

DAIMLER

Sustainability Report 2017



Strategy



Vehicles



Mobility Services



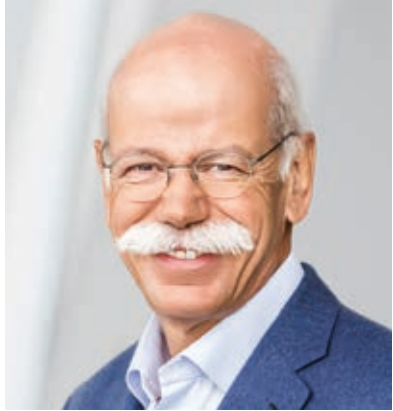
Digitalization



Responsible
Conduct



Foreword



Dr. Dieter Zetsche

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



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



Dear readers,

If you look for the term “sustainability” on Google today, you’ll get more than 60 million hits. It’s clear that sustainability is a hot topic these days. And that’s as it should be. Few companies today would say they are not operating with an eye to sustainability. But that makes it even more important to ask some questions: What do we mean by sustainability? And how are we achieving it in concrete terms?

It goes without saying that as a company we bear responsibility for our employees, customers, shareholders, and other stakeholders. As a result, we have an obligation to be successful over the long term. But we won’t be acting sustainably unless we pursue not only economic but also environmental and social goals.

One important goal is emission-free driving, and one way to get there is to systematically electrify our vehicles. Consequently, by 2022 we will be offering at least one electrified

alternative in every Mercedes-Benz production series in our car portfolio. The smart brand will even be completely electric. And we’ve got similar plans for our commercial vehicles. Starting in 2018 the Fuso eCanter, which is the world’s first fully electric truck in series production, will be followed by an electric city bus as well as electric models of the Vito, the Sprinter, and the Citan.

In addition to electrification, we are also working on new concepts of mobility. For example, through intelligent connectivity, driverless vehicles, and carsharing the volume of traffic in city centers could be successfully reduced over the long term, in spite of people’s increasing need for mobility.

Equally important for the sustainable success of our company are issues such as the responsible handling of data, the sustainability of our supply chains, our commitment to human rights, and new ways of working together. We are guided in all of our activities by our culture of integrity, the principles laid down in the UN Global Compact, the Sustainable Development Goals of the United Nations, and the climate accords reached in the Paris Agreement.

The great transformations that the automotive sector is currently facing are also increasing our opportunities to shape the future in lasting ways. And that’s exactly what we’d like to do by means of our Sustainability Strategy. Through this strategy we are focusing even more closely on sustainability goals that are influenced by our business model and our value chain – goals in areas where we can actually bring about change.

As you read this report, you’ll find out what we’re working on today and what we plan to do in the future. We would be delighted if you continue to support us through your criticism and your constructive suggestions. In the future as well as today, we intend to make sure that sustainability at Daimler is not a buzzword but the guideline for all of our decisions.

Sincerely,





Dr. Dieter Zetsche

Renata Jungo Brüngger




Ola Källenius

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Navigation system. To help you navigate through this report, we have inserted hyperlinks into this PDF file. The gray bar at the top of the page lets you jump from any page to the chapter you click on. The chapter you are currently in is highlighted. The icons in this report function like those on a website:

-  Home
-  Contents
-  Browse backward
-  Browse forward

Guidance system. You can also go directly to a specific chapter by clicking on it in the table of contents. On the extreme left of each chapter is an overview of the linked sub-chapters. The following icons in the text are also helpful:

-  Reference to online information
-  Reference to a page within this report or to a page of the Daimler Annual Report. The pages of the online Annual Report are linked in so that you can be taken directly to the respective page.
-  Reference to a table or graphic

You can find the key figures for this report online.

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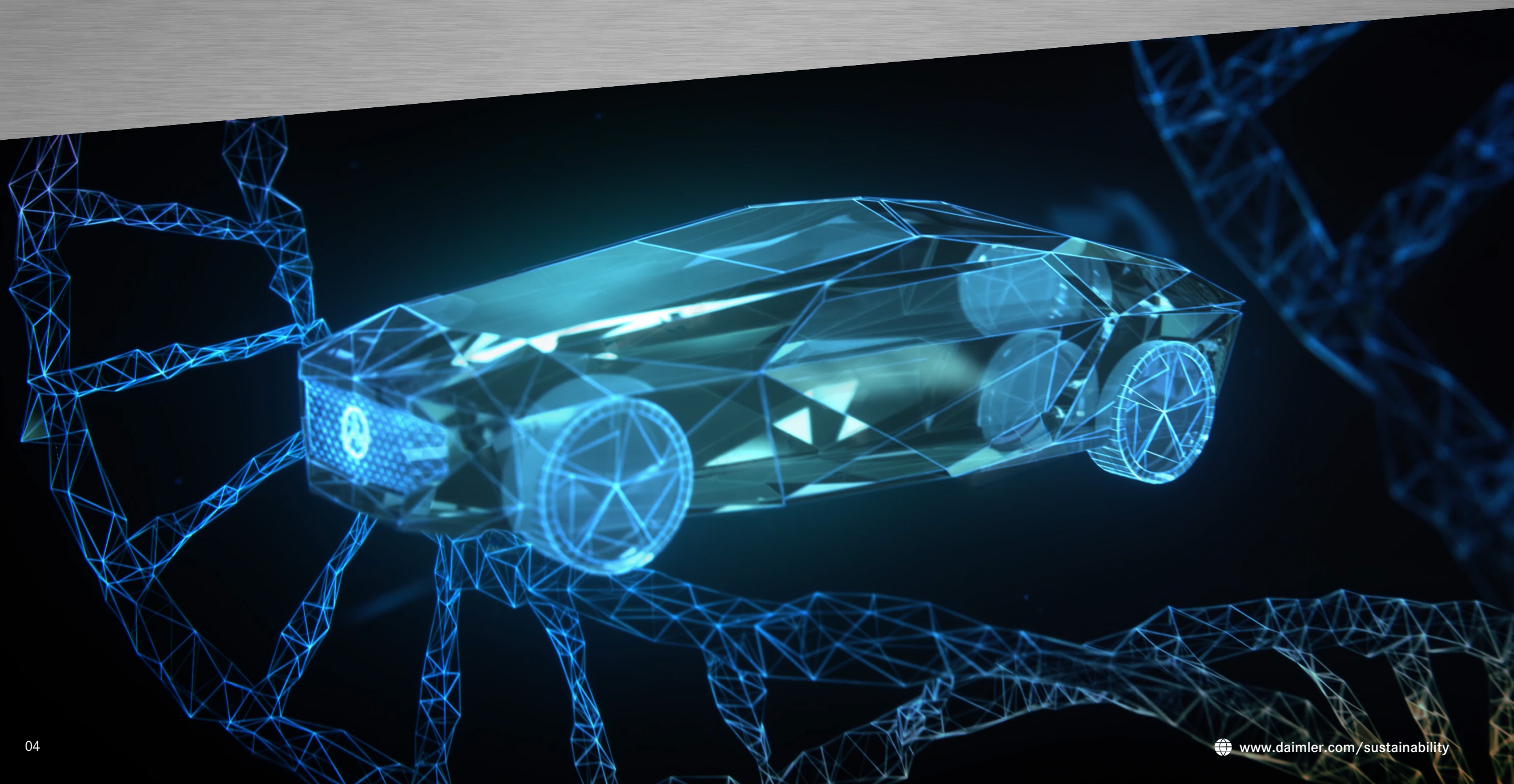
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Strategy





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Our understanding of sustainability

Sustainability is one of the basic principles of our corporate strategy as well as a benchmark for our success as a company. As a vehicle manufacturer with global operations, we face industry-specific challenges. To ensure that our business success is sustainable, we need to exploit the associated opportunities and minimize the risks.

We have drawn up a Group-wide sustainability strategy, which is part of our corporate strategy and makes sustainability a fundamental corporate principle. Moreover, we consider effective sustainability management to be a precondition for ensuring we remain one of the world's leading automobile manufacturers in the future:

- We are committed to legal and ethical standards and aim to observe them within the Group worldwide; we expect the same of our business partners and suppliers.
- Road traffic contributes to the generation of CO₂ and pollutant emissions, which can endanger the health of pedestrians and people on the road. We therefore use our power of innovation to be able to create as environmentally friendly and as safe vehicles as possible that conserve resources. We also develop pioneering mobility solutions and promote their profitable implementation.
- Our operational processes, particularly in vehicle production, are also associated with environmental effects, which we keep as low as possible through a system of our environmental management.

- As an employer, we bear responsibility for providing fair and attractive working conditions for our about 290,000 employees worldwide.
- As a good corporate citizen, we want to contribute to the common good worldwide beyond the scope of our business operations and to make use of our special competencies as we do so.

Our sustainability strategy

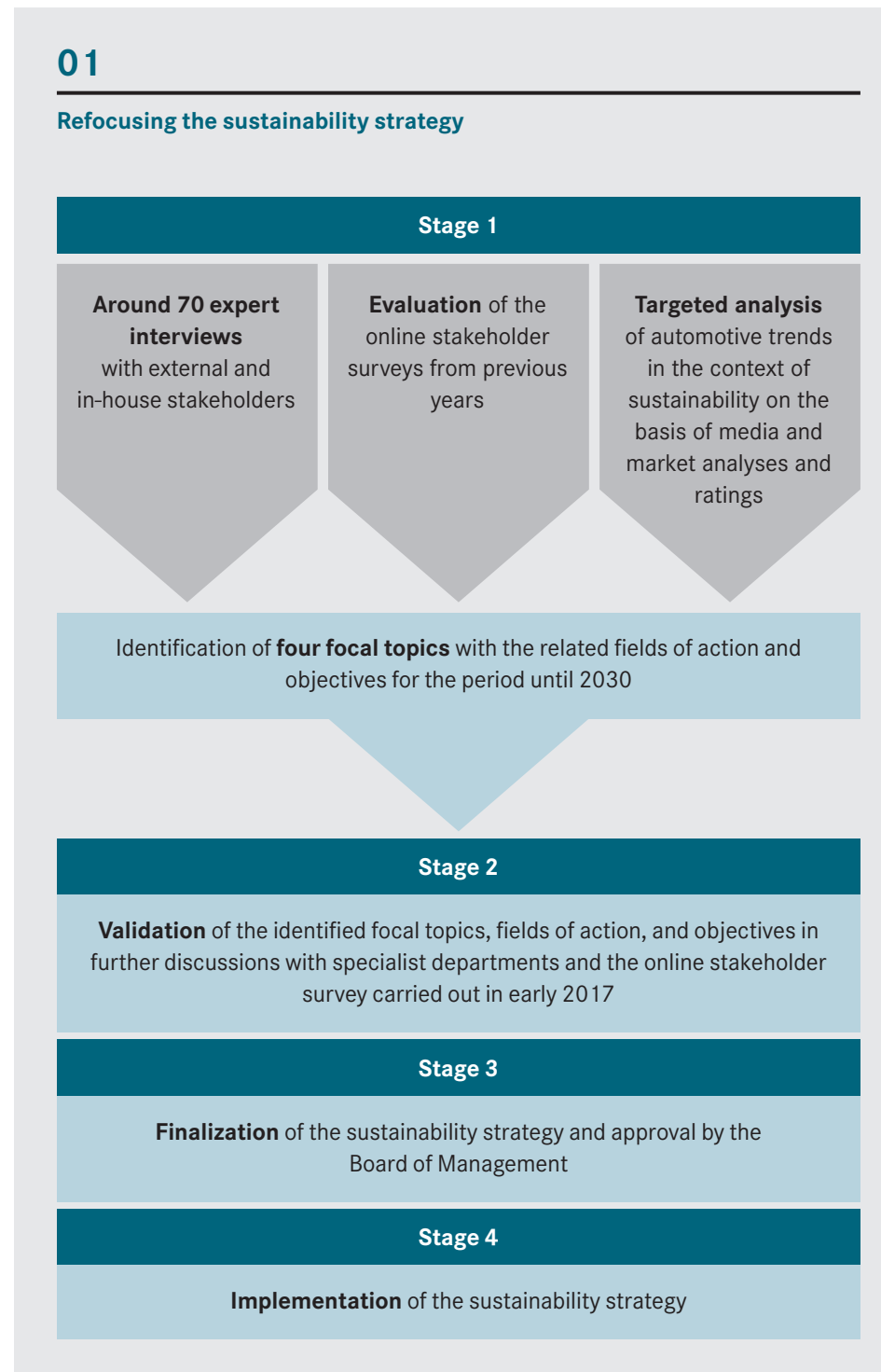
To adequately meet all of these requirements, we have drawn up a Group-wide sustainability strategy, which is part of our corporate strategy and makes sustainability a fundamental corporate principle at the implementation level. We set targets, and define target indicators, for each field of action in our strategy. Taken together, all of these targets form our comprehensive medium- to long-term target program.

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

 [Our previous target program \(PDF\)](#)



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Refocusing our sustainability strategy. During the reporting period, we refocused our sustainability strategy in cooperation with our stakeholders. With the help of a multi-stage materiality analysis, we prioritized the focal topics and fields of action for Daimler. The resulting focal areas of the Sustainability Strategy 2030 also serve as the framework of this report, which has been prepared for the first time according to the new Sustainability Reporting Standards of the Global Reporting Initiative (GRI).

Our refocusing process encompasses four steps:

- **Step 1:** Specifying fields of action. To obtain as precise an impression as possible of people's expectations regarding Daimler AG, we evaluated information from a variety of sources during our sustainability strategy process. The basis is provided by interviews with approximately 70 internal and external experts, who are also among our stakeholders. Further input was provided by the evaluation of past stakeholder surveys and by analyses of the global sustainability agenda (in particular the Sustainable Development Goals) and automotive trends. The results of these analyses were taken into account during the preselection of the focal topics and fields of action.
- **Step 2:** Validating materiality. In the second step, we analyzed the shortlisted topics and fields to determine their relevance for and impact on Daimler AG. To do so, we talked with the specialist Daimler departments and conducted an open international online survey of our external stakeholders in the summer of 2017. After the survey was completed, we had more than 1,000 responses from a variety of stakeholder groups. We used these results to compare the identified focal topics and fields of action with as broad a selection of stakeholder perspectives as possible and to adjust them if necessary.

The results of our stakeholder survey



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- **Step 3:** Finalizing the strategy. In the third step, we transferred the topics that were judged to be material into the final strategy. It consists of four focal topics and 11 fields of action, which are associated with specific key figures and goals. Once this was done, the strategy was approved by the Board of Management.
- **Step 4:** Acting consistently. During the strategy process, we were able to intensify our sustainability management and realign it toward key future-oriented topics. These topics include our activities for respecting and upholding human rights as well as our research and development activities for innovative drive system technologies and the safety of our vehicles. The incorporation of the objectives of the Sustainability Strategy 2030 into an in-house management and reporting system aims to permanently implement our sustainability activities.

Our Sustainability Strategy 2030 supports the implementation of the Sustainable Development Goals (SDGs) that were approved by the United Nations in September 2015. Although the SDGs are directed primarily at governments and countries, the achievement of these goals will depend greatly on businesses because of their innovative spirit and extensive ability to make investments. As a result, we also took the SDGs into account during the realignment of Daimler's Sustainability Strategy. We focused our sustainability-related activities on those SDGs that are greatly influenced by our business model and value chain and where we can actually bring about change. This mainly affects the following SDGs and the associated sustainability activities:

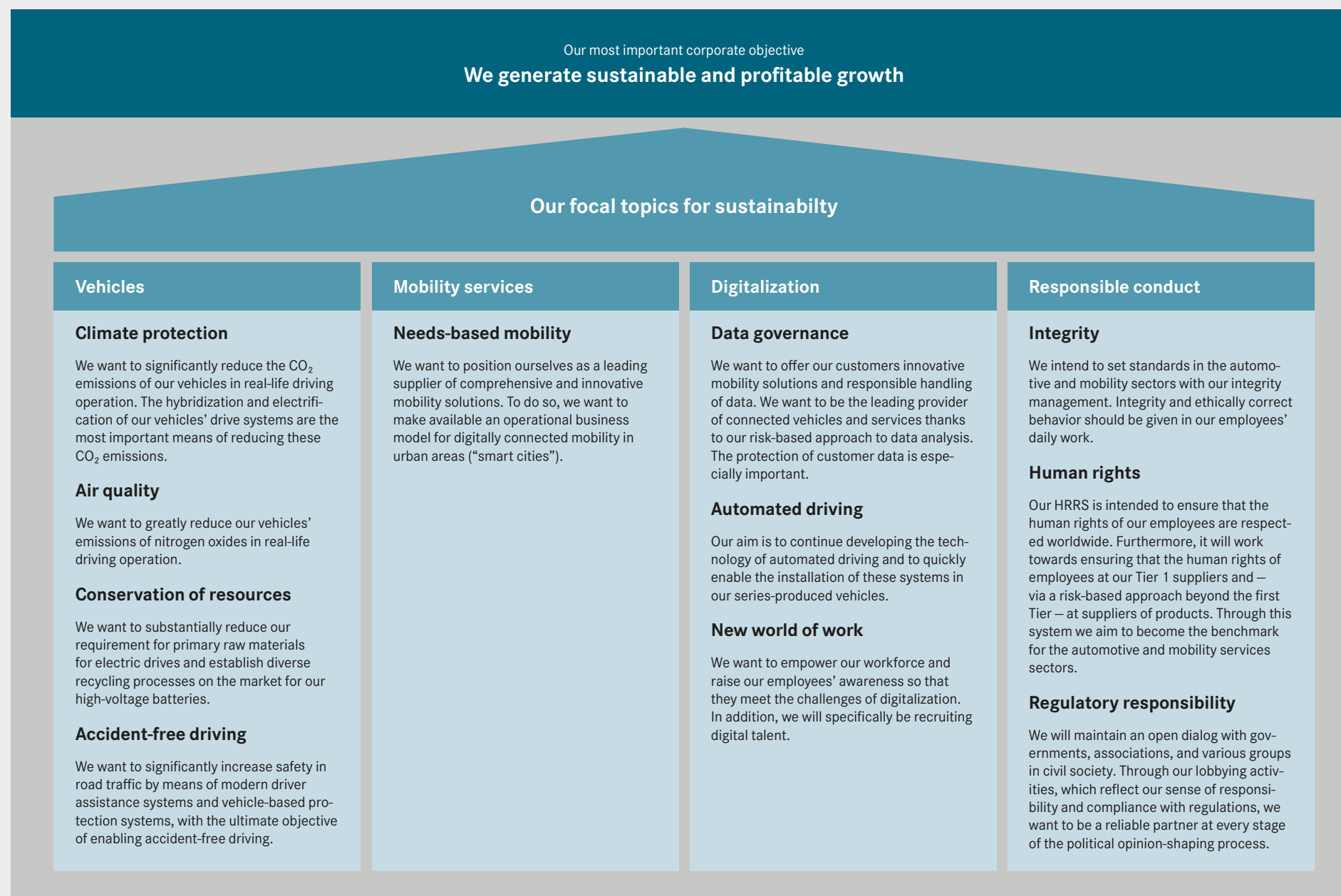
- **SDG 8 – Decent Work and Economic Growth**
By developing and implementing a risk-based management approach to respecting and upholding human rights in our own units and our supply chain, we support the implementation of decent work as defined by SDG 8.
- **SDG 9 – Industry, Innovation and Infrastructure**
Through the advanced development of automated and autonomous driving and the expected benefits for safety and climate protection, we demonstrate the long-term potential of digital innovations.
- **SDG 11 – Sustainable Cities and Communities**
As the global leader for flexible carsharing (car2go), we support the creation of sustainable urban spaces for traffic and community life.
- **SDG 12 – Responsible Consumption and Production**
By significantly reducing and reinforcing the material cycles of primary raw materials that are needed for our e-drive system, we are setting the course for sustainable production models in line with this SDG.
- **SDG 13 – Climate Change**
By setting ambitious targets for reducing the emissions of our fleets, we are helping to protect the planet from the effects of climate change.



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Strategic foundations in 2017





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Sustainable management

Within the framework of our sustainability management system, we steer our sustainability program in a manner that enables us to verify the implementation of its objectives and thus promote continuous improvement. Our management and organizational structures support this process by establishing clear lines of responsibility in all business divisions.

Our sustainability objectives and their management are part of our corporate governance system and are also incorporated into the targets of our executives. The respective specialist units are responsible for achieving the pertinent objectives.

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

Integrity, compliance, and legal responsibility are the cornerstones of our sustainable corporate governance and serve as the basis of all of our actions. Because of their strategic significance, we have combined the responsibilities for integrity, compliance, and legal affairs within a single area headed by a member of the Board of Management. This division supports the business divisions and units in their efforts to ensure that these issues remain an integral component of their organizations. We view integrity and compliance as firm elements of our corporate culture that contribute to our company's lasting success

and are already a natural part of our daily business. The basis for this is our Integrity Code, which defines guidelines for our everyday business conduct, offers our employees orientation, and helps them make the right decisions even in difficult business situations. The Integrity Code is supplemented by other in-house principles and guidelines.

More about our ethical responsibility: pp. 71 ff.

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

The House of Policies is our digital platform for guidelines. All internal policies of the Group and works agreements are compiled here in a user-friendly Enterprise Regulations Database (ERD), which is accessible to all employees. The policies are available in up to 23 languages. Here employees can access a compact e-training course about guidelines and Group companies can receive advice on the local management of policies.

[Integrity Code \(PDF\)](#)

[Our Environmental and Energy Guidelines in detail \(PDF\)](#)

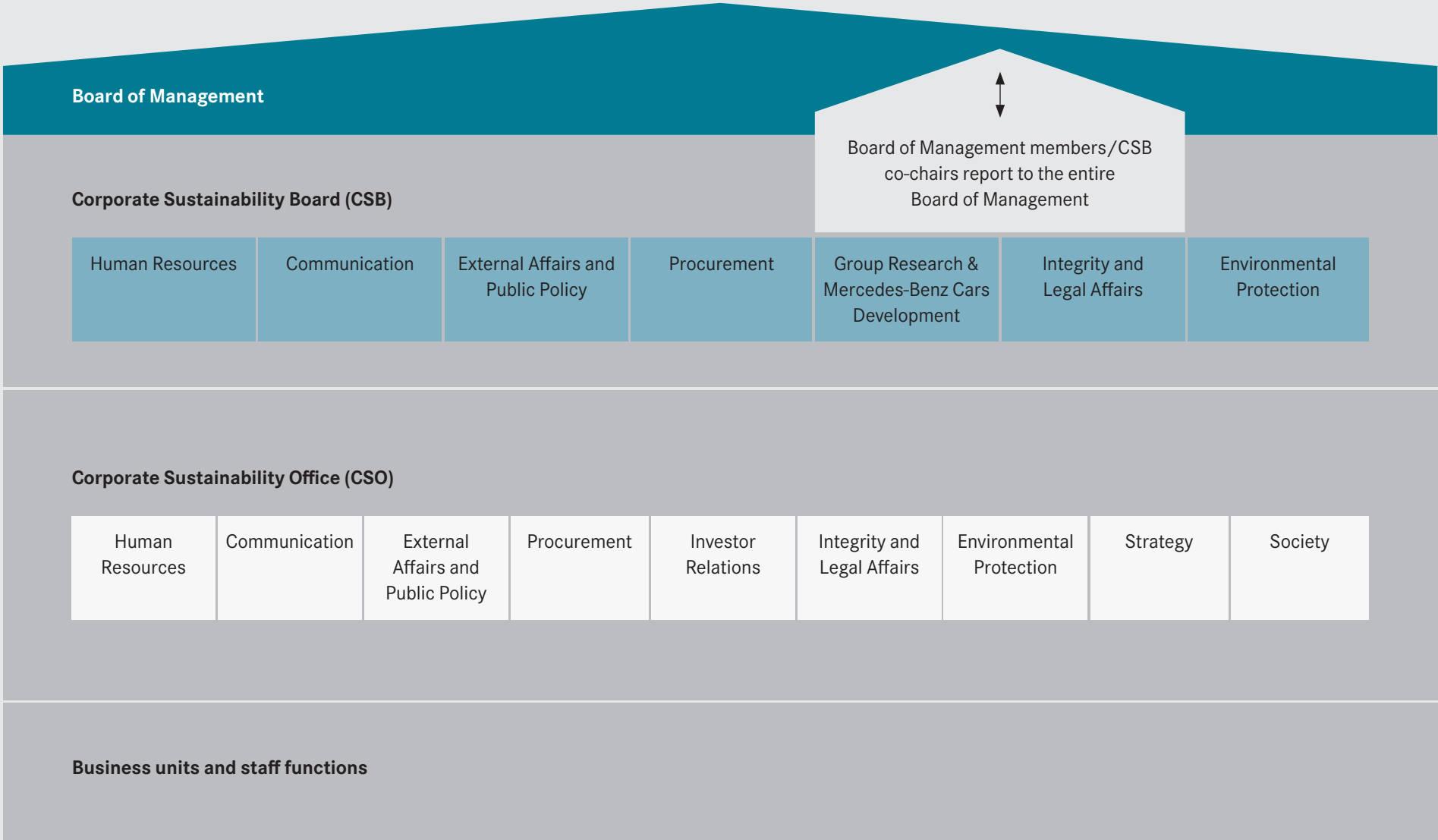
[Supplier Sustainability Standards \(PDF\)](#)



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The sustainability organization at Daimler





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Our governance structure consists of the Board of Management and the Supervisory Board, and corresponds to the dual leadership structure required by German law for a stock corporation. These two bodies work closely together in line with the recommendations of the German Corporate Governance Code. The requirement for sustainable corporate management is also firmly established at this top management level, as Board of Management remuneration also takes into account non-financial targets, such as those related to integrity.

👁 **Remuneration report and report of the Supervisory Board:**
AR 2017, pp. 136 ff.

Statutory quota for women almost reached. With three women on the shareholders' side and two women on the side of the employee representatives, we have almost achieved the 30 percent quota for women on supervisory boards that is required at listed companies. Women account for 25 percent of the members of the Board of Management. We want women to occupy 20 percent of management positions by the year 2020. The share of women in such positions worldwide stood at 17.6 percent at the end of 2017.

- 👁 **Composition of the Board of Management and the Supervisory Board:** AR 2017, pp. 205 and 207
- 👁 **Promotion of women in management positions:** p. 64

Risk management

Daimler has a risk management system commensurate with its size and position as a company with global operations. The risk management system is one component of the overall planning, controlling, and reporting process. Its goal is to enable the company's management to recognize significant risks at an early stage and to initiate appropriate countermeasures in a timely manner.

The Group Risk Management Committee (GRMC) is responsible for the comprehensive depiction and assessment of all material risks and of the accounting-related control and risk processes. Its tasks also include the creation and shaping of framework conditions for a functional Group-wide risk management system at Daimler AG and its affiliated companies. Moreover, the GRMC regularly reviews the effectiveness and functionality of the installed risk management processes, defines minimum requirements for the design of the risk management system, orders any corrective measures that might need to be taken, and monitors their implementation.

The divisions, corporate functions, and legal entities are responsible for operational risk management and the risk management processes. The employees responsible for risk management have the task of identifying and evaluating risks and of developing and, if necessary, initiating appropriate countermeasures. The Group continuously monitors the development of all risks from the individual units as well as the associated measures. The Group's central risk management team regularly informs the GRMC, the Board of Management, and the Supervisory Board about the risks that have been identified.

👁 **Comprehensive risk report:** AR 2017, pp. 155 ff.

Local risk management plays an important role at our locations. For example, our environmental management system enables clear areas of responsibility and transparent reporting at all of our production facilities around the world. More than 98 percent of our employees work at locations with environmental management systems certified according to ISO 14001. In addition, we regularly conduct environmental due diligence processes at our locations, and we are also working on a Group-wide risk management system for human rights.

- 👁 **Corporate environmental protection:** pp. 90 ff.
- 👁 **Human rights:** pp. 83 f.



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The social and environmental impact of road traffic produces important business-specific risks for us. In many cases, they are also associated with risks for our company's reputation. We use our power of innovation to be able to offer as safe and as environmentally friendly vehicles as possible that conserve resources. Our new engines, drive configurations, and driver training courses help reduce the CO₂ and pollutant emissions of each new vehicle. Technologically enhanced retrofit solutions (software updates) reduce the pollutant emissions of older vehicles owned by customers.

Our innovative mobility solutions and associated services are making mobility more efficient in cities and are helping to reduce the negative impact of traffic on urban areas in particular.

In research projects and life cycle assessments, such as those we conduct for our main car model series, we analyze the consumption of resources and develop approaches for reducing our environmental footprint. The results are incorporated into the development of new vehicle model series and the improvement of existing ones. This applies in particular to electric drive systems, which we think have great potential.

In addition to our vehicles, our operational processes have environmental effects as well. That's especially the case with the production of our vehicles as well as with their maintenance and repair. Our globally uniform environmental management system includes a variety of specific standards for issues such as rainwater treatment, soil protection, groundwater protection, and the handling of hazardous substances and waste. These standards define our requirements for good environmental protection at the production plants.

Environmental Risk Management helps us recognize and minimize potential environmental risks at the Group's production facilities. Due diligence assessments are regularly conducted for this purpose. Every five years, the associated teams visit all of the locations and evaluate them according to predefined standardized methods. The results are reported to the plant and divisional managements and the company annually assesses the specified improvement measures.

