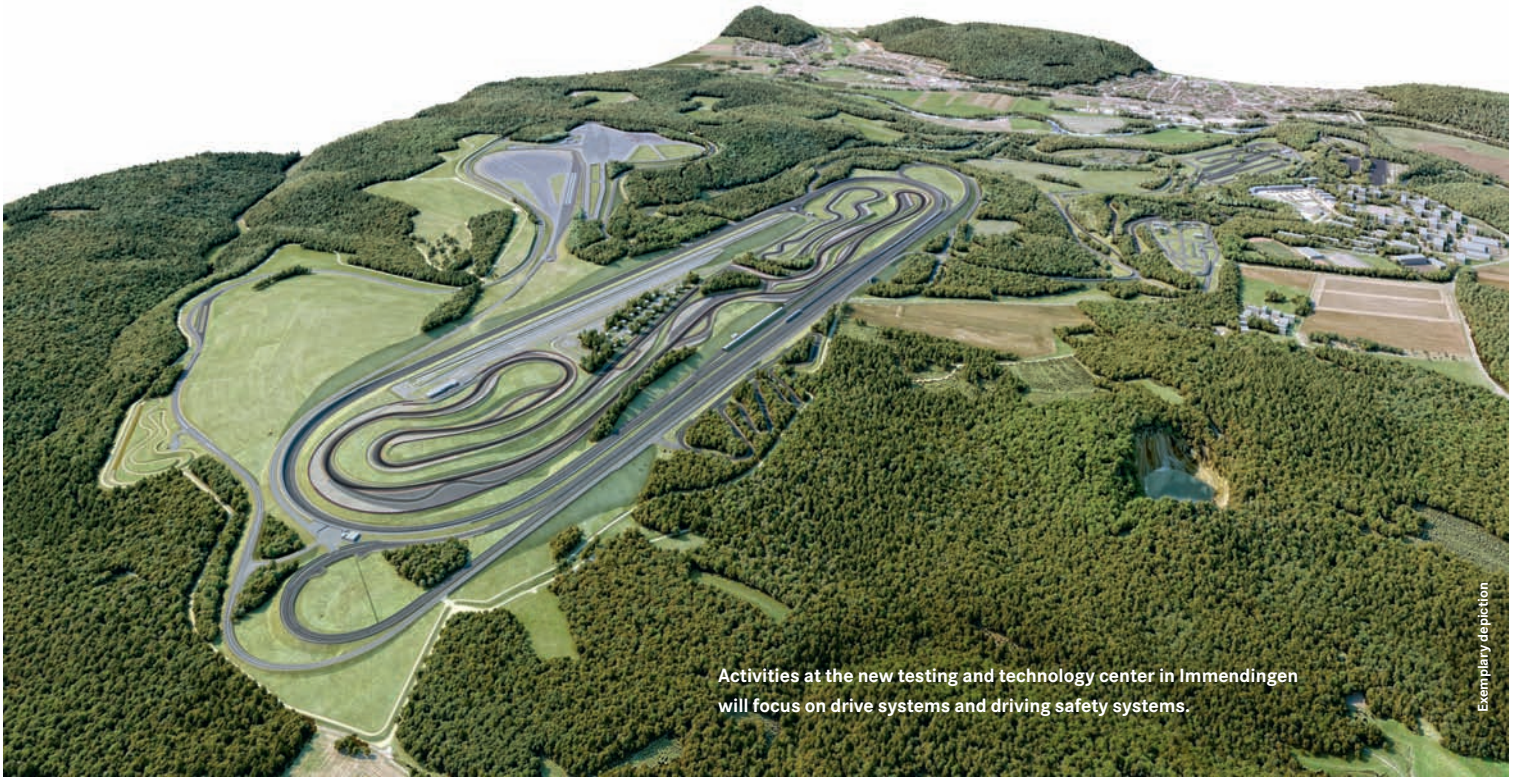
# Test center: Investment in the future of mobility.

## Daimler plans to establish a new testing and technology center in the Danube town of Immendingen.

A former military installation in the town will be converted into a facility that will open up new opportunities for automotive research and development in several stages. The project, which will create more than 300 high-quality jobs, has received extensive support throughout the region.

Daimler plans to build a new center of competence for future mobility in Immendingen, which is located in the district of Tuttlingen, around 100 kilometers south of Stuttgart. The planning and preparations for the testing and technology center have already reached a very advanced stage. The facility will test technologies for the further development of the combustion engine, new types of drive systems, and autonomous driving approaches, among other things. The rapid developments are also a result of the extensive dialog Daimler has been conducting with people in the region from the very start – ever since the Group began focusing on Immendingen as the ideal location for its new center in 2011. “From the very start, people in Immendingen have been open-minded and constructive. They have always been willing to engage in dialog with us,” said Lothar Ulsamer, who is responsible for federal and municipal projects in the External Affairs and Public Policy department at Daimler.

The location, characteristics, and ownership structure of the Immendingen site, as well as the quality of the surrounding infrastructure, offer Daimler a unique opportunity to implement its plans for the future – and special opportunities for the region. Both sides recognized this and began a constructive dialog a few years ago with the goal of making Daimler’s vision a reality. “This forward-looking project has been made possible in large part by the extensive support we have received from local authorities, the state government, the German federal government, and citizens in the region,” said Prof. Dr. Thomas Weber, Member of the Board of Management of Daimler AG responsible for Group Research and Mercedes-Benz Cars Development, in May 2013. At the time, Daimler and the German Federal Ministry of Defense reached a basic agreement allowing the world’s oldest automaker to take possession of the former German Federal Army installation in Immendingen with its area of over 400 hectares in order to build a testing and technology center. The land use and building development plans will be released to the public in the next stage, followed by the planning permit, required for the purchase of the property, the subsequent gradual installation of the various modules for the testing and technology center, and the commissioning of the facility. Plans also call for a step-by-step transfer of the property from the armed forces to Daimler. In the first stage, the Group will take over the former training area in 2014, followed by the transfer of the Oberfeldwebel-Schreiber barracks in 2016. The full range of research and development work could then begin in Immendingen in 2017/2018.



**Activities at the new testing and technology center in Immendingen will focus on drive systems and driving safety systems.**

Exemplary depiction

**Solutions through dialog —** Lothar Ulsamer believes this approach holds the key to successful discussions and planning processes for the new testing and technology center in Immendingen.

## A powerful message to the region.

The successful establishment of the new testing and technology center would be an outstanding example of an effective conversion of a former military site into a location that can be used on a sustainable basis by a forward-looking industry. Immendingen has been extensively shaped by its role as a German Army base since the 1950s and a French military facility in subsequent years. Parts of a joint German-French brigade were also stationed in Immendingen. The French soldiers, who played a key economic and social role in the community and surrounding region, left the site in 2011. Daimler has promised that the new testing and technology center will be home to at least 300 jobs. A technology center will also be set up in the former barracks, and the center will generate significant potential for further growth in a pioneering industrial sector.

»Right from the start, people in Immendingen have been open-minded and constructive. They have always been willing to engage in dialog with us.«

Lothar Ulsamer, responsible for federal and municipal projects at Daimler's External Affairs and Public Policy department.

## Testing drive and assistance systems.

Planning for the new center revolves around the construction of various facilities that will mainly be used to simulate conditions on country roads, in urban settings, and on the freeway. Among other things, Daimler plans to test and improve vehicles equipped with hybrid, electric, and fuel-cell drive systems. However, the Group will also use the center to further optimize combustion engines. The overriding goal is to continually reduce the carbon dioxide emissions of Daimler vehicles, and ultimately to eliminate such emissions completely. The facilities to be used include a three-lane circuit, a 1.6-kilometer straightaway with measuring devices, an area for examining vehicle handling properties, and replicas of city streets and country roads. Together, the facilities described above will allow all relevant normal everyday driving situations to be realistically depicted and recreated on a relatively small area. The modules will be supplemented by sections for conducting legally stipulated tests, as well as areas for the testing of vehicle handling properties on various road surfaces.

A special role will be played by the "Bertha Section", which will focus on the development of driver assistance systems. Daimler researchers will also use the Bertha Section to work on developing autonomous vehicles for the future. The development activities will reduce the number and severity of car accidents and further raise the already high-quality safety standards of the world's oldest automobile manufacturer. The Bertha Section is named after Bertha Benz, the wife of Carl Benz, who was an automobile pioneer in her own right. Plans call for the section to cover an area of around ten hectares. The new testing and technology center will be used for testing cars. Commercial vehicles will continue to be tested in Wörth, while the Papenburg proving grounds will continue to offer capacity for high-speed tests in the future.

## Environmental protection measures.

Daimler is continually engaged in discussions about the project's planning status with residents of Immendingen and the surrounding region, as well as with the users of the affected areas. The Group not only engages in open dialog with local farmers, shepherds, forest managers, and hunters but also incorporates their concerns and suggestions into its development plans. The results of these discussions are also taken into consideration in the construction planning process in order to minimize the impact on residents. Environmental protection and nature conservation measures are prerequisites for the planning approval. For example, Daimler has announced that it will construct a corridor for forest animals, which will run through the testing site and include a bridge. The Group is also interested in achieving a balance between environmental protection and the economic use of the site for research by mapping out and categorizing flora and fauna at the site. A corresponding study, which has already been completed, found no significant factors that might place restrictions on the project. The findings have been incorporated into the latest revised planning documents for the testing modules. Planning activities also takeinto account the results of other studies regarding the potential environmental impact – for example, in relation to noise, air flows, and groundwater.

The establishment of the new center would lead to a sustained improvement to the economy and infrastructure of the Tuttlingen district, of which Immendingen is a part. For example, the planning process has already led to new ideas for improving mobility in the region. "In cooperation with the local adult evening school, Daimler has held a workshop that focuses on mobility in rural regions," said Ulsamer. "One of the ideas brought up was to adapt innovative mobility systems used in large cities – for example, carsharing – to conditions in rural areas." In May 2013, Silke Krebs, a minister in the State Ministry of Baden-Württemberg, stressed the importance of the Daimler project not only for Immendingen but also for the entire state of Baden-Württemberg. As Krebs pointed out, the conversion of the military site into a testing and technology center "sends a powerful message to the region and rural communities in general."

# China: Daimler is growing dynamically.

With a population of 1.3 billion people China is one of the fastest-growing regions in the world. The country also has the world's second-largest gross domestic product (GDP) and the largest automotive market. In 2013 Daimler reorganized its operations in China and appointed Hubertus Troska, member of the Board of Management of Daimler AG, as CEO of Daimler Greater China (DGRC).

## Mutually beneficial partnerships.

Daimler Greater China (DGRC) has established several joint ventures, in which partners can benefit from positive developments and generate growth. Beijing Benz Automotive Co., Ltd. (BBAC) manufactures passenger cars, and Beijing Foton Daimler Automotive Co., Ltd. (BFDA) is building a diesel engine plant and producing new, environmentally friendly trucks. At Fujian Benz Automotive Co., Ltd. (FBAC) while vans are rolling from the lines, Daimler operates its only research and development center for vans outside Germany. Finally, the establishment of Shenzhen BYD Daimler New Technology Co., Ltd. (BDNT) led to the bundling of Daimler and BYD capacities for development of an electric vehicle for the independent DENZA brand.

In 2013 Daimler acquired a 12-percent share of BAIC Motor, the passenger car division of the BAIC Group. This was an important step in Daimler's China strategy because it marked the first time in Chinese history that a foreign automaker obtained a stake in a national manufacturer. This paved the way for new approaches and took the already strong and close partnership to the next strategic level.

## A powerful driving force for global development.

Localized production of vehicles tailored to the special needs of Chinese customers is an important element of DGRC's core strategy. BBAC, which will become Daimler's largest production site, is of crucial importance for the Chinese market.

In addition to the vans research and development center, BBAC operates three production plants. The company invested €400 million in a cutting-edge engine plant, which was completed just two years after the cornerstone was laid in 2011. To meet the demand on the local market, this plant will initially manufacture 250,000 four-cylinder and six-cylinder engines per year with the help of state-of-the-art technologies as well as lean and sustainable production processes. Moreover, it will also produce several important components for export to Germany.


Celebration of Daimler's acquisition of a 12-percent share in BAIC Motor, the group's passenger car division. F.l.t.r.: Bodo Uebber, Hubertus Troska, Dr. Dieter Zetsche, Xu Heyi, Zhang Xiyong, Ma Chuanqi

The second production plant manufactures vehicles featuring the Mercedes-Benz rear wheel drive architecture (MRA): the C-Class, the long-wheelbase E-Class, and the GLK. Using cutting-edge production technology and relying on the highest quality standards, BBAC already manufactured half of the Mercedes-Benz vehicles sold in China in 2012. With additional major investment and development activities, the company aims to increase the share of locally produced vehicles, which are to account for two-thirds of total sales by 2015. In 2013 BBAC met the demand for more locally manufactured vehicle models by building the MRA Phase II Production Workshop, which is now the biggest car body facility in Asia. In September 2012, BBAC laid the cornerstone for its third plant, which will manufacture the GLA and other compact vehicles with front-wheel drive.

## Special services for Chinese customers.

In order to consolidate its sales channels, Daimler and its partner BAIC established the joint venture Beijing Mercedes-Benz Sales Service Co., Ltd. (BMBS) in December 2012. BMBS unites sales, marketing, and after-sales activities under one roof, combining them with an expanded dealership network, used vehicle and fleet sales, and dealer and workshop training programs for imported and locally produced Mercedes-Benz vehicles.

In 2013 Mercedes-Benz implemented China's recently introduced "Three Guarantees" regarding the replacement, repair, and return of privately owned vehicles and took on a pioneering role with its three-year, unlimited mileage vehicle warranty. Mercedes-Benz was the first premium automaker to implement the "Three Guarantees" and extend its warranty by seven months. The five new spare parts sales centers newly constructed in China by Mercedes-Benz also ensure shorter transport routes and delivery times, resulting in even better service.

## Helping to make Beijing greener.

DGRC is adopting a completely new approach to the construction of its joint venture manufacturing facilities. As a result, planning activities now take the characteristics of local resources into account so that the production plants can be integrated into their surroundings as harmoniously as possible. For example, the site on which the BBAC plant is now located was part of the imperial hunting grounds a century ago, when it also provided a habitat for the Chinese moose. By adhering to an environmentally friendly production concept and ensuring sustainable development, BBAC wants to keep the site as natural as possible and also support the efforts to conserve water and reduce air pollution in Beijing, a city with around 23 million inhabitants.

For example, the paint shop in the BBAC MRA-II assembly plant accounts for around two-thirds of the facility's energy consumption and is also the main source of the air pollution generated as a result of production operations. To create China's first zero-discharge paint shop for top coats, the latest energy-efficient technologies were installed into the plant's painting system, which was developed in Stuttgart. The use of dry deposition to apply top coats reduces energy and water consumption, and substantially decreases the generation of paint-related ash. The resulting painting process and the use of a circulating water treatment system for the other types of process water reduce the amount of wastewater produced. The facility has an outstanding oil separation rate of 97 percent and has cut the amount of emulsified mixture that is discharged in half.

The use of dry deposition for top coats also ensures that the exhaust air from the paint booths doesn't have to be continuously replaced exclusively with outside air. Instead, 80% can be replaced with recirculated air, because the exhaust contains low amounts of solvents and operations are completely automatic. Moreover, a rotary concentration system recovers heat from the exhaust for use with the remaining amount of fresh air (20%). As a result, the total amount of exhaust air is reduced to 20% of its former value.

DGRC has fully taken local environmental factors into account in the planning and construction of its plants. As a result, temperature fluctuations and design parameters do not differ greatly from those of our European plants. However, in summer the facilities can become somewhat hotter and more humid than their European counterparts. Measuring approximately 220,000 m², the largest assembly and logistics hall at the MRA I plant has a geothermal energy system that is close to the surface. The system has three heat pumps and more than 1,000 drill holes in the area of the parking lots. The geothermal facility supplies energy to a low-temperature heating system that covers approximately two-thirds of the assembly hall. In summer, the overall system exploits the ground's cooling effect to control the temperature

Family Day at Mercedes-Benz Sales Service Co., Ltd. (BMBS).

in the hall. The plant also has solar-thermal systems for heating the water used in the sanitary facilities. In addition, a photovoltaic system covers part of the hall roof.

BBAC has also installed a rainwater harvesting system that greatly reduces the strain on the municipal sewage system and enables the integrated use of rainwater. A biological pre-treatment system was installed as well. As a result, the pre-cleaned wastewater can be discharged into the plant's graywater system, which also receives water from the municipal sewage treatment facility. This water can be used for irrigation, for example, as well as for flushing toilets and for filling the firefighting tanks.

Last but not least, compact air intake and exhaust systems were installed into the powertrain assembly hall. These systems were set up in the individual assembly booths, where they simultaneously extract exhaust air, supply fresh air, and recover heat. It marks the first time that such a system was incorporated into the production process in China.

## Accelerating into the future.

In order to offer products and services that are tailored even better to customer needs, DGRC is relying on broad-based market research activities and studies of the culture and purchase behavior in China. In 2013 DGRC partnered with Tsinghua University to establish the Joint Research Center for Sustainable Transportation. The center conducts extensive research on topics related to road safety and traffic information systems.

At the ceremony marking the 100th anniversary of Daimler in China, Hubertus Troska announced that Daimler plans to build a Mercedes-Benz cultural center in Beijing. The main element of this center will be a Mercedes-Benz museum – the only one in the world outside Germany.

# Facts and figures: The power of the dragon.

Within a very few years, China has developed with breathtaking speed into the world's largest vehicle market. Daimler is already very broadly positioned in this market with its products and financial services. Since the start of the economic reform process around 30 years ago, China has become an important global player thanks to its remarkable growth rates. With a gross domestic product of a good US$8,200 billion, it is the second-largest economy in the world after the U.S. today.

