



Daimler Sustainability Report 2011.

<http://sustainability.daimler.com>

Diversity

PROPORTION OF WOMEN

We aim to raise the proportion of women in the Daimler AG workforce to between 12.5 and 15 percent by 2015.

➔ Page 39

>80,000

PATENT APPLICATIONS

125 years of innovation: Since the invention of the automobile, Daimler has submitted over 80,000 patent applications worldwide.

➔ Page 58

EURO VI

REQUIREMENTS FULFILLED

BlueEfficiency Power truck engines that meet the Euro VI emissions standard already today have been available since spring 2011.

➔ Page 64 f.

	Unit	2009	2010	2011	
CORPORATE PROFILE					
Revenue	in millions of €	78,924	97,761	106,540	↗
Operating profit/EBIT	in millions of €	-1,513	7,274	8,755	↗
Result before taxes on income	in millions of €	-2,298	6,628	8,449	↗
Group net income	in millions of €	-2,644	4,674	6,029	↗
Total vehicle sales	in millions	1.6	1.9	2.1	↗
Unit sales of Mercedes-Benz Cars		1,093,905	1,276,827	1,381,416	↗
Unit sales of Daimler Trucks		259,328	355,263	425,756	↗
Unit sales of Mercedes-Benz Vans		165,576	224,224	264,193	↗
Unit sales of Daimler Buses		32,482	39,118	39,741	↗
Contract volume of Daimler Financial Services	in billions of €	58.3	63.7	71.7	↗
PRODUCT RESPONSIBILITY					
Research and development expenditure	in millions of €	4,181	4,849	5,634	↗
of which expenditure on environmental protection	in millions of €	1,721	1,876	2,159	↗
CO ₂ emissions of the European fleet (vehicles from Mercedes-Benz Cars)	in g CO ₂ / km	160	158	150	↘
OPERATIONS-RELATED ENVIRONMENTAL PROTECTION					
Energy consumption (total)	in GWh	8,922	10,442	10,599	↗
of which electricity	in GWh	3,758	4,362	4,664	↗
of which natural gas	in GWh	3,494	4,032	4,053	↗
CO ₂ emissions (total, scope 1 and 2)	in 1,000 t	3,052	3,583	3,546	↘
CO ₂ emissions (total) per vehicle produced (Mercedes-Benz Cars)	in kg/vehicle	1,442	1,275	1,104	↘
CO ₂ emissions (total) per vehicle produced (Daimler Trucks)	in kg/vehicle	3,630	3,167	2,829	↘
CO ₂ emissions (total) per vehicle produced (Mercedes-Benz Vans)	in kg/vehicle	1,380	1,101	979	↘
CO ₂ emissions (total) per vehicle produced (Daimler Buses)	in kg/vehicle	2,884	2,326	2,240	↘
Solvents (VOC), total	in t	4,142	5,506	6,310	↗
Solvents (VOC) per vehicle produced (Mercedes-Benz Cars)	in kg/vehicle	1.03	0.97	1.00	↗
Solvents (VOC) per vehicle produced (Daimler Trucks)	in kg/vehicle	7.85	7.75	8.12	↗
Solvents (VOC) per vehicle produced (Mercedes-Benz Vans)	in kg/vehicle	3.59	3.68	3.59	↘
Solvents (VOC) per vehicle produced (Daimler Buses)	in kg/vehicle	20.28	14.91	9.77	↘
Waste (recovery rate)	in percent	92	91	93	↗
Water consumption (total)	in millions of m ³	11,761	14,031	15,040	↗
OUR EMPLOYEES					
Number of employees (worldwide)		256,407	260,100	271,370	↗
Number of trainees (worldwide)		9,151	8,841	8,499	↘
Average age of the workforce	in years	41.4	41.9	41.9	→
Personnel expenses (worldwide)	in billions of €	13.9	16.5	17.4	↗
Average days of training and advanced development (per employee/year)	in days	2.4	2.3	3.8	↗
Costs for training and advanced professional development	in millions of €	206.8	201.6	231.4	↗
Proportion of women (Daimler AG)	in percent	13.1	13.5	13.9	↗
Proportion of women in Level 4 management positions (Daimler AG)	in percent	11.7	12.4	12.9	↗
Workforce turnover (worldwide)	in percent	9.7	4.9	4.2	↘
Proportion of part-time employees (Daimler AG)	in percent	6.4	6.4	6.9	↗
Accident frequency ¹	number of cases	13.5	15.0	14.4	↘
Sickness figures	in percent	4.4	4.9	5.3	↗
Provisions for retirement benefits and healthcare	in billions of €	4.1	4.3	3.2	↘
SOCIAL COMMITMENT					
Cost of foundations, donations, and sponsorships	in millions of €	26.4	51.1	59.0	↗

¹ Cases per 1 million hours of attendance examined by an accident insurance consultant and resulting in at least one lost working day, with reference to employees in production or in production-related areas on production facilities of the Daimler Group, Evobus GmbH and Mercedes-Benz Ludwigsfelde GmbH in Germany.



— Our concept of sustainability

At Daimler, we define sustainability as **responsible corporate behavior** that leads to long-term business success and is in harmony with society and the environment.

We are moving toward our goals by making **sustainability a firmly integrated aspect of our operations** and by requiring and promoting a strong sense of responsibility for sustainable operations among all of our managers and employees throughout the Group. We include our business partners in this process and participate in continuous dialogue on these issues with our stakeholders.

Our management structures, processes, and systems are also designed in accordance with this concept of sustainability. All of our behavior is based on legality and integrity. As one of the world's foremost automakers, Daimler **strives to achieve a clear leading position** in the area of sustainability.

Dr. Dieter Zetsche

Dr. Wolfgang Bernhard

Dr. Christine Hohmann-Dennhardt

Wilfried Porth

Andreas Renschler

Bodo Uebber

Prof. Dr. Thomas Weber

Top themes in 2011

ÖkoGlobe 2011

Award-winning innovations. In 2011 Daimler was the winner in two categories of the ÖkoGlobe environmental award. The Bus Rapid Transit (BRT) local transportation system placed first in the category "New Mobility Concepts," and the Mercedes-Benz Atego BlueTec Hybrid placed third in the category "Series-produced Vehicle with a Sustainability Factor."

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50

experts

Constructive dialogue. In 2011 we held our second Sustainability Dialogue in China. The event was attended by more than 50 experts from Chinese and international organizations, who discussed local sustainability issues related to Daimler. Analogous to the annual Stakeholder Dialogue in Stuttgart, we also held the first Sustainability Dialogue in Washington, D.C.

→ Page 26 ff.  Online C06

125

g CO₂/km

Climate-friendly driving. By 2016 we aim to reduce the CO₂ emissions of our fleet of new passenger cars in Europe to 125 g CO₂/km.

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Trainings

Compliance? Of course! Over 71,500 employees and managers participated in 2011 in online training courses on antitrust law and the prevention of corruption or face-to-face training programs, where they deepened their knowledge of these issues.

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Human rights

Risk assessment. In order to ensure that our business activities have a positive effect on the protection of human rights in the long term, we have introduced a risk assessment system. In 2011 we used this system to assess risks at three of our production countries.

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>80,000

patent applications

125 years of innovation. Since the invention of the automobile, Daimler has submitted more than 80,000 patent applications worldwide. In 2011 alone, the Group invested a total of €5,6 billion in research and development.

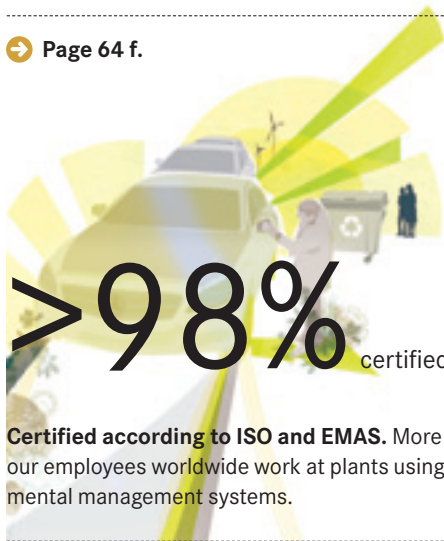
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Euro VI

Powerful and efficient. BlueEfficiency Power is the name of a new generation of heavy-duty engines launched in spring 2011. All of the powerful yet clean engines for heavy-duty commercial vehicles already meet the Euro VI emissions standard two years before it becomes binding.

→ Page 64 f.



>98%

certified

Certified according to ISO and EMAS. More than 98 percent of our employees worldwide work at plants using certified environmental management systems.

→ Page 78 Online I02



63

points

Employee satisfaction. We regularly implement improvement measures of many kinds on the basis of the results of our employee surveys. The Employee Commitment Index (ECI) remained stable at 63 points in 2011.

→ Page 92 Online J12



>100

participants

Worldwide training programs. We support our suppliers in a targeted manner regarding themes such as working conditions, the environment, and business ethics. In 2011 more than 100 suppliers in Brazil, India, Mexico, and Turkey participated in training sessions on these themes.

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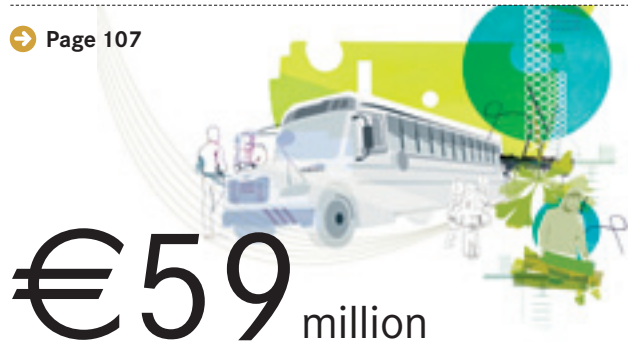


1st

rank

Award-winning customer service. In 2011 the Service Award of *kfz-betrieb* magazine once again went to Mercedes-Benz. Places 1 through 5 went to four Mercedes-Benz commercial vehicle centers and one Fuso center. Mercedes-Benz also had top scores in the ADAC 2011 test of car workshops.

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€59

million

Financial support has increased. In line with our policy of social responsibility, we supported nonprofit organizations and social initiatives with funds totaling €59 million in 2011. This amount represented a 15.5 percent increase on the previous year.

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FURTHER INFORMATION

Online report



You can find further information, key figures, and all PDFs for downloading in our interactive online report:

<http://sustainability.daimler.com>

Note on online information:

Themes about which you can find more information online are indicated directly in the text. Just enter the relevant combination of a letter and two numbers, e.g. H03, into the search field in the interactive report in order to go to the content you're interested in.