Climate-related Financial Disclosures, recommendations by the TCFD. The Task Force on Climate-related Financial Disclosures (TCFD) was created in 2016 by the G20 countries' Financial Stability Board. The task force's members come from finance companies and industrial firms. Its job is to draw up voluntary recommendations for the consistent and comparable reporting of climate-related data by companies. As one of six industrial firms, Daimler contributed to the development of the guideline that was published in June 2017.

The reporting measures should help the capital market to meet its special obligations to contribute to climate protection by making the way that companies address the opportunities and risks of climate change transparent. The focus is on companies' medium- and long-term strategic measures in order to take the long timescales of climate change into account.

During the upcoming pilot phase, the reporting companies and the capital market will see how the guideline performs in practice and use the results as a basis for its further development.



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TCFD Disclosure Recommendations



Governance: The organization's governance systems for climate-related risks and opportunities

Strategy: The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning

Risk Management: The processes used by the organization to identify, assess, and manage climate-related risks

Metrics and Targets: The metrics and targets used to assess and manage relevant climate-related risks and opportunities

Stakeholder dialog

We seek to engage with all stakeholders in order to share views and experiences and discuss controversial issues in a constructive manner. Our goal here in every situation is to achieve a fruitful dialog that benefits all parties.

We define stakeholders as individuals and organizations that have legal, financial, ethical, or ecological expectations regarding Daimler. One of the criteria for identifying and weighting stakeholders is the extent to which a person or group is affected by our company's decisions or, conversely, can influence such decisions. Our primary stakeholders are our employees, customers, creditors, and shareholders, as well as our suppliers. However, we also communicate regularly with civil groups such as NGOs, as well as with analysts, professional associations, trade unions, the media, scientists, politicians, municipalities, and residents and neighbors in the communities where we operate.

Dialog at the Group level. In order to maintain effective relationships with our stakeholders, we have defined areas of responsibility, communication channels, and dialog formats that are valid throughout the Daimler Group. Our Corporate Responsibility Management department is responsible for establishing an institutionalized and proactive dialog with our stakeholders. This dialog is then coordinated by our Corporate Sustainability Board and the Corporate Sustainability Office.



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The central format for our stakeholder dialog is the "Daimler Sustainability Dialogue", which has been held annually in Stuttgart since 2008 and brings various stakeholder groups together with representatives of our Board of Management and executive management. Each "Daimler Sustainability Dialogue" event focuses on sharing ideas in a variety of themed work-shops. The Daimler representatives obtain feedback from the external participants and work together with the stakeholders to achieve agreed targets throughout the course of the year. They then report at the event in the following year on the progress made in the interim. We held our tenth "Daimler Sustainability Dialogue" in Stuttgart during the year under review.

In order to discuss local challenges and promote the implementation of sustainability standards around the world, we organize "Daimler Sustainability Dialogue" events in other countries as well. Such dialog events have been held in China, Japan, the US, and Argentina. During the year under review, external experts and stakeholders also attended the fifth "Daimler Sustainability Dialogue" in Beijing, where they spoke to Daimler representatives about environmental protection, economics, human resources, and integrity and legal affairs.

The Advisory Board for Integrity and Corporate Responsibility has been an important source of input for Daimler since 2012. The board's independent members from the fields of science and business, as well as from civic organizations, utilize an external point of view to offer critical and constructive support for the integrity and corporate responsibility process at Daimler. Board members have extensive experience with issues related to ethical conduct and transportation and environmental policy, and contribute their different points of view to discussions. The board holds regular meetings with members of the Board of Management and other Daimler executives. During the year under review, the Advisory Board also held a joint meeting with the Board of Management and the Supervisory Board. Meetings of the Advisory Board during the reporting year focused on current topics and challenges, including ethical aspects

in connection with autonomous driving, methods for measuring progress with regard to integrity, the current debate on emissions, Daimler's approach to respecting human rights, and the development of a management culture for the digital age.

The members of the Advisory Board for Integrity and Corporate Responsibility

We also utilize online and print media, discussions with experts, work-shops, local and regional dialog events, and stakeholder surveys for our dialog with stakeholders. For example, as part of the process for validating our new Sustainability Strategy 2030, we once again conducted an extensive online survey of our stakeholders in 2017. This survey basically confirmed the prioritization of focus topics carried out within the framework of our strategy process. Representatives from various specialist units at Daimler participate in associations, committees, and sustainability initiatives such as the UN Global Compact and econsense – Forum for Sustainable Development of German Business. We also stage interdisciplinary conferences as a way to conduct an active dialog with stakeholders. One example is the second specialist conference on ethics and the legal situation with regard to autonomous driving, which was held in October 2017.

We regularly receive inquiries from stakeholders concerning various sustainability-related topics. These inquiries are addressed directly by specific specialist departments and units in a decentralized manner. This approach brings our stakeholders closer to our business operations and enables specialized knowledge to be directly incorporated into the dialog. Reports on stakeholder inquiries are also presented in the meetings of our Sustainability Board and Sustainability Office. These reports are used to formulate key strategic policies for sustainability management. The Sustainability Board and the Sustainability Office also serve as coordination centers for dialog with our stakeholders on interdisciplinary issues.



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Sample stakeholder dialog instruments

Information	Dialog	Participation
<ul style="list-style-type: none">- Annual Daimler Sustainability Report and regional sustainability reports (e.g. Daimler China Sustainability Report)- Blogs and social media- Intranet and internal communication- Press and public relations work- Plant tours, receptions, Mercedes-Benz Museum- Sustainability Newsletter and magazines- Environmental statements of the plants	<ul style="list-style-type: none">- Annual Daimler Sustainability Dialogue (Germany/regions)- Group-wide internal integrity dialog- Conferences on social issues; debates- Daimler Supplier Portal- Membership in sustainability initiatives and networks- Local dialog with residents and communities- Dialog concerning specific occasions and projects- Board of Management involvement in the Ethics Commission on Automated and Connected Driving (German Ministry of Transport and Digital Infrastructure)- New dialog formats for future-oriented issues: think tanks, hackathons, idea competitions	<ul style="list-style-type: none">- Stakeholder survey and materiality analysis- Advisory Board for Integrity and Corporate Responsibility- Peer review within the framework of sustainability initiatives such as the UN Global Compact- Consultation of stakeholders in thematic working groups (environment, human rights etc.)

Dialog at local and regional level. We also engage in a dialog with the stakeholders at our locations. One example here is our planned Testing and Technology Center in Immendingen on the Danube. We sought to engage in a dialog with the people in the region and address their concerns from the very beginning. Our "Daimler Forum Immendingen" also makes it possible for local residents to obtain information on the status of the project at any given time.

In connection with specific occasions and projects, we address questions, concerns, criticism, and suggestions made by stakeholders at our locations and conduct an open-ended dialog with them. We also stage proactive dialog and information events on current topics. The results of all of our dialog measures are incorporated into decision-making and decision implementation processes at the company.



Vehicles





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We aim for the best possible customer utility, high standards of safety, environmental compatibility, and efficiency. In order to work on achieving these goals in parallel, we rely on innovative concepts and environmentally sound product development. This approach ranges from trailblazing vehicle and powertrain technologies to intelligent lightweight construction, the use of recycled and renewable raw materials, the remanufacturing of components, and the development of assistance systems that can help to avoid accidents.

In the area of environmental compatibility we follow the Daimler Environmental and Energy Guidelines. The second guideline is as follows: We strive to develop products which are highly responsible to the environment and are energy-efficient in their respective 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 \(PDF\)](#)

Environmentally responsible vehicle development. A vehicle's environmental impact is largely determined during the initial stages of its development. The earlier we integrate environmentally responsible product development (Design for Environment, DfE) into the development process, the more efficiently we can minimize the impact on the environment. That is why continuous improvements in environmental compatibility are a major requirement in the creation of the product performance specifications.

Our DfE experts are involved in all stages of vehicle development as a cross-divisional team. In addition, we systematically integrate environmentally compatible 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 relevant ISO 14006 standard.

Mercedes-Benz models with environmental certificates.

Mercedes-Benz has been certified according to ISO TR14062, the standard for environmentally oriented product development, since 2005. Certificates issued by the TÜV SÜD inspection agency after an audit confirm that all environmental aspects of the entire life cycle have been taken into account during product design and development and that the results are based on life cycle assessments. These measures ensure that the ISO TR 14062:2002 and ISO 14006:2011 standards are met. By comparing previous and current vehicle models, TÜV SÜD confirms that a standard is correctly implemented and that a vehicle's environmental impact has been reduced throughout its life cycle. Two generations of several Mercedes-Benz models have been awarded environmental certificates.

 [The environmental certificates of the Mercedes-Benz models](#)



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Climate protection

The Paris accord on climate protection aims to limit global warming to two degrees Celsius compared with the preindustrial level. It requires significantly more stringent CO₂ targets for all countries and sectors.


We are in the process of deriving specific targets for all of our business units regarding the reduction of our products' CO₂ emissions. These targets will refer to the period between 2015 and 2030 and will refer to the Group worldwide.

The new targets for the vehicle sector have not yet been finalized in-house because important conditions, in particular the details of the European CO₂ legislation for cars, have not yet been defined as binding regulations. In addition, quotas for electric vehicles, which it may be necessary to take into account when defining our targets, are being discussed worldwide. Furthermore, the market demand for electric vehicles is strongly dependent on how rapidly the necessary charging infrastructure becomes available – another source of uncertainty.

We are steadily continuing our efforts to reach our environmental impact reduction targets during the real-life operation of our vehicles (tank-to-wheel).

-44% for cars in the EU (2007–2021)

-10% for vans in the EU (2014–2018)

 [Overview of our previous targets \(PDF\)](#)

Taking into account the upstream chains of fuel and energy provision, the reduction targets for the entire utilization phase (well-to-wheel) amount to -39% for cars in the EU and -10% for vans in the EU.

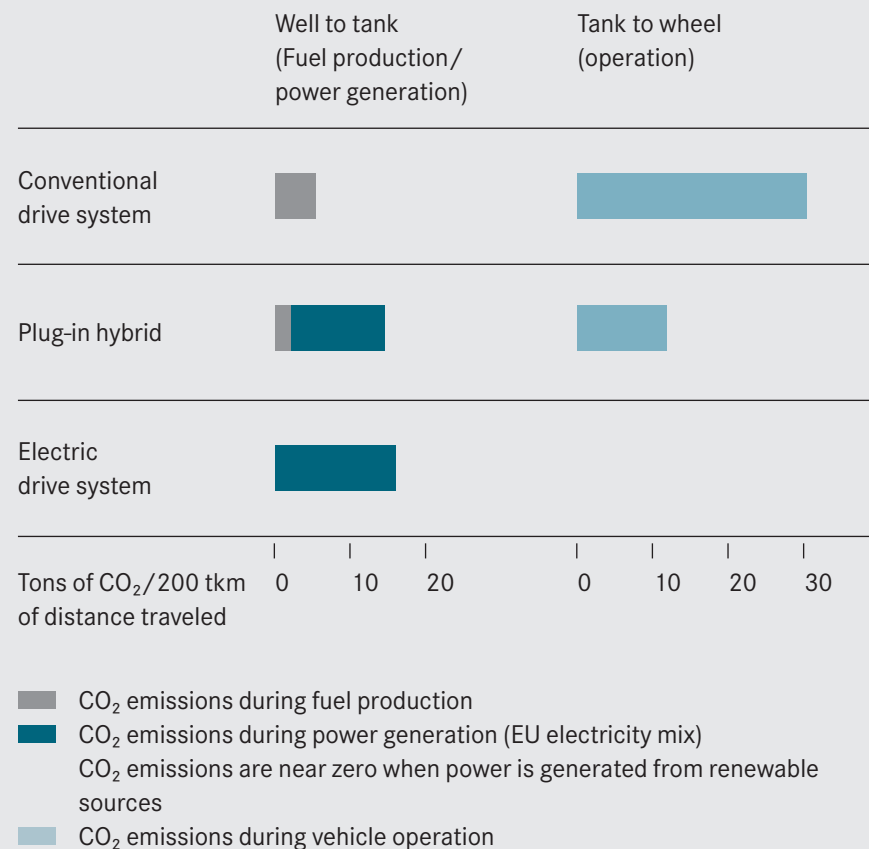
The most important means of reducing the CO₂ emissions of our fleets is the hybridization and electrification of our vehicles' drive systems. We therefore have firm plans to make correspondingly large investments in research and development.





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CO₂ emissions throughout the use phase – well to wheel (schematic)

Our future target system: The largest share of primary energy consumption and CO₂ emissions over the life cycle of a vehicle is attributable to the automobile's operation. In the case of a car with a combustion engine it is about 80 percent.

One weakness of this kind of life cycle assessment is that it does not take into account the production of the fuels or, as is the case with electric vehicles, the generation of the electricity by a power plant. We have therefore set ourselves the goal of also considering the CO₂ emissions, as part of the holistic approach of our refocused sustainability strategy.

In addition to the CO₂ reduction targets for operating status, in the future we will also report on the contributions from the production of the fuel and the generation of the electrical energy.

Innovative vehicle and powertrain technologies

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





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



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Our fuel roadmap. We are also involved in the research and testing of alternative fuels. We consider this as another important option for avoiding emissions and becoming more independent of fossil energy sources. Our fuel roadmap points the way toward the optimization of today's fossil fuels and the use of natural gas-based fuels, synthetic fuels, and biofuels, as well as hydrogen and electricity generated from renewable sources. We consider that the use of biofuels is only beneficial and promising if they are not produced in competition with food and if their sustainability is assured. Renewably produced synthetic fuels can also make an additional contribution to achieving the climate targets.

Fuel economy training. 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 cars and commercial vehicles show how this can be done. All of our owner's manuals also offer tips on how to conserve fuel.

-  **Eco Training for car drivers**
-  **Eco Training for truck drivers (available in German only)**
-  **Eco Training for fleet managers and business owners (available in German only)**
-  **Eco Training for bus customers**

CO₂ emissions from our car fleet. In the year under review, the average CO₂ emissions of the total fleet of Mercedes-Benz Cars in Europe amounted to 125 g/km (NEDC). Like all the other car manufacturers, we are currently in a stage of transition with regard to the certification cycles of our automobiles. Because all of the vehicles we sold to customers in the 2017 reporting year were still certified according to the NEDC, this cycle also serves as the basis for determining the CO₂ value of the car fleet.

However, in line with EU legislation, new vehicle types within our fleet have been certified according to the much more demanding WLTP standard since September 2017. This effect, which is relevant for determining the CO₂ value of our fleet, will not apply until 2018 because the WLTP-certified models will not be introduced into the market until the first quarter of this year.

In 2017 the slight increase in the CO₂ value of our fleet was mainly due to our customers' purchase of higher-quality variants and the continued strong demand for SUVs.

This trend is expected to continue. Moreover, the more demanding WLTP measurement cycle will cause somewhat higher certification values to be included in the calculation of the fleet values in 2018 and 2019 because all new vehicles will then be certified according to the WLTP and thus will be subject to stricter testing requirements.

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

 **More information about the WLTP**

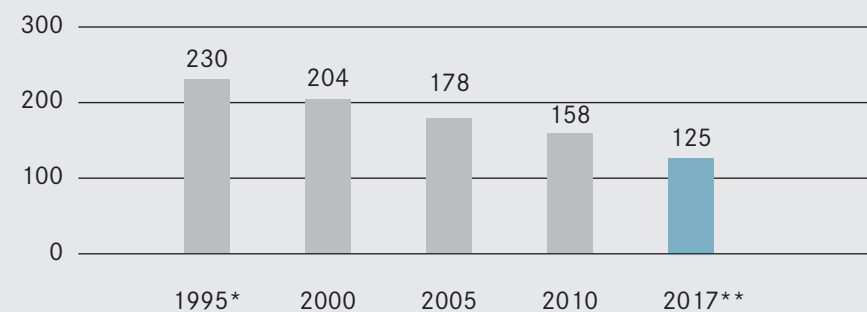


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Development of average CO₂ emissions of the Mercedes-Benz Cars vehicle fleet in Europe (EU 28)

CO₂ emissions according to the New European Driving Cycle (NEDC)
in g/km



* 1995: including vans registered as M1 vehicles – all other years without vans.

** 2017: M1 vehicles: 128 g CO₂/km

In order to obtain data that is comparable, the fleet emissions of the individual automakers are now being calculated back from the certification values of the WLTP test cycle to the CO₂ fleet values of the New European Driving Cycle (NEDC) using the CO2MPAS tool provided by the legislature. The transition to WLTP basically means for all manufacturers that the requirements regarding a fleet's fuel consumption, and thus its CO₂ emissions, have become much more stringent. However, this transition did not yet have significant effects in 2017. By means of extensive investment in innovative drive technologies and a comprehensive expansion of the product range with more than 50 electrified models, Daimler/Mercedes-Benz Cars is preparing to achieve the more stringent EU targets.

At the same time, strong customer demand for SUVs is leading to a shift of the structural mix towards mid-sized and large automobiles, which presents us with a significant challenge to meet the targets of the European Union in 2021. We continue to work hard to meet all statutory CO₂ requirements, including the very challenging EU limits for 2021. As we often emphasize, the fulfillment of these challenging fleet targets depends not only on offering appealing and highly efficient products with electric drive systems, but also on our customers' actual decisions to buy those models. In order to optimally position ourselves in this respect, we are systematically changing over our product range to the latest engine generations, and are also systematically electrifying our portfolio with plug-in hybrids and all-electric vehicles.

Fleet values in the US. In the US, fleet values are regulated by two co-regulating standards for the reduction of greenhouse gases in vehicle fleets: the Greenhouse Gas Standards (GHG) and the Corporate Average Fuel Economy Standards (CAFE). Separate target values are set for cars and light trucks for each manufacturer. If a manufacturer does not meet the GHG standards, the Environmental Protection Agency (EPA) identifies the vehicles from the manufacturer's fleet to which the overrun of the limit is attributable. A penalty payment is then imposed on all affected models.

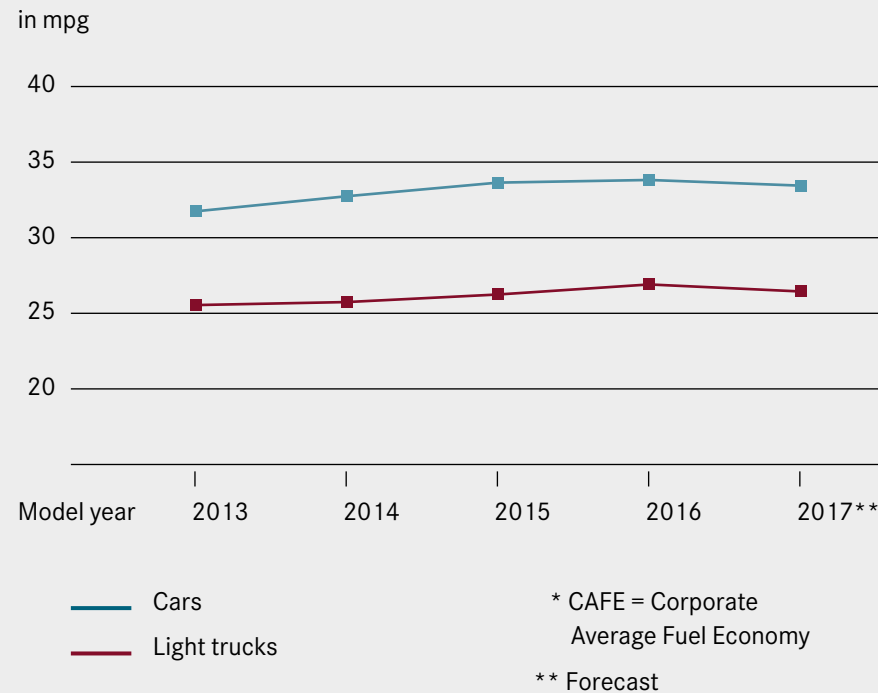
The CAFE fleet value for each model year is determined on the basis of the number of vehicles sold and their respective fuel economy figures. For every 0.1 mile per gallon below the specified limit, the manufacturer is required to pay a fine to the government of US\$5.50 per vehicle produced for sale in the US.



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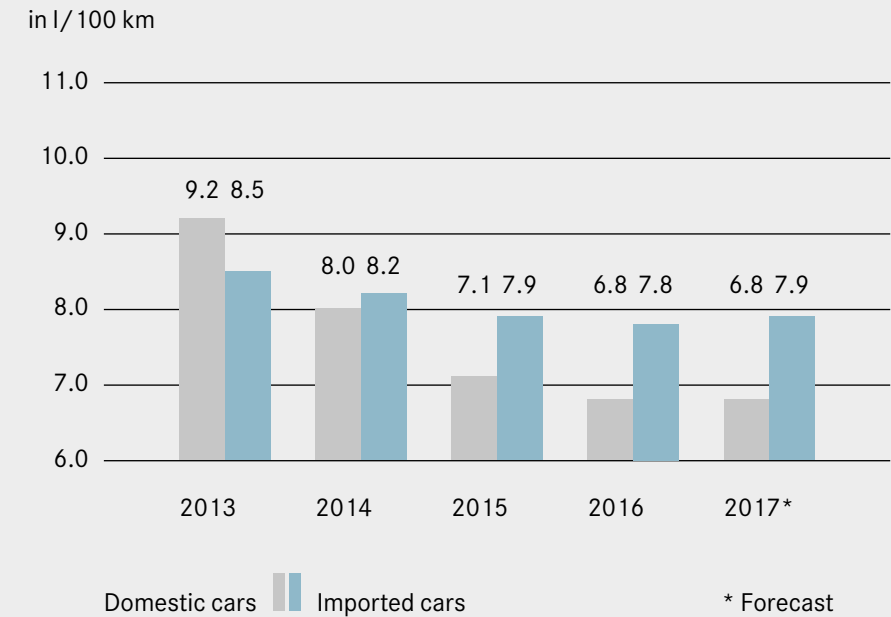
Daimler: CAFE* values for cars and light trucks in the US



The CAFE fleet figures for the CO₂ emissions of Daimler vehicles in the US have improved by 10.5 percent for cars and 9.5 percent for light trucks over the last five years. Our target is to reduce the fleet consumption of our cars and light trucks on the US market by 25 percent up to and including the model year 2019 as compared to 2012, which is the base year for the currently valid CAFE regulations.

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Daimler fleet fuel consumption in China



Fleet values in China. In China, domestically produced and imported cars are assessed differently. Differentiations are also made between sixteen weight classes. The fleet fuel economy target relative to the weight of Daimler's domestic fleet was 7.3 liters/100 km, and the actual value achieved in 2017 was 6.8 liters/100 km. The target for imported vehicles was 7.6 liters/100 km, and 7.9 liters/100 km was achieved (forecast). We have set ourselves the target of reducing the fleet consumption of our cars in China by 25 percent in the period from 2012 (the base year of the current fuel economy regulations) to 2019. The current values show that we have already reached this target for domestic vehicles. Moreover, we have achieved more than 90 percent of the target for imported vehicles.

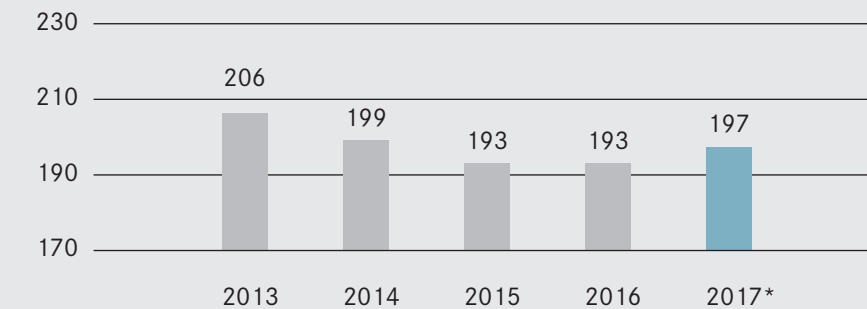


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CO₂ emissions of Mercedes-Benz vans according to the NEDC

in g/km



* Forecast

CO₂ emissions of our vans. An EU directive on the emissions of vans with a curb weight of up to 2,585 kilograms entered into force in 2011. The regulation stipulates that beginning in 2017, the average emissions of such vans may not exceed 175 g CO₂/km. As of 2020, the CO₂ level will drop to 147 g CO₂/km. Taking into account vehicle weight, Mercedes-Benz vans must comply with a maximum CO₂ fleet level of 214 g CO₂/km in 2017. However, our vans were already lower than that level in 2014. The increase in the fleet CO₂ emissions of our vans between 2016 and 2017 was due to the introduction of the Euro 6 emissions level, which made the vehicles heavier. This raised/changed the weight-dependent CO₂ target and average CO₂ fleet value. The CO₂ fleet value remains at 17 g/km and is thus lower than the target value.

CO₂ emissions of our trucks in North America. Thanks to numerous technical measures, Freightliner reduced the fuel consumption of its flagship vehicle, the new Cascadia long-haul truck, by a further eight percent in 2017 compared to its predecessor model. This was mainly due to improvements to the engine and powertrain as well as the aerodynamic optimization of the truck body. In addition, the vehicle was equipped with an anticipatory cruise control system. A comparative drive of the previous MY 2016 Cascadia Evolution and the new MY 2018 New Cascadia from Detroit, Michigan, to Portland, Oregon, (a distance of about 2,400 miles or 3,880 kilometers) demonstrated that this improvement can be achieved in real-life operation.

New car engines: stronger, cleaner, and more efficient. Thanks to the introduction of the new OM 654 four-cylinder diesel engine in April 2016, we already had an engine in our product range that met the requirements of the Euro 6d temp (Real Driving Emissions, RDE, level 1) emissions standard, which came into force for all new types on September 1, 2017. As part of our engine offensive, three more members of the new Mercedes-Benz engine family made their debut in 2017. The top-of-the-range engine of our diesel family is now the all-new OM 656 six-cylinder engine, which was used for the first time in the S-Class in 2017. With an output of up to 250 kW/340 hp, the engine is much more powerful than its predecessor, the OM 642 (190 kW/258 hp), and it consumes over seven percent less fuel. This diesel engine also boasts low emissions. Like the OM 654 four-cylinder engine, the OM 656 is designed to meet the future RDE regulations. This is mainly made possible by the exhaust gas treatment system, which is located close to the engine.



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48-volt on-board electrical system. Our high-tech engines become even more efficient if they are designed for electrification. The all-new six-cylinder gasoline engine M 256 is the first member of our premium gasoline engine family in which we have done this. It was introduced in the new S-Class in 2017. The technology includes a 48-volt on-board electrical system. In combination with an integrated starter-generator (ISG), the system makes hybrid functions such as boosting, energy recovery, and stop/start possible. The more powerful on-board electrical system also enables us to install energy-efficient technologies such as an electric additional compressor and to electrify components such as the air conditioning compressor.

A smart supercharging system and the ISG ensure excellent efficiency. The ISG performs certain hybrid functions such as boosting and energy recovery, and it makes fuel consumption reductions possible that could previously only be achieved by high-voltage hybrid technology. All in all, these features enable the M 256 to offer the performance of an eight-cylinder engine while consuming much less fuel.

The all-new M 264 four-cylinder gasoline engine also reaches completely new heights of performance that could previously only be attained by high-displacement engines that have more cylinders. Despite this, the new engine consumes significantly less fuel than its predecessor, the M 274. The key technical features include a twin-scroll turbocharger, which combines the exhaust channels of paired cylinders in a streamlined design, as well as a 48-volt starter-generator (RSG) and a 48-volt electric water pump.

Third-generation plug-in hybrids are much more efficient than prior models and have an electric range of up to 50 km. They also benefit from the long range of a combustion engine. Hybrid technology is thus taking our customers closer to electric mobility step by step and is already helping to protect the climate as well. However, hybrid vehicles won't be able to fully bring their environmental benefits to bear until they use electricity from renewable sources. Once that is the case, the vehicles' CO₂ and NO_x emissions will be reduced to a minimum. That's why we are continuing to forge ahead with our plug-in hybrid offensive.

The Mercedes-Benz S 560 e* is such a third-generation plug-in hybrid and the newest member of the S-Class family. The market entry is planned for late summer 2018. The vehicle's powerful lithium-ion battery enables it to travel 50 kilometers solely on electricity. This is mainly due to the fact that the battery's nominal capacity has been increased to 13.5 kWh. The further development of the cell's chemistry has boosted its cell capacity from 22 to 37 Ah. As a result, the new battery is smaller than its predecessor, even though its energy content has been increased by about 50 percent. The system is the first in the S-Class to come from the Daimler subsidiary Deutsche ACCUMOTIVE. In combination with the Mercedes-Benz Wallbox, the on-board charger (7.2 kW) enables the battery of the S 560 e to be quickly recharged.

* Fuel consumption, combined: 2.1 l/100 km; CO₂ emissions, combined: 49 g/km, power consumption, weighted: 15.5 kWh/100 km



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We achieve **record low aerodynamic values and weights** thanks to the consistent use of lightweight engineering measures and the further improvement of the body shape, the underbody, and many attached parts. For example, we steadily reduced the Cd value from one model to the next. This measurably contributes to lower fuel consumption and CO₂ values in real-life driving. Our aeroacoustic tunnel in Sindelfingen provides us with the means for further reducing air resistance. This tunnel can generate wind speeds of up to 265 km/h and is also extremely sensitive so that it can precisely measure even tiny turbulences.

adVaNce is the name of a future-focused initiative that Mercedes-Benz Vans is pursuing to transform itself from being purely a vehicle manufacturer into a provider of customer-oriented system solutions. Over the next five years, our Vans division will invest around €500 million in order to further optimize the digitalization, automation, electric mobility, and robotics of vans and develop new mobility services. One of the initiative's main aims is to make vans even more efficient and environmentally compatible. As a result, series production of the all-electric Mercedes-Benz eVito van for commercial customers will commence as early as 2018.