As a result of its rapid economic growth, China has advanced to become the world's number one exporter and holds one third of all currency reserves worldwide, or more than all industrial nations taken together. Meanwhile, the Chinese economy is so important that it impacts significantly on the growth rates of the world economy. The current indications are that the Chinese economy will continue to expand strongly in the future, with the rapidly growing middle class as a key growth driver. In the period from 2012 to 2020, the number of Chinese households with an annual income between US$50,000 and 100,000 will rise by a good 30 million. However, the double-digit growth rates of the past are no longer expected. After years of exports- and investment-driven growth, the Chinese government is meanwhile gradually redirecting the economy towards more domestic consumption. The improvement of the social security systems will be essential for increasing consumerism and the success of this undertaking.

**07**

**Employees development in China**

| as of December 31, | 2013 | 2012 |
|---|---|---|
| **Consolidated entities** | | |
| Daimler Trucks (Daimler Greater China Ltd.) | 10 | 9 |
| Daimler Financial Services (Mercedes-Benz Leasing and Mercedes-Benz Auto Finance) | 458 | 436 |
| Sales & Marketing (Daimler Trucks and Buses; Mercedes-Benz China*) | 136 | 1,159 |
| Other (Daimler Greater China Ltd. and Daimler Northeast Asia Parts) | 1,362 | 1,126 |
| **Total** | 1,966 | 2,730 |
| **Joint ventures/Non-consolidated entities** | | |
| Beijing Benz Automotive Co.,Ltd. (Mercedes-Benz Cars) | 8,818 | 9,048 |
| Fujian Daimler Automotive Co. Ltd. (Mercedes-Benz Vans) | 1,544 | 1,543 |
| Shenhzen BYD Daimler New Technology Co., Ltd. (Mercedes-Benz Cars/Research & Development) | 298 | 262 |
| Beijing Foton Daimler Automotive Co.Ltd (Daimler Trucks) | 5,789 | 5,530 |
| Beijing Mercedes-Benz Sales Service Co., Ltd. (Sales & Marketing) from 2013* | 1,163 | – |
| **Total** | 17,612 | 16,383 |
| **Total China** | 19,578 | 19,113 |

*The headcount decrease in 2013 at Sales & Marketing in China results from the intergration of the sales organization for passenger cars into a non-consolidated Joint Venture (Beijing Mercedes-Benz Sales Service Co.,Ltd.).

## The automotive market is booming.

The potential of the automotive market is immense. Today, China is already by far the largest market in the world with a registration volume of about 20 million passenger cars and commercial vehicles. And the Chinese market will continue to profit from the steady rise in per capita incomes and rising mobility requirements of the population. In the year 2020, as many as 30-35 million vehicles will be registered in China. Thus, almost one in every three vehicles worldwide will be sold in China in the long term.

## Vehicle demand continues to rise.

According to the current forecasts, as the world's largest market in the year 2020 the Chinese car market will have about the same volume as the number two, three, and four markets taken together (U.S., India, and Brazil). China also offers enormous potential with respect to the demand for commercial vehicles. Sales of medium-duty and heavy-duty trucks in 2014 are expected to aggregate about 900,000 units or significantly more than sales in the entire triad (North America, Western Europe, and Japan). Continued high economic growth will result in greater transport volumes, which should also lead to a further increase in the demand for commercial vehicles.

Consequently, China is an engine of further growth and one of the major pillars for Daimler's international success. The Chinese market will contribute significantly to the achievement of Daimler's target for 2020, which is to become the Number One of all premium manufacturers.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## 1 Fujian Benz Automotive Co. (FBAC)

**Shareholders:** 50 percent Daimler & China Motor Corporation, 50 percent Fujian Motor Industry Group Co., Ltd.
**Location:** Fuzhou
**Start of production:** 2007
**Production volume 2013:** 11,155 units

**Production:** Chassis and assembly plan for vans (Vito, Viano and Sprinter)
**Energy consumption:** 42.2 GWh
– of which electricity: 23.5 GWh
– of which natural gas: 3.2 GWh
– of which heating fuel: 15.5 GWh

## 2 Beijing Foton Daimler Automotive Co., Ltd. (BFDA)

**Shareholders:** 50 percent Daimler, 50 percent Foton
**Location:** Beijing
**Start of production** 2012
**Production volume 2013:** 106,537 units

**Production** (from 2014): medium-duty and heavy-duty trucks of the brands Auman, Mercedes-Benz OM457
**Energy consumption:** 408.2 GWh
– of which electricity: 68.2 GWh
– of which natural gas: 93.7 GWh
– of which district heating: 186.0 GWh
– of which heating fuel: 60.3 GWh

## 3 Beijing Benz Automotive Co., Ltd. (BBAC)

**Shareholders:** 49 percent Daimler, 51 percent BAIC
**Location:** Beijing
**Start of production:** 2006
**Plant area:** 1,983,626 m²
**Production volume 2013:** 119.815 units

**Production:** Mercedes-Benz C-Class, E-Class (Long version for the Chinese market), GLK-Class, engines for cars and vans
**Energy consumption:** 477.9 GWh
– of which electricity: 178.1 GWh
– of which natural gas: 299.8 GWh

## 4 Shenzhen BYD Daimler New Technology Co., Ltd.

**Shareholders:** 50 percent Daimler, 50 percent BYD Co. Ltd.
**Location:** Shenzhen
**Founded in:** 2011
**Start of production:** 2014

**Production capacities:** (Start 2014): 40,000 units
**Development:** Electro-cars of DENZA brand, world premiere at Auto China 2014 is planned

# Compliance in China.

One business principle for our shareholdings is to ensure within the framework of the legal possibilities that these companies can exercise their business activities in conformity with the valid legal and internal Group regulations. Thus, our general compliance requirements in China for controlled shareholdings are no different from the requirements we have in place for our associated companies in other countries.

At non-controlled shareholdings we actively work through our representatives in the supervisory bodies, exclusively within the scope of their legal possibilities, to ensure that the business activity is exercised in accordance with the valid legal regulations. In doing so, we have agreed upon the introduction and further development of a comprehensive Compliance Management System in the non-controlled shareholdings with six basic Compliance elements. These include, among others, the establishment of a Compliance function, ongoing analysis of compliance risks, implementation of a code of conduct and a corresponding corporate culture, integrity checks of business partners, regular compliance training and communication, as well as the establishment of a central whistleblower system for reporting of suspected compliance violations. The responsibility for the justification, design, and relative significance of each element of the Compliance Program lies however with the respective management in the non-controlled shareholdings.

Our Regional Compliance Office in China advises and actively supports all our representatives in the supervisory bodies, as well as the Compliance departments and management of our controlled as well as non-controlled shareholdings.

The Regional Compliance Office was created in 2012. Its size reflects the special importance that the Chinese market has for our corporation.



# Report profile.

In this Sustainability Report we assess the economic, environmental and social impact of our business operations in the 2013 financial year and present our current sustainability program. Our interactive online Sustainability Report details and supplements the present printed report with additional information and offers additional possibilities for use: The website features a search function, an extensive thematically linked GRI Index and a key figures tool, with which you can create tables and graphics adapted to your information needs.

http://sustainability.daimler.com

The information provided in our Sustainability Report applies to the entire Daimler Group with its divisions.

The reporting period corresponds to our financial year, which runs from January 1 to December 31.

**GRI.** In 2006, Daimler joined the multi-stakeholder network of the Global Reporting Initiative (GRI) as organizational stakeholder. This report was prepared in accordance with the internationally recognized guidelines on sustainability reporting, GRI G4.

**Audit certification according to ISAE 3000.** The auditing and consulting firm PricewaterhouseCoopers has reviewed the correctness, completeness, comparability, comprehensibility, and relevance of the following disclosures in the Sustainability Report in accordance with the stipulations of “International Standard on Assurance Engagements (ISAE) 3000”:

- $CO_2$ emissions, water consumption, and recycling rates (production-related key figures),
- average $CO_2$ emissions of the Mercedes-Benz Cars fleet in Europe (product-related key figures),
- disclosures regarding accident statistics (HR key figures),
- donations and sponsoring (society-related key figures).

Audit Certification: p. 68

Assurance: Online 201

**UN Global Compact Progress Report.** In 2000, Daimler became one of the first signatories of the UN Global Compact. We have committed ourselves to uphold this international initiative’s ten universally recognized principles. In addition, we were among the first participants of the UN Global Compact LEAD group established in January 2011. In 2013 we continued to improve and expand our involvement in the thematic and regional working groups and initiatives. With this Sustainability Report we are meeting our obligation to report regularly on our initiatives regarding human rights, labor standards and employee rights, environmental protection, and the fight against corruption.

UN Global Compact Progress Report: Online 202

**We want to become better and better.** In recent years we have continuously strengthened our commitment to sustainability and have made our reporting in this area more transparent and easier to understand. As always, our reporting is in line with the principles of materiality, stakeholder inclusiveness, completeness, and sustainability.

G4-22
G4-23

Scope of Reporting and Data Recording: Online 203

**New features in this report.** The Daimler Sustainability Report 2013 shows the conclusion we have reached as a result of our deliberations:

G4-18

Using a materiality analysis we have again evaluated internal and external sustainability requirements and expectations concerning our company and have summarized the results in a materiality matrix. In doing so we have decided to use even more transparent disclosures and presentation of results.

Materiality matrix: p. 3 f.

This analysis forms the basis for the thematic outline of our Sustainability Report, which is structured more clearly and compactly. We have also taken into account the wishes of important target groups such as rating agencies, which need to find key figures, data, and facts as quickly as possible and therefore view brief summaries of important issues as an important quality criterion. We have therefore concentrated on the key figures of the GRI Index. The comprehensive Index is available on the Internet.

Sustainability Program 2020: p. 60 ff.

In the first part of the Daimler Sustainability Report 2013 we address company-specific topics, which demonstrate our commitment to act responsibly in the context of our international business operations. The topics are determined in line with the materiality analysis and represent issue complexes which are also the subject of public discussion.

A new Section “Business model” and a separate presentation of Products & Services have been added. We thus satisfy the requirements of Reporting Standard GRI G4, which came into effect this year. In this section we present our business purpose and relate it to the fields of action contained in the materiality matrix and the resulting Sustainability Program 2020.

Business model: p. 10 ff.
Products & Services: p. 19

**The reporting process and quality assurance.** In addition to assigning PricewaterhouseCoopers to perform quality review of systems and data, we perform our own detailed benchmark analyses. In parallel we also have an internal process for the review of targets, measures, and fields of action.

Quality check of systems and data by PricewaterhouseCoopers: p. 68

**Disclaimer.** We have exercised extreme care in the compilation of the data contained in this report. Nevertheless, we cannot entirely exclude the possibility of error. Insofar as this report contains forward-looking statements, these are based exclusively on data and forecasts that were available at the time of publication. Although such projections are drawn up with extreme care, a great variety of factors that were unforeseeable at the time of publication may lead to deviations. The content of the report was examined by the responsible specialist staff. Parts of the report were examined by PricewaterhouseCoopers.

The last Sustainability Report appeared in April 2013 under the title “Sustainability Report 2012”. Our next report will likely be published in mid April 2015.

**Editorial deadline for this report:** February 12, 2014

# Facts and figures.

# Product responsibility.

For us, product responsibility requires a combination of three things: the greatest possible customer benefit, the highest safety standards, and maximum environmental and climate compatibility. To achieve this goal, we depend on environmentally compatible product development and innovative concepts. This extends from trailblazing vehicle and powertrain technologies, lightweight construction, the use of natural materials and remanufacturing of components to sophisticated assistance systems that can prevent accidents.

The Daimler Environmental and Energy Guidelines provide the binding standards of environmental compatibility. The second guideline is as follows: We develop products that are particularly environmentally friendly and energy-efficient in their market segments. Therefore, our mission is to fulfill demanding environmental standards and deal sparingly with natural resources. Our measures for environmentally compatible and energy-efficient product design take into account the entire product life cycle – spanning development, production, and product use, as well as disposal and recycling.

Environmental and Energy Guidelines: Online 301

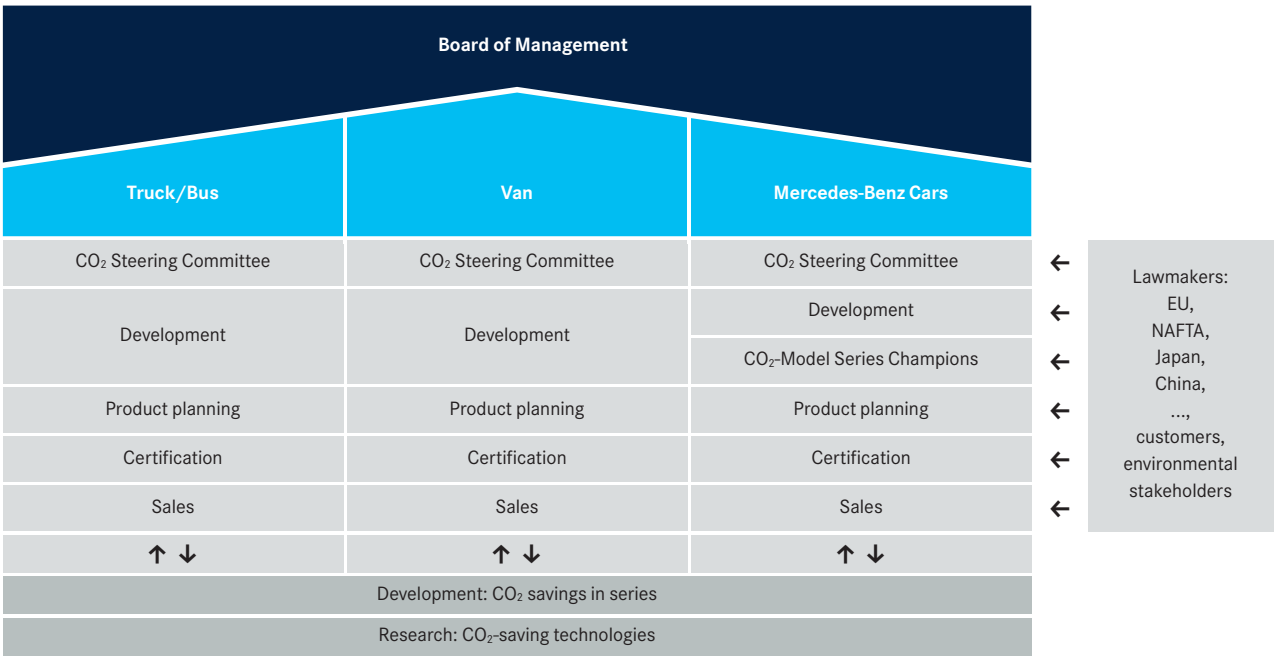
**Structures and processes for sustainability innovations.** Innovations for greater sustainability require uniform structures and processes. The following chart illustrates the ways in which central committees and processes in all three Daimler AG divisions help to reduce the emissions of our vehicles – from research and development to production and sales – using the theme of $CO_2$ reduction as an example. A wide variety of internal and external influencing factors are taken into account, such as legal requirements, the customers, and environmental stakeholders in the various markets.

## Environmentally responsible product development.

A vehicle's environmental impact is largely pre-determined in the first stages of development. By integrating environmentally responsible product development (Design for Environment, DfE) at the earliest stage of the development processes, it is possible to minimize the impact on the environment more efficiently. That is why continuous improvements in environmental compatibility are a major requirement in the creation of the product specifications. Our DfE experts are involved in all stages of vehicle

**08**

**Structures and processes for sustainable innovation**



development as a cross-divisional team. In addition, we systematically integrate product design into our environment and quality management systems according to ISO 14001 and ISO 9001. Since 2012, Mercedes-Benz has been in full compliance with the ISO 14006 standard, which was created for this purpose in 2011. In addition, since 2005 Mercedes-Benz has also been certified according to ISO TR 14062, the standard for environmentally oriented product development.

Environmental management in product development: Online 302
Mercedes-Benz Models with environmental certificates: Online 303

**Comprehensive life cycle assessment.** Evaluating the environmental compatibility of a vehicle requires an analysis of the emissions and use of resources throughout the entire life cycle. The standardized tool for this is the life cycle assessment, which examines all environmental effects, from the extraction of raw materials and vehicle production to product use and recycling. At Mercedes-Benz Development we use life cycle assessments to evaluate and compare different vehicles, components, and technologies.

**Less weight, more recyclates, more natural materials.** Our goal is to make our vehicles lighter while continuing to reduce the environmental effects of materials used in their production. To achieve this we rely on new lightweight materials and components. For example, the mass of recyclate components in the S-Class has increased by 134 percent compared to the predecessor model. On the other hand, we are increasingly using renewable materials and recycling materials.

**Intelligent light-weight construction** can further reduce vehicle weight without sacrificing safety and comfort. In this context, the selection of materials as well as component design and manufacturing technology play an important role: Not every material is suitable for every component.

At 35 percent, the vehicle body accounts for the biggest share of total vehicle weight, followed by the chassis at 25 percent, the comfort and safety equipment at 20 percent, and the engine and transmission at 20 percent. Thus, the most effective approach is to concentrate on the vehicle body. In this area, we are increasingly using high-strength and ultra-strength alloys instead of the conventional types of steel. In the new S-Class, through improvements in lightweight construction and other components, we were able to reduce the vehicle weight by almost 100 kilograms compared to the predecessor model.

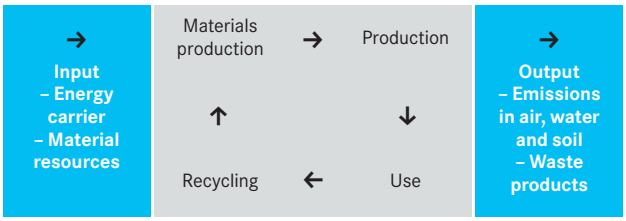
**Modern aluminum alloys** can compensate for the previous deficiencies in the strength of the material; today, it is also possible to make partial use of aluminum recyclate. In the luggage compartment of the Mercedes-Benz SL, for example, we are using an alloy that is manufactured with over 90 percent aluminum recyclate.