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59__Fit for the future via innovation



Daimler is a hotbed of ideas. 77,000 employee suggestions for improving processes and 2,175 patent applications for technological developments in 2011 alone make Daimler the innovation champion.

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64__ Efficient in every way – the new Actros



Truck of the Year 2012. It's powerful, economical, and low in emissions – and its total costs are impressively low. The international trade press was sufficiently impressed to name the Actros the Truck of the Year.

74__ Electric driving



Emission-free and agile. The brand-new smart fortwo electric drive has a range of over 140 kilometers. Whether it's for private use or in car2go, this speedy little car makes emission-free driving attractive.

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8__ Holistic concept



A good climate with zero fossil energy. Innovative high-tech solutions in the new production halls at the Rastatt plant ensure lower energy consumption and reduced CO₂ emissions.

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Diversity as a value factor. Daimler is using a variety of measures to help women move into management positions, and it is also taking advantage of the opportunities offered by generational diversity.

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105__ Good and practical



Special tasks require special solutions.

From fire fighting trucks to cars for handicapped drivers, Daimler offers special vehicles for 30 special application areas.

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112__ Disaster assistance for Japan



Helping in the crisis. Daimler provided effective assistance after the earthquake and tsunami by forwarding €2 million for immediate assistance and donating 50 commercial vehicles to support the aid and reconstruction efforts.



Dear readers,

“Money rules the world” – that’s an old saying, but in these times of financial and debt crises some people believe it’s more timely than ever before. At the same time, anxiety concerning the euro and other problems highlights that trust is ultimately the most important global currency – in the markets, in politics, and in the private sphere.

Daimler too ultimately owes its many years of success to the trust that underlies its relationships with its customers, partners, and neighbors. And we work hard to make sure this trust is deserved. This is why we take on responsibility – for our business operations, as well as for the environment, our employees, and society in general. **We have established concrete targets for these activities** in our sustainability program for the years 2010 through 2020, and we are systematically working to achieve these goals.

As the inventor of the automobile, we consider sustainable mobility our top priority. Through new technologies we are continually reducing the fuel consumption and the emissions of our vehicle fleet. Starting this year, we will be the first premium automaker to offer an electric car that’s made for everyone: the battery-electric smart of the third generation. In 2012 we have also presented the world’s most fuel-efficient premium automobile, the E 300 BlueTEC HYBRID. Our new Actros is also setting benchmarks when it comes to fuel efficiency. It’s the first long-distance truck to already fulfill the stringent Euro VI emission standards that will go into effect in 2014.

Behind every first-class product is a first-class team. That’s why we also strive to set the benchmarks as an employer. We promote a culture of top performance among our employees – independently of their gender, age, and place of origin. We have also set ambitious goals for ourselves in this regard. Companies that aim to build up trust cannot operate only according to their own internal standards. That’s why Daimler continues to use the United Nations Global Compact as a guiding principle. As a member of the LEAD group, we bear an especially heavy responsibility to put the values of this initiative into practice.

At the same time, **we rely on two-way communication with our stakeholders**, both within the Group and outside it. In 2011 we launched a Group-wide dialogue about business ethics. We will continue this initiative in 2012, with the goal of making a shared understanding of integrity the “internal compass” of everyone working at the Group. Our Sustainability Dialogue is a good example of our strengthened networking with external stakeholders. In 2011 this international forum was held not only in Germany and China but also for the first time in the U.S.

A further measure for generating **mutual trust** is this Sustainability Report. Through it we aim to inform you, our readers, comprehensively about our sustainability targets and the progress we have made toward them. We look forward to hearing your opinions and suggestions!

Sincerely yours,



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

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




About this report

In this sustainability report we present a balance sheet of the economic, environmental, and social effects of our corporate activities in 2011. Our interactive online sustainability report deepens and supplements this print report by providing further information and offering additional applications. The website features not only a search function and the exhaustive and thematically linked GRI Index, but also a key figures tool that allows you to create tables and charts that are adapted to your information needs.

 <http://sustainability.daimler.com>

The information in our sustainability report applies to the entire Daimler Group and its divisions.

 **More information:** Page 14 ff.

The period under review corresponds to that of our business year, which runs from January 1 to December 31.

GRI Level A+. The Daimler Sustainability Report for 2011 has been drawn up in line with the internationally recognized guidelines on sustainability reporting (G3.1) of the Global Reporting Initiative (GRI). In 2006 we joined the GRI multi-stakeholder network as an organizational stakeholder. The GRI has checked our report and given it a Level A+ rating, the best possible classification. It certifies that the content meets important reporting criteria and has been examined by a third party.

 **Statement of GRI Application Level Check:** Page 115


Verification certificate ISAE 3000. The business auditing and consulting firm PwC has examined the key figures in “Direct and indirect CO₂ emissions during production,” “Average CO₂ emissions of the European fleet of Mercedes-Benz Cars,” “Proportion of women at Daimler,” and the chapter “Supplier relations” in the Sustainability Report and checked their accuracy, completeness, comparability, comprehensibility, and relevance on the basis of

the International Standard on Assurance Engagements (ISAE) 3000. We have received a verification certificate to this effect.

 **External assurance:** Online A01

 **Verification certificate:** Page 118

UN Global Compact progress report. Daimler is one of the founders of the UN Global Compact and has been a member of this UN initiative's LEAD group since January 2011. It is strongly committed to the ten principles of the Compact. In 2011 we continued and expanded our involvement in the relevant thematic and regional working groups and initiatives. In May 2011 we hosted a LEAD group event on “Competitive Advantages through Sustainability.” In publishing this Sustainability Report we are meeting our obligation to regularly report on our efforts regarding human rights, labor standards, employee rights, environmental protection, and the fight against corruption.

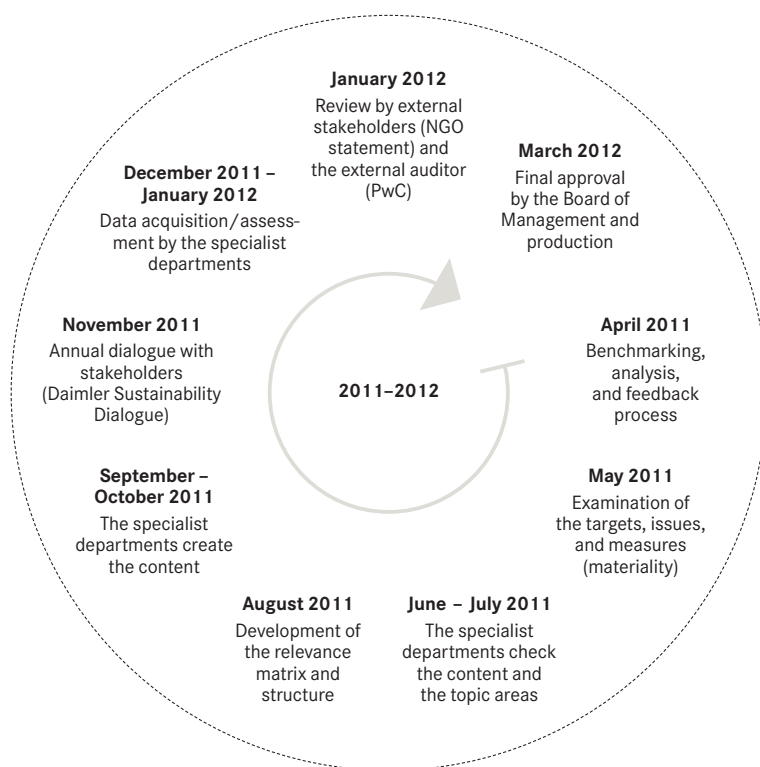
 **UN Global Compact progress report:** Online A02

We want to become better and better. We have continually enhanced our reporting in recent years. Not only have we made our reporting more transparent and easier to understand; we have also expanded the range of services for our readers. In addition, we are committed to increasingly fulfilling the requirements set for sustainability reporting and thus steadily improving the quality of our reports.

 **Scope of reporting and data acquisition methods:** Online A03

This year our focus was once again on meeting the principles of materiality and stakeholder inclusiveness. The GRI considers these two aspects and the principles of completeness and sustainability context to be of key importance for the definition and delineation of reporting content. In order to fulfill these principles, we need to have as precise a conception as possible of our specific reporting profile as a globally operating automotive company.

Our sustainability reporting process 2011–2012



New features of this report. The Daimler Sustainability Report 2011 shows the conclusions we have reached after our deliberations.

Using a multi-stage materiality analysis, we have evaluated internal and external sustainability requirements and expectations concerning our company and prioritized the relevant issues on which we need to take action.

➔ **Materiality analysis:** Page 29

We implemented this measure to reorganize our report's thematic structure. The new chapters we have added are "Business operations," "Integrity," "Innovation management," "Supplier relations" and "Our customers."

➔ **"Business operations":** Page 51 ff.; **"Integrity":** Page 44 ff.; **"Innovation management":** Page 56 ff.; **"Supplier relations":** Page 100 ff.; **"Our customers":** Page 103 ff.

These changes enable us to put key topics even more into the limelight and focus on an area of operations in which our stakeholders particularly expect us to provide answers. We are also complying with the requests of the Global Reporting Initiative (GRI) regarding the topic area "Local impacts." Our regional activities to promote sustainable development are presented in the best possible way with regard to the large number of facilities worldwide. We have also tried to more clearly show how our sustainability strategy is derived from the issues that are particularly crucial to us and how this strategy is incorporated into our business strategy. The strategy and the supporting management systems help us implement our Group-wide sustainability program, for which we already set ambitious goals in 2010. Given that the program runs from 2010 to 2020, we can plan measures for a longer term and manage our activities with greater foresight. Because it stipulates targets and also defines the target horizon and the degree of goal achievement, the program is worded in a much more binding manner than was the case in the past.

➔ **Our sustainability program for 2010–2020:** Page 31 ff.

Reporting process and quality assurance. External feedback is also important for us when it comes to the report's editorial process. We ask NGOs to provide us with a critical review and an external statement even before all of the texts are sent to the Board of Management for final approval. In addition, PwC examines the quality of the system and the data. We also use an extensive set of benchmarks. At the same time, we check our targets, measures, and areas of activity in-house. All of these measures set the qualitative guideposts for the following report.

➔ **External statement:** Pages 48, 85, and 98

➔ **Quality check of system and data by PwC:** Page 118

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

Daimler published the last Sustainability Report in April 2011 under the title *360 DEGREES – Facts on Sustainability 2011*. The next report will be published in mid-April 2013.