Actros 1845 in comparative fuel consumption tests. In 2017, we conducted test drives in Portugal in which we had two generations of the Actros 1845 heavy-duty truck compete with one another in the 330 kW/450 hp category. After the vehicles had traveled a total of 4,800 kilometers, it was clear that the new Actros 1845, which boasts a more fuel-efficient drive train, is far superior to its predecessor, which was produced until 2015. The extensive range of very precise measurements showed that the new truck consumed six percent less fuel than its older counterpart. This feat was made possible by improvements to the engine, to the drive train, and to various peripheral features such as auxiliary consumers and aerodynamics.

Innovative truck axle reduces fuel consumption. An approximately 0.5 percent reduction in fuel consumption is achieved by the newly developed rear axle from Mercedes-Benz. Contributing factors include a lower weight and an intelligently controlled oil regulation system in the axle drive. This technology is without parallel anywhere else in the world. The lubricating oil is fed into the system as needed, depending on the speed, torque, and temperature. This active oil management reduces eddies in the axle drive, thus reducing the friction between the gears spinning in the oil bath.



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Electric mobility at Daimler

There's no doubt that mobility will have to be emission-free in the future. Daimler is fully committed to achieving this great goal. However, emission-free mobility can't be attained overnight. It will require a veritable system change. This applies to the automotive industry as well as to the energy sector, because the electric drive systems that all of us are relying on are truly sustainable only if they use renewable energy.

An “ecosystem” of innovations. In view of these developments, Daimler is preparing to switch to alternative drive systems. We want to make electric mobility suitable for mass production so that it can achieve a breakthrough. We believe that alternative drive systems must also be attractive. The crucial factors are driving pleasure, design, and range, as well as high quality, safety, service, and connectivity. Thus our electric vehicles are supplemented by an entire “ecosystem” of attractive services – from the installation of the Mercedes-Benz Wallbox to the provision of digital services that are tailored for electric and plug-in hybrid vehicles. In the years ahead, we will invest more than €10 billion in the expansion of our electric fleet. In this way we intend to launch ten battery-electric vehicles on the market by 2022.

Electric mobility – from city runabouts to trucks. Daimler already has 12 electric car models on the road, from the compact smart fortwo electric drive to the plug-in hybrid version of the new S-Class. It goes without saying that we, as the world's leading manufacturer of commercial vehicles, also employ sustainable new drive systems in our trucks, buses, and vans.

EQ – our brand for electric mobility. In the EQ brand we are bundling our entire range of cars offering smart electric mobility. Series-production vehicles based on the EQ concept that was unveiled in Paris in 2016 will begin to roll off the assembly lines of our plants before this decade comes to a close. That's why we gave the concept a vehicle architecture that is specifically developed for battery-electric models. This architecture is scalable in every way and can be installed in a wide range of models. At the IAA in Frankfurt in 2017, our Concept EQA showed what an EQ model for the compact segment might look like. A model offensive will gradually supplement our range of cars with electric models. And the EQ encompasses not only our electric vehicles, but also the associated products and services – from wallboxes and charging services such as the free Charge&Pay app to home energy storage devices for electricity from photovoltaic systems or solar panels.

E-FUSO – our brand for electric trucks. Daimler's commercial vehicle subsidiary Mitsubishi Fuso Truck and Bus Corporation (MFTBC) is the world's first manufacturer to have a separate brand for electric trucks and buses. In the fall of 2017, FUSO presented the first all-electric heavy-duty truck, the E-FUSO Vision One, as a concept vehicle. The truck has a gross vehicle weight of around 23 tons and offers room for about 11 tons of cargo – only two tons less than the diesel variant. The batteries produced by Deutsche ACCUMOTIVE have a capacity of 300 kWh. This gives the E-FUSO Vision One a range of up to 350 kilometers. For Daimler, the concept truck is the starting point for the complete electrification of the entire FUSO range of trucks and buses in the years ahead.

Solutions for the electric charging infrastructure. Studies have estimated that around 80 percent of the charging processes will occur at home or at the workplace and only about 20 percent at semi-public or public installations. We offer appropriate solutions for all three of these areas.



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- **charge@home.** The Mercedes-Benz Wallbox enables users to quickly and safely charge their vehicles at home. Our developers are also working on convenient inductive charging solutions which we plan to offer to our customers in selected vehicle models.
- **charge@work.** Our employees already have access to more than 1,200 charging points at German plants and this number continues to increase.
- **High Power Charging (HPC).** Through the joint venture European High Power Charging, IONITY, we are working together with several other automakers and aim to install an initial group of about 400 HPC stations for supraregional and highway traffic by 2020.

Fast and comfortable charging with the Mercedes-Benz Wallbox service

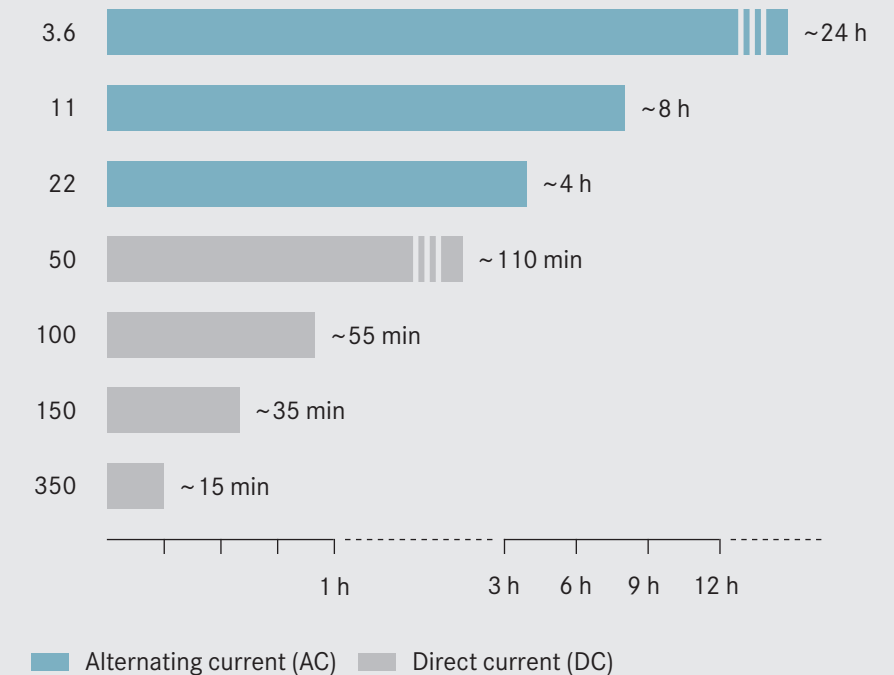
We are also involved in another alliance where we promote the development of a **hydrogen infrastructure throughout Germany**. Called H₂ MOBILITY, the company is a joint venture between Daimler and Air Liquide, Linde, OMV, Shell, and Total. In 2017 it put its 33rd public hydrogen filling station into operation. The company plans to set up around 400 H₂ fueling stations by 2023 so that an H₂ filling station is located at least along every 90 kilometers of highway between urban centers. Furthermore, at least ten hydrogen filling stations will be available in each metropolitan region starting in 2023.

Daimler acquires an interest in The Mobility House. In 2017, Daimler acquired a minority holding in The Mobility House (TMH). The latter is a provider of energy and charging solutions that offers fleet operators and the drivers of Mercedes-Benz electric and plug-in hybrid vehicles a full range of services for customized charging infrastructures. Daimler and TMH are also working together on the creation of stationary energy storage systems. In 2015, the two partners put the world's largest second-life battery bank online in a joint venture.

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Charging times of a 90 kWh car battery

Charging power in kW



The amount of charging power is very important for fast and convenient charging. Whether from a power socket at home, a wallbox in a carport, or a rapid or high-power charging system at a gas station, charging power is subject to different conditions, depending on the technical situation. The charging times correspondingly differ as well.



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The Charging Ecosystem

In addition to convincing vehicles, the breakthrough of e-mobility requires above all a customer-focused charging infrastructure. We are working on it.

At home

Charging on a **Mercedes-Benz Wallbox** is much faster than on a household power outlet.

At the workplace

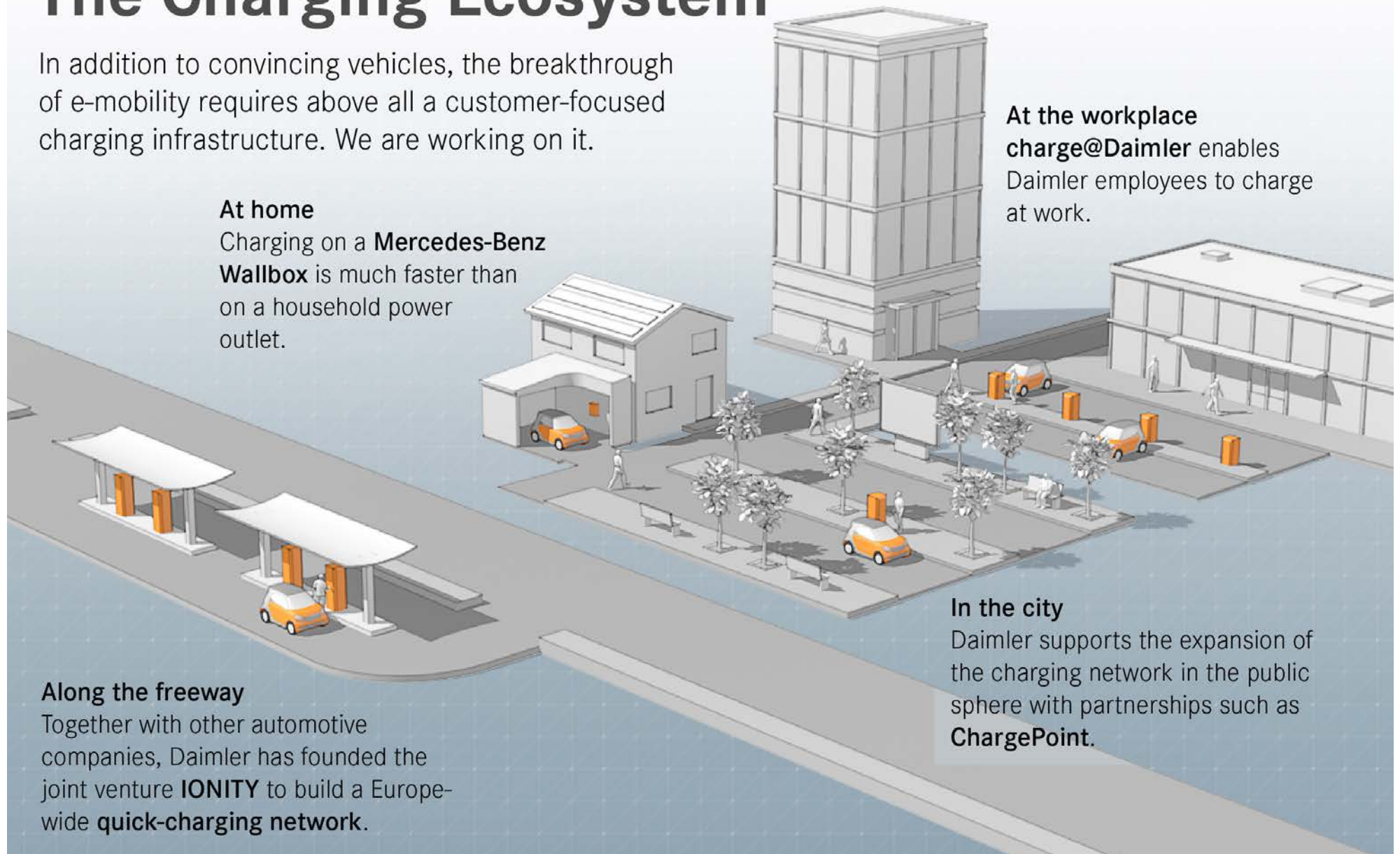
charge@Daimler enables Daimler employees to charge at work.

In the city

Daimler supports the expansion of the charging network in the public sphere with partnerships such as **ChargePoint**.

Along the freeway

Together with other automotive companies, Daimler has founded the joint venture **IONITY** to build a Europe-wide **quick-charging network**.





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smarts with electric drive systems. Beginning in model year 2018, we will offer the smart in the US and Canada only in the battery-electric variant of the smart fortwo and the smart fortwo convertible. As a result, we will focus completely on locally emission-free driving. In Europe too, smart intends to be concentrating on locally emission-free drive types by 2020 – with the objective of also implementing this strategy worldwide.

Electric smart takes first place in eco ranking. The fourth generation of the smart fortwo electric drive* took first place in the 2017 environmental ranking of the magazines Autotest (No. 2, Feb 2017) and Ökotest (March 2017). And the winning model wasn't the only smart that did well – the smart fortwo electric drive convertible** and the smart forfour electric drive*** also made it into the top ten.

Driving and saving with electric vehicles. Those who want to drive economically with an electric vehicle should pay attention to a number of special aspects, because not everything that applies to vehicles with combustion engines is also helpful here.

Driving and saving with electric vehicles

World's first electric distribution truck launched on the market.

Locally emission-free, super quiet, and 11.8 tons of payload – these strengths enabled Mercedes-Benz' first all-electric distribution truck to be named the Green Truck Future Innovation by the automotive magazines *VerkehrsRundschau* and *Trucker* in early 2017. Daimler is now manufacturing the 26-ton eActros in a small production series. We are leasing the vehicles for one year to selected customers so that we can test as broad a range of customer applications as possible.

* Electric power consumption (combined): 12.9 kWh/100 km,
CO₂ emissions (combined): 0 g/km, efficiency class (valid for D): A+.

** Electric power consumption (combined): 13.0 kWh/100 km,
CO₂ emissions (combined): 0 g/km, efficiency class (valid for D): A+.

*** Electric power consumption (combined): 13.1 kWh/100 km,
CO₂ emissions (combined): 0 g/km, efficiency class (valid for D): A+.

Fuso eCanter begins series production. The first Fuso eCanter rolled off the assembly line in Tramagal, Portugal, in July 2017. The plant, which is operated by our commercial vehicle subsidiary FUSO, is initially manufacturing the world's first all-electric light-duty truck as a small production series for the European and American markets.

The production launch was preceded by the successful conclusion of a one-year practical test. During the trials, the five participating eCanter trucks (which were initially called Fuso Canter E-Cell) traveled a total of about 27,000 kilometers in Stuttgart. The city and the logistics company Hermes subjected the six-ton trucks to the rigors of normal daily use.

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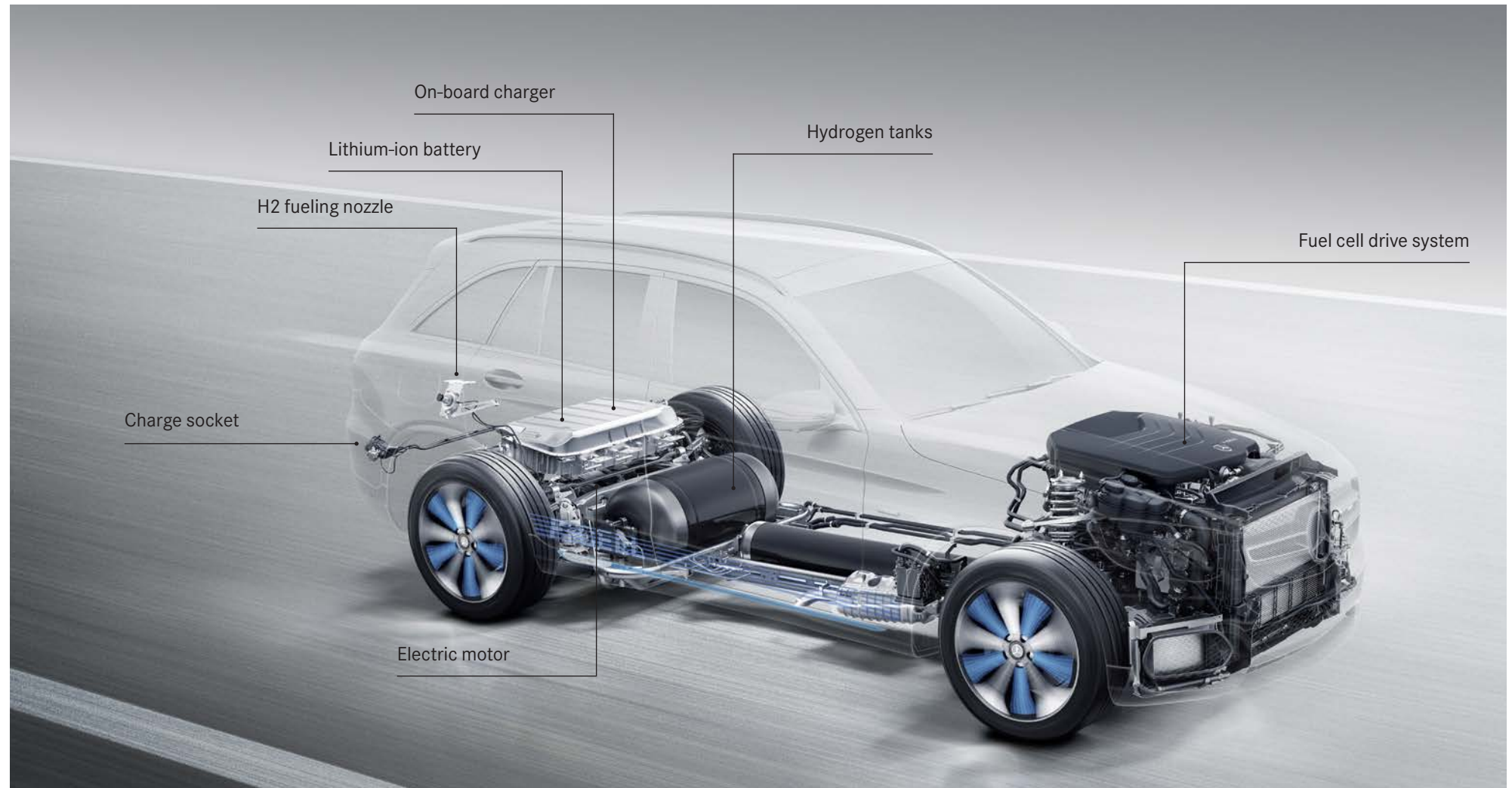
Drive technologies from Daimler

Share in percent*	Vehicles with			Cars with		
	gasoline engine	hybrid drive systems	diesel engine	gas engines (natural gas/LPG)	hybrid drive systems	electric drives
Europe	28.7	1.7	68.6	0.0	1.7	0.6
NAFTA	64.9	0.3	34.5			
Japan	46.5	0.4	53.1			
China	85.1	0.0	14.9			
Total (world)	53.0	1.1	45.4			

* Based on unit sales of vehicles in the respective markets in 2017



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Since then, the first series-production vehicles have been handed over to customers in the US, Europe, and Japan. The Daimler subsidiary Mitsubishi Fuso Truck and Bus Corporation (MFTBC) plans to deliver a total of 500 eCanter vehicles in the years ahead. Large-scale series production is scheduled to begin in 2019.

First rapid charging station for electric trucks in Japan. In May 2017, FUSO opened the first public rapid charging station for trucks. The station, which is located right next to the production facility in Kawasaki,

gets all of its electricity from the plant's solar panels. The station can accommodate up to eight electric trucks. A full charging process takes less than 90 minutes.

All-electric Citaro E-Cell city bus. In 2017, we presented the Mercedes-Benz Citaro hybrid as optional equipment for our diesel- and natural-gas-powered city buses. This vehicle has already led to fuel consumption reductions of up to 8.5 percent and will be followed by the market launch of the first all-electric Citaro E-Cell city bus in 2018.



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Formula E instead of DTM. Daimler has strategically refocused its involvement in motorsports. As a result, we will no longer participate in the German Touring Car Series (DTM) after the end of the 2018 season. In the following year, Mercedes-Benz plans to take part in Formula E for the first time. Formula E is the area of motorsports that exemplifies the transformation of the automotive industry.

Daimler acquires a stake in ChargePoint. Intelligent charging solutions could enable electric mobility to achieve a breakthrough. In order to promote the expansion of our “ecosystem” for electric vehicles, we have therefore acquired a stake in ChargePoint, the leading provider of charging solutions in the US. This strategic investment is helping us to offer additional electric mobility services and products.

GLC F-CELL in preproduction. The GLC F-CELL was unveiled as a pre-production model at the IAA in September 2017. The first vehicles will be delivered to customers in 2018. The GLC F-CELL can run on electricity as well as hydrogen because it is equipped with a lithium-ion battery. Intelligent interplay between the battery and the fuel cells, as well as a short refueling time, will make the GLC F-CELL a practical vehicle for long-distance travel in the future.

Expansion of battery production in Kamenz. In May 2017, we laid the cornerstone for one of the largest and most modern battery factories in the world. Located in Kamenz, Saxony, it will be the second factory for lithium-ion batteries at the site of Deutsche ACCUMOTIVE and cost around €500 million to build. The local production of batteries is an important success factor for our electric mobility offensive and the crucial element for flexibly and efficiently meeting the global demand for electric vehicles.

Daimler to build battery plant in Beijing. Beginning in 2020, a joint venture between Daimler and BAIC Motor is planning to produce Mercedes-Benz electric vehicles in China that contain locally manufactured batteries. To this end, the two companies are investing a total

of RMB 5 billion (€655 million) in the vehicle production facility and the construction of the local battery plant. The cutting-edge production facility for lithium-ion batteries in Beijing will also be a key pillar of our global battery production network.

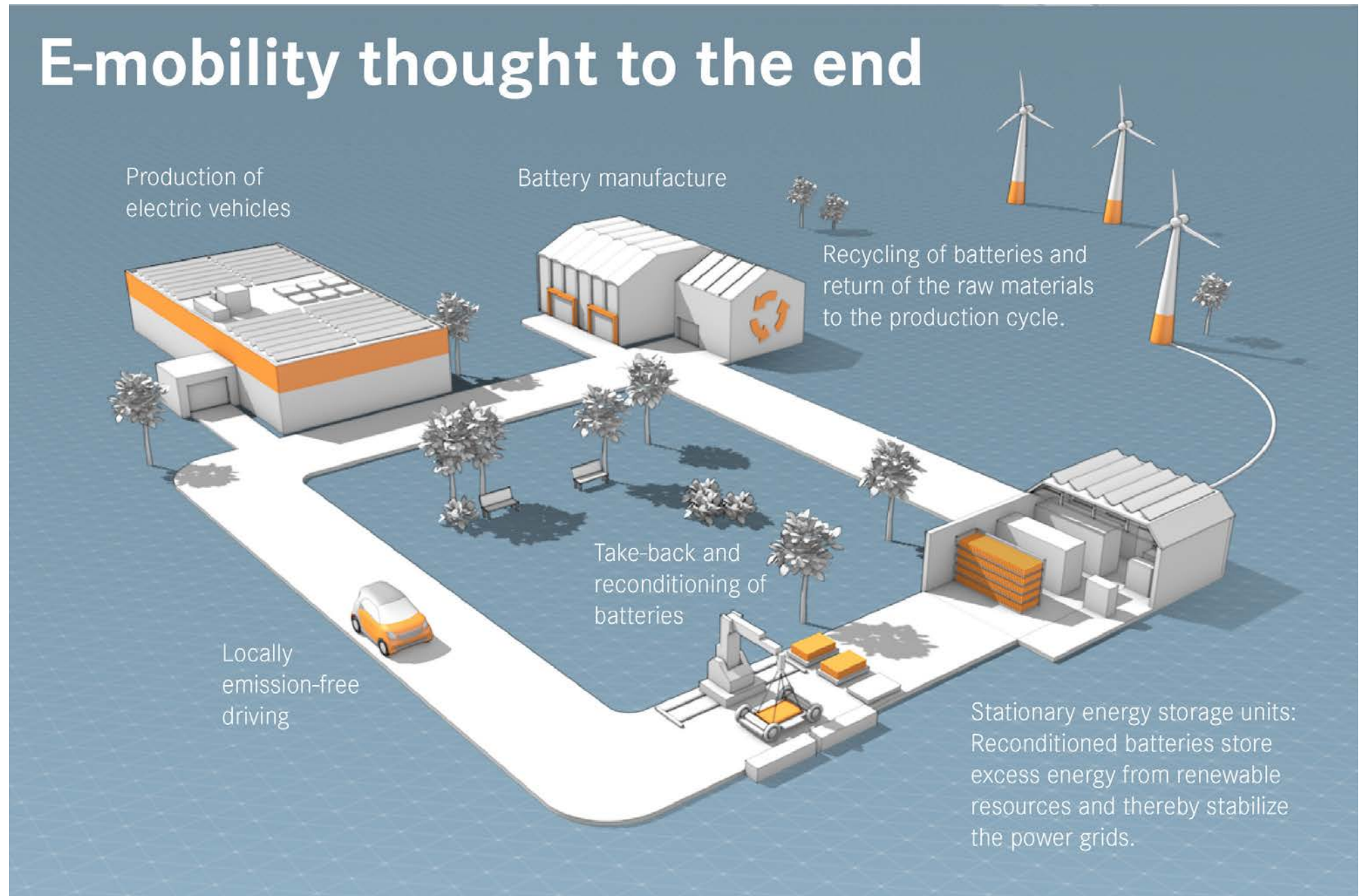
Tuscaloosa to produce batteries. Our car plant in Tuscaloosa, Alabama, will also manufacture electric vehicles in the future. As a result, Daimler will build a battery factory here as well – the fifth in the Group’s global production network. The construction of the plant, which will cover an area of more than 90,000 square meters, is expected to begin in 2018. Production is scheduled to start at the beginning of the next decade.

Electric mobility offensive in production. At the plants in Bremen, Sindelfingen, Rastatt, and Hambach, Daimler already has four competence centers for the production of electric vehicles. Moreover, we are now also upgrading the Untertürkheim plant into a high-tech facility for electrical components. In addition, the Mercedes-Benz plant in Hamburg will be involved in the manufacture of EQ production vehicles in the future.

Our holistic approach to electric mobility encompasses not only the production of vehicles and batteries but also the use of vehicle batteries in stationary energy storage devices, for example. In this way, we are promoting the switch to renewable sources of energy and improving the environmental performance of electric mobility as a whole. For example, we are striking out in new directions in Lünen, where we have set up one of the **world’s largest second-use battery banks**, consisting of 1,000 used batteries from smarts. In Hanover, meanwhile, we have combined around 3,000 brand-new replacement battery modules to create a **super-size stationary energy storage system**. These innovative stationary energy storage devices extend the use of vehicle batteries and at the same time help to offset the unavoidable grid fluctuations caused by renewable energies. The energy transition is also affecting Daimler, which will refuel and recharge its electric and hybrid vehicles on Daimler AG plant sites only with renewable energy beginning in 2018.



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Air purification

In addition to climate protection, the improvement of inner-city air quality will continue to be an important environmental consideration in the future. Traffic still accounts for an appreciable share of nitrogen oxide pollution near roads. For the period from 2015 to 2030, we have therefore set the following reduction targets for NO_x emissions in real-life operation.

-80% for cars
-80% for vans
-75% for buses
-60% for trucks

The introduction of the new diesel engine family consisting of the OM 654 and the OM 656, and the increasing electrification of drive systems, contribute to meeting these targets. In addition, we are providing far-reaching voluntary software updates for more than three million diesel-powered cars and vans that are already on the road.



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

Diesel debate. As a result of the diesel controversy, public criticism has been leveled against the automotive industry, including Daimler. The revelation that the NO_x emission values of the NEDC measuring cycle prescribed by law sometimes deviated considerably from those obtained in real-life driving has caused some members of the public to lose confidence in the automotive industry.

We have gotten the message. As an automobile manufacturer we can't duck our responsibilities or talk our way out of things. We aim to harmonize individual mobility, climate protection and air purification.

Future-oriented diesel plan. That's why we are convinced that the diesel engine should and will continue to be an integral part of the drive system mix, not least due to its low CO₂ emissions. However, the public debate concerning emissions has unsettled our customers as well. Therefore the Daimler Board of Management approved a future-oriented plan for diesel drive systems in July 2017.



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Firstly, this future-oriented diesel plan stipulates that the voluntary servicing measures that have been under way since March 2017 will be expanded to cover more than three million customer-owned vehicles. Our software updates for Euro 5 and Euro 6 vehicles from Mercedes-Benz will cut NO_x production and help reduce total emissions. The measures are being implemented in close cooperation with Germany's vehicle registration agencies. Software updates can reduce the emissions of most Euro 5 - and Euro 6-compliant vehicles on the road. The quick implementation of these measures will cover a large proportion of these vehicles. A hardware retrofit generally involves a drastic intervention in the management system and the vehicle architecture. In particular, it is important to ensure that the retrofitted systems also continue to provide full functionality over the long term and meet our standards regarding quality and reliability. However, the development and certification of a hardware solution that meets the high requirements for reliability and quality demanded by both the manufacturers and the authorities would take at least two to three years – and even longer for many models.