**NANOSLIDE® technologies** used for our 6-cylinder engines optimize the friction in the engine and simultaneously lower the engine weight. Thus, for example, the NANOSLIDE® technology used in the Mercedes-Benz M-Class leads to a fuel saving of around 3 percent.

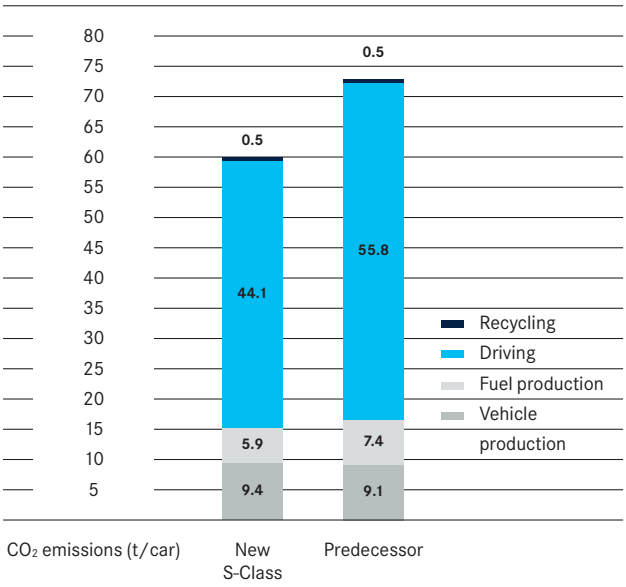
Innovation award IKU 2013 for NANOSLIDE®: Online 304

**Increased use of recycled materials.** The European End-of-Life Vehicle Directive 2000/53/EC stipulates recycling quotas. In addition, it also requires manufacturers to use more recycled materials during vehicle production in order to build up the markets for recyclates. That is why the requirement specifications for the new Mercedes-Benz models prescribe continuous increases in the amounts of recyclates used in car models – as also specified in the targets program.

## 09
**Holistic balance**




## 10
**$CO_2$ emissions of the new S-Class compared to the predecessor model**




### The environmental profile of the new S-Class

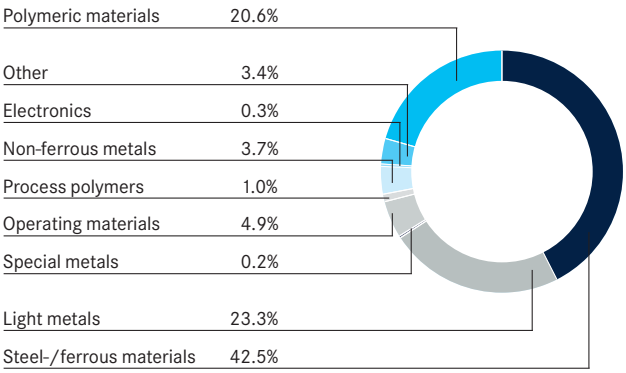
**Primary energy requirement.** The primary energy requirement calculated for the new S-Class over the entire life cycle – from production to use to recycling – is 17 percent lower than that of the predecessor model: A saving of 181 gigajoules is achieved. This corresponds to the energy of around 5,500 liters of gasoline fuel.

**$CO_2$ emissions.** The environmental impact of the new S-Class is at around 60 tons of $CO_2$. Over the entire life cycle, over a total driving distance of 300,000 km, the model generates 18 percent (12.8 tons) fewer $CO_2$ emissions than its predecessor did until its exit from the market in 2012. The vehicle emits around 44 tons of $CO_2$ during driving. Thus driving is the determining factor for $CO_2$ emissions as well as for the primary energy consumption.

**Total emissions.** The new S-Class has clear advantages in other emission categories as well – above and beyond the entire life cycle. This applies in particular for the $NO_x$, NMVOC, $SO_2$ and $CH_4$ emissions and their effects on acidification and eutrophication.

## 11

**Materials content of the new S-Class according to VDA 231-106**




In the new Mercedes-Benz S-Class, 42.5 percent of the vehicle weight comes from steel and iron parts, followed by light metals at 23.3 percent and polymers at 20.6 percent as the third-largest fraction.

Currently, 51 components with a total weight of 47.9 kilograms are approved for manufacture with recycled plastics. This corresponds to 2.5 percent of the total vehicle weight or a good 20 percent of all thermoplastic materials used in the vehicle. In the predecessor model this percentage was only 1.1 percent. The picture is also positive with respect to the renewable materials, which also make up 2.5 percent of the entire vehicle weight.

Our development studies concerning the use of recyclates are focused mainly in the area of thermoplastic materials, since – in contrast to steel and iron parts, which already contain a significant share of secondary materials – applications using plastics require that the recycling material must be tested and released separately for each respective part.

**Sandwich structures from recycling paper.** Daimler has developed a new structure for lightweight components using the model of the honeycomb. The core of the innovative material structure is provided by honeycombs made out of recycled paper. A rear shelf with the sandwich structure went into series production at Mercedes-Benz in 2013. It is only half as heavy as other similar components manufactured with traditional methods. The manufacture enables $CO_2$ savings of up to 50 percent in a single production step. Moreover, the honeycomb can be reused as injection molding granulate.

Renewable materials offer many advantages:
- Compared with glass fiber, natural fibers normally lower the component weight due to their low density.
- They can be processed with conventional technologies.
- The resulting products are generally easily recyclable.
- In energy recovery their $CO_2$ effect is almost neutral since only as much $CO_2$ is released as was absorbed by the plant during its growth.
- They contribute to the reduced consumption of fossil resources.

**Natural materials in the new S-Class.** Renewable materials are used in the production of 87 components of the new S-Class, which have a combined weight of 46.1 kilograms. Thus, the total weight of the components manufactured with the natural materials has increased by 8 percent compared to the predecessor model.

## Innovative vehicle and powertrain technologies.

**Our goal** is to offer our customers safe, efficient, and low emission vehicles and services. This is how we want to ensure mobility for the coming generations as well. Our vision is to use an intelligent mix of drive systems. We have anchored the key development emphases for new, particularly fuel-efficient, and environmentally compatible powertrain technologies in all automotive divisions in our initiative “The path to emission-free mobility”:
- Further development of our vehicles with state-of-the-art combustion engines with the goal of achieving significant reductions in consumption and emissions.
- Further efficiency increase through hybridization.
- Electric vehicles with battery and fuel cell drive.

**Locally emission-free in 14 markets.** The smart fortwo electric drive is meanwhile available in 14 markets. We are gradually introducing it in all smart core markets.

Environment brochure for the smart fortwo electric drive: Online 305

**Green electricity for every smart fortwo electric drive.** Electric vehicles help to reduce or avoid greenhouse emissions particularly when they are fueled with electricity generated from renewable sources. As part of a pilot project, Daimler is feeding additional renewable energy into the German grid – to cover the electricity requirement for the operation of smart fortwo electric drive vehicles sold in Germany. In doing this Daimler deliberately forgoes the subsidy provided by the Renewable Energy Act (EEG).

Green power – generation and use: Online 306

**Electric vehicles with fuel cell drive** are suitable for long driving distances due to their great range and quick refueling. The electricity is generated in the vehicle itself from hydrogen, which is fueled as in a traditional vehicle. Daimler is promoting the development of a broad-based hydrogen infrastructure jointly with partners from politics and the energy sector, because emission-free driving will also become attractive to customers for longer distances only if sufficient fuel stations are available.

Citaro Hybrid buses with plug-in technology in Stuttgart: Online 307

## 12

**Drive technologies from Daimler**

| Share in percent[1] | Gasoline vehicles | Diesel-powered vehicles | Gas drive vehicles (CNG, LNG, LPG) | Hybrid drive vehicles | Electric drive vehicles |
|---|---|---|---|---|---|
| Europe | 26.7 | 72.1 | | | |
| NAFTA | 58.4 | 41.0 | | | |
| Japan | 55.6 | 43.1 | 0.2 | 0.5 | 0.2 |
| China | 66.1 | 33.3 | | | |
| Total | 44.9 | 54.3 | | | |

[1] Basis: 2013 vehicle sales in each market

## Fuels.

Besides developing fuel-saving, environmentally friendly powertrains, Daimler is also involved in research on alternative fuels, which provide us with another important means for avoiding emissions and becoming more independent of fossil energy sources.

In the autumn of 2013, we promote plans for a nationwide $H_2$ station network in the framework of the "Initiative $H_2$ Mobility". The number of public hydrogen stations is to grow from the present 15 stations to more than 100 in the year 2017 and around 400 by the year 2023. The goal is to offer an $H_2$ fueling station for every 90 highway kilometers between urban centers. Furthermore, according to the planning, at least ten hydrogen stations will be available in each metropolitan region starting from 2023. The total investment requirement for the project will come to €350 million.

Our fuel roadmap: Online 308

Online tool calculates energy balance: Online 309

## Fuel consumption and $CO_2$ emissions.

The largest share of primary energy consumption and $CO_2$ emissions over the life cycle of a vehicle is attributable to the usage phase. In the case of a passenger car with a combustion engine it is 80 percent. The remaining 20 percent is consumed almost entirely during the manufacturing process. Vehicles with alternative drive systems have fewer $CO_2$ emissions during the usage phase. However, the primary energy consumption of these vehicles generally increases during production because of the energy needed to manufacture certain components such as batteries and electric motors.

Daimler is working intensively to further reduce emissions from all phases of the product life cycle. Through the optimization of our BlueEFFICIENCY measures and the market launch of the new models we were able to achieve another significant reduction in the $CO_2$ emissions of our new vehicle fleet in 2013.

Data of current vehicle models: Online 310

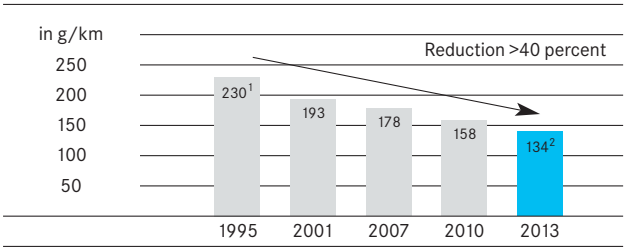
The average $CO_2$ emissions of the overall fleet of Mercedes-Benz Cars in Europe in the reporting year were at 134 grams per kilometer. We have thus achieved a reduction by more than 22 percent over the last five years and an improvement of 4.3 percent in the year 2013 alone. Our goal is to lower the $CO_2$ emissions of our new vehicle fleet in Europe to 125 grams per kilometer by the year 2016.

**Higher fuel efficiency for passenger cars and vans.** With the BlueEFFICIENCY technology package we are reducing the consumption and $CO_2$ emissions of our Mercedes-Benz cars and vans by up to 30 percent. To this end, we are using engines with small displacement and turbochargers, lightweight construction, aerodynamic optimizations, low-rolling-resistance tires, requirements-based energy management, and an automatic start/stop function. Since 2013, we have been offering all Mercedes-Benz Cars model series with the start/stop feature as standard equipment.

## 13

**Development of average $CO_2$ emissions of Mercedes-Benz Cars vehicle fleet in Europe (EU 27) 1995–2013**

$CO_2$ emissions according to the New European Driving Cycle (NEDC)




[1] 1995 including vans registered as M1 vehicles. All other years without vans.
[2] 2013: M1 vehicles 136 g/km

**Lower fuel consumption of the new S-Class.** A great number of coordinated measures on the chassis, the engines, and auxiliary components enhance the fuel economy of the new S-Class. These include but are not limited to:

- Optimized-friction engines, direct injection, heat management
- Standard ECO start/stop function
- A fuel pump and oil pump which adjust their output to the need
- Friction-optimized 7G-TRONIC PLUS 7-speed automatic transmission
- Fuel-economy rear axle gear unit with tapered roller bearings and high-lubricity oil
- Aerodynamically optimized parts such as radiator shutter, under-shields, and rear axle trim
- Tires with optimized rolling resistance
- Wheel bearings with reduced friction
- Lightweight construction materials which reduce weight
- Intelligent alternator management, which recovers braking energy and feeds it back into the battery
- ECO Thermo Cover technology in the S 300 BlueTEC HYBRID, which ensures that residual engine heat is saved overnight in order to minimize cold-start losses

Current legislation also sets demanding targets for light commercial vehicles. From 2017, emissions in the European fleet can no longer exceed the value of 175 grams per kilometer. The target for 2020 is set at 147 grams per kilometer. Since the overall fleet average of our light-duty commercial vehicles in 2013 was 201 grams of $CO_2$ per kilometer, we have reduced our consumption by 4 percent compared to the previous year and have already achieved the 2014 target value.

**Emission-free and economical:** the new standard regular-service bus Citaro. With its new engines, the Mercedes-Benz Citaro is the first serially produced regular-service bus to comply with the Euro VI emissions level. And there is more: When it comes to economy the Citaro clearly leaves its predecessor behind. Fuel consumption has been lowered by more than 8 percent through a wide variety of measures. For example:

- With the help of a recuperation model, the Citaro produces electricity without the use of fuel while in overrun. The electricity supplies energy for auxiliary devices like the blower and lighting in the pull phase. This reduces the burden on the engine and lowers consumption.
- In the overrun phase, electricity generated at no cost is stored in the double-layer capacitors (ultracaps) and used during acceleration.

- In addition, the new efficiency-optimized and electronically-controlled two-speed air compressor gains energy back in the overrun phase. The procedure lowers fuel consumption and $CO_2$ emissions of the Citaro by more than 3 percent, depending on use.
- Battery and generator management also save fuel and simultaneously increase the life of the components.
- The lower height of doors two and three reduces the air use when the bus "kneels" to enable passengers to enter at ground level. This saves an additional 0.4 - 0.5 percent of fuel.

In the year 2013, the new Citaro BlueTec6 received the KS Energy and Environmental Award "The Golden Oil Droplet", which is presented by the Automobilclub KRAFTFAHRER-SCHUTZ e.V. (KS) for technical developments which facilitate economical and environmentally compatible driving.

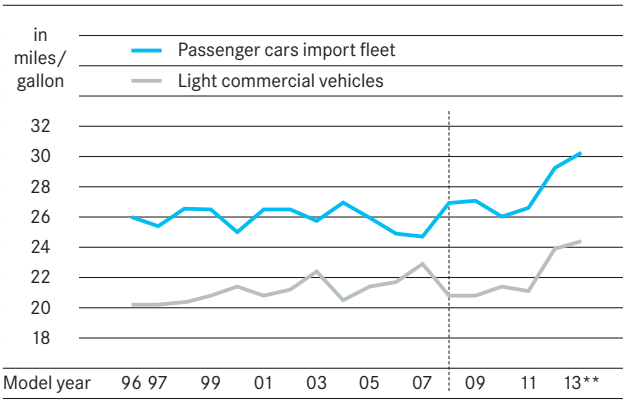
**Fleet values in the U.S.** In the U.S., fleet values are regulated by two co-regulated standards for reduction of greenhouse gases in vehicle fleets: the Greenhouse Gas Standards (GHG) and the Corporate Average Fuel Economy Standards (CAFE). The CAFE fleet value for each model year is determined on the basis of the number of vehicles sold and their respective fuel economy figures. For every 0.1 mile per gallon below the specified limit, the manufacturer is required to pay a fine to the government of US$5.50 per vehicle sold. For both the fleet of passenger cars and light trucks, Daimler had to make no CAFE payments for the 2013 model year. The fuel efficiency technologies introduced in the model year 2013 have contributed significantly.

More information about CAFE: Online 311

Fuel economy with the new Freightliner: Online 312

## 14

**Daimler CAFE* values for passenger and light commercial vehicles 1996–2013 in the USA**




From model year 2008 the figures only apply to Mercedes-Benz and smart vehicles sold in the US. Until model year 2007, light commercial vehicles also included Chrysler LLC vehicles not belonging to the SUV segment.

* CAFE = Corporate Average Fuel Economy
** Projection

**EPA certification for DTNA.** In early 2012, Daimler Trucks North America (DTNA) obtained certification by the U.S. Environmental Protection Agency (EPA), which confirms that all required processes for fulfillment of the "Greenhouse Gas 2014" Standard (GHG 14) had been established to the complete satisfaction of the agency for the entire vehicle range of on-highway and medium-duty trucks as well as construction and municipal vehicles. Thus, DTNA was the first manufacturer to fulfill the requirements for reduction of greenhouse emissions for heavy-duty and medium-duty trucks from the 2013 model year.

**Fleet value in China.** In China, there are different fuel economy requirements for domestically produced and imported passenger cars. At the same time a differentiation between 16 weight classes is also made. The fleet consumption target for the weight of Daimler's "domestic" fleet was 9.3 liters/100 km, and the actual value achieved was 9.1 liters/100 km. The target for the imported fleet was at 9.7 liters/100 km and 8.4 liters/100 km was achieved.

**Training programs for drivers.** Fuel consumption can be reduced by as much as 10 percent through an economical and anticipatory driving style. Our Mercedes-Benz Eco-Training programs for drivers of passenger cars and commercial vehicles show how this can be done.

More on our Eco-Training programs: Online 313

Fuel-saving tips: Online 314

## Pollutant emissions.

We use cutting-edge technologies to further reduce the pollutant emissions of our cars and commercial vehicles. Our goal is to fulfill future emission requirements in advance as much as possible.

## 15

**Share of Mercedes-Benz Cars vehicles registered in Europe in 2013 which fulfill current and future emission standards[1]**

| | $HC + NO_x$ in g/km | $NO_x$ in g/km | | Particulates in g/km | | Share of Mercedes-Benz Cars vehicles, which are in conformity with the corresponding limits |
|---|---|---|---|---|---|---|
| | Diesel | Gasoline | Diesel | Gasoline[3] | Diesel | |
| Euro 5 | 0.23 | 0.06 | 0.18 | 0.005 | 0.005 | 68.69 percent |
| Euro 6[2] | 0.17 | 0.06 | 0.08 | 0.005 | 0.005 | 31.31 percent |

[1] Provisional figures only, since not all data from licencing authorities were available at the time of going to press.
[2] The Euro 6 limits are binding for all new vehicles from January 1, 2015.
[3] Limits for particulate matter apply only to engines with gasoline direct injection.