Editorial deadline for this report: February 24, 2012

Corporate profile

Balance sheet for 2011

Carbon fiber

Joint venture with Toray Industries. In January 2011 Daimler and Toray Industries established a joint venture to produce and market automotive components made of carbon fiber-reinforced plastics (CFRPs). The two companies have already jointly developed a highly efficient process technology for this purpose.

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ÖkoGlobe 2011

Award-winning innovations. In 2011 Daimler was the winner in two categories of the ÖkoGlobe environmental award. The Bus Rapid Transit (BRT) local transportation system placed first in the category "New Mobility Concepts," and the Mercedes-Benz Atego BlueTec Hybrid placed third in the category "Series-produced Vehicle with a Sustainability Factor."

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Electromobility

The Green Vision. The joint venture we established with our Chinese partner BYD in February 2011 is making China mobile in an environmentally friendly way. In April 2012, BYD Daimler New Technology Co. Ltd (BDNT) will present a design study for the Green Vision, our electric vehicle for the Chinese market, at Auto China in Beijing.

20 new hydrogen filling stations

Promoting emission-free mobility. In cooperation with the Linde technology group, we will set an example by establishing 20 new hydrogen filling stations within the next three years. We are building an infrastructure for fuel-cell vehicles and thereby ensuring global leadership for Germany in this field.

➔ Page 66  Online D01

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— The Daimler Group

Daimler AG is the parent company of the Daimler Group and is domiciled in Stuttgart (Mercedesstrasse 137, 70327 Stuttgart, Germany). The main business of the Company is the development, production and distribution of cars, trucks and vans in Germany and the management of the Daimler Group. In addition to Daimler AG, the Daimler Group includes all the subsidiaries throughout the world in which Daimler AG has a direct or indirect controlling interest. Through those companies, we conduct for example our business with buses and financial services. The management reports for Daimler AG and for the Daimler Group are combined in this management report.

Daimler can look back on a tradition covering more than 125 years, a tradition that extends back to Gottlieb Daimler and Carl Benz, the inventors of the automobile, and features pioneering achievements in automotive engineering. Today, the Daimler Group is a globally leading vehicle manufacturer with an unparalleled range of premium automobiles, trucks, vans and buses. The product portfolio is completed with a range of tailored automotive services.

With its strong brands, Daimler is active in nearly all the countries of the world. The Group has production facilities in a total of 18 countries and more than 8,000 sales centers worldwide.

 **Our locations worldwide: Online B01**

The global networking of research and development activities and of production and sales locations gives Daimler considerable potential to enhance efficiency and gain advantages in international competition, resulting in additional growth opportunities. For example, we can apply our green drive technologies in a broad portfolio of vehicles while utilizing experience and expertise from all parts of the Group. In the year 2011, Daimler generated revenue of €106.5 billion. The individual divisions contributed to this total as follows: Mercedes-Benz Cars 52 percent, Daimler Trucks 25 percent, Mercedes-Benz Vans 8 percent, Daimler Buses 4 percent and Daimler Financial Services 11 percent.

At the end of 2011, Daimler employed a total workforce of more than 271,000 people worldwide.

— Product range and production locations

Mercedes-Benz Cars. The products supplied by the Mercedes-Benz Cars division range from the high-quality small cars of the smart brand to the premium automobiles of the Mercedes-Benz brand and to the Maybach luxury sedans. The main country of manufacture is Germany, but the division also has production facilities in the United States, China, France, South Africa, India, Vietnam and Indonesia. Worldwide, Mercedes-Benz Cars has 17 production sites at present. In order to extend our product range in the compact-car segment, we have constructed a new plant in Hungary, which will go into operation in 2012. In the medium term, we anticipate significant growth in worldwide demand for automobiles and above-average growth in the premium car segment. To ensure that we can participate in this development, we are creating additional production capacities – especially in China and the United States. The most important markets for Mercedes-Benz Cars in 2011 were Germany with 21 percent of unit sales, the other markets of Western Europe (24 percent), the United States (18 percent) and China (16 percent).

27 **Daimler Trucks.** As the biggest globally active manufacturer of trucks above 6 tons gross vehicle weight, Daimler Trucks develops and produces vehicles in a global network under the brands Mercedes-Benz, Freightliner, Western Star and Fuso. The division's 27 production facilities are in the NAFTA region (14, thereof 11 in the United States and 3 in Mexico), Asia (3), Europe (7), South America (2) and Africa (1). In Brazil, the Mercedes-Benz Actros heavy truck and the medium-duty Accelo will be produced for Latin American markets as of 2012. A new truck plant is also being constructed in Chennai, India; production of trucks under the new BharatBenz brand will start there in fall 2012. To strengthen our market position in China, we have established a joint venture with our partner Beiqi Foton Motor Co., Ltd. The two partners will use Auman, the truck brand of Foton, as a platform for the expansion of business in China. Daimler Trucks' product range includes light, medium and heavy trucks for local and long-distance deliveries and construction sites, as well as special vehicles for municipal applications, the energy sector and fire services. Due to close links in terms of production technology, the division's product range also includes the buses of the Thomas Built Buses and Fuso brands. Daimler Trucks' most important sales markets in 2011 were Asia with 32 percent of unit sales, the NAFTA region (27 percent), Europe (22 percent) and Latin America excluding Mexico (15 percent).

The Daimler Group (as of December 31, 2011)

Brands	Mercedes-Benz, smart, Maybach, Freightliner, Fuso, Western Star, Thomas Built Buses, Orion, Setra, BharatBenz, Mercedes-Benz Bank, Mercedes-Benz Financial, Daimler Trucks Financial
Legal form	Stock company (AG) incorporated under the laws of the Federal Republic of Germany
Board of Management	Dr. Dieter Zetsche (Chairman of the Board of Management and Head of Mercedes-Benz Cars), Dr. Wolfgang Bernhard (Manufacturing and Procurement Mercedes-Benz Cars & Mercedes-Benz Vans), Dr. Christine Hohmann-Dennhardt (Integrity and Legal Affairs), Wilfried Porth (Human Resources and Labor Relations Director), Andreas Renschler (Head of Daimler Trucks), Bodo Uebber (Finance & Controlling/Daimler Financial Services), Prof. Dr. Thomas Weber (Group Research & Mercedes-Benz Cars Development, Chairman of the Daimler Sustainability Board)
Supervisory Board	Consists of ten shareholder representatives and ten employee representatives and is chaired by Dr. Manfred Bischoff. The Supervisory Board monitors and advises the Board of Management in its management of the company.
Headquarters	Stuttgart/Germany
Employees	271,370
Trainees	8,499
Market capitalization	€36.2 billion
Total assets	€148.1 billion

Following the acquisition of Tognum, which we completed together with Rolls-Royce Holdings plc in 2011, our 50 percent interest in the newly founded Engine Holding GmbH will be managed by Daimler Trucks. The new company is a globally leading supplier of complete systems in the field of industrial engines.

76%

of Mercedes-Benz Vans' sales are in Europe

Mercedes-Benz Vans. has production facilities at a total of seven locations in Germany, Spain, the United States, Argentina, Vietnam, and since April 2010 also in China in the context of the joint venture, Fujian Daimler Automotive Co., Ltd. As of the year 2013, the Mercedes-Benz Sprinter will be produced under license also by our partner GAZ in Russia.

The division's product range comprises the Sprinter, Vito, Viano and Vario series in weight classes from 1.9 to 7.5 tons. The most important markets for vans are in Europe, which accounts for 76 percent of unit sales. By intensifying our local marketing and production activities, we are increasingly developing the growth markets of South America and Asia as well as the Russian market. In the United States, the Sprinter is sold not only as a Mercedes-Benz van, but also under the Freightliner brand.

Daimler Buses. The Daimler Buses division with its brands Mercedes-Benz, Setra and Orion continues to be the world's leading manufacturer by a large margin in its core markets in the segment of buses and coaches above 8 tons. The product range supplied by Daimler Buses comprises city and intercity buses, coaches and bus chassis. The most important of the 15 production sites are in Germany, France, Spain, Turkey, Argentina, Brazil, Canada, Mexico and the United States. In 2011, 43 percent of Daimler Buses' revenue was generated in Western Europe, 11 percent in the NAFTA markets and 29 percent in Latin America (excluding Mexico). While we mainly sell complete buses in Europe and the NAFTA region, our business in Latin America, Africa and Asia is focused on the production and distribution of bus chassis.

Daimler Financial Services. The Daimler Financial Services division supports the sales of the Daimler Group's automotive brands in nearly 40 countries. Its product portfolio primarily comprises tailored financing and leasing packages for customers and dealers, but it also provides services such as insurance, fleet management, investment products, credit cards and car sharing. The main areas of the division's activities are in Western Europe and North America. In 2011, more than 40 percent of the vehicles sold by the Daimler Group were financed by Daimler Financial Services. Its contract

volume of €71.7 billion covers 2.6 million vehicles. In the second quarter of 2011, Daimler Financial Services expanded its business model with the launch of its new “Mobility Services” business unit. In this context, the activities of car2go were allocated to the Daimler Financial Services division. Daimler Financial Services also holds a 45 percent interest in the Toll Collect consortium, which operates an electronic road-charging system for trucks above 12 tons on highways in Germany.

Through a subsidiary, Daimler held a 22.5 percent equity interest in the European Aeronautic Defence and Space Company (EADS), a leading company in the aerospace and defense industries, until the end of 2011. In economic terms, Daimler owned a 15 percent stake in EADS, because a consortium of national and international investors owns a one-third interest in the subsidiary that holds the EADS shares.

Through a broad network of holdings, joint ventures and cooperations, Daimler is active in the global automotive industry and related sectors. The statement of investments of Daimler in accordance with Sections 285 and 313 of the German Commercial Code (HGB) can be found at

 <http://www.daimler.com/ir/ergebnis2011>.

Portfolio changes. By means of targeted investment and future-oriented partnerships, we strengthened our core business, pushed forward with new technologies and utilized additional growth potential in 2011. At the same time, we focused on the continuous further development of our existing business portfolio.

In January 2011, Daimler and Toray Industries, Inc. concluded a contract on the establishment of a joint venture for the production and marketing of vehicle components made of carbon-fiber-reinforced plastics (CFRP). On the basis of a development agreement which was already signed in March 2010, the two companies succeeded in developing a highly efficient process technology for the series production of CFRP parts with the advantage of significantly shorter molding cycles. Daimler and Toray intend to intensify their joint development activities in order to obtain production technology for series manufacturing that is also extremely attractive on the cost side. The joint venture will produce and market the CFRP components, thus making significant progress with the application of carbon-fiber-reinforced plastics in the automotive industry, especially for series-produced vehicles.