In the plan's second measure, we are accelerating the market launch of our all-new diesel engine family, which meets the tougher requirements for measuring emissions in real-life operation (Real Driving Emissions, RDE). This new generation of four- and six-cylinder diesel engines (OM 654 and OM 656) greatly reduces nitrogen oxide emissions in real-life operation to exemplary levels, as measurements by independent institutes have confirmed. After we launched the OM 654 four-cylinder engine in the new E-Class in 2016, we are now rapidly introducing this engine family into our entire product range.

We are doing this because we want to help ensure that the air quality standards in cities can be met. We are well on our way to reaching this goal, thanks to these measures and our efforts to quickly modernize the existing fleet of vehicles.

Professor Ferdinand Porsche Prize for the OM 654. Vienna Technical University and Porsche AG have awarded Daimler its Professor Ferdinand Porsche Prize for the development of the innovative exhaust gas treatment system of the new OM 654 four-cylinder diesel engine. This automotive engineering award is presented every two years to persons and organizations whose innovations have made a noticeable contribution to the development of the automobile.

Particulate filter for gasoline engines goes into series production.

Following more than two years of tests, Daimler has been installing the particulate filter as standard equipment into gasoline-powered cars since 2017. As a result, the particulate filter is being fitted in the new S-Class equipped with the all-new M 256 and M 176 V8 gasoline engines, as well as in the first derivatives of the E-Class with the four-cylinder M 264. It will now be deployed step by step across all of the current model series. Almost all of our gasoline-powered vehicles will be equipped with the filter by mid-2018. The filter works like diesel particulate filters, with the exception that it is made of the especially heat-resistant material cordierite. The filter is not only very efficient but also maintenance-free and self-regulating.

Healthy air in the interior. Good air quality in the vehicle interior and anti-allergen surfaces contribute to the occupants' safety and well-being. As early as the development stage, we ensure that emissions in the vehicle interior are reduced to a minimum and that allergens are avoided. External allergens are effectively kept out by highly efficient filters in the air conditioning unit.

Proven anti-allergen features. Since 2016, all of our car model series have borne the seal of quality of ECARF, the European Centre for Allergy Research Foundation. The ECARF seal is awarded to products whose anti-allergen properties have been demonstrated through scientific study. Most recently, the ECARF seal was awarded to the E-Class Coupe, the E-Class Convertible, and the G-Class in 2017.



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Conservation of resources

If the trend of dynamic economic growth continues unchanged in the future, global consumption of resources would more than double by 2050, according to statements by the International Resource Panel of the UNEP. The growth of electric mobility will significantly change the use of materials for drive systems, batteries, and power electronics in the automotive industry.

We have set ourselves the objective of reducing the primary raw material requirement for electric drives by

40% by 2030.

In addition, we want to establish diverse recycling processes on the market for our high-voltage batteries.

We are increasing the energy density of the batteries in our research and development activities and thus reducing the batteries' weight and the corresponding use of raw materials.



The production of vehicles requires great quantities of materials. Therefore, one of the focal points of our development tasks is to keep the demand for natural resources as low as possible. In particular, we attempt as early as the initial development stage to restrict the use of raw materials that are only available in limited quantities and that frequently have a big environmental impact. An important role is played here not only by the economical use of resources but also by the remanufacturing of components and the recycling of used materials.

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. This is done by means of a life cycle assessment, which examines the most important 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 target is to make our vehicles lighter while continuing to reduce the environmental effects of materials used in their production. For this, we are employing new lightweight materials and components on the one hand and increasingly using renewable raw materials and recycled materials on the other.

Intelligent lightweight construction can further reduce vehicle weight without sacrificing safety and comfort. In this context, the selection of materials as well as the component design and manufacturing technology also play an important role – not every material is suitable for every component. 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 focus on the vehicle body.



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Using recyclates to conserve resources. The European End of Life Vehicle Directive 2000/53/EC specifies utilization quotas for cars and vans with a gross vehicle weight of up to 3.5 tons. In addition, it requires manufacturers to use more recyclates during vehicle production in order to strengthen the markets for recycled materials. As a result, the specifications for new Mercedes-Benz models stipulate a certain minimum share of recyclates.

Renewable raw materials offer us many advantages. For example, they can help reduce component weight and the resulting products are generally easily recyclable. Moreover, their CO₂ effect is almost neutral when their energy is recovered, because only as much CO₂ is released as was absorbed by the plant during its growth. Last but not least, renewable raw materials as well as recyclates help reduce the consumption of fossil resources.

Consistently high recyclability. To make our vehicles more environmentally friendly, we are working to continuously reduce the resources our automobiles consume over their entire life cycles. 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 car models are 85 percent recyclable and 95 percent recoverable. The key aspects of our activities in this area are

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

Removal of workshop waste with MeRSy. Our MeRSy recycling management system for disposing of workshop waste helps to collect and recycle or professionally dispose of waste material created during the maintenance or repair of our vehicles. In 2017, a total of 28,330 tons of return parts and materials were collected in Germany and recycled. Around 1,511 tons of coolant and 644 tons of brake fluid were reconditioned.

📊 [Chart 13 p. 38](#)

A new method for measuring resource efficiency. As economic growth continues, so does the burden on the environment, and the consumption of resources increases. Achieving more with less is therefore the order of the day. We have conducted several studies that address issues related to resource efficiency. In the ESSENZ research project, which received funding from the German Ministry of Education and Research, we helped to develop a holistic evaluation technique for assessing resource efficiency. The project has been completed and we are now using the new technique. In addition to raw material consumption, it takes into account other factors such as the security of the medium- and long-term supply of raw materials as well as the fulfillment of social and environmental standards along the supply chain.

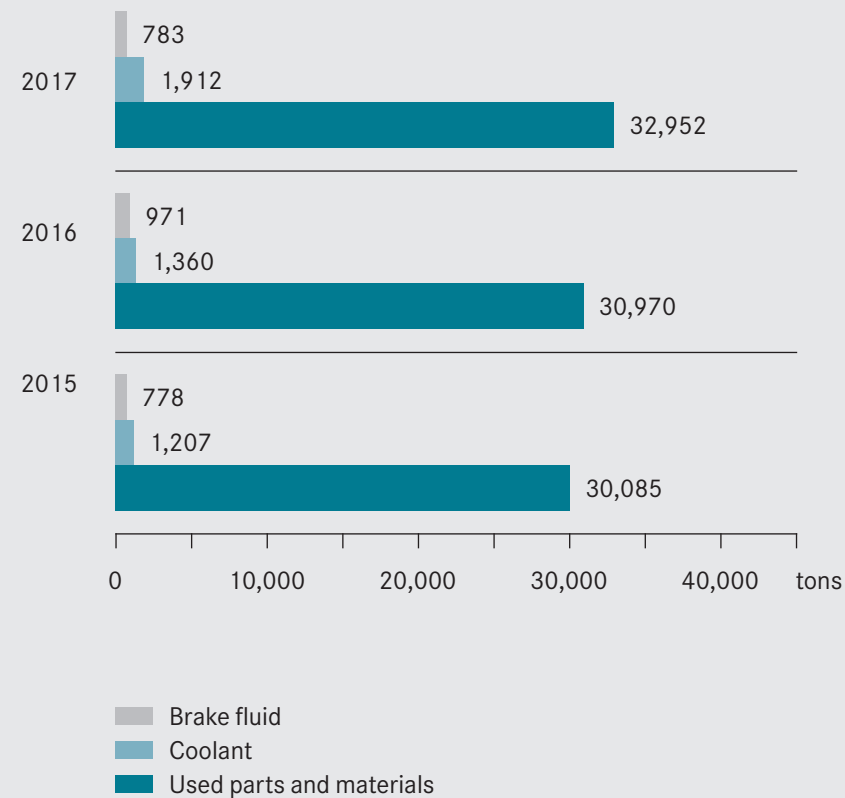
Resource use. Daimler consumes around 7 million tons of raw materials each year to manufacture its products. Some of these substances can be categorized as scarce or critical. We therefore monitor them closely and try to continuously reduce the amount of these materials that is needed per vehicle.



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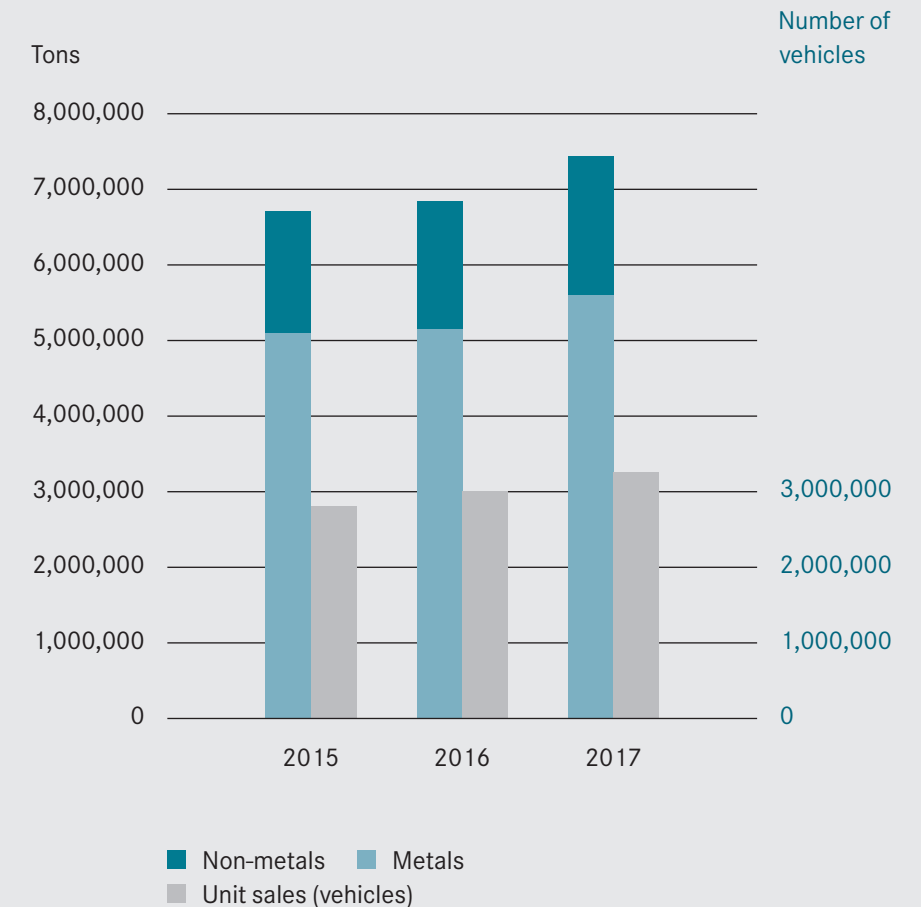
13

Removal of workshop waste with MeRSy in Europe



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Amounts of materials



Resource use for alternative drive systems. Vehicles with hybrid and electric drives contain a particularly large number of valuable resources. This pays off if the entire life cycle is taken into consideration. Take, for example, the new S 560 e*. In comparison to its predecessor,

the S 500**, the plug-in hybrid requires 10 percent more material resources in the manufacturing phase. On the other hand, the consumption of energy resources during the usage phase is reduced at a higher rate of 43 percent.

* Technical data see p. 24

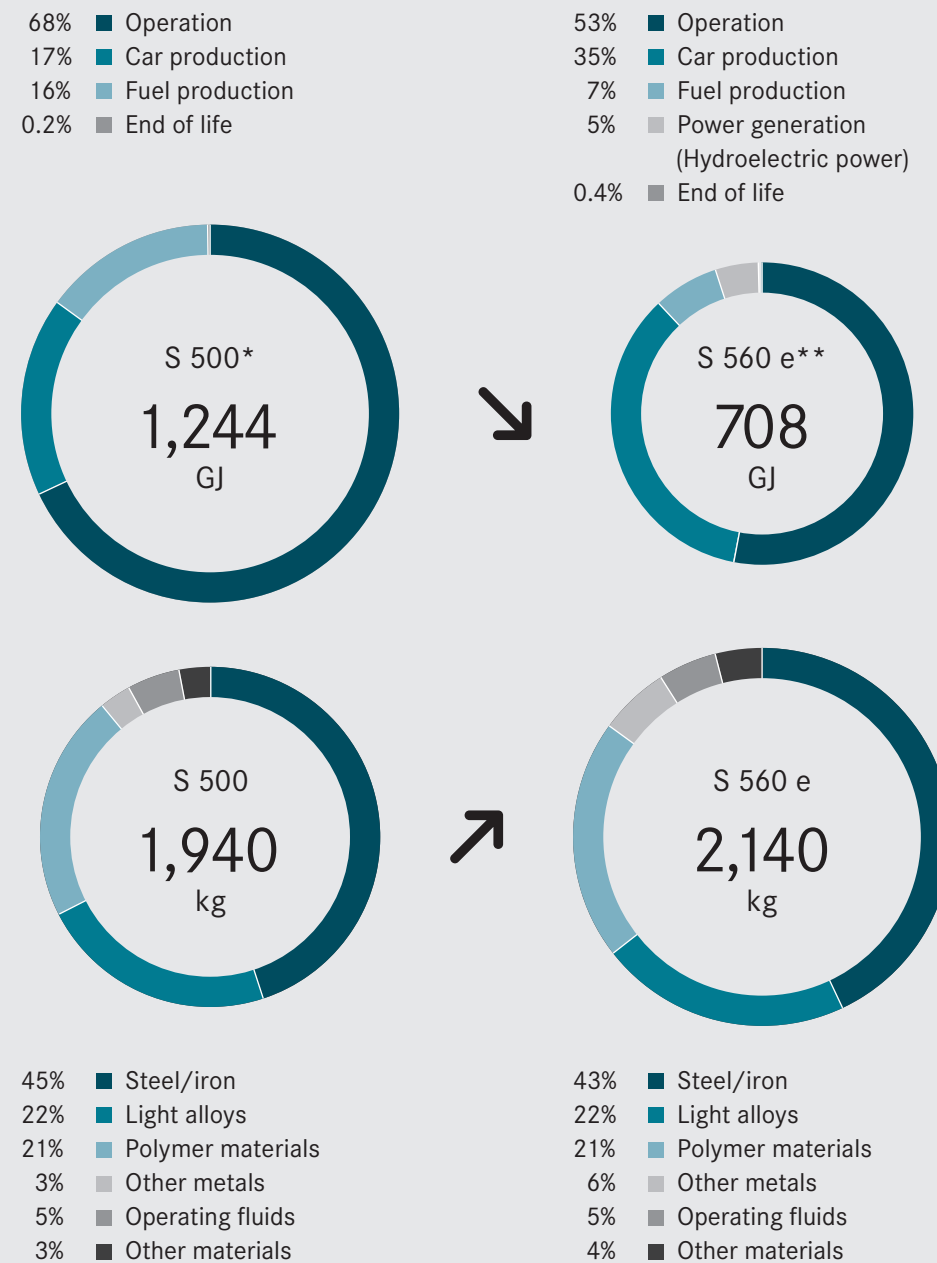
** Fuel consumption (l/100 km) urban/ex urban/combined 8.9/5.3/6.6;
CO₂ emissions combined 150 g/km



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Comparison of the shares of material and energy resources used in the S-Class plug-in hybrid



Energy resources

If energy consumption is analyzed for the various phases of a vehicle's life, the results show that the energy required to produce the vehicle is higher for a plug-in hybrid than for a conventional car. However, during the vehicle's use phase it consumes significantly less energy because of its high degree of efficiency.

Material resources

The S 560 e weighs 200 kilograms more than the S 500. The higher gross vehicle weight is due to the electric motor, the drive battery, and the battery cooling system, which the plug-in hybrid has in addition to the conventional components. This also causes the vehicle as a whole to contain a larger percentage of special and precious metals.

* Technical data see p. 38

** Technical data see p. 24



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Accident-free driving

The World Health Organization intends to cut the number of injuries and fatalities on roads in half by 2020. Moreover, the EU has set itself the target of reducing the number of traffic deaths in Europe to nearly zero by 2050.

By installing safety systems in vehicles, automakers can help society achieve these goals. By contrast, their ability to influence driving behavior and traffic infrastructure is limited.

We want to significantly increase safety in road traffic by means of modern driver assistance systems and vehicle-based protection systems, with the ultimate objective of enabling accident-free driving.



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 systematically adapted to real traffic and accident data. The concept is focused on the synergy between active and passive safety.

Assistance systems that prevent accidents are very effective and helpful, as has been demonstrated numerous times. A large number of such systems ensure a high level of safety in our vehicles. Successful examples include:

Top marks in safety testing. Mercedes-Benz models repeatedly earn top marks in safety tests. In its overall assessment, the Mercedes-Benz C 220 d convertible* achieved the highest possible rating (five stars) in the European New Car Assessment Programme (NCAP) in 2017. In 2017, the Insurance Institute for Highway Safety (IIHS) in the US categorized three models – the Mercedes-Benz E-Class, the GLC, and the GLE – as a TOP SAFETY PICK+ in its safety assessments. The C-Class also did very well, being named a Top Safety Pick.

* Fuel consumption (l/100 km) urban/ex urban/combined 5.4/3.9/4.5;
CO₂ emissions combined 116 g/km



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State-of-the-art crash test hall in Sindelfingen. Our new Technology Center for Vehicle Safety (TFS) in Sindelfingen provides completely new possibilities for validating vehicle concepts that contain alternative drive systems, for example. Thanks to the new operating concept and the facility's flexible layout, the center can conduct around 900 crash tests per year. The new facility cost a nine-digit euro sum to build. The part of the crash hall that is roofed over without any supports measures 90 x 90 meters, making it substantially larger than a standard soccer field. The temperature in the hall is regulated by means of the waste heat from the adjacent climatic wind tunnels.

Analyzing crash tests with X-ray technology. In cooperation with the Fraunhofer Institute for High-Speed Dynamics, Ernst Mach Institute (EMI) in Freiburg, Daimler's vehicle safety unit is testing the use of X-ray technology for crash tests. The ultrashort X-rays should supply extremely sharp stills of crash tests. This method would enable us to investigate the behavior of safety-related components by taking a look inside the parts. An additional benefit would be that the data from the "X-ray crashes" could be combined with computer-aided simulation models. This might help to further improve the reliability of crash simulation forecasts.

Smart assistance for emergency rescue teams. The Rescue Assist app from Mercedes-Benz provides emergency rescue teams with assistance at the scene of an accident. It enables the teams to use their smartphones or tablets to quickly access the rescue cards of the various vehicles. The latest update makes three-dimensional views and augmented reality depictions possible. As a result, the teams can determine even more quickly than before how they should proceed when rescuing accident victims.

Daimler's accident research makes vans even safer.

Mercedes-Benz Vans' accident research is helping to increase the safety of its vehicles, according to the interim results of the work conducted by a team of specialists in the 18 months since the team's creation in the summer of 2015. The team of engineers studied real-life accidents involving vans from Mercedes-Benz. The results are being directly incorporated into vehicle development.

Van Training on Tour teaches safe driving. Daimler is the only automaker to offer professional driver safety training for van drivers. In 2017, it conducted around 90 all-day training courses at 20 locations in Germany. The participants can train using the entire range of current Mercedes-Benz vans. More than 50,000 drivers have received such training since 2003.

New assistance systems for trucks, buses, and vans are bringing our commercial vehicles another step closer to the goal of accident-free driving. Such systems range from Blind Spot Assist for vans to Active Brake Assist 4, the world's first assistance system for trucks that warns drivers of an impending collision with moving pedestrians and can also automatically initiate a partial braking maneuver.

Global safety initiative SAFE ROADS. Our initiative underscores our commitment to greater road safety – all over the world. In 2017, we held the SAFE ROADS India Summit as a continuation of the previous years' road show. The summit is scheduled to take place every two years. The initiative will be put on an even broader footing in the years ahead – by means of a road show in China, for example.



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Ultra-safe double-decker bus. Two new safety systems are celebrating their world premieres in the new Setra S 531 DT double-decker bus. One of them, the all-new Active Brake Assist 4 (ABA 4) emergency braking system, now also recognizes pedestrians and can automatically brake the vehicle if a collision appears imminent. The other system, Sideguard Assist, uses radar sensors to monitor the right-hand lane along the vehicle's entire length. It thus assists the driver in the vehicle's blind spot and warns him or her of pedestrians and cyclists when the bus is about to turn.

In addition, the new Setra protects passengers especially well against fire hazards. Insulation and intelligently designed bulkheads isolate the passenger compartment from possible sources of fire such as the fuel tank and the drive train and ensure that smoke can't seep into the interior. The touring coach is also equipped with a fire detection system as standard. This system monitors the entire engine compartment and can be expanded with an optional automatic sprinkler system.

Future Bus. The Mercedes-Benz Future Bus is equipped with the CityPilot so that it can travel safely, efficiently, and comfortably through urban terrain. For example, the bus can recognize if a stretch of road is suitable for partially automated driving and then notify the driver. If the driver then activates the CityPilot, the system will drive the bus partially automated – along a Bus Rapid Transit (BRT) route, for example. The system improves road safety in cities by halting at stops with centimeter precision, letting passengers get on and off, stopping at traffic lights, crossing intersections, and braking for pedestrians, for example.

Daylight+ demonstrates its effectiveness in Finland. Long-haul drivers always have to be concentrated, especially when it's dark. In a winter study, Daimler examined whether and when additional lighting in the cab (e.g. different colors and levels of illumination) could boost the driver's performance. To this end, two specially equipped Actros TopFit Trucks were shipped to Finland. The test drivers gave a rating of "very good" for the Daylight+ lamp that was activated at various times along the trip and during breaks. They also confirmed that it enhanced the feeling of well-being in the cab.

A safety revolution on Japan's roads. In a first for Japan, the new Fuso Super Great heavy-duty truck contains safety and assistance systems that are already making the commercial vehicles from Daimler Trucks the safest of their kind in Europe and North America. In addition to the Active Brake Assist 4 (ABA4) emergency braking system and the Active Sideguard Assist cornering assistance, these features include the Active Attention Assist fatigue warning system. One of these systems uses a camera in the steering wheel to be able to determine early on whether the driver is getting tired.



Mobility Services



44 Mobility concepts and services










Mobility concepts and services

One consequence of urbanization and increasing opportunities for influencing the flow of traffic is customers' growing demand for shared mobility. In addition, there is an increasing demand for technological systems that intelligently link mobility providers and mobility solutions.

By 2030 we plan to increase our annual total of individual mobility services to

1 billion

 transactions/year.

-  **Shared & Services**
-  **moovel**
-  **car2go**
-  **mytaxi**
-  **smart ready to share**
-  **CharterWay**
-  **Van Rental**
-  **OMNIplus**
-  **Via**



Transport infrastructure and transport systems frequently operate at their limits, especially in urban areas. That's why Daimler has developed a range of pioneering mobility concepts and is forging ahead with innovative approaches – from the carsharing provider car2go and the mobility platform moovel to the taxi app mytaxi, the coach company FlixBus, and the Bus Rapid Transit (BRT) system. Recent additions to this list were the service portal Blacklane and Groove, a car rental service operated by and for private individuals.

car2go reduces the stress on cities. Dense traffic, polluted air, a shortage of parking spaces – researchers in Milan, Munich¹, Vienna², and other cities have discovered that car2go can demonstrably relieve the stress that these factors cause in cities. On average, every carsharing vehicle replaces between six and eight privately owned vehicles. And each of the approximately 14,000 car2go vehicles that are on the road today in 26 cities is used between six and eight times a day on average. Besides, the more often the vehicles are used, the less time they spend occupying valuable parking space. And the more often customers use these cars, the fewer privately owned cars there are in the city.

Greenhouse gases are reduced by car2go. Researchers at UC Berkeley in California³ have reached similar conclusions. For three years they examined the effects of mobility services like car2go on urban traffic and environmental pollution in Calgary and Vancouver, Canada, as well as Seattle, San Diego, and Washington D.C. in the USA. They concluded that car2go results in fewer automobiles on the road, fewer miles traveled in private cars, and decreased CO₂ emissions. According to the researchers' calculations, car2go reduced the total volume of greenhouse gases in these five major cities by more than 39,100 tons.

¹ Evaluation of new types of carsharing offers in Munich 7/2016

² Study of carsharing in Vienna 12/2015

³ Study: The Travel and Environmental Implications of Shared Autonomous Vehicles, Using Agent-Based Model Scenarios



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On course for worldwide growth. With more than 2.7 million customers and about 14,000 vehicles at 26 locations in Europe, North America, and Asia, car2go is the world market leader in the category of fully flexible carsharing – and it's still on course for growth. In Europe, car2go is increasingly investing in electric mobility and gathering experience with purely electric fleets in cities such as Stuttgart, Amsterdam, and Madrid. In these cities, about 300,000 customers have traveled a total of 57.3 million kilometers in electric cars. One-tenth of these kilometers are already being driven in electric cars at car2go – and that figure is increasing.

Mercedes-Benz models for car2go in North America. In the US and Canada, car2go customers have also been able to rent Mercedes-Benz CLA and GLA models since the beginning of 2017 – and these are popular options. In the first half of 2017 alone, there were 40 percent more rentals of car2go in North America than in the corresponding period of the previous year. At the same time, the average rental period increased by 33 percent.

 car2go.com

smart is testing a new business model. “smart ready to share” is the service most recently introduced by smart. This service makes private carsharing as simple, secure, and uncomplicated as the use of car2go. Within seconds, authorized users can use their smartphones to open a friend's smart and drive it away. “smart ready to share” was launched in selected German cities in the spring of 2017.

mytaxi acquires Taxibeat. In Greece, mytaxi has acquired the local market leader, Taxibeat. As a result, this taxi app is now available in ten European countries. Taxibeat offers ridesharing in a choice of vehicle models with selected and previously vetted drivers.

Daimler increases its stake in Blacklane. The professional limousine service Blacklane is already available today in more than 250 cities in 50 countries worldwide. In order to further expand this mobility provider's global growth, Daimler once again increased its share by a figure in the double-digit millions in 2017.

 blacklane.com

Joint venture with Via. Daimler has entered the ride-sharing business. For this purpose, our van division established a joint venture with the US startup company Via, which has its headquarters in New York. In addition, Daimler Mobility Services is a strategic investor in Via. The aim is to establish this on-demand shuttle service, which is already successfully operating in New York, Chicago, and Washington D.C., in major cities in Europe as well.

 ridewithvia.com

moovel lab visualizes mobility in international metropolitan areas.

Are cities shaping mobility, or is mobility shaping cities? How much public space is taken up by each of the various modes of transportation? Through its project “The Mobility Space Report: What the Street!?” the moovel lab – an interdisciplinary team that addresses future-oriented issues of urban mobility – tries to answer these questions. On an interactive online platform, the team illustrates in a playful way how mobility defines urban landscapes. Future scenarios reveal various developments, such as how autonomous driving can cause a redistribution of the use of various modes of transportation in urban areas.

 moovel.com



44 Mobility concepts and services

Croove on course for expansion. Daimler has merged its private carsharing platform Croove with Turo, the US market leader in the area of peer-to-peer carsharing. At the same time, Daimler Mobility Services is the lead investor in Turo. The company already operates in more than 4,700 cities and at over 300 airports in the US, Canada, and the UK. It has more than four million customers driving its 170,000 vehicles.

New interlinked services from Fleetboard. Around 220,000 commercial vehicles operating in fleets and more than 7,000 customers all over the world are already on the road with interlinked services via Fleetboard. With new technologies such as cloud solutions and artificial intelligence, this provider of digital solutions for the logistics sector is coming closer, step by step, to its vision of the seamless transportation of the future.

Daimler Buses invests in CleverShuttle. Daimler Buses has become a strategic investor in the Berlin-based mobility service CleverShuttle. The Daimler subsidiary EvoBus has acquired a minority holding in CleverShuttle, with which it will jointly develop innovative solutions for on-demand services for transport associations and transportation companies.



mytaxi



moovel



FleetBoard



Via



Digitalization

```
elif operation == "MIRROR_Y":  
    mirror_mod.use_x = False  
    mirror_mod.use_y = True  
    mirror_mod.use_z = False  
elif operation == "MIRROR_Z":  
    mirror_mod.use_x = False  
    mirror_mod.use_y = False  
    mirror_mod.use_z = True  
  
#selection at the end -add back the deselected mirror modifier object  
mirror_ob.select= 1  
modifier_ob.select=1  
bpy.context.scene.objects.active = modifier_ob  
print("Selected" + str(modifier_ob)) # modifier ob is the active ob  
#mirror_ob.select = 0  
done = bpy.context.selected_objects[0]  
bpy.data.objects[done.name].select = 0  
print("done select")
```

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Data governance

Digitalization is leading to the creation of new mobility concepts and business areas. Data provides a basis for this by making innovative services possible that offer our customers added value. At the same time, our customers expect their data to be protected. We have created a holistic data governance system in order to make data-based business models sustainable and handle data responsibly in the interests of our customers. This system focuses on the opportunities and risks of connected and (partially) automated vehicles as well as on data-based services. The main aim of our corporate digital responsibility is the protection of customer data.



Additionally, within the field of action “Data Governance” the measures enhance the Sustainable Development Goal 16 – Peace, Justice and Strong Institutions.

Our data governance approach is embedded in a comprehensive corporate project that is developing and implementing many measures in order to be able to achieve the aforementioned objectives.