**Ahead of schedule on emissions.** The gasoline engines of the new Mercedes-Benz A-Class and B-Class already fulfilled the limits of the European emission standard Euro 6, effective from September 2014, at the time of their market launch in 2012. And that's not all. Thanks to innovative technology, the direct injection engines are also below the stringent particulate limit of the second Euro 6 stage, which becomes effective in 2017 and reduces the number of particulates by another 90 percent compared to the first stage.

**Comprehensive Euro VI range.** In the area of commercial vehicles Mercedes-Benz is the first manufacturer to offer its entire product range in a Euro VI version. The start was made in 2011 with the new Actros long-distance truck, followed in 2012 by the Antos truck for heavy-duty short-radius distribution. The Arocs for the construction sector and the new Atego for light-duty short-radius distribution were launched in 2013. With the special vehicles Mercedes-Benz Unimog and Mercedes-Benz Econic with BlueTec6 technology, which have been rolling off the lines in Wörth since September 2013, we have completed the product campaign of Mercedes-Benz Trucks. The light is also green in the area of buses: All model series of the Mercedes-Benz and Setra brands are meanwhile available with Euro VI.

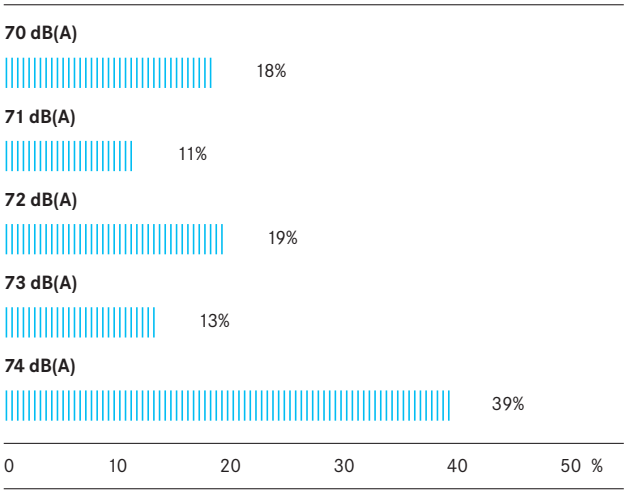
## Noise.

**The most state-of-the-art wind tunnel in the world.** In recent years, we have reduced the noise emissions of our cars, trucks, and buses significantly – and are reducing them further. The new aeroacoustic wind tunnel, which started operations in Sindelfingen in 2013, helps us to achieve this. Investments of €230 million went into the construction. The facility built on an area of 4,000 square meters is setting new standards for flow quality and measuring technology. This is where we perform air resistance measurements, acoustic studies, and flow field measurements for speeds up to 265 km/h. The results will provide the basis for further reductions of the air resistance and wind noises of our vehicles.

However, not all challenges can be solved in the wind tunnel. Primarily in commercial vehicles there are technical areas in which reducing noise and lowering fuel consumption are at odds. Thus, for example, an encapsulation of the powertrain dampens the engine noise. At the same time, however, it requires a stronger cooling system, which raises the fuel consumption. The additional consumption can be countered by higher injection pressure levels, which however in turn lead to more noise on combustion.

**16**

**Driving noises of passenger cars – percent distribution Mercedes-Benz and smart cars sold in Europe in 2013**




The binding legal limit for the accelerated passing test is 74 dB(A). A reduction by 3 dB(A) corresponds to a 50 percent reduction in acoustic power.

## Conservation of resources.

Our business is naturally associated with a high use of materials. Therefore, one of our development tasks is to keep the requirement for natural resources as small as possible. In particular, we strive to limit the use of raw materials, which are not readily available and are frequently associated with a great "ecological burden" in the early stages of development. In addition to the economical use of resources, the reconditioning of components and the recycling of used materials play an important role.

**Consistently high recyclability.** During vehicle development we also prepare a recycling concept, in which all 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 models are 85 percent recyclable and 95 percent recoverable.
The key aspects of our activities in this area are:
- Resale of tested and certified used parts through the Mercedes-Benz Used Parts Center (GTC)
- Pretreatment of remanufactured parts
- Workshop waste disposal system MeRSy Recycling Management.

**Remanufacturing: Online 315**
**Workshop waste disposal and end-of-life vehicle returns: Online 316**

**Recycling of electromobility components.** In the research project "LiBRi" (Lithium Battery Recycling Initiative) we collected information on the recycling of lithium-ion batteries together with suppliers and waste disposal partners. The resulting innovative recycling concepts enable us to recover valuable components and ingredients in high quality. We have set up a central processing facility for recycling of high-voltage batteries at the Mannheim location.

We are also engaged in "MoRe" (Motor Recycling of electric motors). In the framework of a project funded by the German Ministry of Research (BMBF), a consortium of research institutes and industrial enterprises is examining the entire value chain, from the design and production of motors to their reuse in the vehicle. The experts differentiate among various aspects of electric motor recycling:
- Removal of magnets from end-of-life motors
- Repair and subsequent reuse of electric motors or their components
- Recycling of magnet materials and rare earth metals.

## Mobility concepts and services.

Today, transport infrastructure and transport systems frequently operate at their limits, especially in urban areas. Against this background, Daimler has developed a range of innovative mobility concepts:

- **car2go.** In various cities of Europe and North America, car2go provides a fleet of smart fortwo vehicles on a broad basis, which can be rented around the clock on the spur of the moment after a one-time registration. We are currently examining the user behavior and environmental effects of the mobility concept in the framework of a research project.

www.car2go.com

- **moovel** shows users the best way of getting from A to B. For this, the mobility platform bundles offers from a wide variety of mobility providers and presents driving options via an app and a mobile website. We have already collected useful experience on this with the ad-hoc ride-sharing system car2gether.

www.moovel.com

- **Bus Rapid Transit (BRT)** makes bus transport in major cities more efficient. In this public transportation system, regular-service buses drive with increased frequency in special lanes with a separate traffic light system.

More information on our mobility concepts and services: Online 317

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**Mobility concepts and services in more than 20 cities worldwide (Status: December 31, 2013)**

| | | |
|---|---|---|
| **car2go** | Germany | Berlin, Dusseldorf, Hamburg, Cologne, Munich, Stuttgart, Ulm/Neu-Ulm |
| | United Kingdom | Birmingham, London |
| | Netherlands | Amsterdam |
| | Austria | Vienna |
| | Canada | Calgary, Montreal, Toronto, Vancouver |
| | U.S. | Austin, Columbus, Denver, Miami, Mineapolis, Portland, San Diego, Seattle, Washington D.C. |
| **moovel** | Germany | Berlin, Stuttgart |
| | Italy | Milan |
| **BRT** | Columbia | Bogotá, Pereira |
| | Turkey | Istanbul |
| | Mexico | Mexico City |
| | France | Nantes |
| | Chile | Santiago de Chile |
| | Brazil | São Paulo |

## Effects on health and safety.

Our safety and zero-emission driving strategies are aimed at ensuring maximum safety for drivers, passengers, and all other road users, and the prevention of emissions and noise.

Upon delivery, our products and services must satisfy the contractual criteria for quality and active and passive safety and must be ready for use in accordance with their intended purpose. That is why we already ensure that no faults arise during the development and construction of our vehicles. Our safety obligations also apply during production and sales as well as after the handover of the vehicles. The Daimler “Product Safety” policy regulates the related requirements, tasks, activities, and responsibilities. With the help of our worldwide product monitoring system, we can detect potential risks at an early stage. The processes and procedures for suitable countermeasures such as warnings, customer service measures, etc. are defined.

## Vehicle safety.

One of our key obligations is to ensure the safety of our customers and all other road users. Mercedes-Benz experts have been conducting in-house accident research on critical traffic situations and real accidents with Mercedes-Benz vehicles since 1969. That is why our comprehensive “Integral Safety” concept is consistently reconciled with real traffic and accident data. The concept is focused on the synergy between active and passive safety.

**Accident prevention systems.** The effectiveness of accident prevention systems has been repeatedly demonstrated in recent years. A great number of such systems ensure maximum safety in our vehicles.

Safety systems in the new S-Class: Online 318

**Automatic emergency call.** The vehicle emergency call system Mercedes-Benz eCall can automatically notify rescue services in the event of a serious accident. Within a few minutes, the rescue teams receive comprehensive information, which includes the exact GPS position of the vehicle. At the same time, the position data is also transferred to the emergency call centers and rescue services. An emergency call can also be made manually.

**Active safety for commercial vehicles.** Due to improved safety systems, the number of commercial vehicles involved in accidents is on the decrease. The severity of accidents has also decreased. Further safety gains can be achieved primarily in the area of active safety. Mercedes-Benz offers extensive assistance and safety systems for state-of-the-art buses and trucks, which range from proximity control to the Lane Assist and the emergency brake assistant “Active Brake Assist”.

**Training programs for greater safety.** Professional drivers in the transport of goods and services must go through safety training on a regular basis. This is a requirement of EU Directive 2003/59. In 2008, Mercedes-Benz was the first truck manufacturer in Germany to offer a government-certified safety training program. Since then we have trained more than 45,000 drivers, and driver training has meanwhile become an integral part of Mercedes-Benz’s training programs.

# Operations-related environmental protection.

Daimler pursues an integrated approach to environmental protection. We examine the causes of possible environmental effects. We minimize negative effects from our activities with the help of effective environmental management systems and state-of-the-art technologies. We promote climate protection, conserve valuable resources, and contribute to the preservation of a livable environment – at our locations and beyond.

We have formulated our requirements for a comprehensive system for environmental protection in the Daimler Environmental and Energy Guidelines. Detailed specifications for the Group-wide Environmental Management System are defined in the Environmental Management Manual. In addition, there are in-house standards for the handling of hazardous materials, waste management, soil and groundwater contamination, and other issues.

All environmental key figures: Online 400
Our Environmental and Energy Guidelines: Online 401

**Organization.** On behalf of the Daimler Board of Management, the Board of Management member responsible for Group Research & Mercedes-Benz Cars Development is also charged with the environmental protection activities of the Group. Different organizational units ensure the central management, networking, and communication of environmental issues:

- The Chief Environmental Officer is mandated by the Board of Management to coordinate the Group-wide environmental management activities and to advise the company's management on environmental issues.
- The Corporate Environmental Protection unit coordinates the operational requirements of the Group-wide environmental management function. Its tasks include analyses of the legal requirements, definition, and further development of environmental protection standards, preparation of the Environmental Report, and production-related risk management associated with environmental protection.
- Regional committees in Europe, Asia, North and South America ensure that local and regional conditions are taken into account in production-related environmental protection measures and that the related activities are appropriately managed in coordination with the Corporate Environmental Protection unit and the Group's Chief Environmental Officer.

**Training.** Daimler regularly organizes awareness and training programs for its employees and managers with a focus on the practical applications of operations-related environmental protection and questions concerning environmental responsibility. In addition, we train our auditors on audits of our environmental management systems of our plants. In addition, our "refresher courses" on environmental management allow participants to exchange ideas and experiences.

**Control.** In order to eliminate or contain environmental risks in advance, we regularly audit our locations in accordance with globally uniform standards. Suppliers must observe our sustainability requirements and are expected to operate with an environmental management system that is certified according to ISO 14001, EMAS or other comparable standards. In addition, our Mercedes-Benz specifications define requirements for the environmental compatibility of our components. Specifications concerning materials selection, banned substances, and recycling requirements, as well as compliance with environmental legislation are contained in the Mercedes-Benz contract conditions.

More about sustainability requirements in the supply chain: p. 55

**Certification.** Our production locations worldwide are certified in accordance with ISO 14001 and are regularly audited to determine whether they meet the requirements of this environmental management system. As a result, over 98 percent of all employees work in the framework of a certified environmental management system. In addition, almost all German locations are certified according to the EU Eco-Management and Audit Scheme (EMAS). Moreover, 15 locations – including our major plants – have energy management systems that are certified in accordance with ISO 50001.

Environmental statements of the plants: Online 402

**Environmental protection costs.** Our investments in environmental protection plant and facilities with integrated environmental protection features amounted to around €140 million in 2013 (previous year: €84 million), whereby integrated environmental protection features are not clearly separable. Current environmental protection expenditures for personnel, operations, and waste disposals were at €432 million (previous year: €414 million). Our Group-wide expenditures for development projects relating to environmental protection, such as alternative drive systems, state-of-the-art exhaust treatment technologies, and efficiency increases in the vehicle amounted to €2.5 billion (previous year: €2.4 billion).

**Principles of data collection.** In our recording of environmental and energy data we take into account all relevant locations which are majority owned by the Daimler Group. Details on the approach and procedure are provided in the internet.

Data overview and details on the collection of environmental data: Online 403

## Energy efficiency and low-carbon production.

**Objective.** Our Group-wide target is to reduce production-related $CO_2$ emissions per vehicle by 20 percent from the 2007 levels by the year 2015. For the European plants we have the additional

## 18

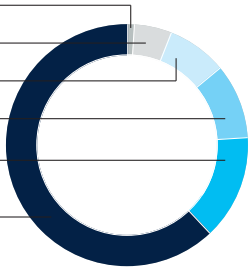
**Daimler Group – Energy consumption**

| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|
| GWh | | | | | | |
| Fuels | 315 | 322 | 325 | 328 | 272 | 284 |
| Coal/coke | 69 | 139 | 181 | 169 | 140 | 191 |
| Liquid gas | 108 | 99 | 96 | 92 | 119 | 100 |
| Heating oil | 78 | 84 | 104 | 97 | 135 | 161 |
| Natural gas | 4,971 | 4,305 | 4,161 | 4,072 | 3,523 | 4,412 |
| District heat | 973 | 949 | 913 | 1,085 | 907 | 989 |
| Electricity | 4,545 | 4,870 | 4,685 | 4,456 | 3,856 | 4,788 |

## 19

**High level of vertical integration at Mercedes-Benz Cars and effect on energy consumption structure**

| | |
|---|---|
| **Powertrain plants** | 38% |
| – Others | 1% |
| – Components | 5% |
| – Transmissions | 8% |
| – Axles | 10% |
| – Engines | 14% |
| **Vehicle plants** | 62% |



Through our high share of in-house production relative to our competitors we are also refecting a greater proportion of the environmental effects in our carbon footprint. The transmission alone, which other manufacturers carry as a purchased part that is not taken into consideration, accounts for around 8 percent of our energy consumption in the area of passenger cars.

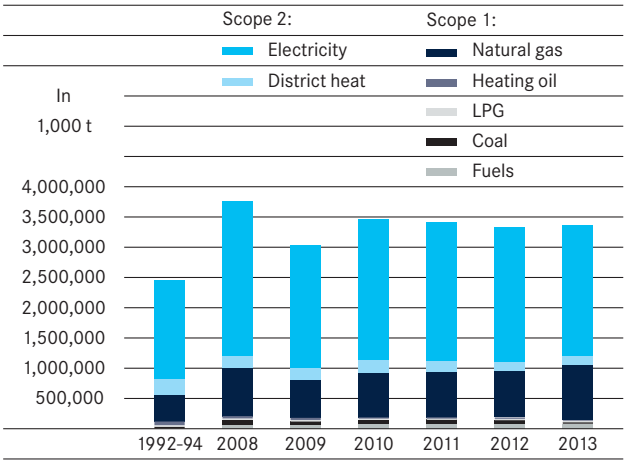
target to reduce absolute $CO_2$ emissions by 20 percent relative to the 1992-1994 reference period. To achieve these goals, we are introducing new energy-saving methods, increasing the efficiency of our existing processes, using low-carbon energy sources, and employing renewable sources of energy wherever possible.

**$CO_2$ emissions.** With the increased production, owing to our energy efficiency measures the increase in energy consumption in 2013 was disproportionately low, while $CO_2$ emissions remained approximately the same. Thus, specific $CO_2$ emissions declined significantly for all divisions. The total emissions presented in the charts 20 and 21 result from the combustion of fossil fuels and purchases of electricity and district heat from external production.

**Climate-friendly energy supply.** For the heating supply of our plants we use low-carbon natural gas and, where available, district heating. In many locations, we have highly efficient cogeneration facilities in use, which are operated by Daimler or by a regional provider. The concerted expansion of decentral combined heat and power (CHP) units is an important pillar of our eco-friendly energy supply system. From 2011 to 2013 we set up more than 25 CHP modules with a capacity of around 150 MW. With these modules alone, we can cover around 5 percent of our electricity and heating requirement under optimized $CO_2$ conditions.

## 20

**Direct and indirect $CO_2$ emissions from production**




## 21

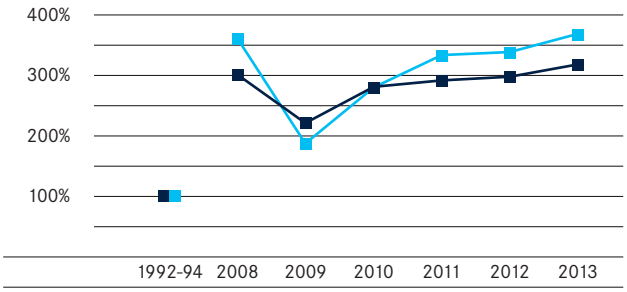
**Direct and indirect $CO_2$ emissions of the Daimler Group**

| | 1992-94 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|
| 1,000 t | | | | | | | |
| Scope 1 | 541 | 1,009 | 823 | 932 | 955 | 960 | 1,052 |
| Scope 2 | 1,895 | 2,770 | 2,212 | 2,550 | 2,481 | 2,376 | 2,304 |
| Total | 2,436 | 3,779 | 3,035 | 3,482 | 3,436 | 3,336 | 3,356 |

## 22

**Annual vehicle production Daimler Group (1992 = 100%)**

| Production units | Cars and Vans | Trucks and Buses |
|---|---|---|
| 2013 | 1,688,163 | 525,221 |




In order to have the appropriate correlation with our environmental data, we only count the production from plants which are majority-owned by the Daimler Group.