In July, Daimler and Robert Bosch GmbH signed contracts regulating the establishment of a 50:50 joint venture for electric motors. The new company has been named EM-motive GmbH and will develop and produce innovative electric motors for electric vehicles.

With the consent of all the relevant authorities, Daimler and Rolls-Royce received official approval for the acquisition by Engine Holding GmbH of Tognum in August 2011. Engine Holding, in which Daimler and Rolls-Royce each holds a 50 percent interest, has meanwhile secured approximately 99 percent of Tognum's shares. With this acquisition, Daimler and Rolls-Royce will create a leading supplier of complete systems in the field of industrial engines. The company has a broad, global reach in terms of products, services and system solutions.

In September 2011, Daimler and Foton received the final approval from the Chinese Ministry of Commerce for their joint venture Beijing Foton Daimler Automotive Co., Ltd., which will produce and distribute medium- and heavy-duty trucks. Daimler has 50 percent interest in this joint venture and will thus further extend its position in the Chinese market. The trucks will be marketed under Foton's truck brand name, “Auman.” Daimler will contribute its technological expertise, in particular in the areas of diesel engines and exhaust systems.

We intensified our cooperation with Russian truck manufacturer Kamaz in September. In addition to the joint venture for the production of axles that was agreed upon at the end of 2010, Daimler and Kamaz also signed a memorandum of understanding on the supply and licensing of the Axor cab, which is to be used in a new Kamaz truck model series.

Daimler AG and the German government agreed in principle in November 2011 that the KfW Bank Group will purchase from Daimler 7.5 percent of the shares of European Aeronautic Defence and Space Company N.V. (EADS). The sale of the shares is planned for the year 2012. Daimler is to continue to hold 7.5 percent of the shares, 15 percent of the voting rights and the industrial leadership on the German side.

Daimler and AKKA Technologies S.A. signed a contract on December 7, 2011 on the sale to AKKA of a majority interest in the Daimler subsidiary MBtech Group. Subject to the approval of the antitrust authorities, engineering consultancy AKKA will buy a 65 percent interest in MBtech Group, which is based in Sindelfingen. Daimler will remain a long-term and strategic shareholder as well as an important client of MBtech. AKKA's entry will create one of the biggest European engineering consultancies. AKKA serves customers in the automotive aeronautics, space, transport and energy sectors. MBtech has the focus of its activities in the automotive sector. The two companies complement each other ideally in their regional positioning and client portfolio.

Important events in 2011

JANUARY – MARCH

Start of the anniversary year 2011. Daimler opened its anniversary year with a ceremony and an advertising campaign based on the slogan “125! years inventor of the automobile.” Daimler employees all over the world received anniversary bonuses worth a total of €125 million.



Starting shot for the F-CELL World Drive. At the end of January three Mercedes-Benz B-Class F-CELL vehicles started out from Stuttgart for a world tour. Over the next 125 days they crossed 14 countries on four continents. On board were two Daimler employees who had been selected from among 1,000 applicants.

Sector champion in “green” commercial vehicle construction.

In February the 1,000th hybrid commercial vehicle rolled off the line at the Mount Holly plant in North Carolina – a Business Class M2 106 Hybrid from Freightliner. This made Daimler Trucks North America a sector pioneer in the development of commercial vehicles with alternative drive systems.

Donations for the disaster victims in Japan. After the earthquake and tsunami, Daimler provided €2 million and 50 vehicles to support the assistance efforts in the country. In addition, more than 12,000 Daimler employees donated over €600,000 for the disaster victims.

APRIL – JUNE

\$1 million in aid for tornado victims. On April 27, tornadoes caused major destruction in the southern U.S. To help deal with the consequences, Daimler and the Mercedes-Benz plant in Tuscaloosa donated a total of over US\$1 million to disaster relief organizations in Alabama.



Daimler employees and to promote a corporate culture of cooperation based on mutual trust.

Launch of “fairplay. Living values. Creating values.” Daimler launched its “fairplay” campaign at the end of May. Its goals are to establish a shared understanding of right and wrong behavior among all

125 employee projects get things moving. On June 6 a jury announced the 125 winners of the “We move it!” competition. Through this initiative Daimler celebrated its anniversary year by supporting the volunteer activities of its employees in projects focusing on sustainability. Each of the 125 winning projects received up to €5,000.

World premiere of the new Actros. The new Actros is the world's first truck to be systematically designed in line with the future Euro VI emissions limits. In addition, the truck sets new standards for economy, comfort, and handling. It celebrated its world premiere on June 21 in Brussels.

JULY – SEPTEMBER



Joint venture for electric motors.

In July Daimler and Robert Bosch GmbH signed contracts for the establishment of EM-motive GmbH. The headquarters of this 50:50 joint venture for the development of electric motors will be located near the two parent companies in the Stuttgart region.

Service is rated “very good.”

In the workshop test staged by ADAC, Germany's largest automobile association, Mercedes-Benz received the rating “very good” on August 28, thus successfully defending its title as the winning provider of maintenance services. A total of 75 service centers representing 15 auto brands were tested.

Daimler Women's Conference. More than 250 women employees of Daimler from 11 countries met in Detroit in September to discuss diversity and inclusion issues at the fourth Daimler Women's Conference. Mercedes-Benz Financial Services and Daimler Trucks North America provided support for the conference for the first time.

OCTOBER – DECEMBER

Extension of the “Safeguarding the Future” agreement. On October 5 it was decided to extend the Group-wide “Safeguarding the Future 2012” agreement with only minimal changes until the end of 2016. The new agreement, “Safeguarding the Future of Daimler,” includes regulations concerning flexibility and job security.

Stakeholder dialogue about sustainability. At the Sustainability Dialogue in Stuttgart on November 2 and 3, more than 170 experts from inside and outside Daimler discussed the sustainability issues relevant to the Group. This annual dialogue event serves as a forum for sharing experiences and viewpoints related to the issue of sustainability. Previous stakeholder dialogues had been held in Beijing and 2011 for the first time in Washington D.C.




car2go is becoming a hot export item.

The launch of car2go in Vienna in mid-November meant that the program is now represented in ten cities in Europe and the U.S. A total of 2,000 smart fortwo cars are now available to customers, including 605 locally emission-free fortwo electric drive vehicles. At the end of 2011 there were 60,000 registered car2go

users – twice as many as at the end of 2010.

Integrity in Dialogue. The kickoff event of this Group-wide initiative was held on November 17 in order to develop a common understanding of integrity for all departments and levels of the corporate hierarchy. The results will be embedded into the entire organization and also flow into the new Integrity Code.

 **An overview of the most important awards received in 2011:**
Online B02

Sustainable management

Balance sheet for 2011

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- 20__Our sustainability strategy
- 20__Principles and guidelines
- 22__**Focus:** Our involvement in the UN Global Compact
- 24__Group-wide sustainability management
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- 29__Materiality and stakeholder inclusiveness

Measurable progress

Concrete measures regarding sustainability.

In a dialogue with our stakeholders, we have defined measurable targets for our Sustainability Program 2010–2020. The areas involved include sustainability management, product-related issues, operations-related environmental protection, human resources, and social responsibility. In addition, we have created a comprehensive range of projects and initiatives to help us achieve these goals.

➔ Page 28

Global Compact

The values on which sustainable behavior is based. Our corporate culture is based on very high ethical standards that are founded on the ten principles of the UN Global Compact, the world's largest multinational sustainability initiative.

➔ Page 22

Integrity and Legal Affairs

Board of Management expanded. Since 2011 Dr. Christine Hohmann-Dennhardt has been responsible for Integrity and Legal Affairs on the Board of Management. This appointment has increased the importance of these issues throughout the Group.

➔ Page 22

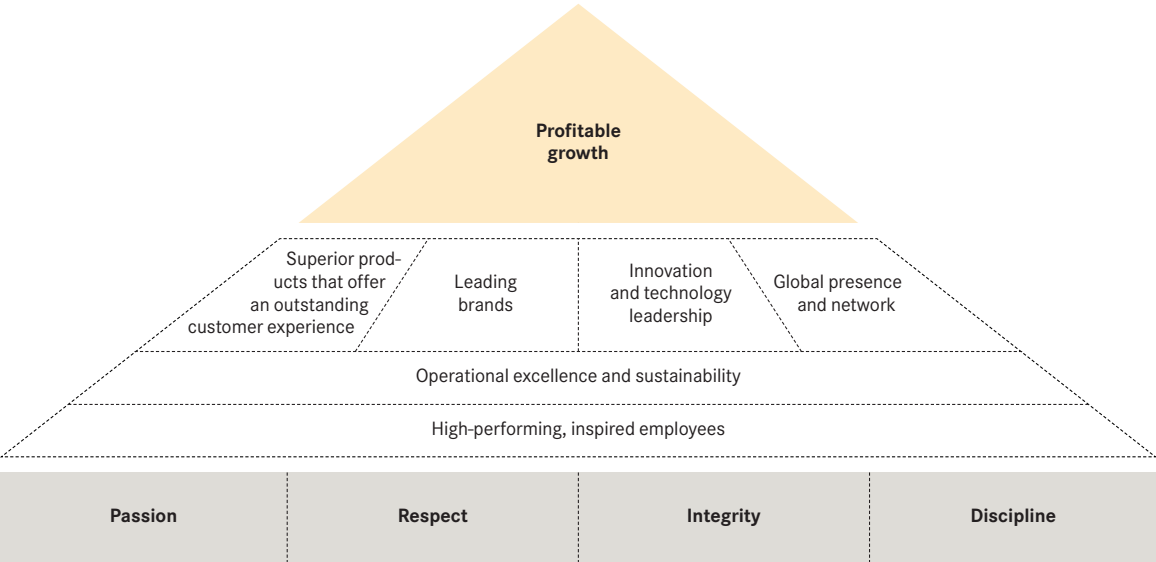
50

experts

Constructive dialogue. In 2011 we held our second Daimler Sustainability Dialogue in China. The event was attended by more than 50 experts from Chinese and international organizations, who discussed local sustainability issues related to Daimler. Analogous to the annual Daimler Sustainability Dialogue in Stuttgart, we also held the first Sustainability Dialogue in Washington, D.C.

➔ Page 26 ff. 🌐 Online C06

Daimler target system



Our sustainability strategy

In 2010, we incorporated sustainability into our strategic target system, thereby formally confirming its great importance for our business operations. The Daimler target system brings together six strategic dimensions which we consider to be of key importance for achieving our overarching goal: to post profitable growth and sustainably increase our company’s value. These efforts are based on four values, which we want to put into practice at Daimler: Passion, Respect, Integrity, and Discipline.