- Introduction of a comprehensive data compliance management system: We are taking a risk-based approach to the development of a data-focused compliance management system.
- Development of a data vision: We are using a specific approach to formulate our vision and the responsibility we bear with regard to data.
- Creation of a data governance organization: At our divisions, we are continuously enhancing our data management system while taking into account the regulatory requirements and our integrity standards.
- Initiation and implementation of a data culture: Our data governance system is supplemented by a dedicated data culture initiative.



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Connectivity and digitalization will play a crucial role for future mobility – for automated and driverless vehicles as well as for new services. Our customers' demand for connected services is already steadily increasing. We at Daimler are addressing these developments with a holistic data governance approach to the responsible handling of data. This is enabling us to offer new services to our customers and other stakeholders and to securely handle the accumulated data.

The Group-wide data governance system is being developed in an interdisciplinary approach by the Board of Management division Integrity and Legal Affairs. As a result, technological developments are governed by three clear principles at the Daimler Group: transparency, self-determination, and data security. To ensure our customers know why certain data is collected at certain times, we provide them with in-depth information about our data processing procedures in the sales materials, on the vehicle website, in the operating instructions, and in the conditions of use. We also want to make sure that our customers can decide for themselves which services they wish to use and which types of data may be forwarded. They can do this by issuing their consent, signing a contract, or pushing a button. Our data security principle meets our customers' high security demands. Daimler aims to protect customer data against manipulation and misuse. We are continuously enhancing data security to keep up with the progress of IT technology. The connected vehicle back-end aims to protect data and helps customers securely use services from Daimler and third parties.

We take market-specific and regional differences into account when applying these basic principles. We have installed appropriate processes and systems for the purpose of both effective and efficient data processing.

The core element of our data governance approach is a comprehensive data compliance management system that brings together all of the Group-wide processes and systems. It is based on the Daimler Compliance Management System (CMS). The data CMS is initially focusing on data protection.

 **More information about the Daimler Compliance Management System: pp. 74 ff.**

The EU's General Data Protection Regulation (Computer Privacy Law), which will go into effect in May 2018, defines **new data protection rules**. Our aim is to support all companies of the Daimler Group in the EU member states with the implementation of the new regulation. The regulation mainly aims to make data processing transparent, enable the people concerned to make self-determined decisions, create a data protection compliance system for risk assessment, and introduce data protection impact assessments as well as methods for enhancing data protection through technology design.



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The Chief Officer Corporate Data Protection works to ensure compliance with the applicable data protection laws and with our internal standards in the Daimler Group. The principles that apply to all companies within the Group are stated in our Corporate Data Protection Policy. The Chief Officer Corporate Data Protection and his team monitor the implementation of the Policy and the data protection laws. In addition, the Chief Officer initiates communication and training measures and provides consultation. His tasks also include the handling of complaints regarding data protection and the reporting of data protection breaches. He is supported by the Data Protection Coordinators at the local level.

 [The Daimler Corporate Data Protection Policy – text \(PDF\)](#)

We regularly provide information on data protection incidents. There were no serious data protection incidents in 2017. The number of complaints received by Corporate Data Protection was slightly higher compared to the previous year. In eleven cases, the data protection agencies conducted investigations in response to customer complaints.

We believe that ensuring effective data protection in vehicles is an integral component of product development. The design of data protection in connected vehicles and within automated driving functions is a key focus of our product-related data protection activities.

A very important aspect of our connected vehicles is the customers' trust in our data processing. That is why we strive to make our data processing transparent for customers. To make this possible, the joint Data Protection Working Group, consisting of members of the German Association of the Automotive Industry (VDA) and the data protection authorities of the German federal and state governments, last year created a template for information about data protection for use in operating instructions. We have included this template in our operating instructions. In addition, we incorporated data protection information in our price lists.

Daimler is also participating in a research project of the Fraunhofer Institute for Secure Information Technology (SIT), "Self data protection in the connected vehicle" (SeDaFa), which receives funding from Germany's Ministry of Education and Research. The project aims to develop features that make data processing in connected vehicles transparent to drivers and offer user-friendly decision-making options.

 [More information about the SeDaFa research project \(available in German only\)](#)



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Automated driving

Daimler is one of the pioneers in the field of driverless vehicles. We can expect that automated and driverless vehicles will have a positive impact on road safety, driving comfort, drivers' behavior during long-distance drives, the reduction of emissions, and individual mobility. Our goal is therefore to continue developing the requisite technology and to rapidly enable these systems to be installed in series-produced vehicles.



Technological developments are creating new possibilities for increasingly automated road traffic, which will provide road users and society at large with many benefits. As we move along the path to automated and driverless vehicles, we need to do more than just overcome technological challenges. That's because a number of legal and ethical questions have to be comprehensively assessed and clarified as well. At Daimler, these questions are being addressed by a cross-departmental steering committee that includes engineers, developers, lawyers, data protection officers, and experts from a variety of corporate departments, including Communications and Strategy. This interdisciplinary body serves as an important interface with the technological units.

In order to reach our goal, we are placing equal emphasis on the technical, legal, and ethical aspects and participating in the definition of these aspects. Daimler has already firmly positioned itself in these three areas.

- Daimler is promoting a broad-based public dialog in order to find solutions regarding the legal framework for the new technology at both the national and international levels.
- Daimler will continue to enhance its leading role in the development of the relevant technology.
- We will actively participate in the social and political dialog in order to define answers to the ethical questions that are arising in the context of the new technologies.

However, the new technology raises legal and ethical questions that we, as an automaker, cannot answer on our own; a broad public debate is necessary. We helped to initiate this debate early on and have been promoting it ever since through various measures, including our work in committees and associations, our promotion of the relevant research, discussions with policymakers and the general public, and the organization of events. During the year under review, we held our second conference on driverless vehicles, where 120 experts discussed the legal and ethical issues and examined the future development of automated and driverless vehicles. In addition, driverless vehicles have been a focus of the "Daimler Sustainability Dialogue" since 2015.

👁 "Daimler Sustainability Dialogue", pp. 13 f.



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Ethical aspects. The ethical issues associated with automated and connected driving are being addressed by the Ethics Committee of the German Ministry of Transport and Digital Infrastructure, which was formed in September 2016. Renata Jungo Brüngger, Member of the Board of Management of Daimler AG, Integrity and Legal Affairs, is also a member of this committee. The results of the committee's work have been published in the form of guidelines for the programming of automated driving systems. The principles that were drawn up by the Ethics Committee are already being incorporated into the development of automated driving systems at Daimler and they will continue to be taken into account in the future.

Legal aspects. New technologies require legal certainty. In Germany, the legal basis for automated driving systems is defined by the automated driving amendment to the Road Traffic Act (StVG), which went into effect on June 21, 2017. We welcome this law because it creates legal certainty. This makes Germany one of the first countries in the world to provide the legal basis for further technological developments.

Citizens and governments want automated road traffic to be possible between countries as well. However, the national regulations still differ considerably in this regard. As a result, the regulations should be internationally harmonized so that major deviations can be avoided and the technological requirements are as similar as possible.

We also welcome the action plan that the German government published in August 2017 for the further development of the national and international legal framework for automated and driverless vehicles, and we will continue to engage in a constructive dialog with the pertinent institutions.

Data protection is an important factor of automated and driverless vehicles. We are convinced that the responsible and secure handling of data is a precondition for society's acceptance of automated and driverless vehicles. The employees from our Corporate Data Protection department are therefore already involved in the development of the technologies' concepts. They work together with experts from Research & Development to develop solutions for data-protection-friendly concepts that provide privacy by design.

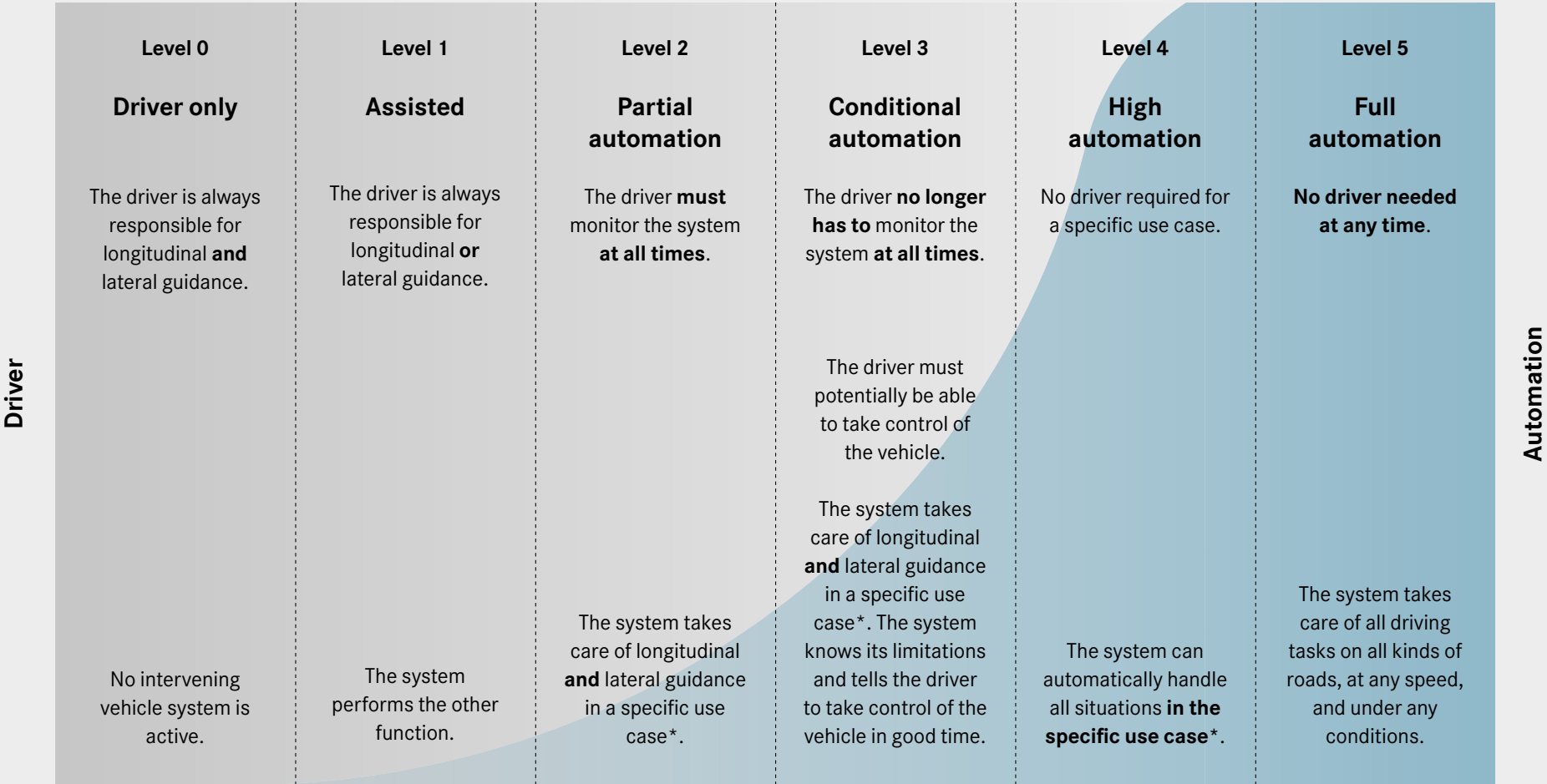
The lawmakers are aware that data plays a key role in automated driving. This is why the first framework regulation for the introduction of automated driving systems stipulates that vehicles contain a mandatory driving mode recorder. The exact nature of this data recorder still needs to be specified in a regulation. We will actively support this development process and make sure that the technology is data-protection-friendly.



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Automation levels of automated driving



Step by step into the future. The road to automated driving is more than just a technological challenge. The national and international framework conditions have to be adjusted as well. To this end, six levels (0 to 5) were defined at the national and international levels in order to classify the automation levels of the individual systems. This technical classification system describes the tasks that the system performs on its own as well as the requirements that the driver has to fulfill.

■ Driver ■ Automation level of the function
* Use cases encompass the specific types of roads, speeds, and conditions.

Source: German Association of the Automotive Industry (VDA)



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Technical aspects. For more than 130 years, Daimler has set the standards in vehicle safety with its technical innovations. We are continuously improving road safety with new and optimized safety systems. Our Intelligent Drive assistance systems and their increased connectivity are playing a pioneering role and are a milestone on the path to automated and driverless vehicles. They also greatly help us to get ever closer to our goal of making driving as accident-free as possible.

Intelligent World Drive. In its Intelligent World Drive tour, Mercedes-Benz used an S-Class to test automated driving functions on five continents. Between September 2017 and January 2018, this S-Class vehicle with automated driving functions was tested in a variety of complex traffic situations. In these tests, the car gathered valuable information on the road to driverless vehicles. The tour kicked off in Germany, followed by tests in China, Australia, and South Africa. The tour ended in January 2018 at the Consumer Electronics Show in Las Vegas. The aim of the Intelligent World Drive was to gather information about real-life traffic situations around the globe so that future automated and driverless vehicle functions can be adapted to country-specific user behavior and traffic conditions.

The focus in Germany was on driver behavior on highways and in traffic jams. In China, the test drive concentrated on driver behavior in the dense traffic of the megacity of Shanghai. In Australia, the developers drove the vehicle from Sydney to Melbourne to test the latest digital maps from HERE. The drive in the Greater Cape Town area in South Africa also focused on checking the accuracy of the existing maps in daily use and on examining country-specific conditions. The test drive in the Greater Los Angeles area and from there to Las Vegas concentrated on evaluating driver behavior in dense urban traffic and in traffic jams as well as on examining the driver's response to vehicles overtaking from the right on highways.

Automated Valet Parking. A pilot project that is being jointly conducted by Mercedes-Benz and Bosch in Stuttgart promises to relieve us of the task of parking vehicles ourselves. In a close cooperation, the two partners have developed an innovative service called Automated Valet Parking. It enables motorists to simply leave their vehicles in a drop-off area when they arrive at a parking garage. After the driver clicks on a corresponding smartphone app, the car drives into the parking garage without any further help and moves into an unoccupied parking space. It does the reverse in the same way as well. Shortly before the driver wishes to leave, he or she again clicks on the app to order the vehicle to come. The parking garage's intelligent system notifies the car, making it start up and drive by itself to a pick-up area. This automated parking service is an important milestone on the road to driverless vehicles. The solution in the parking garage of the Mercedes-Benz Museum is the world's so far first infrastructure-based solution for an automated drive-up and parking service in real-life mixed operation.

Trucks. Truck operation will also become automated and autonomous in the future. Trucks from Daimler already contain numerous assistance and connectivity systems. For example, the systems that are combined in the Highway Pilot provide a preview of what the future of transportation holds in store. The Highway Pilot is an intelligent network of assistance and connectivity systems that makes partially automated driving on highways possible. Daimler's Freightliner Inspiration Truck in Nevada and a Mercedes-Benz Actros in Germany have already demonstrated that the Highway Pilot represents a step toward automated driving.



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How the Highway Pilot works: The driver can activate the Highway Pilot as soon as the truck gets onto a highway. When it is in automated mode, the system adjusts the truck's speed to the traffic flow. In doing so, it automatically sticks to the statutory speed limit, regulates the prescribed distance to the preceding vehicle, and uses the stop-and-go function in traffic jams during rush hour. However, the Highway Pilot doesn't help the driver overtake other vehicles, change lanes, or leave the highway.

Drivers can manually deactivate the Highway Pilot and override the system at any time. The system also calls on the driver to steer the truck again whenever the Highway Pilot can no longer monitor crucial aspects of the vehicle's surroundings. This is especially the case if there are no lane markings or when the truck travels through construction sites or encounters extreme weather conditions. Drivers need to keep their vehicles under control during the entire trip, i.e. they particularly have to monitor the traffic situation.

Artificial intelligence. Automated and driverless vehicles will thoroughly revolutionize mobility. Artificial intelligence will play a key role in this development, because deep learning is a megatrend. At the electronics trade show CES in Las Vegas in early 2017, Mercedes-Benz and the graphics chip manufacturer NVIDIA provided insights into the importance of artificial intelligence for the future of mobility.

Over the past several years, artificial intelligence (AI) has developed into a very important topic. Today, AI is mainly based on machine/statistical learning. When used with large amounts of data, it can detect very complex patterns with the help of advanced graphic processors and deep neural networks. This "deep learning" enables systems to "understand" a vehicle's surroundings and, in particular, classify various objects, such as pedestrians, cars, traffic lights, and sidewalks in camera images. As a result, AI has for many years been an enabler of automated and driverless vehicles for the automotive industry. We are convinced that AI is much more than that – it enables us not only to improve our products and processes but also to push forward into completely new dimensions. AI affects all areas of the company, in particular development and production as well as mobility services. That's why we are creating as broad a base of assessment expertise as possible at the company.

In the future, artificial intelligence will enable software to analyze driving routines in order to make driver-specific forecasts and recommendations. It could, for example, suggest morning routes or tell the driver how to get to the next gas station while taking factors such as driver behavior, the current sensor input, and the trip's destination into account.

To this end, Mercedes-Benz and NVIDIA have formed a long-term partnership for making artificial intelligence suitable for daily use. The development process has to be modified in order to achieve true artificial intelligence. The starting point for this is the computer architecture, on which everything else is based. Mercedes-Benz and NVIDIA have been pursuing this goal for the past three years.







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New world of work

Digitalization is affecting all areas of our company. At Daimler we also want to be our industry's leader in terms of digitalization. We want to equip our workforce with skills and the necessary awareness to master the challenges of digitalization.

In this process, we help all of our employees to "think digitally" in their work areas and to integrate new work methods and learning techniques into their daily lives. Moreover, we encourage all of the employees and managers to use digital tools and devices in order to promote digital communication and cooperation.

In addition, we specifically recruit digital experts.

-  **DigitalLife@Daimler**
-  **Leadership 2020 game changer "Digital Transformation"**
-  **Qualification of personnel for the digital transformation**
-  **Active sourcing**



The success of Daimler AG and its subsidiaries is largely dependent on the skills and commitment of our employees. More than 289,000 people promote our company's success worldwide by contributing their concepts and ideas to their respective tasks and work processes and by helping to make improvements and create innovations. Trusting relationships with employees are therefore more than just an ethical and legal requirement for us – without them we would not be able to conduct our business successfully.

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

A professional HR organization and efficient operating processes form the basis for the implementation of these overarching goals, from which we have derived key areas of action that are linked to clearly defined objectives.

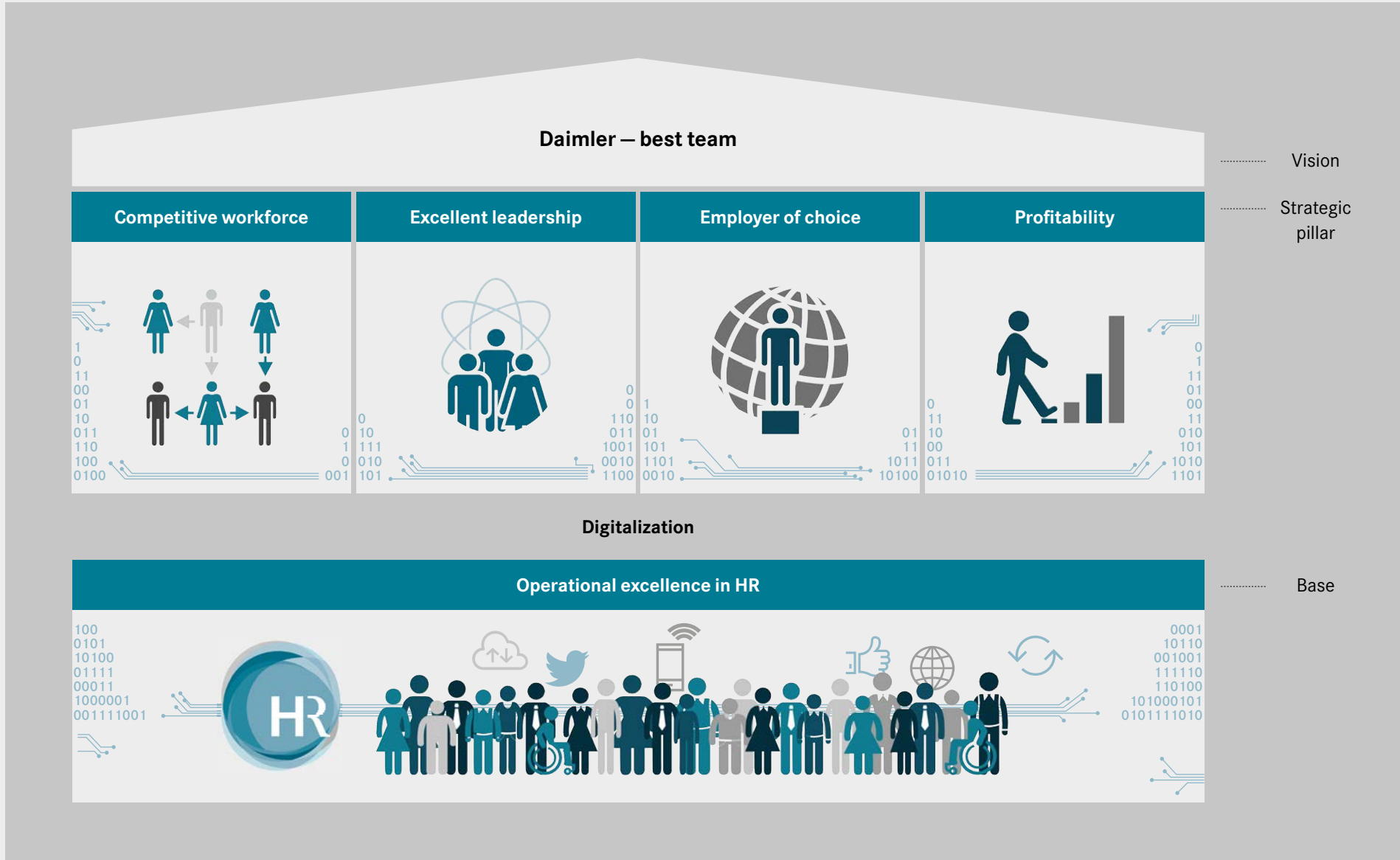
The main control tool we use is our HR Scorecard, which uses key performance indicators concerning demographic development, diversity, and sick rates to provide information about the sustainability of human resources measures and processes in the individual areas of action.



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HR Strategy 2025





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

Our employees have the right to organize themselves in labor unions. We also ensure this right in countries in which freedom of association is not legally protected. We work together constructively with the employee representatives and the trade unions. Important partners here include the local works councils, the European Works Council and the World Employee Committee (WEC). We have signed collective bargaining agreements for all of the employees at Daimler AG, and this also applies to the majority of our employees throughout the Group.

In a variety of committees, we regularly inform the employee representatives about the economic situation and all of the key changes at Daimler AG and the Group. We conclude agreements with the respective workers' representative bodies concerning the effects of our decisions on the employees. In Germany, comprehensive regulations to this effect are contained in the Works Council Constitution Act. We notify our employees about far-reaching changes early on.

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

Digitalization

The automotive industry is currently being thoroughly transformed. The digital transformation is increasingly affecting all areas of our company. It is driving and shaping our evolution from an automotive company into a provider of mobility services.

The DigitalLife@Daimler initiative bundles our activities for the digitalization of the Group. In everything we do, our focus is always on people. We aim to shape the mobility of tomorrow and relate current trends and future-oriented technologies to the individual needs of our customers. This requires the entire value chain to be systematically digitalized. That includes the methods used to develop, plan, and produce our vehicles as well as the ways in which we contact customers and partners. Moreover, it requires us to make our employees fit for the digital world. That's because the opportunities of digitalization can only be optimally exploited if people think and act in new ways.



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By means of DigitalLife@Daimler, we are promoting digital topics at all divisions and initiating digital transformation projects. The initiative focuses on the following areas:

- **#transform.** In line with this maxim, we are developing a strategic mission statement for Daimler that will position the Group as an automotive digital leader. To do this, we are combining all of the digital trend topics, focusing our activities on key digital developments, and communicating them at the DigitalLife TechTalks, for example.
- **#ideate.** The aim here is to generate ideas and innovate. We support the idea-creation process – internally and externally, throughout Germany and internationally – and also firmly establish it in the form of events and platforms such as DigitalLife Open Space, the DigitalLife Innovation Camp, and Crowd-Ideen (Crowd Ideas).
- **#collaborate.** This focus combines all of the initiatives for networking our employees. We want to promote cooperation at the company by means of digital platforms such as Daimler CONNECT and the recently developed Daimler Social Intranet as well as with methods such as Working Out Loud.
- **#change.** We are combining and strengthening the internal communication activities related to digital transformation. International road shows, presentations, and workshops at the plants and divisions enable people to experience digitalization at first hand. Moreover, the DigitalLife Fail 'n' Learn Nights support the failure culture at the Group. At the annual DigitalLife Days, we present digital initiatives and honor the best employee ideas.

Game changer “Digital Transformation”. We have set up eight sub-projects within our Leadership 2020 initiative for the further development of our management culture. These “game changers” are geared toward questioning and changing procedures and structures that range from decision-making processes and organizational structures to work methods and tools. The Game changer “Digital Transformation” aims to optimally

exploit the opportunities offered by digital transformation. We want to achieve this by enabling employees and managers to actively shape the future in their respective areas of responsibility. To do so, we focus on four approaches:

- **Digital Leadership.** Here, we help managers to think and act “digitally” in order to promote digitalization in their areas of responsibility. In addition to a comprehensive training program, we do this by means of our new reverse mentoring program, for example, in which digital enthusiasts (mentors) share their digital knowledge with experienced managers (mentees).
- **Empowerment.** To enable all employees, office staff, and production workers to optimally network themselves and share knowledge, we are providing them with the appropriate equipment and an effective digital infrastructure. In this way we promote the sharing of benchmark solutions, especially in production.
- **Cooperation.** This initiative aims to create a culture of cooperation, networking, and open communication. The so-called “Collaboration Tool Compass” helps us achieve this goal. This tool overview supports employees in navigating through tools and is focused on transparency of tool functions and availability.
- **Acceleration.** In addition, our Digital Acceleration Approach uses customized workshop concepts to push the cultural and digital transformation of the organization forward.

👁 **Further development of our management culture pp. 61 f.**

With regard to digitalization, also see:

- 👁 **Social Intranet p. 61**
- 👁 **MyProfile p. 62**
- 👁 **Agile structures p. 62**
- 👁 **Qualification of personnel for the digital transformation pp. 66 f.**
- 👁 **Recruiting digital talents p. 67**
- 👁 **#DigitalHealth p. 69**
- 👁 **HRC and Industry 4.0 p. 69**



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Employer of choice

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

Attractive and fair remuneration. We remunerate work in accordance with the same principles at all our affiliates around the world. Our Corporate Compensation Policy, which is valid for all groups of employees, establishes the framework conditions and minimum requirements for the design of the remuneration systems. Internal audits are conducted on a random basis to make sure these conditions and requirements are met. In our desire to offer salaries and benefits that are customary in the industry and the respective markets, we also give consideration to local market conditions within the specified framework. The salaries are determined on the basis of the employees' tasks and performance, and in line with their qualifications and experience. In setting the remuneration of the employees we are not guided by gender or place of origin, but exclusively by the employee's job and responsibility.

Performance assessment and target-oriented leadership. In order to measure and control each individual's performance, we use standardized leadership processes such as LEAD for Level 4 and 5 managers and NAVI for employees of Daimler AG. In these processes, the individual agrees to quantitative and qualitative targets with his or her supervisor, and employees generally agree to a personal development goal as well. Depending on the individual's position and management level, the objectives also include diversity and compliance targets.

At the end of the year the supervisor decides whether the objectives have been reached. The individuals' goal attainment, leadership and work performance, and development potential are then discussed in company-wide management conferences. The supervisor personally discusses the results with the employee. Potential measures for professional development are then discussed as well.

These regular income reviews for employees and managers, which are controlled by the human resources units, ensure transparency. Salary decisions are made on the basis of the "multiple-eye principle" in order to prevent possible discrimination. The remuneration guidelines and tables for employees who are paid according to collective bargaining wage tariffs can be viewed on the intranet. In addition, employees have the right to submit complaints at the works council and company levels. We plan to provide additional information for the implementation of Germany's remuneration transparency act. For example, we want to show employees how comparable groups from both genders are paid in accordance with the various remuneration components.

The general remuneration level is significantly above the legal minimum wages that apply to many locations. In cases where Daimler AG and its Group companies have signed collective bargaining agreements, they often also offer voluntary benefits that are agreed upon with the respective employees' associations. These benefits primarily consist of employer-funded retirement contributions as well as profit-sharing agreements for the respective company. For example, the eligible employees of Daimler AG will receive a profit-sharing payout of €5,700 (2016: € 5,400) for 2017. In addition, our employees can avail themselves of a wide variety of sports facilities and social amenities, ranging from daycare centers to the counseling service for people in extreme situations.



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Modern working conditions. Today's living and working conditions require working times to be flexibly organized in accordance with individual needs. The aim is to promote high performance, not mere attendance. Our wide range of flexible working options boosts the performance of our managers and employees and makes it easier for them to reconcile their work with their personal lives.

For example, Daimler AG put a company-wide agreement into effect on December 1, 2016 that gives people the right to mobile working, provided their tasks make this possible. In this way, Daimler is promoting flexibility and self-determination while building on a culture based on trust. The employees are already extensively availing themselves of the opportunity to work mobile.