Since no minority participations in companies as well as external contract production is included the production volume is lower than cited sales numbers might indicate.

In several locations in Germany, the U.S., and India, we operate photovoltaic installations on our roofs or provide roof space for the use of operator companies. More than 65,000 square meters of roof space are used for $CO_2$-neutral electricity production in this manner.

For the business unit Mercedes-Benz Cars for the first time we report upstream and downstream $CO_2$-Emissions (scope 3). For the upstream production phase this are 10.5 million tons $CO_2$. For the usage phase (150,000 km) of the vehicles sold in 2013 these are 31.5 million tons.

**Saving energy.** Our energy projects at all locations are operated on the basis of exact record-keeping through a dense network of automatic electricity meters. In line with this, we design our energy-saving measures in accordance with four points:

1. To avoid unnecessary use of energy during production breaks, we use intelligent switch-off and stand-by controls.
2. Furthermore, we are dealing with energy waste through compressed air leaks, heat losses and excessive process requirements (e.g. temperature specifications). In these areas, there is reduction potential not only in the production processes themselves, but also in the building infrastructure with heating, air conditioning, and ventilation.
3. We achieve the most significant efficiency increases by replacing old production facilities with modern plant technology and new building construction.
4. The success of an energy project depends not least on the employees' commitment. That is why we are sensitizing our employees and managers on energy issues.

The example of the coach plant in Neu-Ulm shows the successes that are possible in this manner.

Energy efficiency project in Neu-Ulm: Online 404

## Air purification.

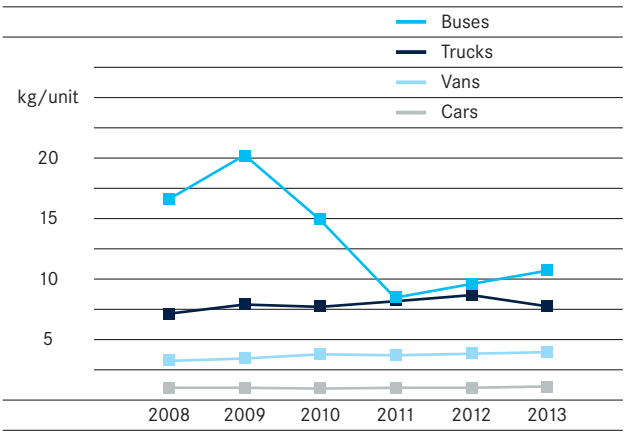
Solvents (volatile organic compounds or VOCs) are released during vehicle production. In addition sulfur dioxide ($SO_2$), carbon monoxide (CO), nitrogen oxides ($NO_x$), and particulates are also emitted into the atmosphere. Damaging substances are emitted into the ozone layer in negligible residual amounts after we introduced the almost exclusive use of refrigerants that are not damaging to the ozone layer. Over the last few decades, we have already achieved a drastic reduction in solvent emissions as a trailblazer in the introduction of largely solvent-free paint systems; in particular at Mercedes-Benz Cars we are benchmark in the competitive comparison. We are also unlocking further reduction potential through the use of state-of-the-art technologies, primarily in the painting of commercial vehicles and major components.

Specific CO, $SO_2$, $NO_X$ emissions: Online 405

Avoidance of emissions in the foundry: Online 406

## 23

**Specific solvent emissions (VOC) per vehicle**




## 24

**Waste volumes**

| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|
| 1,000 t | | | | | | |
| Waste for disposal | 74 | 65 | 68 | 64 | 43 | 69 |
| Waste for recycling (without scrap metal) | 222 | 254 | 214 | 191 | 144 | 228 |
| Scrap metal for recycling | 821 | 778 | 790 | 698 | 544 | 751 |
| Hazardous waste for disposal | 42 | 22 | 17 | 32 | 25 | 19 |
| Hazardous waste for recycling | 68 | 66 | 63 | 52 | 44 | 60 |

## Waste and resource management.

The recycling and reuse of raw materials, indirect materials, and supplies in our plants has been a self-evident activity for years. In the interim, we have already achieved a recycling rate of 90 percent. Our innovative technical processes and ecologically conformant production planning additionally enable us to avoid waste from the very start.

Innovative process minimizes waste volumes: Online 407

With a view to meeting our special responsibility as waste producer, we regularly audit the waste disposal operators for our production plants in accordance with an established process. Waste exports into other countries do not take place.

**Resource management.** As a company from an industrial sector which consumes large amounts of materials, we strive to plan material use carefully and to employ finite resources as sparingly as possible. We purchase a large part of the materials used in our vehicles from suppliers in the form of components. Although the environmental effects of purchased components are not directly included in the assessment of our environmental performance, they are taken into account in our holistic assessment of product development and selection of materials. Under this assessment method, which we have used for our passenger cars thus far, we extrapolate the entire use of materials in the production chain in additional consideration of the waste flows. Due to the size and complexity of the Daimler Group, it is impossible to analyze the material flows in greater detail in the context of the sustainability reporting. Details on individual model series are provided in the respective life cycle reports.

Product development and materials selection: pp. 49 f.

## 25

**Materials used in vehicle production**

| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|
| million t | | | | | | |
| Metallic materials | 4.4 | 4.0 | 3.9 | 3.4 | 2.7 | 3.9 |
| Other materials | 1.3 | 1.2 | 1.1 | 1.0 | 0.8 | 1.1 |

The material balance is based on the known material composition of representative vehicles, multiplied by the number of units sold. The calculation of this Group result is subject to a large number of uncertainties.

Through the use of efficient technologies we have reduced the use of scarce resources to the absolute minimum. We plan the recycling of materials at the end of the product life cycle as early as in the development stage.

Recycling of components of electromobility: p. 45

Remanufacturing: Online 408

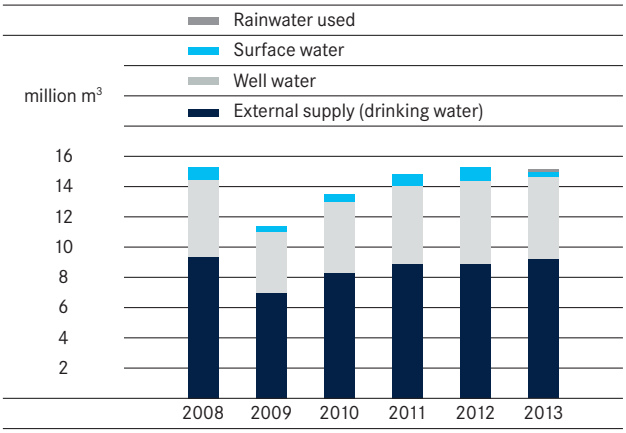
## Water pollution control.

Our goal is to prevent water pollution. We keep the use of the natural resource 'water' as low as possible, especially in countries with dry climates.

Waste water-free factory in India: Online 409

### 26

**Water consumption**




The great majority of our plants do not channel their waste water directly into lakes and rivers, but only after pretreatment in local water treatment plants via the public sewage system. Detailed information on the various wastewater parameters is provided in the environmental declarations of our EMAS-certified plants.

Environmental statements of the plants: Online 410

## Logistics and employee transport.

The inward and outward transport of deliveries in our plants and the employees' work and business travel also affect our total environmental balance through emissions, noise, and use of resources. We minimize the environmental effects of such transport through the use of an efficient logistics system and the use of rail and waterway transport. We replace business travel by telephone, video or online conferences wherever possible and expedient. Employees at the Sindelfingen and Stuttgart locations receive discounted yearly passes for the public transit system. The global $CO_2$ emissions due to travel of our employees between their homes and workplaces are estimated at around 400,000 tons $CO_2$ annually.

### 27

**$CO_2$ emissions from business travel (starting from Germany)**

| | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|
| 1,000 t | | | | |
| Train | **0.8** | 0.9 | 0.8 | 0.7 |
| Plane | **21.3** | 21.1 | 19.4 | 15.0 |

Truck deliveries to our German plants, to the Hungarian plant in Kecskemét and the plant in Vitoria, Spain, are monitored centrally. We can approximate the $CO_2$ emissions on the basis of the tonnage and truck kilometers traveled. The increase noted since 2012 is attributable to the increased production and the start of operations in Hungary.

Green logistics – rail transport in the production network: Online 411

### 28

**Truck shipments of suppliers in Germany and Vitoria, Spain (IBLIS)**

| | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|
| Truck kilometers (in millions) | **173** | 166 | 159 | 135 |
| Cargo (in million t) | **4.3** | 4.4 | 4.4 | 3.7 |
| $CO_2$ emissions (in 1,000 t) | **139** | 133 | 119 | 101 |

## Conservation of nature, land use, and biodiversity.

Our production plants cover a total area of around 4,900 hectares, 59 percent of which are occupied by buildings and transport areas. Since land is a limited public good, we use these land areas as efficiently as possible through multi-level, dense building development. We also design outdoor areas within our plants to serve as a habitat for indigenous plants and animals. In this way, we can facilitate biodiversity even amidst the industrial architecture. For example, peregrine falcons have found a new home on chimneys of our plants in Wörth and Sindelfingen. In the Tuscaloosa plant, natural vegetation and beavers with their dams ensure the retention and preliminary purification of rain water. Due to the way we use land and our plant locations in industrial zones, no significant negative effects on endangered species are to be expected.

**Biodiversity ratio.** To better measure the effect of our activities we have developed a biodiversity indicator whose practical feasibility is currently being tested in several plants. The indicator categorizes our horizontal and vertical areas in accordance with their environmental value. In the future, this indicator will enable us to set quantitative targets and to clearly evaluate the developments that have been made.

Biodiversity indicator: Initial results of the pilot plants: Online 412

**Soil and groundwater.** We eliminate any soil and groundwater contamination in advance as far as possible. An internal guideline provides minimum standards for the handling of soil and groundwater contamination for all locations. The requirements frequently extend beyond the local legal regulations. Compliance with these requirements is reviewed in the framework of our worldwide audits. In 2013 there were no significant accidents associated with soil or groundwater damage.

# Employees.

Daimler – this is almost 275,000 people all over the world who use their energy and skills to contribute to the success of the company. Fair and trusting relations with the employees are more than an ethical and legal requirement for us: Without the employees we couldn't manage our business successfully.

**Human resources strategy and objectives.** The Board of Management member responsible for Human Resources is also the Labor Director of Daimler AG in Germany. He manages personnel-related matters through the Human Resources department. Our human resources strategy is firmly embedded in our Group-wide sustainability strategy and based on five pillars: profitability, a competitive workforce, future-oriented leadership, great attractiveness as an employer, and professional organization. We have derived 12 key areas of action from these strategic target dimensions. The areas include diversity, equal opportunity, generation management, reconciling the demands of work and family, the qualification of specialists in growth markets, and managing flexibility in order to orient production to changing market conditions. Each area of action is associated with concrete targets that are also included in the managers' goal agreements.

All HR key figures: Online 500
HR target system: Online 501
Management approach and HR organizational structure: Online 502
Management tool HR Scorecard: Online 503

Our in-house policies and guidelines, for example the Principles of Social Responsibility, are based on international principles such as those in the UN Global Compact. As a result, we are committed to strictly upholding employee rights, and we also demand this commitment from our suppliers and other business partners. Together with the employee representatives, we have set up a complaints process for handling serious violations of our principles. We will take legal action if offenses are of a criminal nature or violate labor law. Every such case is centrally documented and followed up upon.

**Safeguarding employment.** Securing employment for the long term is a focal aspect of our HR policy. Our "Safeguarding the Future of Daimler" agreement contributes to achieving this aim. Flexible working-time models and a collectively agreed framework allow us to exploit market opportunities and better cushion the effects of demand fluctuations on employees. At the same time these agreements help us respond more effectively to local requirements for additional employees.

Work more flexibly, safeguard the future: Online 504
Workforce by region and division: Online 505

**Employee representation and co-determination.** Daimler recognizes the right of workers to organize themselves in labor unions. We safeguard this right at our facilities, even in countries that do not protect the freedom of association. More than 95 percent of the non-management employees in Germany and more than 80 percent of those worldwide are covered by collective bargaining agreements. We cooperate closely with the employee representatives. In Germany, the German Labor Management Relations Act (BetrVG) provides the employees with extensive co-determination rights. The World Employee Committee (WEC) and the European Works Council are important dialog partners concerning employee issues at the international level. At the company level, employee interests are represented by ten Supervisory Board members. In addition, beyond the legally stipulated rights of co-determination Daimler nurtures the dialog with labor in order to jointly reach adequate and fair solutions.

Employee rights and employee representatives: Online 506
Commitment to international principles and initiatives: p. 14
Our main principles and guidelines: p. 14
The BPO as a point of contact for employees: p. 17
Human rights and employee rights: p. 16 f.
Employee rights in supplier management: p. 56

**29**

**Fluctuation rate**

| In percent | 2013 | 2012 | 2011 |
|---|---|---|---|
| Group (worldwide) | 4.4 | 4.9 | 4.2 |
| Germany | 2.1 | 3.4 | 2.7 |
| U.S. | 9.5 | 7.2 | 6.8 |
| Rest of world | 7.5 | 7.3 | 6.6 |
| Women (worldwide) | 5.2 | 5.3 | 4.8 |

## Attractive employer.

**Employee feedback as basis of management and development.** Feedback from our employees is very important to us. We use it to further develop our organization and our management culture. Feedback tools like the global employee survey provide indications of our employees' commitment and identification with the company and help us to ascertain their performance orientation and satisfaction with their working conditions and their supervisors. If the results indicate a need for improvement, we address the need in the follow-up to the survey.

The results of these employee surveys are incorporated into the Employee Commitment Index (ECI). After rising steadily in previous years, the ECI for 2012 increased again by three index points. In a benchmark comparison, this puts Daimler in the top 33 percent of employers in the private industrial sector in terms of the employee commitment level, and Daimler even performs appreciably better in certain regions. The next worldwide employee survey will be conducted in September 2014.

**Fair and above-average remuneration.** Daimler relies on the special skills and high commitment of its employees – we can only participate as leaders in shaping the mobility of the future if we do so. We reward employee performance based on the same principles at all of the Group companies worldwide. But we always keep an eye on the local markets, too, because where remuneration and the many fringe benefits are concerned, we not only want to act in a cost-effective way but be an attractive employer as well.

Our Global Remuneration Guidelines stipulate the associated conditions and minimum requirements that must be met. Of course, we also take into account local legal regulations as well as the stipulations of any existing collective bargaining agreements. Our local remuneration systems are regularly audited on a random basis to ensure our high standard.

The Global Remuneration Guidelines: Online 507

**Salaries and the minimum wage.** Employees' salaries are based on their tasks and performance as well as on other factors such as qualifications and experience. The Group companies pay sector-specific salaries at the usual market rates, which are significantly higher than the respective minimum wage, if any. The salary level is defined by collective bargaining agreements at locations where there is no statutory minimum wage. Our Group companies generally offer voluntary benefits which extend beyond any benefits required by collective bargaining agreements. Daimler's employees in Germany currently receive remuneration that clearly exceeds the levels specified by the collective bargaining agreement.

**Remuneration of managers.** The greater a manager's level of responsibility, the higher the share of variable components in his or her remuneration. On the one hand, the variable remuneration takes into account the success of the company. On the other hand, it is based on a goal agreement process that we formulate in a uniform manner for our managers worldwide. Sustainability-related matters also play a role here. For example, we also reach agreements concerning diversity and compliance objectives with our managers, depending on their positions and management levels.

Performance assessment and target-oriented leadership: Online 508

**Fair remuneration systems.** Fixed base salaries at Daimler depend solely on the position and responsibility of our employees. In this way we exclude any form of discrimination. The same goal is served with our regular income reviews through mandatory documentation, the inclusion of several people in each process, and a central HR system that ensures transparency. The income reviews have shown that the amount of remuneration paid for comparable tasks is affected by factors like individual performance and the amount of experience a person has gained in a particular position, but not by the person's gender.

Equal pay also applies to temporary workers at Daimler, who are paid the wages stipulated by collective bargaining agreements for their period of employment at our German production facilities.

**Company pension plans.** Retirement plans for our employees are generally based either on contributions or performance, depending on the respective country and company. Accordingly, employees can expect to receive an attractive company pension in addition to the statutory and privately financed retirement benefits. This applies both to full-time and part-time employees. Apart from the employer's contributions, employees additionally can make their own provisions for retirement by converting earnings into pension contributions. Depending on the retirement model, our pension obligations are largely covered by suitable pension assets and protected against bankruptcy.

The general requirements for company pension plans are formulated in our General Pension Policy, which is in effect throughout the Group. This policy specifies that the promised benefits should contribute to a sufficiently secure income after retirement or in the case of disability or death.

Retirement plans at Daimler: Online 509

## 30

**Expenditure on pension provisions at the Daimler Group**

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| in billions of € | | | |
| Cash values of pension liabilities on Dec. 31, 2012[1] | 23.2 | 23.9 | 19.1 |
| Payments to retirees | 0.8 | 0.8 | 0.8 |
| Expenditure on state and third-party pension plans | 1.3 | 1.4 | 1.3 |

[1] This cash value is heavily dependent on the balance sheet assessment parameters defined each year, in particular the discount rate.

You can find the figures and more detailed information on pages 229–234 of our 2013 Annual Report.

**Flexible working arrangements.** For many employees it is important to be able to arrange their working hours individually so that they can organize their working and private lives well. Today Daimler offers more than 300 different flexible working arrangements in Germany alone, which offer the employees reasonable conditions for shaping their working hours. This gives us a special advantage for attracting qualified junior employees and managers (Employer of Choice).