But what does that mean exactly? We want our brands, products, and services to thrill our customers. In this endeavor, we are striving to become the leader in our market segments. Through our pioneering technologies, we want to spearhead the development of environmentally friendly drive systems and safety features. As a globally operating company, we aim to safeguard our position in established markets and strengthen it in new ones. The key to achieving these goals is high-performing, inspired people, plus a commitment to sustainability and operational excellence along the entire value chain.

A structured and integrated understanding of sustainability.

Sustainability’s formal importance within our Daimler target system corresponds with our aim of continuously enhancing and more clearly specifying our Group-wide sustainability strategy. We continue to focus on better coordinating existing sustainability activities and sub-strategies with one another and consolidating them in an effective overall strategic concept that encompasses all corporate levels and divisions worldwide. We can only be successful over the long term if we develop such a structured and integrated understanding of sustainability and incorporate it into our corporate culture.

Principles and guidelines

If we want to continue to operate worldwide, we have to at least ensure that our business dealings comply with legal requirements everywhere. However, regulations sometimes differ widely at our company’s locations around the world. To enable us to find our way around in this complex legal environment and also set standards in countries with underdeveloped legal frameworks, we have developed our own principles and guidelines, which are binding for our employees worldwide. Our aim here is to create a corporate culture that not only complies with legal requirements, but also lives up to the highest ethical standards and is therefore exemplary for the entire industry.

Elements of our sustainability strategy

A common understanding of what sustainability means: By defining what sustainability means to us, we create guidelines for all of our employees – all the way up to top management – and underscore sustainability's importance for all of our business processes.

➔ **Our understanding of sustainability:**
Page 20

Based on five content-related dimensions: As a globally operating automaker with more than 260,000 employees, we are subject to certain specific sustainability requirements. We have grouped these requirements into five content-related strategic dimensions and an overarching dimension related to management responsibility. These dimensions serve as the framework for our sustainability-related activities.

➔ **See chart:**
Page 23

Dialogue and transparency: Because sustainable development is a social responsibility, we want to engage in a dialogue with our stakeholders, take part in initiatives such as the UN Global Compact, and provide an account of our efforts in our Sustainability Reports.

➔ **Stakeholder dialogue:**
Page 26 ff.
➔ **UN Global Compact:**
Page 22

A commitment to principles and guidelines: We are further refining and developing our understanding of sustainability by turning the principles developed in discussions with stakeholders into behavioral guidelines at our company.

➔ **Principles and guidelines:**
Page 20 ff.

Deriving a sustainability program: In a materiality analysis we define the main issues, which we then use to derive concrete sustainability targets and measures. We subsequently monitor implementation with the help of key indicators and an appropriate tool.

➔ **Materiality and issues:**
Page 29 f.
➔ **Our sustainability program:**
Page 31 ff.

Implementation within the Group-wide sustainability management process: Our Sustainability Board (CSB) plays a key role in interlinking the sustainability management systems, structures, and processes of our various units. The success of these measures is systematically monitored and made transparent with the help of key indicators and a regular inspection process.

➔ **Group-wide sustainability management:**
Page 24 ff.

Process-oriented: A key part of our strategy process is the continuous monitoring and possible correction of our strategic focus. Stakeholder feedback helps us precisely estimate our performance and our progress as well as identify areas where we can become even better.

Incorporation into our leadership approach: Taking on responsibility for sustainable business operations is a management task. We create incentives for this in the form of a remuneration system for our senior executives and goal agreements for our managers.

➔ **Manager remuneration:**
Page 90
➔ **Principles of remuneration for the Board of Management:** Online C03 and Annual Report 2011, Page 161 ff.
➔ **Our Group-wide employee survey:**
Page 92
➔ **Idea management and innovation processes:**
Page 56 ff.

Involvement of the employees: Our employees are simultaneously an important stakeholder group and a key force for shaping sustainable operational processes. As a result, employee communication and training measures are crucial elements of our sustainability strategy, as are all tools that enable our employees to express their opinions and contribute ideas for improvement.

Our involvement in the UN Global Compact



The UN Global Compact is currently the world's largest multinational sustainability initiative. Daimler was one of the initiative's founding members in the year 2000. Since then we have intensified our involvement in the initiative by, for example, becoming a member of the **German Global Compact Network (DGCN)**. Following our election to the network's steering committee, we have been actively involved in its processes. We are also involved in a variety of thematic working groups worldwide, including one on combating corruption. In addition, we are active in a number of local networks in countries such as Egypt and Poland. We will further intensify these activities in the future.

We have also been a member of the **UN Global Compact LEAD Group** since it was established in 2011. We are the only automaker among the group's more than 50 founding members. The LEAD Group aims to make sustainability issues and their handling a key issue at the management level. To this end, the member companies strive to implement the Blueprint for Corporate Sustainability Leadership and meet its detailed requirements. In addition, the LEAD members promote efforts related to other UN targets by publicly advocating them and forming strategic partnerships.

We continuously address all levels of the UN Global Compact when it comes to integrity and compliance. In May 2011, we hosted a LEAD Group **event on "competitive advantage through sustainability"** in Berlin. At the event, Dr. Christine Hohmann-Dennhardt, the Daimler Board of Management member responsible for Integrity and Legal Affairs, emphasized the key role that the company's management plays in building and maintaining trust. The event served as a valuable dialogue platform for leaders from various governmental, international, and social organizations.

Daimler is dedicated to leveraging its operational strengths as much as possible in order to support the **Millennium Development Goals** program. In 2000, 89 United Nations member states committed themselves to attaining these goals. For example, the third Millennium Development Goal – to promote gender equality and empower women – is one of Daimler's declared aims. For us as an automaker, the seventh Millennium goal (sustaining the environment) is also of key importance.

- ➔ Measures for increasing the number of women in management positions: Page 95
- ➔ Our environmental targets: Page 34 ff.
- 🌐 More on the UN Global Compact: <http://www.unglobalcompact.org/>



“We’re making very good progress toward achieving sustainable integrity and compliance throughout the entire Group.”

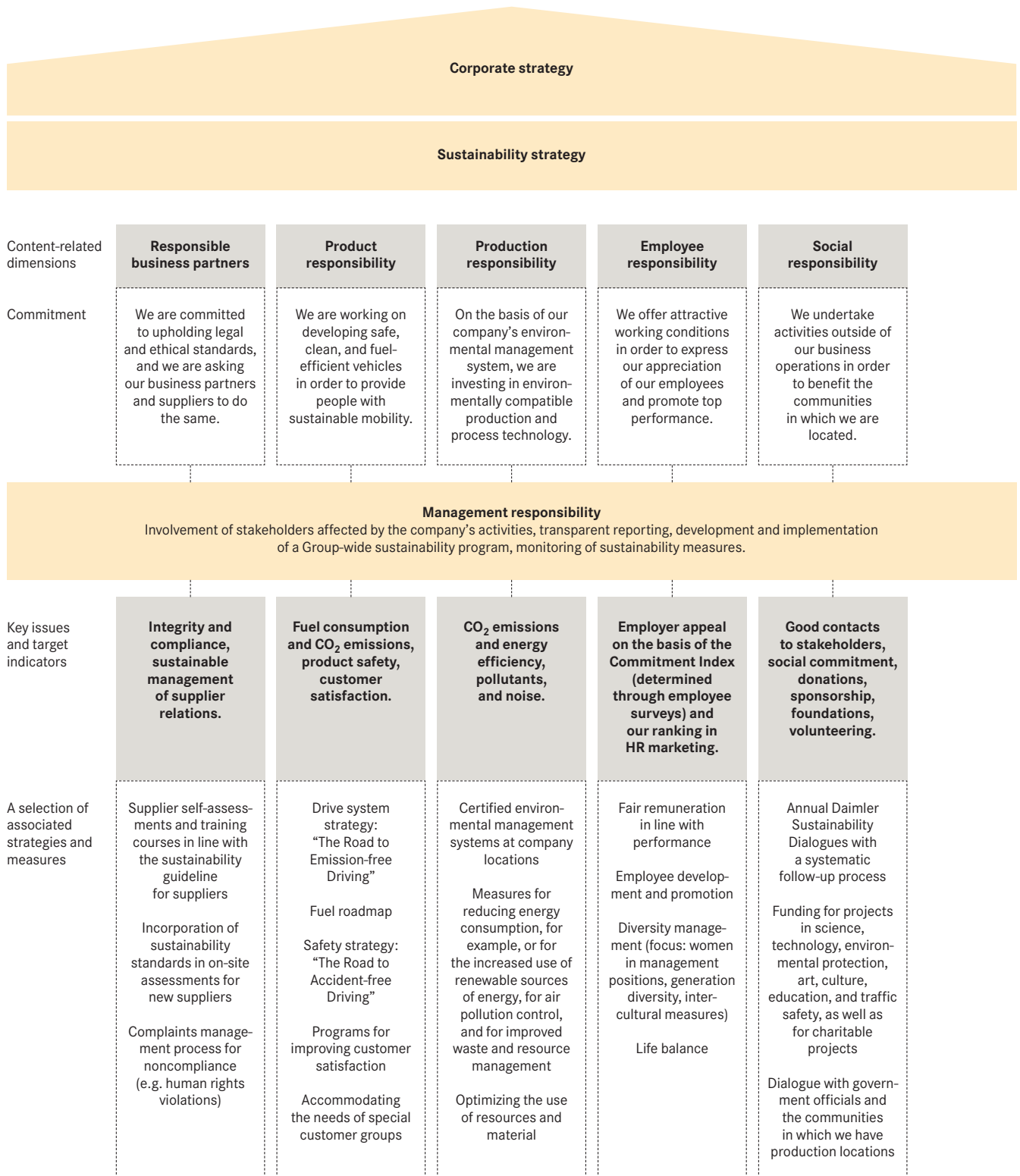
Dr. Christine Hohmann-Dennhardt, Member of the Board of Management of Daimler AG, Integrity and Legal Affairs; Member of the Daimler Sustainability Board (CSB)

Our Integrity Code. In July 1999, on the basis of our corporate values of Integrity, Passion, Respect, and Discipline, we developed an Integrity Code that sets binding standards for the conduct of all of our managers and employees. The code, which we are currently revising in line with integrity-related principles, encompasses all of the key aspects of proper business conduct, such as how to handle conflicts of interest and how to behave toward political parties, government agencies, competitors, and business partners. The code also addresses environmental protection.

Principles of Social Responsibility. In 2003, we expanded our Integrity Code by adding the Principles of Social Responsibility, to which Daimler's management and all of its employee representatives around the world had committed themselves in September 2002. These measures implement the UN Global Compact's universal principles (see box) at our company. In line with our principles, we are, for example, committed to upholding internationally recognized human rights, promoting equal opportunity, and preventing any kind of illegal discrimination or exploitive labor relations. These principles also deal with our efforts in relation to the health and safety of our employees worldwide.