Reconciling work and family. Of the 3,953 employees who took advantage of parental leave at Daimler AG during 2017, 79 percent (2016: 71 percent) were men. More than 82 percent of the fathers took two "partner months" of leave. We encourage all employees who take parental leave to subsequently return to their jobs at the company, because we cannot do without their knowledge and experience and don't wish to lose them.

We offer 710 places in daycare centers in close proximity to our company locations as well as approximately 180 reserved places at cooperating facilities. In addition, we cooperate with a third party that assists employees in Germany in finding childcare providers. We operate additional daycare centers in Hungary, Switzerland, the US, and Japan. In addition, we offer places for refugee children in Stuttgart and Kassel. We have also set up parent-child rooms at several locations and offer childcare services at business events.

Furthermore, company agreements enable employees to suspend their careers for several years for a qualification program or a sabbatical or to provide home care – with the promise that they can return to Daimler AG afterwards. In 2017, around 500 employees took advantage of the oppor-

tunity to take off work for a prolonged period, with 369 doing so in order to attend qualification measures (2016: 349), 122 to take a sabbatical (2016: 100), and 6 to provide home care (2016: 10).

Job sharing. We also promote job sharing, in which two employees share the same task/position and jointly work up to 60 hours per week. This option enables managers, in particular, to reconcile the needs of their work and their private lives. Job sharing also benefits the company at all levels and Daimler is supporting it with a variety of measures. Managers can work part-time at Daimler. However, this arrangement requires reliable agreements by everyone involved. In mid-2017, about 160 employees worked in job-sharing positions at the team and department levels.

Part-time communities. An online platform is now available for administrators, team leaders, and department heads who would like to work part-time. On this platform, participants can find potential job-sharing partners as well as like-minded individuals with whom they can share ideas.

Social Intranet at Daimler. In 2018 we will replace the employee portal with a Social Intranet that greatly expands the opportunities for cooperating between units and locations. The new system is more than just an information platform, as it also serves as a channel for corporate news and customized content from every employee's network. During the beta phase that began in July 2017, the Social Intranet was tested with a group of selected pilot users. A 30-member project team from Strategy, IT, and Corporate Communications was responsible for the system's implementation.

Leadership 2020 – we are changing our leadership culture. Our business is changing at a rapid pace. In order to remain successful in the future, we are changing the way we lead and work together. This is why we kicked off the Leadership 2020 initiative in 2016 and invited employees from more than 40 countries and all levels of management to work on Daimler's future leadership culture. Guidance is provided by new



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leadership principles that, among other things, make the company faster and more flexible and boost its innovative potential. For example, we are realigning our performance management, increasing the importance of teamwork, opening up alternative development paths, and introducing new instruments. In the future, we will also incorporate the feedback from supervisors, colleagues, and employees into the human resources development process. We regularly review the assignment of leadership tasks and promote international job exchanges between people from various functions. Decision-making processes will be streamlined so that they encompass no more than two decision-making levels. This will make us faster and enable us to concentrate even more strongly on strategically important decisions.

MyContribution. For us, a crucial element of the new performance management system is the initiative MyContribution. It mainly aims to encourage everyone to think about the contribution they make to the success of the entire team. The targets are continuously reviewed and adapted to current requirements in an ongoing dialog between the managers and their teams. This dialog occurs at the individual level as well as in the TeamPulseCheck. We launched the initiative in response to the challenges of a less planable world. It enables us to adapt ourselves more rapidly to the current market situation and to implement solutions more efficiently. The implementation of MyContribution doesn't necessarily require a top-down approach. Rather, every team member can define his or her own contribution to the team's success at any time. The key element here is that the contributions are understood as team efforts. The coordination with the other team members aims to find the best possible solution for the company.

MyProfile. For the first time, all employees at Daimler can now make information about themselves transparent for the entire company if they wish to do so. For example, they can present information about the stages of their careers as well as about their experiences, special skills, achievements, and interests with regard to professional development. The digital profile can support the employee's own development and, above all, promote networking within the company.

MyFeedback. Our MyFeedback application helps us cooperate in daily business by enabling us to constructively handle feedback and thus steadily become better. Requesting and giving feedback is one of the management tasks at the company. The leadership principles serve as the basis for viewing MyFeedback as a key feature of the performance management system. Instead of concentrating only on what managers accomplish, MyFeedback focuses on how they enable tasks and teams to make progress. In this way, we emphasize leadership and social skills in our actions. In line with the slogan "Better together with feedback," this game changer creates the basis for an innovative management culture based on trust.

Agile structures. By 2020, around 20 percent of our workforce is expected to work in "agile" structures, i.e. in swarms across all levels of the hierarchy. Swarms arise wherever complex questions occur that don't have immediately apparent answers. In an idea-finding phase, the participants develop and test new approaches and solutions. New virtual and more connected tools and forms of work are needed for this, of course. Moreover, our new innovation management system enables employees to submit their ideas quickly and easily and to discuss them with their colleagues. To this end, our newly founded Lab1886, for example, is supplying infrastructure, resources, and project support at four locations on three continents. The Board of Management regularly discusses the initiative's progress and decides what measures still need to be taken.



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Successful employee survey. Our Group-wide employee survey is a key indicator of where we currently stand from the point of view of our employees, and what we need to do to improve the company in the future. In September 2016, nearly 263,000 employees in more than 40 countries were invited to participate in the survey and express their opinions to us. The outstanding participation rate of 76% underscores our employees' interest and their willingness to actively help shape the further development of the company. Overall, the results of the survey were much better than those from previous years.

Number of years at the company and labor turnover. Our employees' great loyalty to the company is also expressed by the amount of time they have worked for Daimler. During the year under review the average number of years our employees have worked for Daimler decreased slightly to 16.1 years (2016: 16.3 years). In Germany, employees had worked for the Group for an average of 19.5 years at the end of 2017 (2016: 19.5 years). The comparative figure for Daimler AG was 20.3 years (2016: 20.1 years). Daimler employees outside Germany had worked for the Group for an average of 11.0 years (2016: 11.3 years). In 2017, our labor turnover amounted to 5.1% worldwide (2016: 6.7%).

Diversity management

Daimler promotes the diversity and heterogeneity of its employees, because they serve as the basis of a successful, high-performing company. As a result, diversity management is included in our corporate strategy. Our associated objectives and fields of action are:

1. **Best mix:** We want to bring together the right people for handling the upcoming challenges.
2. **Work culture:** We want to create a work culture that promotes the performance, motivation, and satisfaction of the managers and employees.
3. **Customer access:** Diversity management should help us access new target groups for our products and services.

All of the members of the Daimler Board of Management support our Diversity Statement and actively advocate the realization of its principles:

- **Promoting diversity.** We respect and appreciate the diversity of our employees. We encourage them to contribute this diversity to the company.
- **Creating connections.** We utilize the multifaceted experiences, perspectives, and skills of our employees around the world. They reflect the diversity of our customers, suppliers, and investors.
- **Shaping the future.** Each individual makes a contribution to creating an environment characterized by respect and mutual appreciation. This is how we are shaping Daimler's future together.

 [Diversity brochure "Ready to be Different" \(PDF\)](#)

Internationality. Daimler's more than 289,000 employees from over 160 countries provide the Group with a vibrant mixture of cultures and ways of life. Most of our managers abroad come from the respective regions. Our employees' diverse cultural backgrounds help us to better understand the wishes of the customers in each region and tailor our products accordingly. We support our employees with worldwide staff assignments, mentoring, intercultural skills training, and targeted recruiting measures. Our company's intercultural scope is also increased by the fact that international candidates account for more than a third of the people recruited through our CAREer trainee program.



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Worldwide employee engagements. To promote global thinking, personal development, and one's understanding of new cultures and worlds of work, around 2,000 Daimler employees from 50 countries are taking part in international assignments throughout the world. By far the most important country in which assignees from Germany work is China, with a share of about 30 percent. It is followed by the US at almost 15 percent and Mexico at around 6 percent. Other important target countries include Japan, Hungary, and India.

However, we also promote the assignment of employees from our global locations to Germany so that they can build up networks and deepen their know-how. Such expats from abroad also help to make Daimler in Germany more international. We currently have around 260 global assignees in Germany, with most of them coming from India, the US, and China. Employees take on international assignments for a variety of reasons, including the creation of new facilities and the expansion of existing ones. Examples from 2017 are Jawor in Poland and Esipovo in Russia. In this way, we aim to preserve our know-how over the long term worldwide and are also close to our customers.

Gender. Our aim is to increase the share of women in management positions to 20 percent by the year 2020. More than 17 percent of our executives in middle and upper management currently are women. To achieve our objective, we have installed a stringent reporting and forecasting system and are promoting women through special programs. In 2017, more than 40 percent of the trainees who entered the company through our CAREer program were women.

In cooperation with our transgender community we drew up a guideline in 2017 that explains our in-house regulations and contains a corporate statement for strengthening the status of transgender colleagues.

Generations. The average age of the Daimler AG employees in Germany is currently 44.7; it will continue to rise in the years ahead, due to demographic developments. This trend will reverse in the long term, when many baby boomers retire from the company.

We consider the increasing age diversity at the company to be an opportunity and have expressed this in our basic principles. Our generation management is enabling us to adapt the framework conditions to the challenges that this development poses. The measures focus on the following areas:

- We encourage mutual respect among all age groups and promote productive collaboration. We hold workshops and seminars to raise the awareness of managers regarding work with people from different generations.
- Qualification measures and employment methods that encourage “lifelong learning” aim to promote our employees’ further development and contribute to their employability.
- To be able to maintain our employees’ capabilities, we make ergonomic improvements, offer courses on how employees can promote their health, and develop innovative work organization concepts.
- Our Strategic Resource Management system helps us to adapt our workforce structures in line with our needs and prepare ourselves for demographic capacity effects.

Qualification with the help of “smart glasses.” In August 2017, we received the Demografie Exzellenz Award in the knowledge and learning category for our project titled “Smart glasses for workplace-related qualification.” The research project SIMON (Situational learning with information technologies in assembly) discusses innovative digitalization possibilities for promoting lifelong learning and the transfer of knowledge concerning demographic change issues.

 www.demografie-exzellenz.de (available in German only)



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In 2017, the Daimler demography initiative YES won first place in the company health management category of the Deutscher Personalwirtschaftspreis (German Human Resources Award). YES stands for Young + Experienced = Successful. The initiative uses a playful approach to lastingly change people's attitudes toward age and aging. Like many other issues, age and aging are purely a matter of perception. However, YES does more than just take a theoretical look at the megatrend of demographic change and its opportunities. The latest scientific findings and extensive practical applications generate a trio consisting of experiencing, learning, and understanding.



HR management award

Diversity Day. In line with the slogan "Drive Diversity," we held the fifth German Diversity Day in May 2017 on the basis of the Diversity Charter. We conducted a wide variety of activities at our locations in 26 countries on four continents.



Diversity Day 2017

Networks. Networks enable employees with shared interests and experiences to share ideas across all levels of Daimler. In this way, more than 3,500 employees worldwide are currently active in 12 diversity business resource groups in order to promote diversity at Daimler.

Development and advancement

We are competitive and innovative only as long as we can attract and bind highly qualified employees to our company. To this end, we are supported by custom-tailored programs and promotional measures in all the important phases of employees' individual training and career paths.

High-quality vocational training. Our industrial-technical and commercial vocational training, as well as our study programs at the Cooperative University, enable us to attract most of the junior talents we require. We continuously expand our job portfolio as needed. In Germany, the Daimler Training System (DAS) ensures the high quality and efficiency of our technical vocational education.

In 2017, our international exchange programs for trainees and trainers enabled 114 trainees and 15 trainers to gather initial experience abroad. In addition, we are making our training activities even more international. At our international locations, we are creating our own company training centers and qualification structures or supporting the respective regions' offers. Furthermore, we are also establishing dual education elements outside Germany.

In 2017 Daimler employed a total of 8,097 trainees (2017: 7,960), including 2,138 abroad (2017: 2,034). At international locations such as those in China and India, more than 4,000 teenagers are trained and qualified in cooperation with schools and in other training models. This figure is increasing.

Further training and qualification – lifelong. In keeping with the principle of lifelong learning, we enable our employees to obtain further education and training – professional as well as personal – throughout their careers. Supervisors and employees regularly meet to discuss qualification topics and agree on appropriate measures.



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Further education at Daimler AG is regulated by the general works agreement on qualification, which also enables employees to leave the company for up to five years in order to obtain additional qualifications, and subsequently return to the company. In 2017, 369 employees used this opportunity. Moreover, managers can facilitate employees' qualification efforts with time credits and financial support.

Qualification of personnel for the digital transformation. We are creating suitable framework conditions in order to provide our workforce with the skills they need for the digital transformation of our Group. We are working to recruit and bind digital talents and to create a digital management culture and organization. Moreover, we offer qualification measures for the entire workforce on the basis of the identified qualification and further education requirements for the company's digital transformation.

👁 **Digitalization pp. 58 f.**

Qualification focal points and areas of responsibility

- **Group Research and Mercedes-Benz Cars Development.** The Research and Development (RD) Technology Academy is helping to boost the knowledge of our RD employees and develop their skills in order to make them fit for their future tasks.
- **Production.** Our manufacturing locations are responsible for qualifying skilled workers and managers in production. We attach especially great value to imparting cutting-edge technical knowledge at these locations. In 2017, we qualified our employees in subjects such as vehicle and industrial technology and production systems.
- **Sales and customer service.** The Global Training unit reinforces and increases the skills of the employees in the Mercedes-Benz sales organization worldwide. It develops training concepts at a central location, from which they are provided to all countries in seven languages. A total of 700 trainers at more than 100 training locations in 80 markets around the world instruct about 200,000 participants. Altogether 1.2 million trainings are conducted yearly.

- **Managers and skilled workers.** The program of the Daimler Corporate Academy is agile, digital, and cooperative. It supports the Group as it develops a new management culture and world of work. In 2017, the Corporate Academy helped a total of 63,000 managers and skilled workers from more than 50 locations to develop themselves personally and professionally:
 - as managers (24,600 worldwide, from vice presidents down to managers),
 - as skilled workers (24,000 worldwide, from IT, Procurement, Finance & Controlling, HR, and the Board of Management divisions),
 - in general business skills (14,800 participants in Germany),
 - and academically (more than 600 students in Germany).

100 percent more digital learning formats than in the prior year make cooperation possible worldwide, irrespective of time and place. At the first-ever Daimler Massive Open Online Course, around half of the managers from all levels worked together to define their understanding of leadership and how they want to put it into practice:

- **Lean management.** The in-house lean consulting and qualification unit helps the production and planning departments and HR to introduce and enhance lean management measures.
- **Integrity and compliance.** We provide training courses to promote ethical and legally compliant behavior within our company. Our Integrity Management and Group Compliance units are responsible for these courses.



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Recruiting and developing skilled talents. Our broad range of career-entry and qualification programs is targeted at talented young employees, to whom we offer outstanding development opportunities at our company.

- The **dual education system** at Daimler offers 13 internationally recognized bachelor degree programs that combine theoretical knowledge with practical assignments in Germany and abroad. The system is offered at 12 company locations in Germany. In 2017, we had over 600 students at the Cooperative University (DH). We hire around 200 DH graduates each year.
- Our **skilled worker talent center** promotes young skilled workers during the first few years of their careers. The **focus on the skilled workers'** further education program is targeted at all of the employees in production units who have successfully completed the first few years of their careers and who want to develop themselves professionally by becoming specialists, for example, or managers.
- The international trainee program **CAReer** enables outstanding university graduates to enter our company. Highly qualified participants who have an international profile receive support during and after the program phase and are prepared for their prospective management tasks at the company. The participants are given a permanent job contract from the very start. With Leadership 2020, we are currently striking out in new directions for our management culture. That's also the reason why we will launch the new trainee program INspire – The Leaders' Lab in 2018.
- **Doctoral candidates** can work on their dissertations at Daimler in practical projects. They are given a three-year contract for this purpose. Around 20 percent of our doctoral candidates working at Daimler AG and its subsidiaries are women.
- **The Daimler Student Partnership (dsp)** is a university study support program for all locations. It aims to bind high-performing

interns to our company. These students are personally supervised and receive individual support. The program seeks to encourage the participants to directly join the company, to earn a doctoral degree, or to enter Daimler through the new trainee program INspire – The Leaders' Lab CAReer.

- To supplement our standard recruiting process, we have an **active sourcing** program for recruiting employees for positions that are hard to fill. This applies especially to digital talents. To do so, we directly address potential candidates via social networks and digital platforms. We are proactively searching for candidates, contacting them online, and digitalizing the recruitment process so that we can reach previously unexploited target groups and candidates from bottleneck profiles and thus gain experts for Daimler AG.

Health management and occupational safety

Demographic change and the transformations in the working world affect the performance of our employees. This creates a requirement for forward-looking sustainable solutions aimed at maintaining employees' health and physical well-being.

Key figures for occupational health and safety

Globally uniform guidelines. The Daimler Group operates on the basis of globally uniform principles of risk prevention, which are tailored to national laws and international standards. Our Health & Safety unit is responsible for occupational medicine and occupational safety, occupational health promotion, ergonomics, social counseling, and integration management. In addition, our health management and occupational safety measures are integral elements of our risk management systems.



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Maintaining and promoting employee health. As part of our health management measures, we develop forward-looking solutions that are implemented at the company. These solutions range from the workplace-related “Daimler HealthCheck” to ergonomic workplace design and an IT system that makes it easier to permanently reintegrate employees whose health is impaired.

Medical care for employees. At Daimler, occupational and emergency medicine includes all measures for the prevention of work-related illnesses or occupational diseases, health maintenance in the workplace, and the diagnosis and treatment of acute illnesses and accident-related injuries. It lies within the area of responsibility of our plant and company physicians worldwide.

Daimler AG provides all of its employees with comprehensive medical care. This care is supplemented by the measures and services of the company health program and the personal counseling organization.

Company health promotion is aimed at motivating employees to develop healthy lifestyles and reinforcing their sense of personal responsibility regarding health issues. This objective is promoted worldwide by means of campaigns, counseling and qualification offerings, as well as therapeutic and rehabilitation measures. All of our plants in Germany have health centers on their premises or cooperate with health centers located near the plants.

We cooperate with our healthcare centers to offer all-new concepts for employees suffering from problems with their backs and joints, for example. The fit@work program uses a multipurpose device to bring the five-method and cutting-edge fascia training directly to the workplace for the first time.

 **Measures and initiatives for company health promotion**

The ergonomics strategy. Our general works agreement on ergonomics underscores the company’s obligation to give workstations an ergonomic design. In keeping with this agreement, our new ergonomics strategy describes the objectives and principles according to which we want to implement ergonomics even more systematically and sustainably at our company than in the past. The strategy focuses on the following measures and areas of action:

- the use of the ergonomics standards in all areas of development, planning, and production,
- responsibility for ergonomics from the concept stage all the way to series production,
- continuous ergonomic improvements,
- qualification of the employees and managers,
- introduction of ergonomics at the international level,
- demographics-appropriate workstations that will remain viable in the future.

New IT system for ergonomics assessment. Our newly developed IT system for ergonomics assessment helps the company evaluate how ergonomic its workstations are. At the same time, it enables qualification profiles to be drawn up for the assignment of physically impaired employees in line with their abilities. The results are recorded and documented in a database to ensure the analyses are transparent throughout the Group. It guarantees that uniform ergonomics processes and systematic ergonomics analyses are established at all divisions.



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New media. We are increasingly using media such as videos, wikis, and web-based training courses in order to increase the appeal of ergonomics and occupational safety issues and make employees more aware of their significance. For example, we have produced new videos for providing employees with initial instruction in ergonomics. This general basic training video emphasizes how everyone (managers as well as employees) is responsible for creating a healthy and hazard-free work environment.

#DigitalHealth. Our #DigitalHealth project deals with health and safety issues within the context of the digital transformation process. We are particularly interested in knowing how digitalization affects the health of our employees. At the same time, we are working on introducing digital systems such as healthcare apps in order to improve the health and safety of our employees.

Human-robot-collaboration (HRC) and Industry 4.0. We use our modular HRC safety concept at all production facilities involving human-robot collaboration. This concept serves as the basis of the EC-conformity declaration. The concept can be flexibly used regardless of whether a robot takes on an assisting or service-supporting role or operates completely automatically.

Besides HRC, another important issue with regard to Industry 4.0 is the use of wearable computing systems. These devices provide better opportunities for the design of work and processes. However, we need to take into account not only occupational safety risks but also ergonomic and medical stress factors. In a pilot project that is being conducted in cooperation with experts from our TecFactory, we are developing and testing associated concepts for hazard and risk assessment.

Preventing accidents and making workplaces as safe as possible.

Daimler's occupational safety program includes all measures for the prevention of work accidents, work-related illnesses, and occupational diseases. Our Center of Competence Safety creates the associated Group-wide guidelines. Key occupational and health protection processes are standardized at our company.

Every organizational unit within the Daimler Group sets and pursues occupational safety objectives on a regular basis in accordance with our occupational health and safety guidelines and occupational safety strategy and the results of audits and reviews. An effective reporting procedure helps the units achieve the previously set targets.

Our managers are responsible for ensuring that all internal guidelines and legal requirements for occupational health and safety are complied with. Each location regulates the responsibilities and obligations in line with local conditions. The responsible managers are assisted by experts in the field of occupational health and safety.

Our occupational health and safety guidelines focus on prevention and continuous improvement. The guidelines emphasize the managers' obligation to act responsibly but also underscore the fact that the employees have to actively participate in the associated measures.

The occupational safety and health management system. Our occupational safety and health management system, which is standardized throughout Germany, also includes an in-house auditing concept according to the BS OHSAS 18001 standard. This concept is regularly updated. As occupational health and safety becomes more international at Daimler, we are gradually adapting our standards to conditions worldwide.



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Meanwhile, our Chinese joint venture Beijing Benz Automotive (BBAC) has been assessed by the State Administration of Safety Supervision, which named the company a Safety Production Standardization Benchmark Enterprise.

Accident documentation and accident statistics. Our cross-site accident documentation system is supported by a standardized statistics system. It ensures the database is correct by enabling users to access the source systems for the hours of attendance, lost working days, and organizational structures.

New accident-prevention initiative. A large share of accidents is caused by wrong behavior. Our go!MO 4 Safety project aims to increase employees' awareness of danger and provide inspiration for a new occupational safety culture. In addition to improved tools, it encompasses dialog workshops, a major communications campaign, and other measures.

Our basic accident-prevention tool is the risk assessment of workplaces and work processes. This tool is used to investigate individual processes. All of these individual assessments combined then generate the overall assessment. If necessary, medical examinations are then conducted in accordance with Germany's Regulation on Preventive Occupational Medicine (ArbMedVV). The concept is continuously adapted to legal changes and optimized.

Our system for determining the health risks of psychological stress (GPB) is an example of a risk assessment component. Each Daimler AG location has GPB assessment teams consisting of occupational safety experts, works council members, and company doctors.



Accident statistics

Responsible conduct





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Integrity

Especially in times of change, it's important to set your sights firmly on integrity as a goal. All of our measures for fostering integrity aim to be sustainable. They are helping to steadily develop our culture of integrity throughout the Group. Through our integrity management system we intend to set standards in the automotive and mobility sectors.

Orientation of the integrity strategy:

In times of change and uncertainty, shared values provide orientation and a sense of security. Integrity also plays an important role in the development of new products and services. That's why ethical aspects are kept in mind and taken into account from the very start of the process. As a result, preventive integrity-fostering measures help to reduce legal risks as well as risks to the company's reputation.

Offers of support for managers and employees:

In order to firmly establish integrity at all levels and in all areas, we are continuously expanding the measures we offer to our employees to support them in their daily work. These measures include

- training courses and measures to raise awareness of integrity, compliance, and legal issues
- internal and external qualification programs for officers at Integrity and Legal Affairs

Evaluation of integrity management at Daimler:

In order to precisely adapt our offers to our target groups and continuously improve them, we are developing a measurement process that will enable us to assess the effectiveness of our integrity measures and to refine them.



Additionally, within the field of action "Integrity" the measures enhance the Sustainable Development Goal 16 – Peace, Justice and Strong Institutions.



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For Daimler, integrity, compliance and legal responsibility are not merely abstract concepts — they are inseparable from our daily business activities. That is because only those who act responsibly can achieve sustained success over the long term. For us, this involves more than just obeying laws, as we also seek to align our activities with shared principles and values. In accordance with our values, we respect human rights and support their observance.

A culture of integrity. Integrity is one of the four corporate values that form the foundation of our business activities. For us, integrity means acting in accordance with ethical principles. This also includes our determination to ensure compliance with all applicable laws, internal regulations, and voluntary commitments. We expect all of our employees and business partners to adhere to the principles of our culture of integrity out of a sense of conviction. Our goal is to make integrity a permanent part of our corporate culture.

Organization of integrity management


The Integrity Management unit is responsible for the long-term promotion of the culture of integrity at our company. The unit's experts for change management, corporate responsibility management, training, consulting and communication develop innovative and employee-focused approaches that promote a culture of integrity at the company. These experts also support disseminators throughout the Daimler organization in their integrity-related activities. The unit's goal is to further establish and maintain a common understanding of integrity in order to reduce risks and help ensure the sustained success of the company. The Head of Integrity Management reports directly to the member of the Board of Management responsible for Integrity and Legal Affairs.

Our Integrity Code forms the basis of our business conduct. The Integrity Code is one of the most important results of the employee dialogs we have been conducting since 2011. It is based on a shared understanding of values agreed upon with our employees, and it lays out the principles for our everyday business conduct. These principles are based on compliance with laws. They include fairness, responsibility, mutual respect, transparency, and openness. The Code applies to all employees of Daimler AG and the Group and is available in 23 languages. A guide is available on the Group's intranet to support the employees in their application of the Code in everyday situations, providing answers to frequently asked questions.

 [Integrity Code – text \(PDF\)](#)

Requirements for management staff

Our Integrity Code also defines requirements for executives and managers, who are expected to serve as role models in terms of ethical behavior and to provide employees with orientation. To help them optimally fulfill their responsibilities, the new web-based Integrity@Work training program includes a management module that is compulsory for all management staff and which communicates a shared understanding of the role of our executives and managers with regard to integrity, compliance, and the law. Furthermore, selected seminars during the training of new managers and the further training of senior executives include modules on the subject of integrity. In addition, integrity and compliance requirements are important criteria for the target achievement of our executives. They are also part of the agreed objectives for the remuneration of the Board of Management.

 **Remuneration report and report of the Supervisory Board:**
AR 2017, pp. 136 ff.



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Contact and advice center. Our “Infopoint Integrity” is available to our employees around the world as a central contact and advice center. The Infopoint team offers advice on integrity-related issues in the daily working environment and puts employees in touch with the right contact partner if necessary. A worldwide network of local compliance and legal contact persons is also available to our employees.

Communication measures. We conduct an ongoing open dialog with our employees in order to ensure that ethical behavior continues to be established in the company’s daily business. We regularly address integrity issues in our internal media and make a wide range of materials available to our business units. During the year under review, we introduced an app that provides information on integrity, compliance, and legal affairs. We also place great value on face-to-face discussions. For this reason, we regularly conduct individually designed dialog events with employees at all levels of the hierarchy, as well as with external stakeholders. These events are held both in Germany and at our locations abroad.

We use various event formats to get employees to think about integrity by approaching the issue from different perspectives. At these events, we also increase the participants’ awareness of the importance of making ethical decisions. For example, we conduct business simulations that enable employees to experience and discuss the relevance of integrity to daily business operations from a new viewpoint. The things we focused on in 2017 included events that addressed the topic of integrity in technical fields. We also have a network of integrity contact persons who help the business units address specific issues in a targeted manner. In addition, we produce target-group-specific materials for managers who wish to raise awareness of integrity and potential ethical dilemma situations in their departments.

Compliance

Compliance is an indispensable part of the culture of integrity at Daimler. For us, compliance means acting in accordance with laws and regulations. Our objective here is to ensure that all Daimler employees worldwide are always able to carry out their work in a manner that is in compliance with applicable laws, regulations, voluntary commitments, and our basic values, as is set out in binding form in our Integrity Code. Our compliance activities focus on adhering to all applicable anti-corruption regulations, the maintenance and promotion of fair competition, adherence to legal and regulatory stipulations related to product development, the observance of and respect for human rights, compliance with data protection laws and our own data protection policy, adherence to sanctions, and the prevention of money laundering.