All our employees in Germany are entitled to parental leave. Of those who make use of this opportunity, 60 percent are women and 40 percent men. More than 99 percent of employees who go on parental leave return to their jobs at the company.

In Germany alone we have furnished daycare center places for 570 children under the age of three near all Group locations. We also work together with a childcare agency that organizes customized childcare services, including child minders and nannies, through its quality-certified online platform.

Company agreements in Germany allow our employees to interrupt their careers for up to five years with the guarantee that they

can subsequently return to their old jobs. They can get time off to continue their education or take a sabbatical, for example, or to care for children or family members in need of nursing.
To enable managers to work flexibly during certain phases of their lives, since the beginning of 2013 we have also promoted job sharing. At Daimler AG, at team leader and department head level there currently are more than 30 pairs of job sharers who each work up to 30 hours per week.

Examples of flexible work: Online 510
Weekly working hours and overtime: Online 511
Strengthening the employer brand: Online 512

## Diversity.

Our workforce and our customers are becoming increasingly more international and diverse. This diversity is a challenge to us, but at the same time a valuable resource. Under the motto "I'm one of you," our diversity management creates the necessary conditions for a culture of diversity. These include clear rejection of any form of discrimination and the creation of a work environment free of prejudice as well as training programs for increasing diversity awareness, particularly among our managers.

Diversity management begins on the Board of Management and extends down to every single employee, male or female. All members of the Board of Management support our Diversity Statement and actively espouse the realization of the principles laid down there:

- **Promote diversity.**
  At Daimler we respect and appreciate the diversity of our employees. We encourage them to bring this diversity into the company.
- **Create links.**
  For our global business, we make the most of the different experiences, skills, and perspectives of our employees around the world, which reflect the diversity of our customers, suppliers, and investors.
- **Shape the future.**
  Everyone at Daimler is committed to a working environment of appreciation and mutual respect. It is how we shape our company's future.

To implement our diversity approach, our diversity management concentrates on three fields of action: gender diversity, generation management, and internationality.

**Promoting women in management positions.** Daimler has set itself the goal of increasing the share of women in executive positions in the Group to 20 percent by the year 2020. In Germany, at present just about 13 percent of our managers in middle and senior management are women. To achieve our corporate goal we promote women through special programs. This applies particularly to young women in engineering and other technical professions. In 2013, a third of the trainees entering the company through our CAReer program were women.

Percentage of women: Online 513
Diversity in the Supervisory Board: Online 514

**Generation management.** Today, the company employs workers from four generations with their own ideas, capabilities, and strengths, as well as specific demands on their work environment. To turn this generational diversity to advantage for Daimler, we strive to increase mutual appreciation among all age groups in everyday work and to promote productive collaboration. As demographic change progresses, the average age of our employees will rise from the current age of 43 to 47 in the year 2020. In the year 2020 every second Daimler employee in Germany will be 50 years of age or older. This development presents challenges as well as valuable opportunities.

Generation management activities: Online 515

**Internationality.** Daimler generates 80 percent of its revenues outside Germany and has a presence at 90 locations on six continents. Our employees come from more than 140 countries and a wide variety of cultures. The majority of our managers in foreign countries come from the respective regions. Our employees' diverse cultural backgrounds help us to understand the wishes of customers in the various regions and to respond with demand-oriented products. We promote the cultural diversity of our workforce through international assignments, mentoring programs, training courses for boosting people's intercultural skills, and targeted recruiting measures. For example, while today international candidates make up just under a third of the people we hire through our CAReer trainee program, in 2020 we expect this figure to be around 50 percent.

Diversity key figures: Online 516

## Development and support.

Our competitiveness and our innovative power depend not least of all on the extent to which we manage to recruit and retain highly qualified employees for the long term. To do this, we implement custom-tailored programs and support measures for all of the key phases of an employee's training and career path.

**Vocational training.** Our industrial-technical and commercial vocational training as well as our offer of courses of study at cooperative universities secure for us the great majority of the junior employees required in all corporate units. The total number of our trainees hardly changed in 2013 compared to the prior year.

To keep abreast of the latest developments, guided by current technological and long-range trends we are expanding our occupational portfolio in line with needs. The Daimler Training System introduced in Germany in 2008 ensures the continued high quality and efficiency of vocational training for technical professions.

In addition, we are making our training activities more international so that we can also establish high training standards and recruit highly skilled employees in growth regions. In 2013 we developed the Mercedes-BenzQualificationSystem (MBQS) for our international car plants. It describes the parameters for efficient development of required qualifications abroad (including the development of master craftsmen). In various projects we also established elements of the dual system of vocational education and training outside Germany. We currently have 1,500 trainees outside Germany (2013 worldwide in total: 8,630). In addition, at further international locations (Brazil, China, India, etc.), in cooperation with schools we are training more than 1,300 youths who, upon successful completion of training, will be employed in our sales units and production facilities.

Vocational training at Daimler: Online 517
Cooperative University and Daimler: Online 518

**Recruiting and developing new talent.** Our broad range of career entry and qualification programs is targeted at talents, whom we offer development opportunities at our company. These programs include courses of study at cooperative universities, support measures for college students (Daimler Student Partnership), the FacTS sponsorship program for young skilled workers, the Group-wide trainee program CAReer, and the Daimler Academic Programs, which enable outstanding employees to earn bachelor's or master's degrees or acquire an academic certificate.

FacTS sponsorship program: Online 519
Daimler Academic Programs: Online 520
CAReer trainee program: Online 521
www.career.daimler.com

**Advanced training and qualification.** In line with the principle of lifelong learning, Daimler employees have many opportunities to obtain further qualifications and training for their professional and personal skills. Increasingly, we rely on innovative e-learning tools and communication systems. Once a year, supervisors and employees discuss qualification issues and agree on qualification measures in line with strategic and operational training requirements.

At Daimler, advanced training is regulated by the General Works Council agreement on qualification, in accordance with which Daimler also guarantees that employees can leave the company for qualification purposes for three to five years and subsequently return to their old jobs. Around 500 employees take advantage of this opportunity each year. In addition, managers can help employees obtain additional qualifications by providing financial assistance and allowing them to use the time accumulated in their working-time accounts.

Our various qualification programs have training architectures that enable our employees worldwide to take part in courses of uniformly high quality, regardless of their location or training provider. In specialist technical fields, in addition to the training offers, the systematic qualification of master craftsmen at the plants plays an important role. Our in-house Global Training Center is responsible for qualifying sales staff worldwide.

The Daimler Corporate Academy (DCA) draws up a comprehensive, integrated international qualification program for the Group's managers and employees. As a result, they can take part in training programs with identical content and quality around the world regardless of the participant's location. Moreover, the programs are offered in local languages in many countries. Besides teaching specific leadership skills, the training program provides the participants with specialist knowledge concerning the corporate functions (HR, Finance, Procurement, IT) as well as providing cross-functional training. In addition, the DCA offers customized courses to support the Group's strategic cooperative activities.

Key points of emphasis in qualification: Online 522

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**Qualification of employees in Germany**

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Investments in employee qualification (€ millions) | 107 | 112 | 101 |
| Qualification days per employee (total)/year | 4.1 | 4.0 | 3.8 |
| Qualification days per woman employee/year (recorded beginning in 2011) | 4.2 | 4.3 | 3.8 |
| Qualification hours per employee/year | 28.7 | 28.0 | 26.6 |

## Health management and occupational safety.

Demographic change and the transformation of working environments and home life are affecting our employees' performance and necessitate sustainable, forward-looking solutions for maintaining the health and physical integrity of our workforce.

Key figures for occupational health and safety: Online 523
Accident figures for Daimler AG: Online 524

**Organization and guidelines.** The Group has globally uniform principles for accident and illness prevention, which are in conformity with national laws and international standards. The Health & Safety unit is responsible for all matters related to occupational medicine, occupational safety, health management, ergonomics, social counseling, and integration management. Health management and occupational safety are also integral parts of our risk management systems.

Lighthouse projects and initiatives: Online 525
Ergonomic design of work stations: Online 526
Social counseling: management and employee counseling: Online 527
Activities of the national subsidiaries against HIV/AIDS: Online 528

**Health management.** The primary aim of the health management measures at Daimler is to motivate our employees to have a healthy lifestyle and take on more responsibility for maintaining their health. These measures provide incentives for health-conscious employee behavior as well as surroundings conducive to health. Campaigns, advice, and training combined with therapeutic and rehabilitation measures support this endeavor worldwide. The campaign for 2013 addressed "Ways to achieve inner stability," concentrating on the question of how employees can strengthen their resilience to private and professional stress situations.

Portfolio of our health promotion programs: Online 529
Health campaign for 2013: Online 530

**Occupational safety.** Our occupational safety program encompasses all of the measures for the prevention of workplace accidents and work-related illnesses. The program is partly based on a risk assessment from which preventive measures and training courses are derived.

Occupational safety committees, agreements, guidelines: Online 531

**Occupational medicine and emergency medical services.** The program for occupational medicine and emergency medical services encompasses all measures for prevention of work-related illnesses, protection of employee health at the workplace, and diagnosis and treatment of acute illnesses and injuries caused by accidents. Our company physicians and plant medical staff worldwide are responsible for implementing these measures.

Occupational medicine portfolio: Online 53

# Suppliers.

As a globally operating company with more than 62 production sites in 19 countries, our success depends on good, trusting cooperation with our worldwide suppliers, based on common values and requirements. For this reason, we consider it our duty to implement sustainability standards in our entire supply chain. We promote their observance through dialog and training and take the necessary steps if they are violated.

With a procurement volume that is equivalent to nearly half of Daimler's annual revenue, Daimler Procurement together with the suppliers makes an important contribution to the success of the company. In collaborating with our direct suppliers we follow a cooperation model – the Daimler Supplier Network – that is based on the principles of achievement and partnership. Partnership is based on trust and open communication.

This includes compliance with our sustainability standards throughout the supply chain. We formulated our sustainability-related demands on suppliers in 2008 and revised them in detail in 2013. The new document, the Supplier Sustainability Standards, elaborates our demands for working conditions, human rights, environmental protection and safety, business ethics, and compliance. These form the basis of any business relationship with manufacturing suppliers and service providers and are a binding component of contractual conditions everywhere in the world.

Text of the Supplier Sustainability Standards: Online 601
Our most important principles and guidelines: p. 14

We are engaged in active dialog with our suppliers at our worldwide locations and strive to include the local supplier industry in this dialog. For example, in 2013 we organized supplier forums with potential new suppliers in China, Mexico, and Turkey, in the course of which we also elaborated in detail the Daimler sustainability requirements.

**Dialog and training.** By signing contracts, our direct suppliers pledge to meet the associated standards and criteria. In addition, they have to communicate the standards and criteria to their employees and incorporate them into their upstream value chains. We provide our suppliers with targeted information and training measures to help them perform these tasks. The Daimler Supplier Portal serves as the central information platform for this purpose.

daimler.covisint.com

In cooperation with other automakers and the U.S. organization for standardization activities in the auto industry (Automotive Industry Action Group, AIAG), we provide supplier training courses in selected countries, through which we communicate our sustainability requirements and discuss their implementation with regard to specific local conditions and challenges. For 2014, in addition to the countries already receiving training (Argentina, Mexico, Brazil, India, China, and Turkey) supplier training courses also are planned in Russia. In all, some 250 suppliers have received training thus far.

www.aiag.org

Sustainability criteria for the supply chain also play a major role in our dialog with stakeholders.

G4-27

Daimler Sustainability Dialogue: p. 14 f.

**Procurement organization and training.** The procurement departments of our company employ more than 2,700 men and women at over 50 locations worldwide. The procurement directors sit in well-established committees, where they ensure that sustainability issues are networked across units and that procurement issues are uniformly communicated within and outside the company.

For all our new employees worldwide, training courses on sustainability and compliance are mandatory; current employees are regularly informed about anything new. In 2013, for example, we developed web-based self-teaching programs on the subjects of "sustainability in procurement and the supplier chain" as well as compliance and introduced them worldwide.

In addition, in 2013 we conducted separate training sessions for our Mercedes-Benz Cars and Mercedes-Benz Vans quality auditors around the world in order to inform them about the Supplier Sustainability Standards and the requirements they entail for suppliers.

## 32
**Conflict minerals**

The U.S. Dodd-Frank Act, which stipulates that businesses certify the source of so-called conflict minerals (tantalum, tin, tungsten, and gold), has no direct bearing on Daimler since we are not listed on U.S. stock exchanges. It has an indirect impact insofar as we supply parts to companies which are listed on U.S. stock exchanges. We engage in regular dialog on this subject with industry associations and the German Association of the Automotive Industry (VDA).

In early 2013, the EU Commission held a public consultation on the procurement of minerals from conflict regions. We participated through national and international associations.

We condemn human rights violations in connection with the extraction of raw materials and minerals. We attach the utmost importance to the observance and protection of human rights at our company and the sphere in which the company moves.

**Cooperation and standardization activities.** In order to contribute to the further development of sustainability issues along the supply chain, we are involved in a number of different associations, including econsense, the German Association Materials Management, Purchasing and Logistics (BME), and the Automotive Industry Action Group (AIAG). A central objective is the establishment of a company- and industry-wide frame of reference. We are convinced that this increases the measures' effectiveness and enables our business partners as well as Daimler to use resources in a more targeted manner.

We are already working with experts from other automakers' procurement units, for example in the OEM Working Group, to jointly develop specific sustainability tools and implement them. This European working group set up by renowned manufacturers including Daimler in April 2013 under the roof of the organization CSR Europe also is instrumental in focusing the sustainability efforts in supplier management.

**www.econsense.de**
**www.bme.de**
**www.vda.de**
**European Automotive Working Group on Supply Chain Sustainability: Online 602**

## Prevention and risk management.

The enforcement of uniform sustainability standards and the use of effective control instruments represent a special challenge in a world-spanning value chain. For this reason we have established an effective multistage concept for checking on the fulfillment of our sustainability requirements in the procurement processes:

- **Regular review of our active suppliers**
  To identify possible sustainability risks in our supply chain in relation, for example, to child labor, environmental protection, corruption prevention, violation of the freedom of association or of human rights, at regular intervals we conduct a risk analysis of our suppliers according to country and product group.

  This analysis enables us to identify suppliers who are subject to an increased risk and to derive activities on that basis. In addition, with the help of annual screenings we review actual sustainability and compliance violations by our direct suppliers. We systematically follow up on all reports of violations.

- **Review of new suppliers before drafting contracts**
  Particularly in the case of new suppliers from high-risk countries or material groups, prior to contracting we want to have assurances and carefully review the observance of our sustainability and compliance standards, for example in the form of a database check, or by requesting the suppliers to make a self-assessment with a questionnaire. We follow up on all reports of violations. In addition, in on-site assessments trained auditors ask specific questions concerning the observance of sustainability standards.

- **Escalation process for suspected violations or concrete violations**
  We follow a well-established escalation process for dealing with suppliers that have violated the applicable sustainability criteria or are suspected of doing so. At the beginning of this process, the supplier is asked to respond and to describe any measures that have been taken to remedy the situation. If doubts remain as to observance of our standards, we seek direct contact with the supplier or demand a written statement from the supplier's management. We cooperate closely with the employee representatives, especially in cases of suspected human rights violations.

  In addition, if required independent auditors conduct special sustainability audits of our suppliers. In justified cases we refrain from placing further orders with the supplier or terminate the cooperation until the abuses demonstrably have been remedied.

# Customers.

Our customers are as different as our broadly diversified product range: Passenger car drivers have different wishes than customers of commercial vehicles, and new customers of the A-Class must be approached differently than established S-Class customers. Moreover, our customers in China have different tastes than those in Germany or in the U.S. Our Goal is to offer the best to everyone. That is why we give our divisions extensive responsibility – with all levers required for the efficient management of business.

**Strengthening customer orientation.** In view of the increasingly complex customer requirements, the ability to respond exactly to customer wishes in every market is gaining in importance. For this reason, the Daimler Board of Management decided in September 2013 to orient the corporate structures even more strongly to our five business divisions which are to be reinforced in this way. With the realignment, the responsibility for the key sales markets and major sales functions – including the After-Sales area and the development of the dealer networks – is anchored directly in the respective business divisions. The central functional divisions retain their responsibility and can deploy capacities in a targeted manner where required. At the same time, they are also better aligned to accommodate the market requirements from the business divisions. "Customer Dedication" is therefore not a purely organizational measure for us but one through which we aim to reinforce the customer orientation culture in our entire company.

Mercedes-Benz growth strategy for marketing and sales: Online 701

## Customer satisfaction.

All of our business units have established quality management systems for the continuous monitoring and improvement of customer satisfaction.

**Mercedes-Benz Cars / Mercedes-Benz Trucks.** The integrated "Customer Satisfaction No. 1" program ("CSI No.1") plays a special role for the sales and service of Mercedes-Benz Cars and Mercedes-Benz Trucks. The aim of CSI No. 1 is to gain and permanently secure a top ranking in customer satisfaction for our company. Based on international benchmark studies, country-specific fields of action are defined and dealt with. Processes and behavior patterns in all sales stages and at all hierarchical levels are to be continuously and sustainably improved. To this end, the responsible managers in all markets are receiving active support in the areas of communications, personnel training, and process optimizations. Moreover, there are best-practice exchanges between markets and business operations. Meanwhile around 200,000 employees of the worldwide sales organization have already been trained around the world.

CSI No. 1 has already been established at Mercedes-Benz Cars since 2006. In the Trucks unit the program has thus far been introduced in seven pilot countries, with others to follow. In line with the newly formulated brand experience "Best Customer Experience," Mercedes-Benz is pursuing a holistic approach along the entire "Customer Journey": From information procurement via the Internet, catalogs, mobile devices, etc. through the classic trial drive and the vehicle configuration (online or in the showroom) up to the vehicle purchase and handover and the individual service in After-Sales. The brand positioning of Mercedes-Benz Trucks ("Trucks you can trust") is similarly aligned. In addition to training and coaching courses, the company has also established the program "Be a trucker," through which sales staff can obtain a truck driver's license.