Code of Ethics. In 2003, we also expanded our Integrity Code with a Code of Ethics that meets the requirements of U.S. law. The code's principles are targeted at our senior officers, i.e. Board of Management members and other executives. For the members of our Board of Management, the rules of procedure have a similarly binding nature in accordance with German law.

Dimensions of our sustainability strategy



Tasks of the Sustainability Board

Develop and manage the Group-wide sustainability strategy and coordinate company-wide sustainability initiatives.

Provide the operational units with implementation support.

Interlink the central, Group-wide sustainability activities with the business units and brands; integrate specialized management systems and sub-strategies.

Analyze the Group's sustainability performance.

Coordinate of the decision-making process that leads to the definition of the annual sustainability program.

Define key issues; derive targets and measures.

Host and coordinate of the Daimler Sustainability Dialogue in Stuttgart and at other locations (2011: Beijing, Washington).

Prepare decision memorandums on behalf of the CEO and support the Board of Management by working together with the Sustainability Office to provide second opinions.

House of Policies. The principles of our Integrity Code are implemented at our company through specific Group guidelines, framework directives, and recommendations. They provide uniform, practical, and clear information on how to address everyday business situations. In 2008, our Board of Management also approved the new House of Policies, which brings together all of the Group's guidelines, thus making it easier for staff to follow and address these guidelines. All employees can access and call up Daimler's entire set of regulations at a central intranet portal.

We are continuously enhancing and more precisely defining our codes of conduct. In addition to new or amended laws, the results of our stakeholder dialogue also contribute to this development, as do initiatives and the associated joint decisions in which we take part. In 2011, for example, we moved ahead with the implementation of the UN Global Compact and launched a Group-wide dialogue for developing a common understanding of what it means to behave with integrity. In November 2010, Daimler CEO Dr. Dieter Zetsche signed the Principles of Responsible Behavior in Business, which formulate specific requirements regarding successful value-based management.


 **A selection of key in-house principles and guidelines: Online C01**

 **Integrity: Page 44 ff.**

 **The Principles of Responsible Behavior in Business: Online C02**

Group-wide sustainability management

Sustainability management is a top-level leadership task at Daimler, which is why central sustainability issues are the responsibility of our Board of Management. We also ensured that our sustainability governance structure is, at the highest level, closely interlinked with our corporate governance structure as determined by German law.

 **Board of Management, Supervisory Board, and Annual Shareholders' Meeting: Annual Report 2011, Page 4 ff.**

Sustainability governance. Our central sustainability management body is the Sustainability Board (CSB). This body effectively combines all management processes and areas of responsibility that are relevant to sustainability, and does so at the highest level. The Board of Management established the CSB, which reports directly to the CEO, in 2008. The CSB is headed by a Board of Management member. Prof. Dr. Thomas Weber, the Daimler Board of Management member responsible for Group Research & Mercedes-Benz Cars Development, has been director of the board since 2009. Prof. Dr. Weber has set a goal for the CSB stipulating that Daimler must be among the top companies in the industry with regard to sustainability issues. As a result, all corporate decisions, including those pertaining to investments, must be carefully made after taking sustainability issues into account. Board of Management member Dr. Christine Hohmann-Dennhardt has also been a member of the CSB since 2011. The CSB is supported by the Sustainability Office (CSO), which ensures that all relevant corporate departments, established bodies, and key decision-makers from all divisions are involved in sustainability management activities. These bodies include the corporate organization for environmental protection as well as the Human Resources CSR Committee, which manages HR policy-related sustainability issues throughout the Group. This committee is directed by the Head of Human Resources and Labor Policy, who represents the human resources department at the Group level as a member of the CSB. In 2010 we also set up a core team at Daimler Trucks whose mission is to derive and globally coordinate sustainability initiatives for the division on the basis of stipulations laid out by the Sustainability Board. The individual corporate functions and other operating units have also established specialized committees for managing their sustainability targets.

Good corporate governance is a key aim of sustainable management. We consider it to involve more than just fulfilling legal requirements. Instead, the Board of Management and Supervisory Board strive to govern and supervise the company on the basis of national and international principles in order to ensure our time-honored company's sustained existence through the ongoing creation of

Sustainability Governance Structure

Board of Management

Daimler Trucks	Manufacturing and Procurement Mercedes-Benz Cars & Mercedes-Benz Vans	Director of Human Resources and Labor Relations	Chairman of the Board of Management, Head of Mercedes-Benz Cars	Group Research & Mercedes-Benz Cars Development	Finance & Controlling/ Daimler Financial Services	Integrity and Legal Affairs
Andreas Renschler	Dr. Wolfgang Bernhard	Wilfried Porth	Dr. Dieter Zetsche	Prof. Dr. Thomas Weber	Bodo Uebber	Dr. Christine Hohmann-Dennhardt

Sustainability Board — meets 4 times a year

Human Resources and Labor Relations	Group Procurement	External Affairs and Public Policy	Group Research & Mercedes-Benz Cars Development (Chair)	Communications	E-Drive & Future Mobility, Environmental Protection	Integrity and Legal
Dr. Eckhard Kressel, Vice President Human Resource Policies and Employee Relations	Holger Steindorf, Head of Procurement Trucks & Busses	Martin Jäger, Head of Global External Affairs and Public Policy	Prof. Dr. Thomas Weber, Board of Management member of Daimler AG, Group Research & Mercedes-Benz Cars Development	Jörg Howe, Head of Communications	Prof. Dr. Herbert Kohler, Vice President, E-Drive & Future Mobility, Chief Environmental Officer	Dr. Christine Hohmann-Dennhardt, Board of Management member of Daimler AG, Integrity and Legal Affairs


Sustainability Office — meets 8 times a year

Integration of bodies relevant to sustainability:	Topical integration of divisions:	Integration of relevant functions:
Corporate Environmental Protection, Global Diversity Council, Human Resources CSR Committee, Donations and Sponsorship Committee, Daimler Trucks Sustainability Core Team	Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans, Daimler Buses, Daimler Financial Services	Development, Sales, Human Resources, Finance & Controlling, Strategy, Production

added value. Beginning in business year 2012, the personal goal agreements of the Board of Management members will therefore be augmented by non-financial indicators based on those of the UN Global Compact.

 **Principles of remuneration for the Board of Management: Online C03**

 **Remuneration report in the Annual Report 2011: Page 161 ff.**

 **Diversity on the Supervisory Board and the Board of Management:**

Page 95

Managing consequences — globally and locally. The basic aim of our sustainability management is to control the economic, environmental, and social consequences of our business activities. We

therefore want to minimize any negative effects, while maintaining positive ones that not only benefit us as a company but society as a whole. As a globally operating company, we are particularly faced with the challenge of identifying the local effects of the business activities at our locations around the world and taking action whenever these effects contravene our own sustainability goals. This is the task of our management systems, which have to ensure that areas of responsibility, communication flows, and reporting processes are maintained across all corporate levels — from the smallest operating units and the divisions all the way up to top-level management. A key role in this process is played by our open and constructive dialogue with stakeholders. One of the Sustainability Board's

main tasks remains to coordinate our centralized, Group-wide sustainability approach with the local management systems that are associated with specific business units and topics.

➔ **Local impacts:** Page 51

Leverage opportunities. Our aim is not only to prevent sustainability-related risks but also to exploit the opportunities associated with sustainability. As far as the latter objective is concerned, we, as an automaker, see lots of promising potential in the area of safe, environmentally friendly, and forward-looking mobility. This is why innovation management plays an important role in our sustainability strategy.

➔ **Innovation management:** Page 56 ff.

Stakeholder dialogue

Our business activities affect the interests of many people in various countries and regions. We can therefore only manage our company sustainably if we engage in a dialogue with all stakeholders, share experiences, address controversial topics without preconditions, and jointly search for solutions. The Stakeholder Dialogue is therefore a key element of the cross-unit management responsibilities in our sustainability strategy.

Our most important stakeholders, who we specifically select for each region, are customers, employees, trade unions, investors, suppliers, associations, non-governmental organizations (NGOs), the scientific community, national and local governments, local residents, and neighbors of our production facilities. The criterion for identifying and evaluating our stakeholders is the question of whether, and to what extent, a specific group is affected by our activities, or can influence such activities itself.

🌐 **Our stakeholder relations at a glance:** Online C04

Dialogue management. We employ a systematic management approach in our stakeholder relations. This approach encompasses clearly defined areas of responsibility, institutionalized communication channels and types of dialogue, as well as a systematic selection of stakeholders and the evaluation of topics and expectations.

- The primary contacts of the continuous, institutionalized dialogue with our stakeholders are the Investor Relations unit, Corporate Environmental Protection, the Human Resources department, the procurement organization, the External Affairs and Public Policy unit, and Corporate Communications.
- Our in-house sustainability bodies – the Sustainability Board (CSB) and the Sustainability Office (CSO) – organize and coordinate overarching dialogue platforms such as the annual Daimler Sustainability Dialogue.



“The Daimler Sustainability Dialogues in Stuttgart, Beijing, and Washington have provided us with important feedback on how to implement the UN Global Compact effectively and live up to our claims to leadership in the area of sustainability.”

👤 **Martin Jäger**, Head of Global External Affairs and Public Policy,
Member of the Daimler Sustainability Board (CSB)

We have incorporated various types of dialogue in our sustainability management approach in order to ensure the continuous and regular exchange of ideas with our stakeholders. The measures we use include:

- holding local dialogues with representatives of our neighbors as well as of the regions and communities in which we operate;
- engaging in event- and project-related talks with political decision-makers and non-government organizations;
- sharing ideas with customers, investors, employees, and trade unions by means of workshops, questionnaires, surveys, and other methods;
- working in associations, organizations, and sustainability initiatives (e.g. UN Global Compact, the German Business Ethics Network, econsense, and standardization bodies such as ISO 140xx and ISO 26000);
- maintaining direct and regular contact with external experts, for example in topic-specific working groups.

➔ **Our employee survey:** Page 92

➔ **Customer surveys, complaints management:** Page 104 ff.