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

➤ **Graphic 18 p. 75**

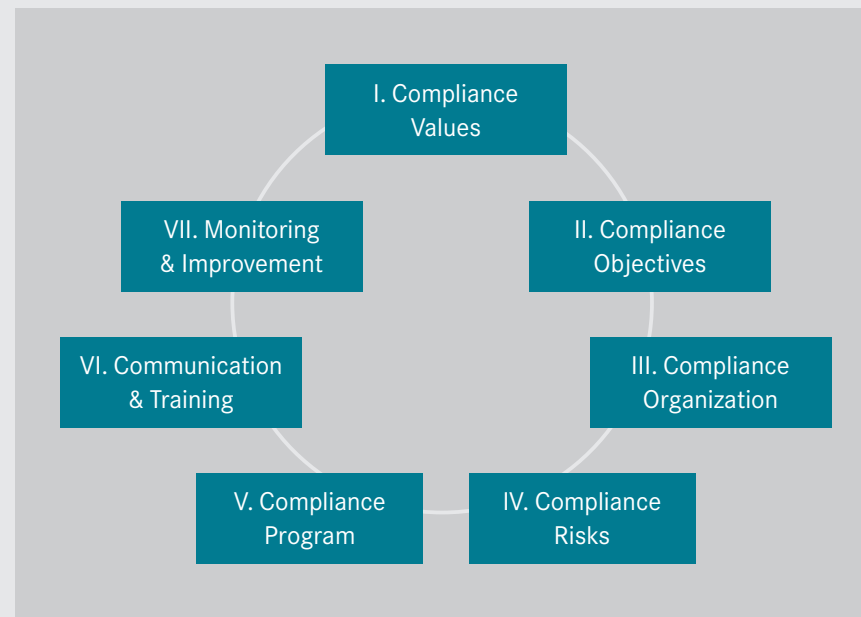
Our compliance values and goals. Our Compliance Management System (CMS) is designed to help Daimler and its employees avoid inappropriate or illegal behavior. The measures needed for this are defined by Group Compliance and the Legal department in a process that also takes the company’s business requirements into account.



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The Daimler Compliance Management System



Our compliance organization. Group Compliance and the Legal department play a major role in ensuring that applicable regulations are adhered to throughout the Group. Our compliance organization is structured in a divisional and regional manner, while our Legal department is organized regionally and along the value chain. These structures enable us to provide optimal support and advice to our divisions. A contact person is made available to each function, division, and region. In addition, a global network of local contact persons make sure that our standards are met throughout the Group and also help local management at selected Daimler facilities and sales companies implement our compliance program.

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

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

- **The whistleblower system BPO (Business Practices Office)** enables Daimler employees and external whistleblowers to report misconduct anywhere in the world. The BPO is available around the clock to receive information that is sent by e-mail or normal mail. Such information can also be provided to the BPO by calling an external toll-free hotline or by filling out a special form. Reports can be submitted anonymously if local laws permit this. In Germany, reports to the BPO can also be submitted via a neutral intermediary, who in this case is an independent external attorney. The information provided to the BPO enables us to learn about potential risks and specific violations and thus prevent damage to the company and its reputation. A globally valid corporate policy aims to ensure a fair and transparent approach that takes into account the principle of proportionality for the affected parties, while also giving protection to whistleblowers. In an effort to increase trust in our whistleblower system and make it even better known within the Group, we have established a continuous communication process that includes the periodic provision of information to employees about the type and number of reported violations, as well as the staging of informational and dialog events at our locations.



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A total of 95 new BPO cases were opened in 2017. During the year under review, 96 cases were closed, 61 of them “with merit,” which means the initial suspicion was confirmed. Three of these cases were categorized as “corruption.”

With regard to those cases that are closed “with merit,” appropriate response measures are decided in line with the principles of proportionality and fairness. Such measures are only taken if the investigation of the case in question leaves no doubt of misconduct on the part of the accused individual(s). Measures taken in 2017 included the issuing of verbal and written warnings and final warnings, as well as separation agreements and extraordinary terminations. In some cases, there were claims for damages, while in others those guilty of violations stepped down voluntarily.

- **Compliance on the part of our business partners.** We also require our business partners to adhere to clear compliance requirements because we regard our business partners’ integrity and behavior in conformity with regulations as an indispensable precondition for trusting cooperation. In the selection of our direct business partners, we therefore ensure that they comply with the law and observe ethical principles. In financial year 2017, we began reviewing our standardized process for examining all of our business partners (Business Partner Due Diligence Process) and implementing ongoing monitoring measures to increase process effectiveness and efficiency. Back in 2016, we published a “Compliance Awareness Module” that can be made available to our business partners on request and is designed to increase their awareness of the latest compliance requirements. We also reserve the right to terminate cooperation with business partners who fail to comply with our standards.

What we expect from our business partners

Communication and training. Our extensive training courses are based on our Integrity Code. The integrated training program is defined on the basis of an annual planning cycle that includes everything from a needs

analysis to the implementation of the program and a monitoring process. Among other things, the program covers the topics of integrity, compliance (including corruption prevention and technical compliance), data protection, and antitrust law. Depending on the risk and the target group, we use classroom training or digital learning techniques such as web-based training courses.

Every employee with e-mail access who works at a Daimler controlled company can participate in a web-based and target-group-focused training program consisting of several modules – a basic module, a management module (for managers), and expert modules on antitrust law, data protection, procurement, sales, and non-cash rewards for employees etc. This program is being continuously expanded in line with the requirements of specific target groups.

With the exception of industrial employees, employees are automatically assigned mandatory modules relevant to their role and function. This ensures that each employee is given exactly the modules needed for his or her line of work. These training modules are assigned when an employee is hired, promoted, or transferred to a position that involves a heightened risk. This approach ensures that all personnel changes are properly addressed. In general, the program must be repeated every three years.

A new mandatory version of the training program was rolled out at the end of the year under review. The web-based training courses are supplemented by classroom training sessions that are conducted by central or local trainers. We provide our internal trainer network with modular training documents and materials for the methodical implementation of the courses. Such materials include a guideline for trainers and explanatory videos that can be used in a target-group-specific manner in accordance with the risks associated with the functions of the participants. A total of approximately 96,300 employees from various hierarchy levels attended a classroom training course or participated in web-based training courses in 2017.



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Our integrated training program also includes target-group-specific qualification measures that help staff at Group Compliance and the Legal department address changes to regulations and the legal framework. In addition, all new employees at both departments attend a special practical seminar that offers a comprehensive introduction to this topic.

All of these training measures contribute to the permanent establishment of ethical and compliant behavior at the company and also help our employees deal with specific issues that can occur at work. The same is true of the new Daimler app for integrity, compliance, and legal affairs. The app can be downloaded and used by all employees with an iOS company-owned device. Among other things, the app enables mobile access to information on corruption prevention and antitrust law.

We have also further expanded our qualification and consulting program for individuals who perform supervisory and management functions. New members of executive bodies at companies in which Daimler is the majority shareholder are given a compact overview of key aspects of corporate governance via the Corporate Governance Navigator, which is a target-group-focused program that supports them in their new role by providing information on their tasks and responsibilities, contact partners, and units that deal with central issues addressed by the Integrity and Legal Affairs division and adjacent units.

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



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Training programs 2017

Web-based training program	Target group	Number of participants	
Total		73,110	
Basic module – Integrity@Work (Basic knowledge about integrity, preventing corruption, antitrust law, data protection, and the whistleblower system)	Administrative unit employees in controlled Daimler companies with their e-mail addresses thereof	44,420	
	Administrators (incl. E5) worldwide:	38,632	
	Managers (E4 and above) worldwide:	5,788	
Management module – Integrity@Work	Managers (E4 and above) worldwide:	5,203	
Expert module – Antitrust	Administrative unit employees in controlled Daimler companies with their e-mail addresses thereof	19,402	
	Administrators (incl. E5) worldwide:	12,514	
	Managers (E4 and above) worldwide:	6,888	
Expert module – Data Protection	Administrative unit employees in controlled Daimler companies with their e-mail addresses thereof	4,085	
	Administrators (incl. E5) worldwide:	3,534	
	Managers (E4 and above) worldwide:	551	
Face-to-face training courses	Target group	Number of events	Number of participants
Total		23,147	
Antitrust law	Managers and administrators worldwide	214	4,120
Preventing corruption	Managers and administrators worldwide	788	13,908
Module on integrity and compliance for newly appointed and promoted managers	Managers (E4)	23	595
	Senior managers (E3)	6	222
Module on integrity and compliance for students at the Cooperative State University and the CAREer program	Junior employees	10	296
Module on Technical Integrity for managers involved with car development	RD Board Members, Vice Presidents (E1), Directors (E2),	1	75
	Senior Managers (E3)	5	358
Training tCMS and certification @RD	All RD employees	32	3,573



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Monitoring and improvements. Every year, we review the effectiveness and efficiency of our Compliance Management System and adapt it to global developments, changed risks, and new legal requirements. We also monitor important core processes during the year on the basis of key performance indicators (KPIs) that include process duration and quality. To determine these indicators, we check, among other things, whether formal requirements are met and all information is complete. In addition, we analyze the knowledge gained through independent internal and external assessments and participate in selected benchmark studies. These activities are used to define any required improvement measures, which are implemented by the responsible units and departments and then monitored on a regular basis. The relevant management bodies continuously receive reports on these monitoring activities.

Involvement of company management. Our divisional and regional compliance managers report to the Chief Compliance Officer. This guarantees the compliance managers' independence from the business divisions. The Chief Compliance Officer and Group General Counsel report directly to the Member of the Board of Management for Integrity and Legal Affairs and to the Audit Committee of the Supervisory Board. They also report four times each year to the Board of Management of Daimler AG on matters such as the status of the Compliance Management System and its further development, the status of the whistleblower system, and, if necessary, on other topics. In addition, the Group General Counsel regularly reports to the Antitrust Steering Committee and the Group Risk Management Committee, to which the Chief Compliance Officer also reports.

Important non-financial reporting topics. Eliminating corruption, preventing cartel arrangements and ensuring compliance with technical regulations – we introduced our Compliance Management System (CMS) in order to address exactly these issues, which are extremely important to us. The Corporate Data Protection department adapts the CMS for the establishment of a data and data protection risk management.

- **Anti-corruption compliance.** Daimler has committed itself to fighting corruption in its own business activities. Along with complying with all applicable laws, this also involves adhering to the rules of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (1997) and the United Nations Convention against Corruption (2003). As a founding member of the UN Global Compact and a part of its LEAD Group, Daimler also seeks to ensure that not only the company itself but also its business partners and customers act in accordance with the principles of the UN Global Compact. The most important goals here are to fight corruption around the world in order to enable fair competition, eliminate the damage corruption does to society and thus improve conditions for everyone.

Our anti-corruption compliance program is based on our comprehensive Compliance Management System. The program is globally valid and primarily consists of the following components: integrated risk assessment, risk-based measures for avoiding corruption in all business activities (e.g. reviews of business partners and transactions), and special care in contacts with authorities and public officials. Our risk-minimization measures focus in particular on sales companies in high-risk countries and business relationships with wholesalers and general agencies worldwide.



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The responsibility for implementing and monitoring measures lies with each company's management, which cooperates closely with the specialist units within Integrity and Legal Affairs.

Daimler places the same strict requirements on all of its activities around the world. In addition, we continuously improve our methods and processes and use a variety of communication measures to make our employees aware of the importance of fighting corruption. Among other things, we released a film and set up a separate website to address this issue during the year under review.

👁 [Further information about communication and training courses: pp. 76 ff.](#)

- **Antitrust Compliance.** Our Group-wide Antitrust Compliance Program is oriented to national and international standards. The program establishes a binding, globally valid Daimler standard that defines how matters of competition law are to be assessed. The Daimler standard is based on the standards of the European antitrust authorities and courts. The objective of the Daimler standard is a uniform level of compliance and advice in all countries and thus compliance with all local and international antitrust laws.

By means of an advisory hotline set up by our Legal department, as well as guidelines and practical support, we help our employees around the world recognize situations that might be critical from an antitrust perspective, and also act in compliance with regulations in their daily work, especially when dealing with competitors, cooperating with dealers and general agencies around the world, and participating in business association committees.

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

The results of our annual compliance risk analysis serve as the basis for the formulation of measures that address antitrust risks. The responsibility for designing, implementing, and monitoring measures lies with each company's management. Managers in turn cooperate closely with Integrity and Legal Affairs, which also provides information on how to implement the measures effectively. The at-risk units in particular must regularly systematically assess the adequacy and effectiveness of locally implemented antitrust compliance measures. In addition, our Legal and Corporate Audit departments conduct additional monitoring activities at our company's units, as well as random audits of at-risk units on the basis of a predefined audit plan in order to ensure that antitrust laws are complied with and internal processes are carried out properly. This helps us continuously improve the effectiveness of our Antitrust Compliance Program and adapt it to global developments and new legal requirements. The associated methods and processes are being constantly refined and improved.

In order to ensure an independent external assessment of our Antitrust Compliance Program, KPMG AG Wirtschaftsprüfungsgesellschaft audited the Compliance Management System for antitrust law in accordance with the 980 standard of the Institute



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of Public Auditors in Germany. This audit, which was based on the principles of appropriateness and effective implementation, was successfully completed at the end of 2016.

👁 [Antitrust proceedings against Daimler AG: AR 2017, notes, pp. 286 ff.](#)

- **Technical compliance.** As part of our efforts to continuously improve our products, technologies, and organization, we repeatedly examine new development possibilities and also optimize our processes. This includes adjusting and improving our existing Compliance Management System – for example in terms of compliance with technical regulations. In order to address the specific risks associated with the product development process, we combined all existing systems and additional measures and processes at Mercedes-Benz Cars into a technical Compliance Management System (tCMS) during the reporting year. This system includes fundamental principles and elements intended to ensure ethical conduct and work processes throughout the Group and compliance with applicable laws. Measures are currently under way to introduce the tCMS at Mercedes-Benz Vans, Daimler Trucks, and Daimler Buses.

Our technical Compliance Management System helps create clarity with regard to compliance with technical regulations and also offers guidance with regard to these regulations, which can be very complicated. These questions are jointly examined and answered in an interdisciplinary process that takes into account legal and technical criteria. The tCMS addresses both the complexity of regulatory requirements and ongoing developments in the automotive industry.

Employees at Group Research and Development are supported here by a network of disseminators – direct contact partners for questions concerning technical compliance in their areas of responsibility. This network of disseminators is being expanded throughout the Group. We also employ various communication measures to raise awareness among selected target groups. Such measures include special dialog events and guidelines on integrity, compliance, and legal considerations in the product development process. For example, some 3,600 employees at Mercedes-Benz Cars Development had taken part in classroom training courses on technical compliance by the end of 2017.

Technical compliance is managed Group-wide by an internal team consisting of employees with expertise in various fields, such as development, legal affairs, integrity, and compliance. The Board of Management members responsible for Integrity and Legal Affairs and Group Research and Development receive regular reports on the status of the technical Compliance Management System.



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- **Data protection compliance.** The Corporate Data Protection department provides worldwide support to all Group companies and helps ensure compliance with data protection requirements. The Chief Officer Corporate Data Protection is independent and reports directly to the Board of Management member for Integrity and Legal Affairs. The annual data protection report is submitted to the Supervisory Board. Our Corporate Data Protection Policy creates Groupwide standards for handling the data of employees, customers and business partners, and also meets the requirements of current European data protection laws. Preparations are now under way for implementation of the new European data protection regulation that will go into effect in May 2018. The Corporate Data Protection department is the point of contact for data protection complaints. It also carries out checks and audits, raises employees' awareness of data protection, and advises the relevant specialist departments. Product-related advice focuses on data protection for connected vehicles and automated driving functions, as well as mobility services.

👁 **Further information about compliance with data protection requirements: pp. 49 f.**

Other compliance issues. It is very important to Daimler to minimize all legal and economic risks. Along with the issues described above, our Compliance Management System therefore also addresses other issues, such as the prevention of money laundering and compliance with sanctions lists.

- **Anti-money laundering compliance.** Our Anti-Money Laundering Policy is designed to prevent money laundering and the financing of terrorism in the trade with goods and in activities carried out by Daimler Financial Services. It sets out to ensure that legislation in various countries is complied with throughout the Group, and that internal regulations that go beyond such legislation are complied with as well. The Chief Compliance Officer serves as the anti-money laundering officer of Daimler AG as a distributor of goods. An Anti-Money Laundering Policy of competence supports the Chief Compliance Officer in the management and coordination of money laundering prevention measures. The Divisional Compliance Office Financial Services coordinates and supports the implementation of the Anti-Money Laundering Policy at Daimler Financial Services.
- **Sanctions compliance.** We have introduced a risk-focused, system-based process at relevant specialist departments and Daimler AG-controlled holdings that ensures compliance with EU and US sanctions and internal regulations. The Center of Competence CSL (Checks against Sanctions Lists/Sanctions Compliance) provides implementation support to the relevant specialist departments and the Daimler AG-controlled holdings.

Information about significant legal proceedings against companies within the Daimler Group is provided in the Annual Report for the reporting year 2017. We do not report on criminal proceedings against natural persons, because convictions or resolutions under criminal law against natural persons are not communicated to Daimler AG.

👁 **Proceedings against Daimler AG: AR 2017, notes: pp. 286 ff.**



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Human rights

Our Human Rights Respect System (HRRS) is intended to ensure that the human rights of our employees are respected worldwide. Furthermore, it will work towards ensuring that the human rights of employees at our Tier 1 suppliers and – via a risk-based approach beyond the first Tier – at suppliers of products. Through this system we aim to become the benchmark for the automotive and mobility services sectors.

Management system for due diligence regarding human rights

The Human Rights Respect System is designed to enable the early identification and avoidance of systemic risks and possible negative effects of our business activities on respect for human rights. The HRRS is based on our Group-wide Compliance Management System (CMS).

Human rights in majority holdings

The risk assessment methodology for companies in which Daimler holds a majority share will be finalized and pilot projects will be conducted by the end of 2018. The target horizon for establishing the Human Rights Respect System in our own majority holdings, including program management, monitoring, and reporting, is 2020.

Human rights in the supply chains

The risk assessment methodology for Daimler's supply chains will be finalized by the end of 2018. The target horizon for establishing the Human Rights Respect System in the supply chains, including program management, monitoring, and reporting, is 2020.



Additionally, within the field of action "Human Rights" the measures enhance the Sustainable Development Goal 16 – Peace, Justice and Strong Institutions.

Daimler has been working on a company-specific approach to human rights since 2008. In 2011 we began developing a systematic due diligence approach for our company, initially on the basis of the Human Rights Compliance Assessments of the Danish Institute for Human Rights. Since 2015, we have been working with the Daimler Human Rights Respect System (HRRS), which we developed ourselves with the specific requirements of the company in mind.

Respect for human rights is also a key component of our Group-wide sustainability strategy. We are committed to proving to the greatest extent possible that these elementary rights are respected and upheld throughout our organization, by our partners and by our suppliers as well. The UN Guiding Principles on Business and Human Rights and Germany's National Action Plan on Business and Human Rights define the associated principles and due diligence obligations.



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It is our aim to fulfill these obligations and we are therefore gradually expanding our Human Rights Respect System (HRRS) as our Due Diligence Framework, including regular consultations with external stakeholders. As a proactive risk management system for human rights, the HRRS is designed with the aim of identifying and avoiding systemic risks and potential negative impacts of our business activities on human rights early on. The HRRS thus primarily protects third parties and is aimed at exerting its effect along at our supply chain as well. Along with relevant legislation, we also focus on multinational initiatives and frameworks, in particular the UN Guiding Principles on Business and Human Rights and the principles of the UN Global Compact. In line with the expectations regarding a human rights policy expressed in these documents, we have clearly defined what we expect from all of our employees and business partners. These expectations are formulated in our Integrity Code, our Supplier Sustainability Standards, and our supplier agreements. The responsibility for human rights issues lies with the Integrity and Legal Affairs division.

The HRRS, which orientates itself on our Group-wide Compliance Management System (CMS), utilizes a risk-based approach in its focus on Daimler majority holdings (including production locations) and our supply chain. Also part of the HRRS is the consultation and exchange with rights holders, for example our employees and their representatives. We continue to develop the HRRS and implement it step by step. In the last two years, for example, we conducted two HRRS pilot projects for Daimler majority-owned companies at our international locations and, where necessary, initiated improvements and also identified best practices for other locations. We were also able to further improve the system we use to classify all Daimler majority holdings in terms of human rights risks. We are working to firmly establish the HRRS for Daimler majority-owned companies by 2020 at all our locations, thereby supplementing the already existing decentralized measures with a dedicated system.

Due-Diligence with the Human Rights Respect System. The HRRS is designed to identify and avoid systemic risks and possible negative effects of our business activities on human rights early on. It consists of four steps that are to be applied to Daimler majority-owned companies and the supply chain:

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

Identification of human rights risks at Daimler majority holdings.

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

In 2017 we used the experience gained with the pilot projects to make adjustments to our previous two-step risk assessment process. We also had external stakeholders verify the HRRS in general and our risk assessment methodology in particular. During this verification process, we were given valuable suggestions for further adapting and expanding the system. We are also currently developing an effective approach to program implementation, monitoring, and reporting.



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Identification of human rights risks in our supply chain. Since 2008 we have defined our expectations towards our suppliers regarding sustainability in our Supplier Sustainability Standards. Stipulations concerning working conditions and human rights are key components of these. In order to ensure that we can meet our human rights due diligence obligations even more systematically, we are gradually introducing the HRRS in our supply chain as well. To this end, clear risk classifications for Daimler supply chains were developed in line with specific product areas (e.g. production materials or services) in 2017. This also includes minerals commonly associated with conflicts. We are utilizing our risk-based approach in order to determine which supplier products and at which stages of our extensive supply chain we should take targeted and appropriate measures beyond our direct suppliers.

Further Group-wide measures. Within our sales division, we conduct individual assessments of potentially critical transactions in cooperation with all units involved.

Within the context of our regular training sessions for employees, we raise awareness and provide information on the obligation to respect human rights in the course of our Group's business operations in compliance with the Integrity Code. Particular importance is thereby attributed to ensuring that management personnel of our security organizations are sensitized to human rights concerns through compliance processes. External security personnel are also provided with information and instructions regarding the respect for human rights in line with our Group-wide procurement guidelines.

Employees and external informers can use various channels, such as the BPO (Business Practices Office) whistleblower system and the World Employee Committee, to report suspected human rights violations and gain "access to remedy" as defined by the third pillar of the UN Guiding Principles on Business and Human Rights.



Our principles and guidelines



The BPO whistleblower system: pp. 75 f.

On the basis of our analyses no cases of child labor, forced labor, or violations against the right to collective bargaining or freedom of association could be identified within the Daimler Group in 2017. Individual cases of such violations in the deeper supply chain, including the use of child labor for the extraction of raw materials, were or are subjected to investigation.

Since 2017 we have been engaging in constructive dialog with an indigenous group in Scandinavia concerning our operations in areas that partially include this group's traditional grazing land.

In addition to these measures, we reviewed and followed up on reports and tips concerning particular incidents that we received from the general public. In cases where we have identified a need for action, we work continuously, alone or in cooperation with our partners, to develop possible solutions.

Involvement at the executive level. The member of the Board of Management responsible for Integrity and Legal Affairs is informed on human rights activities at regular intervals. This is supplemented by regular reports submitted to the Board of Management and the Corporate Sustainability Board (CSB), as well as to the Procurement Council (PC) within the framework of our sustainability strategy.



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Regulatory responsibility

As a globally operating company, we have to deal with a wide range of political changes and decisions that impact our business activities. We therefore consider it important to conduct an open dialog with governments, associations, organizations, and various groups in civil society. Through our lobbying activities, which reflect our sense of responsibility and compliance with regulations, we intend to be a reliable partner at every stage of the political opinion-shaping process.

In order to evaluate fact-based lobbying activities in line with developing national and international lobbying laws and the related obligations, we need to develop appropriate metrics. Furthermore, we want to continue sharpening our employees' awareness of the need for responsible action and compliant lobbying in their daily business activities. To this end, we offer support in the form of training courses concerning our management guideline "Lobbying, Political Contributions, and Party Donations Policy."



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

Our principles for political dialog and communicating our interests form the basis of responsible lobbying in compliance with all laws and regulations. This also includes the idea of maintaining neutrality when dealing with political parties and representatives of interest groups. The aim of our discussions with political decision-makers is to achieve greater planning security and contribute our ideas to processes of social change. We focus here on issues such as vehicle safety, emission regulations, new mobility concepts, and electric mobility. Other important issues include trade policy, location-specific matters, education, and human resources policy.

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



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We regard contributions to political parties as an element of our social responsibility and our participation in the democratic process. We grant these contributions in strict conformity with applicable law and always on the basis of resolutions of the Board of Management. As was the case in previous years, we once again supported political parties in Germany in 2017, donating a total of €320,000. Of this total, the CDU and SPD each received €100,000, and the FDP, CSU, and BÜNDNIS 90/DIE GRÜNEN €40,000 each.

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

The Group-wide Lobbyist Register ensures that political lobbying is carried out in accordance with applicable regulations and ethical standards. The register also helps us meet the registration requirements of public institutions.

Involvement in associations. In addition to direct dialog with political decision-makers, we are also indirectly involved via the major industrial associations, such as the German Association of the Automotive Industry (VDA). In these ways we participate at all levels in the political debates concerning air pollution control in German cities and the promotion of sustainable mobility. We are actively participating in the development of solutions by means of our know-how and our technology.

The “Urban Mobility” platform. We assign high priority to our involvement in the VDA initiative “Urban Mobility.” In cooperation with the VDA, German cities and companies from the automotive industry have joined together in order to develop and implement sustainable approaches to solutions for the urban mobility of the future.

To this end, the platform that was officially presented in 2017 has established an ongoing process of dialog and cooperation with the responsible officials, planners, and all other individuals who are involved in the development of mobility in urban areas. The goal is to cooperatively create mobility and logistics offers that correspond to the requirements of city-dwellers and improve their living conditions and social environment. The planning includes the implementation of pilot projects in interested cities. These projects will be scalable and can serve as models for other cities. As a member of this initiative, Daimler is working intensely on possible solutions.

Partnership with the city of Hamburg. We have formed an extensive partnership with the city of Hamburg. In a project that we plan to complete by 2020, Daimler intends to support the comprehensive electrification of Hamburg’s urban transport, bus, and individual mobility systems and expand digital mobility platforms for this purpose. The plan aims to make all areas of urban mobility electric: individual mobility, goods transportation, and local public transport systems. For example, in the future the car2go fleet will largely consist of electric vehicles. Cooperative projects for mobile platform solutions such as switchh and moovel are also being planned.



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As part of the agreement, Hamburg will set up a total of 1,000 publicly available charging stations for electric vehicles step by step throughout the city by 2019. It will also set up 150 charging stations at switchh points exclusively for carsharing vehicles. And it will also be the first city in Germany to offer a significant number of parking spaces for carsharing and electric vehicles. Daimler, for its part, intends to gradually electrify the car2go carsharing fleet in Hamburg by the end of 2019. In addition, the carsharing services will be integrated into the urban mobility platform switchh so that the use of HVV (Hamburg's public transport association), carsharing, and bicycle sharing can be offered to Hamburg residents from a single source in the future. The plan also calls for intensifying the existing partnership within the framework of moovel. The aim is to create a comprehensive and low-emission mobility service in Hamburg.

Hamburg and Daimler will also be working together in other areas. Within the context of the city's plan to procure only emission-free buses starting in 2020, Daimler and Hamburg intend to continue their successful joint evaluation of concepts for the use of electric buses. The two partners also want to cooperatively provide Daimler vans and trucks with electric drive and test them in practical applications.

Regulatory agreements concerning a Europe-wide network of high-power charging stations. The point when electric mobility achieves its breakthrough in Europe crucially depends on the available charging infrastructure. Through the establishment of the IONITY joint venture in November 2017, the BMW Group, Daimler AG, Ford Motor Company, and the Volkswagen Group together with Audi and Porsche laid the foundation for the creation of the highest-power charging network for electric vehicles in Europe. The establishment and operation of approximately 400 high-power charging (HPC) stations by 2020 will be a major step forward in enabling long-distance journeys with electric vehicles and thus establishing these vehicles in the market. The charging power of up to 350 kW per HPC station enables correspondingly designed vehicles to charge their batteries much faster than is possible with the systems available today. The system's openness and its distribution throughout Europe will help to significantly increase public acceptance of electric vehicles.

In order to make this possible, extensive agreements at the political and regulatory levels have already been concluded and will continue to be needed in the future. For example, it had to be ensured that in the future every charging station in the European Union and every vehicle manufactured by a European automaker will support the Combined Charging System (CCS) so that drivers can recharge their electric vehicles at a normal speed as well as via the high-power fast charging process. Regulatory agreements are essential in other areas as well. For example, planning security must be created for everyone involved if electric mobility is to be integrated into construction, home ownership, and rental law. In addition, adaptations of tax law are needed – for example, to ensure that employees can recharge their vehicles at their place of work without being subject to any tax-related disadvantages.



Further Topics






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Corporate environmental protection

We take an integrated approach to our corporate environmental protection measures. This means that we strive to prevent possible negative environmental effects at their source. We reduce the possible negative environmental effects of our activities by means of effective environmental and energy management systems and state-of-the-art technologies. Through these measures we promote climate protection, conserve valuable resources, and help to preserve a livable environment — at our locations and beyond.

Guidelines and standards. We have formulated our requirements for a comprehensive system of environmental protection in the Environmental and Energy Guidelines of the Daimler Group. Detailed specifications of the Group-wide environmental management system are defined in our Environmental Management Manual. In addition, we have internal standards for topics such as the handling of hazardous materials, waste management, and the prevention of soil and groundwater contamination.

 [The Daimler Group's Environmental and Energy Guidelines \(PDF\)](#)

Effective organization. On behalf of the Daimler Board of Management, the Board member responsible for Group Research and Mercedes-Benz Cars Development is also charged with the company's environmental protection activities. The Chief Environmental Officer coordinates the Group-wide environmental management activities and advises the company's management on environmental issues. She receives operational support from the Corporate Environmental Protection & Energy Management department, which, among other things, develops the methodological regulations for environmental and energy management, analyzes the legal requirements, draws up overarching standards, and reports internally and externally about developments in the area of environmental

protection. Regional committees and work groups in Europe, Asia, and North and South America ensure that corporate requirements are communicated and that local and regional conditions for production-related environmental protection are also taken into account.