We assess the efficiency of our measures and our position compared to the competition on a continuous basis – at Mercedes-Benz Cars in the framework of permanent data surveys and effective controlling and at Mercedes-Benz Trucks in the Heavy Trucks Study (HTS). In addition, the national sales organization regularly performs internal measurements.

After the introduction of CSI No. 1, customer satisfaction at Mercedes-Benz Trucks improved significantly in individual markets. Mercedes-Benz Cars is already established at the top of many rankings.

**Daimler Financial Services.** In the course of the stronger alignment of our corporate organization to the business divisions we have introduced a divisional key-account system at Daimler Financial Services, which enables us to offer financial services that are customized to an even greater extent.

Daimler Financial services offers modern digital information and service options for processing of financing, leasing, and insurance transactions. Thanks to intuitively designed apps and Internet pages with self-service offers, customers can obtain information quickly and comfortably from anywhere, as well as view and edit their contracts. Today, the web presence of Daimler Financial Services is integrated into the websites of the vehicle divisions in almost all countries of the world. In addition, online calculators for easy calculation of leasing or financing installments are being introduced across the board.

Customer service and workshops: Online 702
Awards and honors: Online 703
Information and advertising: Online 704
Offers for the physically handicapped: Online 705

# Social commitment.

For Daimler, economic success and social responsibility go hand in hand. To us, responsible action means that we get very involved in the future of society all over the world. We orient our actions to our values and local needs. In 2013 we invested a total of more than €60 million in funding for non-profit organizations and sponsorship of socially beneficial projects. This is supplemented by activities in the areas of Corporate Volunteering and foundations as well as projects which we ourselves initiate.

Our support focuses on areas connected to our role as a "good neighbor" at our facilities around the world. On the other hand, we also get involved in projects that enable us to put our special skills and key expertise as an automaker to good use. The activities focus on areas which include science, technology, and the environment; education and traffic safety; art and culture; charitable projects and community projects, as well as the societal and political dialog.

**Monitoring and transparency.** The Donations and Sponsorship Committee of the Board of Management manages all donations and sponsorship activities worldwide. It bases its work on the donations and sponsorship guidelines, which contain binding provisions in regard to criteria, legal stipulations, and ethical standards. Transparency also is ensured by the donations and sponsorships database, in which all of the Group's donations and sponsorships worldwide must be recorded. Regular communication activities also help our employees the world over to adhere to the guidelines and raise their awareness of the risks involved in donations and sponsorships.

We provide **donations to political parties** strictly in accordance with the applicable laws. Our in-house guidelines require the Board of Management to approve all donations to political parties. In 2013 we only made such donations in Germany, where we provided democratic parties with a total of €320,000 of support. The CDU and the SPD each received €100,000; the FDP, the CSU, and the Green party each received €40,000.

## Funding through foundations.

Since international knowledge sharing and innovation support are the driving forces of sustainable development, we help universities, research institutes, and interdisciplinary knowledge projects throughout the world. We have consolidated these activities in foundations.

The **Daimler and Benz Foundation** has an endowment of €125 million. As a promoter of the knowledge society it supports in-depth scientific work on research ideas in the areas of environmental protection and technological safety, as well as supporting a mobility think tank that investigates the consequences and socially relevant aspects of autonomously operating vehicles.

In the framework of the Founders' Association for German Science, the **Daimler Foundation** is also involved in selecting the winners of the German Future Prize for Technology and Innovation. The annual prize is presented by the President of Germany and is one of Germany's leading scientific awards. The Daimler Foundation also supports young academic talents in the framework of MINTernational as well as furthering the internationalization of German universities.

**www.daimler-benz-stiftung.de**

**www.stifterverband.org**

## Science, technology, and environment.

For many years Daimler has been supporting projects of environmental organizations. For example, the Baden-Württemberg regional association of NABU (Nature and Biodiversity Conservation Union), in cooperation with Daimler, launched a moor renaturation project in 2012 in the course of which two moors were to be rewetted. Since almost all moors in Baden-Württemberg have been drained over the past centuries and thus severely damaged, the intention was to have living moors emerge again: the Hinterzarten Moor in the Black Forest and the Bodenmöser Moor in the Allgäu region. Apart from the climate protection aspect, many threatened specialized moor species of flora and fauna benefit from this. Daimler is assisting NABU Baden-Württemberg to renature these two moor areas.

## Education and traffic safety.

**MobileKids.** Since 2001 we have been active in the fields of safety and future mobility with MobileKids. Since then, the initiative has taught more than one million children worldwide how to behave in road traffic. The goal is to make safe mobility and accident prevention a natural element in everyday life for parents and children. Teaching traffic safety in a playful and entertaining way is the goal of the MobileKids School Days. Elementary school children are to be educated so that they can become independent road users at an early age. Apart from safe behavior as pedestrians, cyclists or vehicle passengers, they should learn to behave considerately in public conveyances, for example. In addition to the diverse activities in Germany – from the MobileKids School Days to the children's traffic schools – we also provide MobileKids instruction in other countries, including China, Hungary, and Turkey.

**www.mobilekids.net**

**genius – the young Daimler KnowledgeCommunity.** Improving access to education is one of the most long-lasting investments for society and our company. Our Genius education initiative combines a variety of educational projects for children and teenagers concerning future technologies, mobility, and environmental issues. The projects feature age-appropriate programs and workshops offered free of charge outside of schools in order to promote practical and playful learning. In cooperation with the Klett MINT schoolbook publishing company, we have also developed appropriate instruction materials for scientific and technological subjects. We offer teachers' conferences and advanced teacher training for this purpose. After a pilot phase in Baden-Württemberg, the first of these events was held in northern Germany at the end of 2013, and more German states will follow in 2014.

www.genius-community.com

## Art and culture.

Sponsoring culture and the arts is a part of our corporate identity. Our involvement in culture includes the Daimler Art Collection, established in 1977, which now includes some 1,800 works of 600 artists. Generally speaking, the focus of our activities is on promotion of regional culture. For instance, we support the Berlin Philharmonic, the German Opera in Berlin and the Mecklenburg-Vorpommern Festival. In Stuttgart we sponsor the Theaterhaus, the Jazzopen and the Festival of Animated Film. In China we maintain a strategic partnership with the National Center for the Performing Arts and support the Art Beijing trade show as well as the International Music Festival. In South Africa we are partners of the "21 icons" project. This initiative has set itself the goal of inspiring younger generations to follow in the footsteps of national icons like Nelson Mandela.

www.21icons.com

## Charitable projects.

**Wings on Wheels.** In two humanitarian aid convoys for Syrian refugees in Turkey, Daimler Trucks, jointly with the relief organization Wings of Help, brought relief supplies by land over almost 4,000 kilometers to the area along the Turkish-Syrian border. Several new Mercedes-Benz Actros tractor-trailer units hauled some 35,000 blankets, winter clothing for 120,000 people, food for 150,000 children, vaccinations, tents, wheelchairs, ambulances, and mobile infirmaries to Turkey.

**Typhoon disaster assistance.** After the disastrous typhoon in the Philippines, Daimler quickly made €500,000 available to the distressed population and called on the employees to donate; more than €100,000 in donations were collected. The donation to the German Red Cross was used for drinking water purification and epidemic prevention.

**brotZeit.** As part of our national sponsorship program, last year we again donated money to charitable initiatives that focus on helping families and children in Germany. Among them is the brotZeit project, which combines programs for active senior citizens with the care of socially disadvantaged children. Needy children are served a free, balanced breakfast, and senior citizen volunteers provide slow learners with individualized support.

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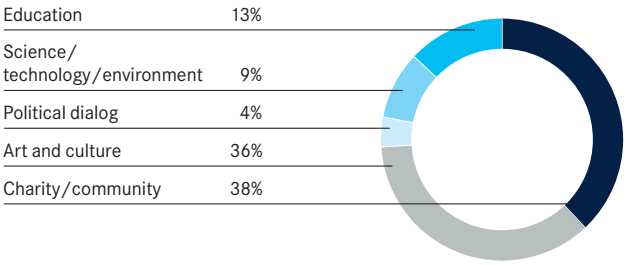
**Donations and sponsorship in 2013 (since 2013: incl. taxes)**




## Corporate volunteering.

**Day of Caring.** In now more than 20 countries, Daimler Financial Services organizes the Day of Caring. In 2013, roughly 2,320 employees around the world contributed a day of work to jointly support the efforts of charitable institutions. The climax of the activities was the "Week of Caring" in the U.S., during which 1,100 employees were engaged for a full week in more than 30 different institutions. Another campaign involved the construction of new homes for the poorest of the poor in the Cambodian capital Phnom Penh. Fourteen employees from several national companies worked in this ambitious project for a week.

**ProCent.** In 2013 we further expanded our ProCent initiative, in which Daimler employees voluntarily donate the cent amounts of their net salaries to nonprofit projects. Every donated cent is matched by the company. The donations are collected in a special fund and are used to support environmentally and socially beneficial projects in Germany and around the world that are recommended by the company's employees. In 2013, from more than 400 submitted proposals we selected 175 projects to support and funded these projects with more than €1 million. Since the start of the initiative in 2012, about €1.7 million already have been made available to nonprofit projects. In addition to projects assisting children and adolescents, ProCent promoted charitable projects and activities helping handicapped people as well as projects for environmental and animal protection. ProCent also supports initiatives all over the world, for example in Nepal, India, the Philippines, Cambodia and Thailand, Peru and Paraguay, as well as South Africa, Tanzania, Madagascar, Uganda, Malawi, and Kenya.

**Give a Smile.** In the "Give a Smile" Daimler Christmas project in the Stuttgart area, anyone who is interested can wrap a Christmas package for children and teens from socially disadvantaged families. The company provides a cardboard box, which employees can fill with nice and useful things like toys, school supplies, sweets or clothing. We hand over the gifts to our partners, the food pantry Schwäbische Tafeln e.V., which distributes them to needy children. We collected more than 7,700 gift packages in the 2013 campaign.

# Our Sustainability Program 2020.

G4-18
G4-19
G4-23

Sustainability is an essential guidepost for our business activities that is firmly anchored in our system of strategic objectives. We regularly compare our business objectives with our stakeholders' expectations and set our priorities for our material sustainability areas on this basis. The results we accomplish are indicated in our Materiality Analysis for 2013. From the defined fields of action, we have derived concrete targets against which we measure ourselves.

We anchor our sustainability objectives in our management and leadership system in all stages of the value chain, from product development and production to sales and marketing. The target agreements between employees and their superiors specify the sustainability targets for the respective task, such as $CO_2$ emissions or diversity objectives, on a consistent basis and are thus relevant for employee remuneration. The objectives are reviewed annually in the framework of our sustainability management and are adjusted as required. In this context, through our systematic stakeholder management, we additionally respond to the requirements of internal and external interest groups, which are actively involved in our sustainability activities through survey and dialogs.

Materiality analysis: p. 3 f.

Our Sustainability Program is dynamic. Just as we are called on to adapt ourselves continuously to new market conditions in the dynamic competitive environment, we must also satisfy the requirements imposed on us by our stakeholders. That is why we have again completely revised, specified, and prioritized the Sustainability Program 2020 in comparison with previous years. The new program presents the main target horizons of our sustainability commitment until 2020, but is still flexible enough to enable addressing new challenges within a short time. We present our TOP objectives in the printed copy of the Sustainability Report.

The complete Sustainability Program 2020 including all targets and measures as a download: Online 002

| Target | Achievements 2013 | Date | Interim targets 2013 | Status | Page |
|---|---|---|---|---|---|

# Product responsibility.

## Fuel consumption and $CO_2$ emissions

| | | | | | |
|---|---|---|---|---|---|
| **$CO_2$ emissions from cars.**<br>– Reduction of $CO_2$ emissions (based on the NEDC) for the new vehicle fleet in the EU to **125 g $CO_2$/km by 2016** (corresponds to a reduction of approximately **30 percent between 2007 and 2016**).<br>– Consequent further electrification of the powertrain in order to meet the Daimler-specific EU fleet targets in 2020. | **Further reduction of more than 4 percent.**<br>– After reaching the interim target set for 2012, $CO_2$ emissions in the European fleet fell by another 6 grams in 2013 to **134 g $CO_2$/km, a reduction of 24.7 percent compared to 2007**.<br>Highlights at product level:<br>– After BlueDIRECT V6 and V8 engines, in 2013 BlueDIRECT 4-cylinder engines and further series with ECO start/stop function were introduced.<br>– Start/stop is now available for all series.<br>– New fuel consumption-reducing NAG3 9-speed transmission for E350 BlueTEC.<br>– Fuel consumption of the new S-Class **reduced by an average of 25 percent** (compared to predecessor). | 2016 | ⊕ | ↗ 80% | 40 ff. |

The interim target 2013 was achieved ⊕ only partially achieved ⊖

| Target | Achievements 2013 | Date | Interim targets 2013 | Status | Page |
|---|---|---|---|---|---|
| **Fuel consumption and $CO_2$ emissions** | | | | | |
| **Reducing $CO_2$ emissions of light commercial vehicles.**<br>– Reduction of $CO_2$ emissions of the EU new vehicle fleet by **more than 10 percent by 2014** compared to 2010. | **11 percent reduction since 2010.**<br>– Overall fleet average **201 g $CO_2$/km** (Mercedes-Benz fleet of light commercial vehicles in Europe 2013).<br>– Sprinter as the first van worldwide certified to meet the future emissions standard Euro VI.<br>– **Consuming 6.3 l/100 km, the Sprinter is the most economical van** in its class. | 2014 | ⊕ | ↗ 100% | 40 ff. |
| **Reducing heavy commercial vehicles' fuel consumption in Europe.**<br>– Reduction of consumption (liters per ton-kilometer) for N3 trucks in Europe by an average of **20 percent by 2020** compared to the base year 2005 (Euro III vehicles). | **Significant improvement**<br>– Fuel consumption of long-haul reference trucks reduced by approximately **9 percent compared to 2005**.<br>– Introduction of Predictive Powertrain Control (PPC).<br>– "Green Truck 2013" award for the Mercedes-Benz Actros 1851 GigaSpace | 2020 | ⊕ | ↗ 40% | 40 ff. |
| **Reducing the fuel consumption of heavy commercial vehicles in the NAFTA region.**<br>– Reduction of the fuel consumption of Cascadia trucks by **more than 20 percent by 2015** compared to the base year 2007. | **Consumption significantly reduced.**<br>– **15 percent reduction** in fuel consumption for Cascadia long-haul reference vehicle.<br>– New generation Detroit DD 15 engines.<br>– Aerodynamic measures. | 2015 | ⊕ | ↗ 60% | 44 |
| **Exhaust gas emissions** | | | | | |
| **Early compliance with Euro 6 for passenger cars.**<br>– Early compliance with the Euro 6 standard for **50 percent** of all new Mercedes-Benz and smart vehicles in Europe by the end of 2014. | **More Euro 6 cars.**<br>– **More than 31 percent of Mercedes-Benz cars** sold in Europe in 2013 comply **with the Euro 6 standard**. Market leadership for Euro 6 vehicles in Germany at 43.1 percent compared to 26.6 percent for the next best competitor.<br>* Provisional figures only, since not all data from licencing authorities were available at the time of going to press. | 2014 | ⊕ | ↗ 80% | 45 |

The interim target 2013 was achieved ⊕ only partially achieved ⊖

| Target | Achievements 2013 | Date | Interim targets 2013 | Status | Page |
|---|---|---|---|---|---|
| **Exhaust gas emissions** | | | | | |
| **Overall assessment and reduction of the environmental impact of Mercedes-Benz passenger car models.**<br>– **Reduction of $CO_2$ and nitrogen oxide emissions in the whole life cycle** for each new model generation **by 10-20 percent** compared to the predecessor. | **Overall environmental targets set for all Mercedes-Benz passenger car development projects.**<br>– Examination of targets within the Mercedes-Benz development process in accordance with ISO TR 14062 (Design for Environment) and ISO 14006 (product-related environmental management system)<br>– Reduction of **$CO_2$ emissions by 18 percent and nitrogen oxide emissions by 10 percent** over the whole life cycle of the **new S-Class** compared with the predecessor (see Environmental Certificate S400 HYBRID).<br>100 percent target achievement for the S-Class. | Ongoing until 2020 | ⊕ | ↗ 100% | 41 |
| **Reduction of the exhaust gas emissions of light commercial vehicles.**<br>– Introduction of Enhanced Environmentally-Friendly Vehicle **(EEV) engines** (offered parallel to Euro 5) f**or all van series** by the end of 2013.<br>– **Introduction of Euro VI**, Group I, for N 1 vehicles starting with the successors of the Vito/Viano, if there is sufficient market demand. | **EEV for all diesel engines.**<br>– All diesel engines have also been offered as EEV engines since 2012.<br>– Sprinter is the **first N 1 vehicle** worldwide to be **certified for Euro VI, Group I.** | 2013 | ⊕ | ↗ 100% | 45 |
| **Euro VI for heavy-duty commercial vehicles.**<br>– **Euro VI type approval for 30 percent of Daimler commercial vehicles** (buses, trucks, and semitrailer rigs) in Europe **by 2013**, if this plan is supported by political decision-makers. | **EEV for all diesel engines.**<br>– Despite the lack of political support and only moderate market demand, **100 percent** of Mercedes-Benz trucks and buses are offered in **Euro VI**. | 2013 | ⊕ | ↗ 100% | 45 |