➔ **Customer workshops for product development:** Page 58

🌐 **A selection of important memberships and initiatives:** Online C05

Overarching dialogue platform: The Daimler Sustainability Dialogue. For sustainability management to be holistic and far-reaching, our stakeholders have to be involved in the process internationally. Since 2008, we have held a Daimler Sustainability Dialogue in Stuttgart each year. The event is an especially valuable platform for

Results of the Daimler Sustainability Dialogue 2011 in Stuttgart

Working group	Focal topic	Key messages
Environment	Power from renewable sources for electromobility	<ul style="list-style-type: none"> - During the Sustainability Dialogue 2010 and the following workshops with NGOs, we developed criteria for supplying – and keeping accurate accounts of – the additional power generated from renewable sources for use in electromobility. - Daimler used this as a basis for launching a pilot project for supplying additional electricity from renewable sources for the third-generation smart fortwo electric drive cars sold in Germany. - On the basis of this development, workshop participants also developed approaches that more comprehensively address ways of supplying additional renewable power for electromobility applications. Three of these approaches are being fleshed out in follow-up workshops and introduced to the political debate.
	New approaches for sustainable mobility concepts and services	<ul style="list-style-type: none"> - Daimler has developed car2go, a pioneering new concept for mobility services. - These served as the basis for farther-reaching concepts that were developed and discussed during the workshop. The results will be incorporated into the further design of our mobility services.
Employees	Social networks – challenges for communication, recruiting, and data protection	<ul style="list-style-type: none"> - Today's companies must have a presence in online social networks. These networks are subject to legislation, however, which is why rules are needed for protecting the personal rights of customers and employees. If companies use data from social networks, they have to ensure that the process is transparent, affected individuals are properly informed and have provided their consent, and the information collected is handled with integrity.
	Demographic development and talent management	<ul style="list-style-type: none"> - Future-oriented generation management is becoming increasingly important at Daimler – just as it is becoming a key theme at other companies, municipal administrations, scientific institutes, and trade unions. In the search for appropriate overarching and integrative solutions, the different areas that these organizations focus on have to be better addressed in relation to one another. - A holistic, entrepreneurial diversity management approach helps to improve workplace culture. - When it comes to training managers who are to take on global responsibility, the goal is to develop an "inner compass."
Human rights	Analysis of external reference documents for the systematic implementation of the Corporate Responsibility to Respect Human Rights.	<ul style="list-style-type: none"> - In order to orient ourselves on external reference points, the working group especially discussed the Guiding Principles on Business & Human Rights and how they benefit Daimler. These principles were approved by the United Nations Human Rights Council in June 2011. Another topic that was discussed was the creation of a level playing field. - The participants welcomed the appointment of Dr. Christine Hohmann-Dennhardt as the Board of Management member responsible for human rights issues. However, it will continue to be necessary to link human rights and integrity topics with one another at the Group.
	Presentation and discussion of a Human Rights Compliance Assessment to be conducted at Daimler	<ul style="list-style-type: none"> - The necessity to make human rights-related risk assessments was emphasized, as was the need to introduce a Group-wide guideline, for example, in order to highlight the obligatory nature of human rights. The company's involvement in Egypt was analyzed as an example of how human rights issues are addressed in practice.
Supply chain	Supplier audits and assessment training for suppliers	<ul style="list-style-type: none"> - The working group discussed the use of various tools for training and assessing suppliers. These tools have to be implemented in a professional manner. In addition, it is essential to have a dialogue and sharing of ideas with business partners and social organizations in order to firmly establish sustainability standards over the long term. According to the working group, Daimler's commitment to standardizing sustainability aspects in the supply chain creates a strong basis for achieving these objectives.
Community relations	Corporate volunteering: Possibilities for promoting corporate volunteering at Daimler	<ul style="list-style-type: none"> - The start of the Daimler ProCent initiative provides a good opportunity for bringing together dedicated employees with charitable organizations that have ties to the company. - The participants decided to develop a joint social media communications platform in order to intensify the dialogue and sharing of ideas between the parties involved.

bringing together all of our stakeholders with representatives of our company's management in order to discuss sustainability-related topics. The express aim of this forum is to engage in a dialogue with critical interest groups.

In May 2011, we held our second Daimler Sustainability Dialogue in China. This time around, the event took place in Beijing, following a successful debut in 2010 at the World Expo's UN Pavilion in Shanghai. In October 2011, we also staged a sustainability dialogue in Washington, D.C. for the first time. The expansion of the sustainability dialogue to include these important markets and countries highlights our aim of supporting the establishment and creation of, and compliance with, sustainability standards worldwide. In addition, such an approach allows us to better address regionally different sustainability requirements. One of our main tasks is therefore to maintain the Daimler Sustainability Dialogue's international focus in the years ahead as well.

 **Sustainability Dialogue Stuttgart, Beijing, Washington: Online C06**

 **Participants in the Sustainability Dialogue Stuttgart: Online C07**

 **Selection of questionnaire results: Online C08**

Effects on our sustainability strategy and program.

The relevant corporate units utilize the dialogue as a vehicle for sharing information and incorporating external experts into discussions that address specific sustainability issues. In this way, we not only increase transparency for outside stakeholders; we also benefit from this dialogue by gaining new insights into ways of improving our sustainability performance. The external stakeholders' assessments and evaluations are also systematically taken into account in our materiality analysis. Using the latter, we filter out key sustainability issues, organize our sustainability reporting, and prioritize the content of our sustainability strategy.

 **Materiality, issues, and stakeholder inclusiveness: Page 29**

Over the last few years, we have consolidated the Daimler Sustainability Dialogue into five issue clusters considered to be particularly important for our company from both an internal and external point of view. We therefore give these clusters a particularly high priority. Specifically, they are: Environment, Employees, Human Rights, Responsibility in the Supply Chain, and Community Relations. The issues we highlight within these clusters change over time.

The results of the dialogue events are not only systematically documented; we also aim to translate the agreements that were reached during the meetings into concrete targets and measures, if possible, and thus incorporate them into our business operations.

 **Focal areas of the Sustainability Dialogue 2008–2011: Online C09**

 **Stakeholder dialogue process: Online C10**

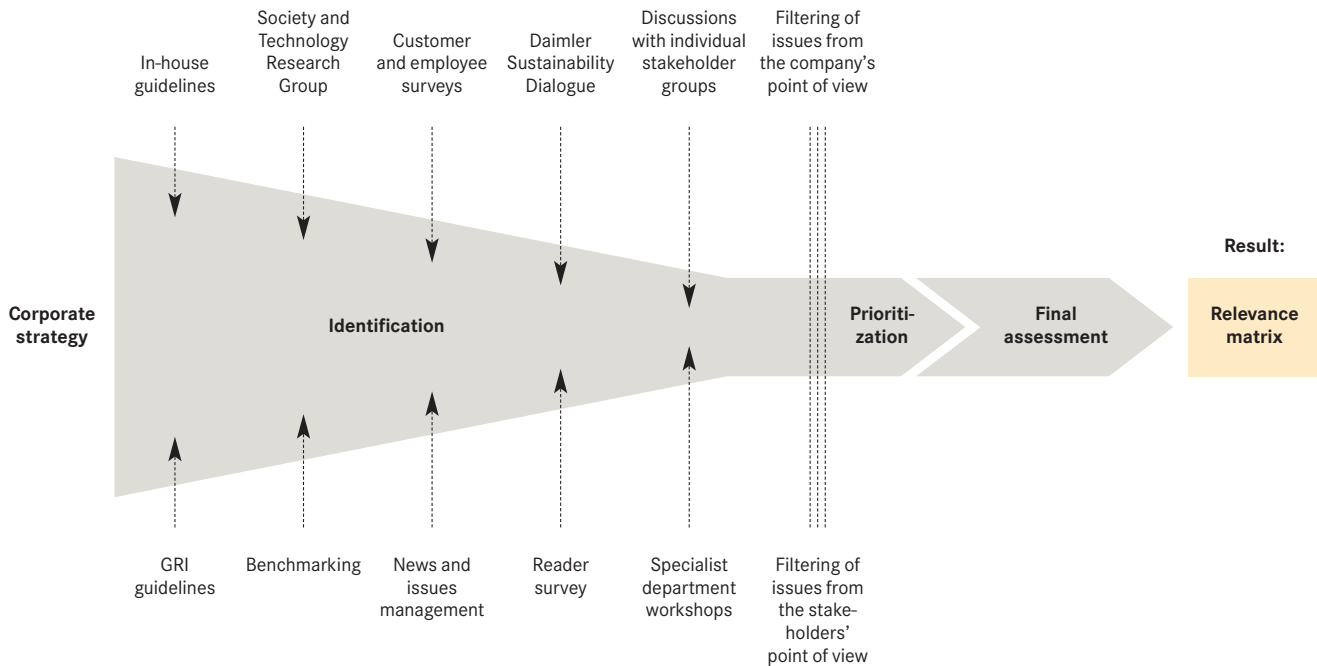
Dialogue at our company locations — community relations. It is in our own interest to take on responsibility for the development of the regions in which we do business. Here, we are in favor of a regulatory framework that allows us to successfully do business. Additionally, we also strive to resolve social issues and modernize industrial policy so that it takes environmental concerns into account. In Germany our immediate contacts, with whom we stay in close touch, are the governments of the individual states, as well as the districts and municipalities in which our production plants are located. With regard to broader issues, we turn to the various federal institutions. We also maintain an intense dialogue with numerous local and regional social institutions, environmental initiatives, and the inhabitants of the cities and towns where we do business. Representatives of our company also work in various regional committees, associations, and initiatives, such as Chambers of Commerce and Industry, state-wide industrial associations, and organizations that support universities, technical colleges, and cultural institutions.

Political dialogue and lobbying. The External Affairs and Public Policy department in Stuttgart is the central office for coordinating the dialogue with political decision-makers. The department has field offices in Berlin, Brussels, Moscow, Beijing, Tokyo, and Washington. It also coordinates the activities of more than 30 other corporate representation offices in key markets. We set great store by standardized communication with political decision-makers. Our communication activities must comply with valid legal stipulations and with our standards governing responsible lobbying procedures. The top priority is to pursue the interests of our company in an ethically sound manner, while also taking the interests of our stakeholders into account. This approach demands that we remain neutral with regard to political parties and interest groups, which is why we maintain equal contact with all democratic parties. However, in the three months prior to all elections we also avoid any meetings with politicians that might have a public impact. Our campaign contributions are in strict accordance with the relevant laws and are also subject to internal regulations established in 2006 which stipulate that contributions to political parties must first be examined by External Affairs and Public Policy and then approved by the Board of Management.

 **More on donations to political parties: Page 110**

 **Examples of political dialogue: Online C11**

Materiality analysis



Materiality and stakeholder inclusiveness

Sustainability management is a continuous improvement process. We need to hold a dialogue with our stakeholders in order to define the target criteria of this process. These stakeholders range from our employees and customers to politicians and representatives of environmental and human rights organizations.