Training and awareness programs. We regularly organize practical training and awareness programs for employees and managers in order to inform them about production-related environmental risks and to communicate legal requirements and in-house regulations.

Our environmental risk analysis system encompasses all processes that are relevant to the environment: emissions into the atmosphere and into wastewater, waste management, the handling of hazardous materials, and damage to the soil and groundwater. Trained auditors regularly conduct interviews and plant tours according to predefined procedures. The findings are documented in reports and result in catalogs of measures that are forwarded to the heads of the production locations and sent in summarized form to the top management.

Certified management systems. The environmental management systems of our production locations are certified worldwide in accordance with ISO 14001. In addition, almost all of our German locations are certified according to the EU Eco Management and Audit Scheme (EMAS). Our energy management system has been fully certified at all of our German locations. Certification is under way at our foreign locations.

Comprehensive CO₂ reporting. We publish our CO₂ emission statistics in accordance with the standards of the Greenhouse Gas Protocol (GHG). Along with the emissions produced by our own energy and heat generation activities (Scope 1) and by the external procurement of energy and district heating (Scope 2), we also take into account the upstream and downstream emissions that result from our business activities (Scope 3).

 [Scope 3 emissions in 2017 \(PDF\)](#)



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Organizational Life Cycle Assessment. In 2017 Daimler was the only automotive company in the world to take part in the Organizational Life Cycle Assessment (O-LCA) project of the UN Environment Life Cycle Initiative. This method for conducting comprehensive life cycle assessments helps us to document our environmental effects at the Group level while taking into account all of the effect categories.

Areas of action. We focus on three key environmental aspects of the vehicle production at our worldwide locations:

- 1 **Energy efficiency and low-CO₂ production:** We reduce the combustion of fossil fuels that directly or indirectly generates CO₂ emissions.
- 2 **Air purification:** In particular, we are continuously reducing the emissions of organic solvents at the paint shops.
- 3 **Waste and resource management:** We either recycle raw materials and supplies or repeatedly reuse them. An environmentally friendly manufacturing engineering system helps us to avoid waste and to recycle waste that is unavoidable.

For example, the new production site for passenger cars engines in Jawor, Poland is expected to set standards in the area of resource-saving production processes: together with energy suppliers and local authorities, solutions for CO₂-neutral engine production are being developed, for example through the use of wind power, solar energy or biogas applications.

In Kamenz, the second battery factory has been designed as a CO₂-neutral factory with an energy balance of zero: Daimler's approach to electric mobility is an integrated one, attaching key importance to sustainability already at the production stage. The production facilities will be supplied with energy from a combined heat and power plant and a photovoltaic plant in combination with stationary battery storage units. With state-of-the-art facilities and technologies, the new battery factory will also set standards regarding Industry 4.0.

Further areas of action are water pollution control, soil protection, and biodiversity, as well as the environmentally compatible organization of logistics and employee transport.

Results and key figures of corporate environmental protection at Daimler

Requirements for our suppliers. In order to avoid or at least limit environmental risks and excessive resource consumption in advance, we demand that our suppliers fulfill our general sustainability requirements, the stipulations of their contracts, and the explicit environmental requirements of the respective specifications. This includes, among other things, energy efficiency and material selection requirements, as well as bans on specific substances and recycling requirements for delivered components. We also expect our suppliers to operate with an environmental management system that is certified according to ISO 14001, EMAS or other comparable standards.



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Joint ventures – production

Daimler in China

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

Ownership

50 percent Daimler,
50 percent Foton

Location

Beijing

Production volume in 2017

118,244 units

Production (from 2014)

medium and heavy-duty
Auman brand trucks
Mercedes-Benz OM 457 LA engines

Energy consumption

439.8 GWh

- thereof electricity: 84.5 GWh
- thereof natural gas: 225.9 GWh
- thereof heating oil: 129.4 GWh

Beijing Benz Automotive Co., Ltd. (BBAC)

Ownership

49 percent Daimler,
51 percent BAIC

Location

Beijing

Production volume in 2017

432,090 units

Production

Mercedes-Benz C-Class, E-Class
(long version for the Chinese market),
GLK, car and van engines

Energy consumption

855.9 GWh

- thereof electricity: 410.0 GWh
- thereof solar electricity: 6.2 GWh
- thereof natural gas: 439.7 GWh

Shenzhen BYD Daimler New Technology Co., Ltd.

Ownership

50 percent Daimler,
50 percent BYD Co. Ltd.

Location

Shenzhen

Development

Electric vehicles of the DENZA brand

Fujian Benz Automotive Co. (FBAC)

Ownership

50 percent Daimler and China Motor Corporation, 50 percent Fujian Motor Industry Group Co., Ltd.

Location

Fuzhou

Production volume in 2017

22,636 units

Production

Body shop and assembly plant for vans
(Vito, Viano, and Sprinter)

Energy consumption

68.7 GWh

- thereof electricity: 35.6 GWh
- thereof natural gas: 33.0 GWh

The holdings shown are not within the scope of consolidation and are therefore stated separately.



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Social responsibility

For us as a globally operating company, the promotion of social progress all over the world is an area of concern and an obligation. That's because we believe that business success and social responsibility go hand in hand. As a company, we strive to contribute to the advancement of society and to effectively shape, help, and promote its development in order to create recognizable benefits.

In 2017 we spent more than €60 million on donations to non-profit organizations and the sponsorship of socially beneficial projects, in addition to our foundation activities and projects that we ourselves initiated.

Effective control, high transparency. The donations and sponsorship committee of the Board of Management manages all of our donations and sponsorship activities around the world. The committee is guided by our Sponsorship and Donations Policy, which specifies binding regulations concerning criteria, legal provisions, and ethical standards. Transparency is additionally facilitated by the donations and sponsorship database, in which all the donations and sponsorship activities of the Group worldwide must be recorded. Regular communication measures help our employees to comply with these policies worldwide and make them aware of the risks associated with donations and sponsorships.

DaimlerWeCare. We consider it very important that our locations and our employees can identify themselves with our activities. We therefore support the efforts of our employees to promote the common good, and we also work to improve the social environment in the communities where we operate. In addition, we initiate a variety of aid projects all over the world. Among other things, we strengthen communities, promote education, science, art, culture, and nature conservation, and also support initiatives for improving road safety. These issues are addressed in a variety of projects associated with our three pillars: "For our employees," "For our locations," and "Around the world."

 [More about our social commitment](#)

Funding through foundations. In areas such as sports, science, and research, we combine our social responsibility activities in foundations. The following three foundations are especially important:

- The Laureus Sport for Good Foundation has initiated a movement that brings together people all over the world. It primarily enables socially disadvantaged children and teenagers to discover their potential through sports. This often opens up opportunities for them to have a better future. There are now over 150 Laureus projects in more than 35 countries.

 [Laureus Sport for Good](#)

- The Daimler and Benz Foundation supports interdisciplinary research for clarifying the interrelationships between human beings, the environment, and technology. To this end, the foundation adopts ideas from science, business, and society at large and promotes their in-depth scientific study.

 [Daimler and Benz Foundation](#)

- Since 1993, the Daimler fund within the Donors' Association has been funding interdisciplinary research projects for obtaining and communicating scientific findings.

 [Daimler fund \(available in German only\)](#)



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Suppliers

The expansion of electric mobility is presenting new challenges to the automotive industry today. This is due to the fact that drive systems, batteries, and the power electronics of electric vehicles and hybrids contain a large amount of valuable materials. As a DAX-listed company, we are aware of the responsibility we have to society. That's why we repeatedly take action to address all the new challenges we face. Our business activities are guided here by binding rules based on the United Nations Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights, and the Guidelines for Multinational Enterprises issued by the Organisation for Economic Cooperation and Development (OECD).

Contractual agreements. For years now, our Supplier Sustainability Standards have defined strict sustainability requirements that our suppliers need to meet. The most important requirements include respect for human rights, compliance with regulations on working conditions, and the implementation of an environmental management system. Among other things, Mercedes-Benz contractual terms explicitly prohibit child labor in accordance with the standards of the International Labor Organization (ILO). All of our suppliers must meet the requirements defined in the Daimler AG Supplier Sustainability Standards (prevention of child labor and commitment to environmental protection, anti-corruption policies, and ethical standards). Our suppliers also have to ensure that their own sub-suppliers comply with the Supplier Sustainability Standards. These contractual terms have been accepted by all of our suppliers.

Qualification and training. We conduct periodic training sessions in order to make our suppliers and our own procurement staff and quality engineers more aware of the importance of sustainability in the supply chain.

Due diligence process using the example of Mercedes-Benz Cars. Daimler promotes and supports responsible raw material acquisition processes with regard to battery cell materials such as cobalt, and also for traditional raw materials such as aluminum, mica, and steel.

In general, and before any agreements are signed, all new Mercedes-Benz suppliers undergo potential analyses in which our more than 700 quality engineers assess a supplier's sustainability performance through onsite inspections. The objective, and thus the inherent component, of the potential analyses is to ensure that the provisions of our Supplier Sustainability Standards (e.g. with regard to the prevention of child labor) are met. We also conduct random checks to determine whether suppliers require their sub-suppliers to comply with our sustainability standards. If necessary, we define measures for improvements that suppliers must implement as quickly as possible. A total of more than 720 audits with integrated Corporate Social Responsibility check were conducted in 2017.



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Our due diligence process is designed to support compliance with our sustainability standards. In the first phase of the process, we identify the sustainability risks that exist at the supplier's location. Our suppliers also complete a sector-wide questionnaire on their sustainability activities. In addition, Daimler has developed a questionnaire on critical raw materials that contains specific sustainability-related questions for the suppliers. The questionnaire is based on the OECD's Five-Step Framework for Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

Daimler uses the results of the questionnaire to plan and conduct additional targeted due diligence operations onsite. Along with members of its global team of quality engineers, Daimler also sends sustainability experts to supplier locations under certain circumstances.

After a due diligence audit has been conducted, certain measures may be defined that the supplier will be required to implement, with such implementation being monitored.

We are currently in the process of awarding supplier contracts for the cells to be used in the electric models from our EQ product and technology brand, which we plan to launch in 2019. In order to be considered here, a supplier must provide information on its entire supply chain all the way down to the metal mine (supply chain disclosure). Our quality engineers and sustainability experts regularly make visits to supplier sites to verify that correct information is provided. In order to avoid the possibility of human rights risks such as child labor in the supply chain for our future battery-electric vehicles entering the market, we closely monitor cobalt and all other high-risk raw materials – among others through child labor – contained in battery cells, for example lithium, nickel, and manganese. In the next step, our quality engineers and sustainability experts examine not only the direct suppliers but also key sub-suppliers on the basis of their risk profiles.

Supply chains consist of many sub-suppliers, and in some cases that makes them very complex. At times we have identified as many as seven sub-suppliers in a supply chain; this can make it difficult to confirm the origin of some raw materials. In other words, we cannot exclude the possibility of a risk remaining that a raw material might not have been procured in accordance with sustainability principles. We are aware of our responsibility to ensure that the components we receive from suppliers are manufactured in accordance with sustainability principles, and we take action to promote compliance in this regard.

Upcoming initiatives. We are working hard to create transparency in complex supply chains as well. That's why we are currently expanding our portfolio of associated initiatives. We have reviewed our existing memberships in various organizations and identified initiatives for sustainable raw material procurement that will help us achieve more together. These initiatives are committed to introducing and certifying verifiable standards for the clean procurement of cobalt, steel, aluminum, etc. We have examined our potential partners and are currently organizing their participation in certain initiatives. We will report on further developments as they occur.

Daimler AG is a lead partner in the Drive Sustainability automotive industry initiative, which is developing joint measures to improve sustainability in supply chains. As a lead partner, we will continue to take action to help raise sustainability standards in automotive supply chains.



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Report profile

In this Sustainability Report we assess the main effects of our business operations in 2017 and present our current Target Program. We make this comprehensive report available as a navigable PDF file in order to ensure that the information it contains is easy to find and use. As a result, topics and information can be directly called up in the same way as they are on a website.

Moreover, additional online information can be immediately called up through the links in the PDF file. This information supplements the PDF file and offers additional possible uses. For example, the website features a search function, an extensive thematically linked GRI Content Index, and a key figures tool with which you can create tables and diagrams adapted to your information needs.

The information provided in our Sustainability Report applies to the entire Daimler Group and its business divisions. We use a control approach, which means that the calculations take all of the Group's production-related majority holdings fully into account. The reporting period corresponds to our financial year, which runs from January 1 to December 31.

Changes since the last report

We have completely revised this report on the basis of the company's sustainability strategy. From now on, our Sustainability Report will focus exclusively on the eleven areas of action that we have identified as being material.

Materiality: pp. 05 ff.

Our previous target program (PDF)

We publish information about other sustainability issues on our website (<http://daimler.com/sustainability>)

This report is in accordance with the “Comprehensive” option of the GRI standards

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

GRI Content Index (PDF)

Our reporting activities are audited in accordance with ISAE 3000

We engaged the auditing firm KPMG AG to examine the Group's sustainability reporting. The examination was based on the International Standard on Assurance Engagements 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000), published by the International Auditing and Assurance Standards Board (IAASB).

The main focus of the review was on the corporate level and was supplemented by samples from individual plants. The following information was examined:

- Key figures concerning energy consumption, greenhouse gas emissions, water, and waste in the online key figures tool for corporate environmental protection,
 Corporate environmental protection key figures tool, and
- Information that was taken from the non-financial report:
 - Stakeholder dialog (pp. 13–15)**
 - The new test cycle WLTP (pp. 20–21)**
 - CO₂ emissions according to the New European Driving Cycle (NEDC) in g/km for 2017 (p. 21)**
 - Human resources strategy, areas of action and targets (pp. 56–57)**



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100	How we calculate and document our CO ₂ emissions	<ul style="list-style-type: none"> Highly attractive employer (p. 60) Attractive and fair remuneration (p. 60) Group-wide employee survey (p. 63)
101	Independent Assurance Report	<ul style="list-style-type: none"> Number of years at the company und labor turnover (p. 63) Compliance (pp. 74–76 and pp. 79–81)
103	UN Global Compact	<ul style="list-style-type: none"> Human rights (pp. 83–85, [except the box for the target on p. 83 and the section about additional Group-wide measures on p. 85])
105	Imprint and contact	<ul style="list-style-type: none"> Our principles for the political dialog and lobbying (p. 86) Our management guideline concerning lobbying and donations to political parties (p. 86) Central coordination office (p. 87) The Group-wide Lobbyist Register (p. 87)

At the conclusion of the engagement we received a report, which presents the aim, purpose, and foundations of the examination, the work performed, and its conclusions. Internal reporting is conducted through the Corporate Sustainability Board (CSB).

👁 **Audit report:** pp. 101 f.

Our UN Global Compact Progress Report

Daimler has committed itself to upholding the ten principles of the UN Global Compact. We were one of the first signatories of the UN Global Compact, and we participate in the LEAD group that was established in 2011. We are involved in thematic and regional task forces and initiatives of the UN Global Compact. With this Sustainability Report we are meeting our obligation to report regularly on our initiatives regarding human rights, labor standards and employee rights, environmental protection, and the fight against corruption.

In June 2017 we submitted the Sustainability Report 2016 together with the document titled “Realizing the Blueprint: Corporate Action Plan” as our official UN Global Compact Communication on Progress. We will present the next Communication on Progress in July 2018.

UN Global Compact Communication on Progress

The reporting process and quality assurance

In addition to having KPMG conduct a system and data quality audit, we conduct detailed benchmark analyses. In parallel, we also have an internal process for reviewing our targets, measures, and fields of action.

Scope of reporting and data acquisition methods

Economic data. The information about economic relationships that is presented in the Sustainability Report for 2017 is based on data from the Daimler Annual Report 2017. The latter’s Management Report and Notes to the Consolidated Financial Statements sections were certified without qualification by the auditing firm KPMG Deutsche Treuhand-Gesellschaft AG.

Further information can be found in the Annual Report 2017

Employee data. The facts and figures in the Employees section are based on the Daimler Annual Report 2017. The reporting on human resources data is based mainly on the HR ePARS electronic human resources planning and reporting tool, which combines the data of all consolidated companies within the Daimler Group. This information is supplemented with data acquired with the aid of the ePeople and HR EARTH electronic human resources management systems. The texts and diagrams in this section indicate whether the data refers to the entire Group or only to parts thereof.



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Collection of data on corporate environmental protection. 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 data acquisition and analysis have been handled with the aid of a database. The data in this report reflects the structure of the Group in 2017.

This structure includes all the production plants of which the Daimler Group is a majority shareholder, as well as the German and other European locations for logistics, service, and sales. It does not include the locations of Daimler Financial Services. For this reason, the timelines may differ from those of previously published data. New parts of the company have been included from the time at which they became part of Daimler. In a change from the prior year, the report for 2017 includes the spare parts center in Neuhausen. The environmental data for 2017 refer to a total of 72 production locations and subordinate sites as well as 36 logistics, service, and sales locations.

Specific environmental and energy data. Resource consumption and emissions are largely dependent on the number of units produced. That is why we calculate specific values for the individual divisions. This involves matching the number of vehicles produced in the consolidated plants of each division with the corresponding data from the production facilities. We measure the specific values of the Cars, Trucks, Vans, and Buses divisions according to the divisional allocation that has been in force since 2006. This distribution was calculated back into the past as far as possible in order to obtain consistent timelines. The specific data gained in this way can only serve as general benchmarks, because it does not take into account the different ways in which the vertical integration of production has developed, the diversity of products, or the special features of the production network, which in some cases extends across divisions.

Disclaimer

We have exercised extreme care in the compilation of the data contained in this report. Nevertheless, we cannot entirely exclude the possibility of errors. Insofar as this report contains forward-looking statements, these are based exclusively on the data and forecasts 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 checked by the responsible specialist staff. Parts of the report were also examined by KPMG. Our last Sustainability Report appeared in April 2017 under the title “Sustainability Report 2016.” The current Sustainability Report will appear in April 2018 under the title “Sustainability Report 2017.” Our next report will be published in early April 2019.

Editorial deadline for this report: February 23, 2018

Further information on the Group:

You can find our key financial figures for the 2017 financial year along with information on business developments, the divisions, and changes to the product range in our Annual Report.

 [AR 2017](#)

The brochure “Daimler at a Glance” provides comprehensive facts and figures on the Daimler Group and its brands.

 [Daimler at a Glance \(PDF\)](#)



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How we calculate and document our CO₂ emissions

Daimler calculates and documents its CO₂ emissions in accordance with the 2004 Corporate Accounting and Reporting Standard of the Greenhouse Gas Protocol Initiative (Scopes 1 to 3).

We document all CO₂ emissions from stationary sources (Scope 1), indirect emissions resulting from the generation of the purchased electricity and district heating (Scope 2), and emissions resulting from the use of our products (Scope 3). Thus we also take into account the emissions produced before and after our own activities.

Scope 1: We calculate our direct emissions from the combustion of fuels, heating oil, natural gas, liquefied petroleum gas, and coal with fixed CO₂ emission factors as specified by the World Business Council for Sustainable Development (WBCSD) or the German Emissions Trading Office, DEHSt. We included the combustion of fuels in the calculations of Group-wide CO₂ emissions for the first time in 2010. The calculation also includes the consumption of energy for production purposes (e.g. forklifts) and test benches in Product Engineering. From 2017 on, it also includes the fuel consumption of Daimler's own vehicles. This includes only vehicles which are accounted for by a dedicated internal system. Currently not included vehicles will be added in the following reporting period.

Scope 2: We differentiate by time and region in our calculations of the indirect emissions generated by district heating and electricity from external sources. If more detailed data is not available, we use the annually updated factors of the International Energy Agency (IEA). In the US, we use the electricity generation factors published by the EPA. Since 2016, CO₂ emissions have been calculated according to separate assessments for market-based and location-based emissions. This calculation is based on the new guideline of the Greenhouse Gas Protocol Initiative for determining Scope 2 emissions, which was

published in 2015. For market-based emissions, we determine the CO₂ emission factors of the local electricity prices or power companies at our worldwide locations. Where such information is not available, we continue to use the current average emission factor published by the IEA for the country in question. For the sake of comparison, we also publish the CO₂ emissions of all our locations according to the location-based method, which takes only country-specific emission factors into account.

Scope 3: We calculate the CO₂ emissions generated by the use of our products on the basis of our sales figures and the average fleet consumption values. For this calculation, we assume that each car travels 15,000 kilometers per year. At the moment, no statutory test cycles are prescribed for trucks and buses. The European Commission is working on a computer-based simulation program (VECTO) that aims to make manufacturers' statements regarding the fuel consumption and CO₂ emissions of trucks and buses comparable. We want to use this program as soon as it has been approved. We calculate other indirect CO₂ emissions due to purchased services and preliminary work for business trips and truck deliveries, which we use as examples.

CO₂-optimized provision of energy and electricity. With a view to reducing our production-related carbon emissions and continuously improving our energy supply, we are investing in facilities such as cogeneration units within our plants and are also optimizing our external energy procurement. For example, we have been purchasing green electricity as well since 2011. In accordance with the updated requirements of the Greenhouse Gas Protocol, we have also been using the market-based method for our emissions reporting since 2016.

We do not currently calculate the figures for other greenhouse gases across the Group. As the calculation of climate-relevant coolants in the German plants shows, the emissions from such refrigerants account for only a negligible amount in the parts per thousand range.



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Limited Assurance Report of the Independent Auditor regarding selected sustainability disclosures¹



To the Board of Management of Daimler AG, Stuttgart

We have performed an independent limited assurance engagement on the indicators Energy consumption, Greenhouse gas emissions, Water consumption and Waste as well as those disclosures which are transferred from the combined separate Non-Financial Report 2017, published in the Sustainability Report (further “Report”) of Daimler AG, Stuttgart (further “Daimler”) for the year from January 1 to December 31, 2017.

The selected sustainability disclosures in the scope of our assurance engagement are listed in the Report Profile on page 97 of the Report.

¹Our engagement applied to the German version of the Report 2017. This text is a translation of the Independent Assurance Report issued in German, whereas the German text is authoritative.

Management's Responsibility

The Board of Management of Daimler is responsible for the preparation of the Report in accordance with the reporting criteria. Daimler applies the principles and standard disclosures of the GRI Standards of the Global Reporting Initiative, the Corporate Accounting and Reporting Standard (Scope 1 and 2) and the Corporate Value Chain (Scope 3) Standard of the Greenhouse Gas Protocol initiative, in combination with internal guidelines (further: Reporting Criteria).

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the Report and the use of assumptions and estimates for individual sustainability disclosures which are reasonable under the given circumstances. Furthermore, the responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of the Report in a way that is free of – intended or unintended – material misstatements.

Independence and quality assurance on the part of the auditing firm

We are independent from the company in accordance with the requirements of independence and quality assurance set out in legal provisions and professional pronouncements and have fulfilled our additional professional obligations in accordance with these requirements.

Our audit firm applies the legal provisions and professional pronouncements for quality assurance, in particular the professional code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

Practitioner's Responsibility

Our responsibility is to express a conclusion based on our work performed on the information above within a limited assurance engagement.



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We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): “Assurance Engagements other than Audits or Reviews of Historical Financial Information” published by IAASB. This standard requires that we comply with our professional duties and plan and perform the assurance engagement to obtain a limited level of assurance to preclude that the information above for the period from January 1 to December 31, 2017 is not in accordance, in material respects, with the aforementioned Reporting Criteria. We do not, however, issue a separate conclusion for each sustainability disclosure. In a limited assurance engagement the evidence gathering procedures are more limited than in a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. The choice of audit procedures is subject to the auditor’s own judgement.

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

- A risk assessment, including a media research, of relevant information about the sustainability performance of Daimler in the reporting period.
- Assessment of the design and implementation of the systems and processes for the collection, processing and control of the sustainability disclosures included in the scope of this engagement, including the consolidation of the data..
- Inquiries of personnel on group level responsible for providing the data, carrying out internal control procedures and consolidating the data on the quantitative indicators.
- Analytical evaluation of data and trends of quantitative information which are reported by all sites on group level.
- Evaluation of selected internal and external documents.
- Assessment of local data collection and reporting processes and reliability of reported data via a sampling survey in Stuttgart and Mannheim (both Germany).
- Alignment of disclosures with the respective information in the combined separate Non-Financial Report 2017.
- Assessment of the overall presentation of the selected sustainability disclosures.

Conclusion

Based on the procedures performed and the evidence received to obtain assurance, nothing has come to our attention that causes us to believe that selected sustainability disclosures for the business year from January 1 to December 31, 2017 published in the Report are, in all material respects, not prepared in accordance with the Reporting Criteria.

Limited liability

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

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

Stuttgart, April 5, 2018

KPMG AG

Wirtschaftsprüfungsgesellschaft

Dr. Thümler

Wirtschaftsprüfer

[German Public Auditor]

Mokler

Wirtschaftsprüfer

[German Public Auditor]



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UN Global Compact



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Principle 1 Support of human rights Principle 2 Exclusion of human rights abuses Principle 3 Freedom of association Principle 4 Elimination of all forms of forced labor Principle 5 Abolition of child labor	<p>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.</p> <p>We have firmly assigned the responsibility for human rights issues to the Integrity and Legal Affairs division in the Group's Board of Management. In addition, we emphasize these issues in our corporate governance structure for sustainability. Our Human Rights Respect System aims to address human rights issues at Daimler's majority holdings as well as in the supply chain.</p>	Principle 1 👁 02 05 ff. 83 ff. Principle 2 👁 83 ff. Principle 3 👁 83 ff. Principle 4 👁 83 ff. Principle 5 👁 83 ff.
Principle 6 Prevention of discrimination	<p>To ensure that hiring processes are free of discrimination, whether gender-specific or in other forms, the fixed base compensation is based 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.</p>	Principle 6 👁 60 83 ff.
Principle 7 Precautionary environmental protection	<p>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 enable transparent reporting and clear areas of responsibility at all levels in our production facilities around the world. More than 98 percent of our employees work at locations with environmental management systems that are audited and certified according to ISO 14001. In addition, we regularly conduct environmental due diligence processes at our locations.</p>	Principle 7 👁 05 09 11 f. 90 ff.



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100	How we calculate and document our CO ₂ emissions	Principle 8 Initiatives for promoting 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. The data in this report reflects the structure of the Group in 2016 and includes all the relevant production plants of which the Daimler Group is a majority shareholder as well as the German and other European sales locations, which encompass logistics, service, and sales. It does not include the locations of Daimler Financial Services. The environmental data for 2016 refer to a total of 72 production locations and subordinate sites as well as 36 logistics, service, and sales locations.	Principle 8 05 09 11 f. 17 90 ff.
101	Independent Assurance Report	Principle 9 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. Our vehicles are developed to consume as little fuel as possible, and they often set the standard for low pollutant emissions in the automotive industry.	Principle 9 16 ff. 34 f. 36 ff. 90 ff.
103	UN Global Compact	Principle 10 Measures against corruption	We want to enable all of our employees worldwide to comply with the applicable laws and regulations, voluntary commitments, and our basic values at all times. This is set out in binding form in our Integrity Code, which is an integral part of every job contract. One of the main objectives of our compliance activities is to ensure that all applicable anticorruption regulations are complied with. Daimler has committed itself to prevent corruption in its business activities. Along with complying with all applicable laws, this also involves adhering to the rules of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (1997) and the United Nations Convention against Corruption (2003). As a founding member of the UN Global Compact and a part of its LEAD Group, Daimler also seeks to ensure that not only the company itself but also its business partners and customers act in accordance with the principles of the UN Global Compact. The overarching aim is to fight corruption around the world in order to enable fair competition, eliminate the damage corruption does to society, and thus improve conditions for everyone. Our Anticorruption Compliance Program is based on our comprehensive Compliance Management System. The program is globally valid and primarily consists of the following components: integrated risk assessment, risk-based measures for avoiding corruption in all business activities (e.g. reviews of business partners and transactions), and special care in contacts with authorities and public officials. Daimler subjects all of its activities worldwide to the same strict standards. In addition, we are continuously enhancing our methods and processes and using a wide variety of communication measures to increase our employees' awareness of the importance of anticorruption issues. During the year under review, we did this by means of an anticorruption film and a website, for example.	Principle 10 74 ff. 78 ff.
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You can find additional information on sustainability at Daimler at
www.daimler.com/sustainability



Information on labeling

The values are determined on the basis of the measured CO₂ emissions, taking into account the mass of the vehicle.

The values quoted for fuel consumption and CO₂ emissions were calculated on the basis of the stipulated measuring procedures (Section 2, Nos. 5, 6, 6a Energy Labeling Ordinance for Cars Pkw-EnVKV in its current version). The figures do not refer to a specific individual vehicle and are not part of any product offering, but instead are presented solely for purposes of comparison between various vehicle types. The figures vary, depending on the wheels/tires used.

Further information on official fuel consumption figures and the official specific CO₂ emissions can be found in the EU guide "Information on the fuel consumption, CO₂ emissions and electric power consumption of new cars," which is available free of charge at all sales dealerships and from Deutsche Automobil Treuhand GmbH at <http://www.dat.de>.