The interim target 2013 was achieved ⊕ only partially achieved ⊖

| Target | Achievements 2013 | Date | Interim targets 2013 | Status | Page |
|---|---|---|---|---|---|
| **Mobility concepts** | | | | | |
| **Growing use of car2go.**<br>– **Tenfold increase** by 2015 in the number of trips taken and the number of active users, compared to 2011. | **Expansion of car2go.**<br>– car2go is offered in **25 cities worldwide** (+18 cities compared to 2011).<br>– The number of users has risen eightfold since 2011 (2013: **more than 500,000 registered users**).<br>– **More than 15 million rental transactions** have been completed in total (+14 million compared to 2011). | 2015 | ⊕ | ↗ 80% | 46 |
| **Infrastructure.**<br>– **Promoting the creation of a hydrogen infrastructure.**<br>– Implementing pilot projects for the construction and commissioning of **20 hydrogen filling stations** in Germany to supply fuel cell vehicles with hydrogen produced from renewable sources. | **Pilot project with 20 hydrogen filling stations.**<br>– Cooperation agreement signed with Linde.<br>– Locations found and selected.<br>– Memoranda of understanding signed with the operators of hydrogen filling station locations.<br>– Agreement reached to supply the new hydrogen filling stations with sustainably produced hydrogen. | 2014 | ⊕ | ↗ 70% | 42 |
| – Construction of **100 hydrogen filling stations by 2017 and 400 hydrogen filling stations by 2023** in Germany within the scope of "Initiative $H_2$ Mobility." | – **13 hydrogen filling stations** with 700 bar reservoir pressure **initiated and completed** in pilot projects **in Germany**. Two further $H_2$ filling stations with 700 bar reservoir pressure under construction.<br>- Filling station construction as part of "Initiative $H_2$ Mobility." | 2023 | ⊕ | ↗ 10% | |

The interim target 2013 was achieved ⊕ only partially achieved ⊖

| Target | Achievements 2013 | Date | Interim targets 2013 | Status | Page |
|---|---|---|---|---|---|
| **Vehicle safety** | | | | | |
| **Passenger car safety.**<br>– Achieving a **five-star rating in the Euro NCAP crash test** for new model series, with the requirements raised starting in 2012, 2013, 2014, and 2015.<br>– Being the **Top Safety Pick in the IIHS crash test** ratings for the Small Overlap Crash beginning in 2012. | **Interim target achieved for all Mercedes-Benz vehicles tested in 2012 and 2013.**<br>– New CLA-Class achieves **top five-star rating in the Euro NCAP crash test** and **three "Euro NCAP Advanced" prizes** for safety innovations: the second-generation radar-assisted collision warning COLLISION PREVENTION ASSIST (standard), drowsiness detection ATTENTION ASSIST (standard) and the anticipatory occupant protection system PRE-SAFE® (option).<br>– M-Class awarded the **Top Safety Pick+** (TSP+) rating with the further tightened crash test by the American Insurance Institute for Highway Safety (IIHS). | Ongoing | ⊕ | ↗ 100% | 46 |

The interim target 2013 was achieved ⊕ only partially achieved ⊖

| Target | Achievements 2013 | Date | Interim targets 2013 | Status | Page |
|---|---|---|---|---|---|

# Production responsibility.

## Climate protection in production operations

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| **Reduction of specific $CO_2$ emissions.**<br>– Continuous reduction of specific $CO_2$ emissions from production operations to result in **20 percent lower emissions** in 2015 compared to 2007. | **Reduction of specific $CO_2$ emissions from 2007 levels.**<br>– Daimler Buses –19 percent;<br>– Mercedes-Benz Cars –27 percent;<br>– Mercedes-Benz Vans –8 percent;<br>– Daimler Trucks –10 percent (Comparison with reference year 2007 without Atlantis Foundry). | 2015 | ⊕ | ↗ 70% | 47 f. |
| **Reduction of absolute $CO_2$ emissions.**<br>– Absolute $CO_2$ emissions **in European production plants to be reduced by 20 percent** from early 1990s levels by 2020 (the period stipulated by the EU climate targets) despite a substantial increase in production volume.<br>– As a result, specific $CO_2$ emissions at European manufacturing facilities will decrease by two-thirds. (Similar $CO_2$ reduction technologies are being used at our plants outside of Europe). | **Efficiency improved, nevertheless a slight increase to emissions.**<br>– **Minus 9 percent** in comparison to base year, slight increase of almost 3 percent compared with the previous year.<br>– Significant unit volume increase and changes to the $CO_2$ factors in the German electricity mix could not be fully compensated by efficiency measures and expansion of own energy generation in 2013. | 2020 | ⊖ | ↘ 55% | 47 f. |

The interim target 2013 was achieved ⊕ only partially achieved ⊖

| Target | Achievements 2013 | Date | Interim targets 2013 | Status | Page |
|---|---|---|---|---|---|

# Employee responsibility.

## Diversity and equal opportunity

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| **Strategic diversity target.**<br>– Daimler endeavors to remain a leading German automaker in diversity management.<br><br>Interim target:<br>– Expansion of the global talent pool with **40 percent international CAReer hires by 2017.** | **Anchoring of diversity management.**<br>Diversity management firmly anchored in HR processes, corporate and management culture and focus on internationalization extended:<br>– **Clear increase to employee support** for diverse teams in 2012 (66 percent) compared to 2011 (61 percent).<br>– **Internationality and interculturality** as focus areas of the conference "Diversity 2013 as an economic factor".<br>– 13 "sternchen" daycare facilities with approximately **570 daycare places** in Germany.<br>– Promotion and initiatives to increase the flexibility of working time and location.<br>– **1st German Diversity Day** with worldwide activities (62 in Germany, 20 international).<br>– Daimler **ranked in first place** by the Ministry for Family Affairs: **"The most female-friendly Groups."** | 2020<br>2017 | ⊕ | ↗ 75% | 53 |
| **Generation management.**<br>– Establishment of a generation management system;<br>– Greater consideration of demographic issues in our corporate culture and leadership processes.<br><br>Interim target:<br>– Continuation of at least **3 decentralized demographics projects** (e.g. in Bremen and Untertürkheim). | **Activities in generation management.**<br>– Implementation of **ergonomics analyses** in production areas.<br>– Introduction and establishment of a pool with **400 senior experts**.<br>– Rollout of "Job Match" – a system to find the most suitable workplaces for production staff with consideration of their health situation.<br>– **Diversity study** on generational diversity. | 2020 | ⊕ | ↗ 60% | 53 |

The interim target 2013 was achieved ⊕ only partially achieved ⊖

| Target | Achievements 2013 | Date | Interim targets 2013 | Status | Page |
|---|---|---|---|---|---|

# Ethical responsibility.

## Integrity and compliance

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| **Raising awareness.**<br>– Raising awareness of our values and principles. | **Integrity Code.**<br>In 2013 Group-wide **distribution of the new "Integrity Code."**<br>– Code is available in **22 languages**.<br>– **Orientation guide** on the intranet.<br>– A **team of experts** answers questions on the application of the Code.<br>– Continuation of the company-wide Integrity Dialog.<br>– Focus 2013: assessment of where the company stands with regard to integrity (what has been achieved, further targets, need for action). | Ongoing | ⊕ | ↗ 80% | 13 ff., 16, 30 |
| **Sustainable Compliance.**<br>– Sustainable integration of compliance at Daimler. | **Integration of Compliance.**<br>– Further enhancement of the **compliance management system's effectiveness.**<br>– **Further integration of compliance** as an integral part of our value chain.<br>– **More efficient organization** of compliance processes within the company. | Ongoing | ⊕ | ↗ 90% | 17 |

## Human rights

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| **Risk management.**<br>– Worldwide expansion of human rights risk management in 19 countries with Daimler production locations in line with UN requirements so that possible human rights violations can be detected early on. | **Human Rights Compliance Assessments (HRCA).**<br>– 2012: Risk assessment initially carried out for Germany, Mexico and Egypt<br>– 2013: HRCAs in Brazil, France, India, Japan, Spain, Hungary, U.S., and South Africa<br>This means that 11 of 19 countries have been analyzed. Based on the results of the HRCAs, development of a system for continuous risk assessment has started. | 2015 | ⊕ | ↗ 60% | 16 f. |

The interim target 2013 was achieved ⊕ only partially achieved ⊖

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# Independent Assurance Report

To Daimler AG, Stuttgart

We have been engaged to perform a limited assurance engagement regarding several sustainability key performance indicators selected by Daimler AG (the Company) in the Sustainability Report 2013 (the Report) for the business year from 1 January to 31 December 2013.

**Responsibility of the legal representatives**
The Company's Board of Managing Directors is responsible for the proper preparation of the report in accordance with the criteria stated in the Sustainability Reporting Guidelines Vol. 4 (pages 16 to 18) of the Global Reporting Initiative (GRI).

This responsibility includes the selection and application of appropriate methods to prepare the report and the use of assumptions and estimates for sustainability disclosures which are reasonable in the circumstances. Furthermore, the responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of the report.

**Responsibility of the auditor**
Our responsibility is to express a conclusion based on our work performed as to whether anything has come to our attention that causes us to believe that the data of the report of the Company for the business year 2013 has not been prepared, in all material respects, in accordance with the above mentioned criteria of the Sustainability Reporting Guidelines Vol. 4 of the GRI.

The sustainability key performance indicators selected by Daimler AG for the calendar year 2013 ($CO_2$ emissions of the European fleet, energy consumption, total $CO_2$ emissions scope 1 and 2, waste recovery rate, water consumption, accident frequency as well as cost of foundations, donations, and sponsorships), which are included in the scope of our engagement, can be found on page 2 of the sustainability report 2013 as 'Key figures 2013' and the corresponding sections in the report. The assessment of the materiality analysis of the company was not part of our engagement scope.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000. This Standard requires that we comply with ethical requirements and plan and perform the assurance engagement, under consideration of materiality, to provide our conclusion with limited assurance.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. The procedures selected depend on the practitioner's judgement.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

During 2013 we have not performed any tasks or services for Daimler that would conflict with our independence, nor have we been responsible for the preparation of any part of the report; and therefore qualify as independent as defined by Code of Ethics and applicable legal and regulatory requirements.

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

- Inquiries of personnel responsible for the preparation of the report regarding the process to prepare the reporting of sustainability information and the underlying internal control system;
- Inspection of documents regarding the sustainability strategy as well as understanding the sustainability management structure, the stakeholder dialogue and the development process of the Company's sustainability program;
- Inquiries of personnel in the corporate functions that are responsible for the chapters product responsibility, operations-related environmental protection, occupational safety and social commitment;
- Gaining an understanding of the systems and processes for collection, analysis, validation and aggregation of sustainability data and its documentation on a sample basis;
- Performance of site visits as part of the inspection of processes for collecting, analyzing and aggregating selected data:
  - in the corporate headquarter in Stuttgart
  - in the plants in Mannheim (Germany)
  - in the plant in Tuscaloosa (USA);
- Analytical procedures on sustainability data disclosed in the report;
- Comparison of selected data with corresponding data in the Company's Combined Management Report;
- Gaining further evidence for selected data of the report by means of inspection of internal documents, contracts and invoices/reports from external service providers.

**Conclusion**
Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that the data of the report of the Company for the business year 2013 has not been prepared, in all material respects, in accordance with the above mentioned criteria of the Sustainability Reporting Guidelines Vol. 4 (pages 16 to 18) of the GRI.

Zurich, March 3, 2014

PricewaterhouseCoopers AG

Dr. Marc Schmidli

Jonas Buol
Wirtschaftsprüfer
(Swiss Certified Public Accountant)

# Imprint and contact.


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Daimler AG, Mercedesstraße 137,
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Thomas Fröhlich

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Mirjam Bendak

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**Contact**
Daimler AG, HPC E402
70546 Stuttgart
Tel. +49 (0) 711 17-0 (headquarters)
Fax +49 (0) 711 17-790-95251
E-Mail: sustainability@daimler.com
http://nachhaltigkeit.daimler.com

Dr. Udo Hartmann (Environment)
E-Mail: udo.hartmann@daimler.com

Dr. Wolfram Heger (Sustainability Management, Human Rights, Stakeholder Dialog, Society)
E-Mail: wolfram.heger@daimler.com

Magnus Huber (Procurement)
E-Mail: magnus.huber@daimler.com

Michael Kanizai (Human Resources)
E-Mail: michael.kanizai@daimler.com

Carolin Schwarz (Integrity)
E-Mail: carolin.schwarz@daimler.com





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# GRI Index and UN Global Compact.

In 2000 Daimler became one of the first signatories of the UN Global Compact. We have committed ourselves to uphold this international initiative's ten universally recognized principles. Daimler was also one of the first participants of the UN Global Compact LEAD group, which was established in January 2011.

In recent years we have continuously improved our sustainability performance and made our reporting in this area more transparent and easier to understand. As always, our reporting is in line with the principles of materiality, stakeholder inclusiveness, completeness, and sustainability context.

**Both the printed and the interactive online versions of the Daimler Sustainability Report 2013** are based on the guidelines of the Global Reporting Initiative (GRI). These guidelines were established with the help of the UN in 1997 in order to create a globally accepted guideline for companies and organizations reporting on their environmental, social, and economic activities. The amended guidelines of 2013 (G4) serve as the basic framework for Daimler's sustainability reporting.

**You can find the complete version of the GRI Index** in the interactive online report.

Complete GRI Index: 003

http://sustainability.daimler.com

MATERIALITY MATTERS
Global Reporting Initiative™
AT THE TIME OF PUBLICATION THE G4-17 TO G4-27 DISCLOSURES WERE CORRECTLY LOCATED IN THIS G4 CONTENT INDEX AND FINAL REPORT.
2014

Global Compact LEAD PARTICIPANT

| | | |
|---|---|---|
| Principle 1<br>Support of human rights<br>Principle 2<br>Exclusion of human rights abuses<br>Principle 3<br>Freedom of association<br>Principle 4<br>Elimination of forced labor<br>Principle 5<br>Abolition of child labor | We assign a very high priority to recognizing and protecting human rights within our company and in the locations where we operate. For us as an automaker, the emphasis is on employee rights, fair working conditions, and the rejection of every form of discrimination and of forced labor and child labor. We have firmly grounded our sense of responsibility for human rights issues in the Integrity and Legal Affairs area of responsibility in the Group's Board of Management. | Principle 1<br>pp. 14, 16 f., 54, 67<br>Principle 2<br>pp. 16 f., 55 f., 67<br>Principle 3<br>pp. 16 f., 51, 56, 67<br>Principle 4<br>pp. 16 f., 55 f., 67<br>Principle 5<br>pp. 16 f., 55 f., 67 |

| | | |
|---|---|---|
| **Principle 6**<br>Elimination of discrimination | To ensure that our hiring processes are free of discrimination, whether gender-specific or in other forms, the fixed base salary depends on the individual's position and level. The same goal is served within our regular income reviews by mandatory documentation, the inclusion of several people in each process, and a central HR system that ensures transparency. Our in-house income reviews have shown that the amount of the remuneration paid for comparable tasks is affected by factors such as individual performance and the amount of experience a person has gained in a particular position, but not by the person's gender. | **Principle 6**<br>**pp. 16 f., 51 ff., 66, 67** |
| **Principle 7**<br>Precautionary environmental protection | Risk prevention is particularly important when it comes to managing the local effects of our business activities. This applies, for example, to environmental protection in the production process. Our environmental management system defines structures and processes that ensure transparent reporting and clear areas of responsibility at all levels of our production facilities around the world. More than 98 percent of our employees work at locations with environmental management systems audited and certified according to ISO 14001. In addition, we regularly conduct environmental due diligence processes at our locations. | **Principle 7**<br>**pp. 20 f., 26 f., 32 f., 34 f., 60–63, 65** |
| **Principle 8**<br>Promotion of environmental responsibility | Daimler has been systematically compiling key environmental data from its German plants since 1992. In 1997 and 1998 its data acquisition was gradually extended to include production plants outside Germany. Since 2002 the acquisition and analysis of the data have been handled with the aid of a database. The data in this report reflect the structure of the Group in 2013 and include all relevant production plants and the German sales locations. New parts of the company have been included from the time at which they became part of Daimler. The environmental data for 2013 refer to a total of 75 business locations or subordinate sites. | **Principle 8**<br>**pp. 20–23, 26 f., 40–50, 60–63, 65** |
| **Principle 9**<br>Development and diffusion of environmentally friendly technologies | The requirements regarding our vehicles' environmental compatibility are integral aspects of automobile development at Daimler and are discussed by the corresponding committees and implemented accordingly. The vehicle specifications and the quality gates in the development process document the environmental impact and requirements during the entire product development process. | **Principle 9**<br>**pp. 20–23, 26–29, 32 f., 40–46, 60-63** |
| **Principle 10**<br>Work against corruption | In our Integrity Code, we have made a binding pledge to maintain compliance with all relevant laws, voluntary commitments and internal regulations and to do business in accordance with ethical principles at all times. In doing so, our main focus is on the observance of all applicable anti-corruption regulations as well as the exercise and promotion of fair competition.<br><br>In this respect, our management employees have a special responsibility due to their role model function. Consequently, Integrity and Compliance are key criteria in the annual target agreement process and target achievement of our managers. In 2013, the Integrity Code provided us with the basis for developing a new web-based training which graphically illustrates our standards of good conduct and common understanding. The training additionally contains sections on ethical conduct during work performance, corruption prevention, our whistleblower system BPO, and antitrust law.<br><br>In addition to the Group-wide dialogs concerning ethical conduct across all hierarchies, we are also assisted by our Compliance Management System in ensuring ethical practices in accordance with the regulations our daily business. Our divisional Compliance organization serves as a partner for the business divisions in their detection and treatment of market-specific risks. Each division is supported by a divisional or regional Compliance Officer, who advises the units on compliance issues. Moreover, local compliance partners around the world ensure that our standards are observed.<br><br>Ethical conduct and compliance with the regulations is a fixed prerequisite for trusted collaboration with our business partners. In our selection of direct business partners, we take care to ensure that they engage in legally conformant practices and observe ethical principles. | **Principle 10**<br>**pp. 14–18, 30 f., 36, 52, 55 f., 67** |

Daimler AG
Stuttgart, Germany
www.daimler.com
www.daimler.mobi