The aim of this dialogue is to find out what expectations people have of us as a globally operating automaker, and what we ourselves have to strive to achieve in order to have sustained success. Our sustainability reporting is part of this improvement process. It ensures transparency and motivates us to become better. By publishing this report we are letting ourselves be measured against our own sustainability targets and giving an account of what we have achieved.

What's essential? The Global Reporting Initiative's (GRI) principles of completeness, sustainability context, materiality, and stakeholder inclusiveness have served as our guidelines during the conception of this Sustainability Report, particularly while we were selecting and

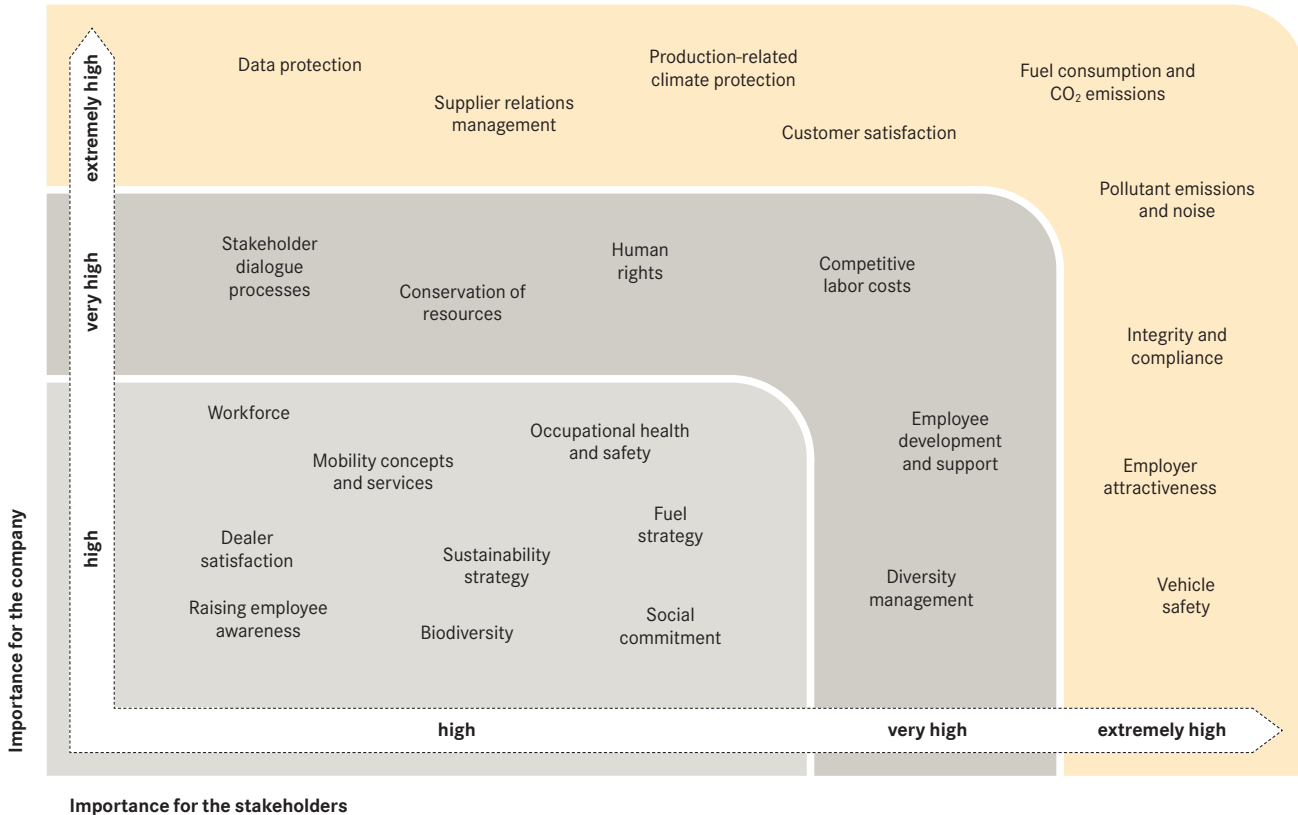
weighing the individual topics. We consider a sustainability-related issue to be especially crucial if it is important from both our point of view and that of our stakeholders. Because these various perspectives do not always match, we conduct a multi-stage materiality analysis in order to determine the intersection between them and prioritize the results.

Identification and relevance. In pre-selecting issues, we orient ourselves according to the specific sustainability-related challenges in our core area of business, drawing on the GRI criteria catalogues as well as on external and internal standards and regulations. During the further steps of the materiality analysis, we strive to gain as precise a picture as possible of our stakeholder groups' expectations.

➔ **Stakeholder dialogue: Page 26 ff.**

- This involves analyzing reader surveys of our reports, as well as customer surveys, discussions with individual stakeholder groups, and the results of our Daimler Sustainability Dialogue.
- To determine what is in the best interest of our company, we rely, among other things, on the workshops held in the specialist departments and examine employee surveys as well as analyses from our News and Issues Management unit and the Society and

Relevance matrix (important issues in 2011)



Technology Research Group. The latter organization examines changes in the environment, economy, and society.

- Specialist departments that are in close contact with the relevant stakeholders filter the pertinent issues according to their relevance for our company.
- Our in-house sustainability committees – the Sustainability Office (CSO) and the Sustainability Board (CSB) – check this categorization one last time and make any corrections that might be needed.
- The materiality analysis process is reworked each year.

Our relevance matrix. The result of this year's materiality analysis is the 2011 relevance matrix. It depicts all of the sustainability-related issues that are currently relevant for Daimler. In line with the prioritization process, these issues are divided into three levels of relevance. The issues meet the following criteria:

- They currently affect or will affect our business activities to an extremely high/very high/high degree.
- Their importance for our stakeholders is extremely high/very high/high.
- We are in a position to change them directly or indirectly.

Even though all of the issues are important to us, we have to primarily focus on the topics located in the upper right-hand corner of the matrix. This prioritization also forms the basis for our sustainability strategy and our sustainability program.

➔ **Sustainability program: Page 31 ff.**

A continuous improvement process in line with the targets.

This year we have focused our sustainability reporting even more systematically on the materiality analysis. As a result, the reporting structure more accurately reflects our special profile of sustainability requirements than was previously the case. Although we aim to continuously improve the materiality analysis, certain weaknesses cannot be completely eliminated. For example, the selection of the issues is always subjective to a certain extent. In addition, it is not always possible to accurately depict the interests of the various stakeholders, which can deviate from one another. We have therefore tried to solve this problem by setting average values.

➔ **Report profile: Page 10 f.**

Balance sheet and targets

for 2011



15% women employees

More women in the workforce and in training programs. By 2015 we aim to raise the share of women in the Daimler AG workforce to between 12.5 and 15 percent and the share of women trainees to between 22 and 26 percent.

➔ Page 39

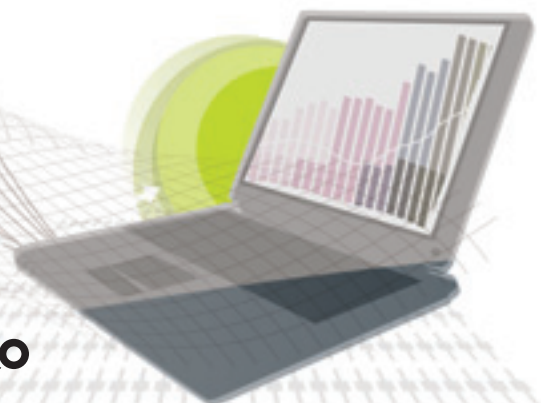
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125 g CO₂/km

Climate-friendly driving. By 2016 we aim to reduce the CO₂ emissions of our fleet of new passenger cars in Europe to 125 g CO₂/km.

➔ Page 34




Our sustainability program for 2010–2020. In 2010 we incorporated sustainability as an objective into our system of strategic targets. In this way we're emphasizing the fact that economic, environmental, and social responsibility are all interconnected at Daimler.

Sustainability is a key guidepost for our business operations, which is why we continuously analyze our corporate interests and business targets in relation to our stakeholders' expectations in order to prioritize the different areas in which we are pursuing sustainability. The conclusions we have reached are depicted in our relevance matrix for 2011. We have derived concrete targets based on these defined areas of activity, and we want to be judged in terms of these targets.

We do not regard this sustainability program for 2010 to 2020 as unchanging. We must continuously adapt to new market conditions in a dynamic competitive environment; similarly, the demands expressed by our stakeholders within the framework of our stakeholder dialogue also change from year to year. Our sustainability program for 2010 to 2020 therefore indicates the key target horizons of our sustainability efforts in the years ahead, while at the same time showing enough flexibility so that we can react at short notice to new challenges.

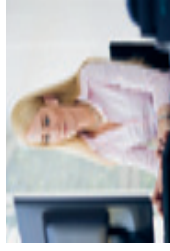
A downloadable list of all of the targets and measures:

 **Online D01**

Target	Achievements	Target horizon	Status quo	Page
Sustainability Competence Team. Creation of an organizational entity for Group-wide sustainability management at Daimler.	New target. <ul style="list-style-type: none">Building on the success achieved to date by the Sustainability Office (CSO).	Mid-2012	<div><div></div></div>	
Stakeholder dialogue. Internationalization of the dialogue with stakeholders.	First time in the U.S. <ul style="list-style-type: none">2011: Three Daimler Sustainability Dialogue events held in Stuttgart, two in Beijing, and the first in Washington, D.C.	2014	<div><div></div></div>	➔ 26 ff.
Strategy process. Formulation of the Group-wide Daimler sustainability strategy.	Strategy development. <ul style="list-style-type: none">Development of a Daimler sustainability strategy in a cross-unit process.	2011	<div><div></div></div>	➔ 20 ff.
 Raising employee awareness. Strengthening employees' awareness of, and knowledge about, the Group's sustainability targets and activities.	Broad range of communication activities. <ul style="list-style-type: none">Systematic communication of sustainability issues in Daimler's in-house media.Six Daimler EXECUTIVE Series – green events in 2011.Intensified executive communication (Levels 5 to 1) by means of the Executive Journal/Executive Newsletter, with a focus on the sustainability strategy, sustainability management, and sustainability within the Daimler target system.	2012	<div><div></div></div>	

Incentive systems. Expansion of the non-financial remuneration parameters through the introduction of the topic cluster “Integrity and UN Global Compact” for the members of the Daimler Board of Management.

Integrity



Compliance training. Group-wide continuation of the training program with more than **150,000 participants** and extension of the training programs to our business partners.

Raising awareness. Improving employees’ knowledge of the relevant agreements and guidelines.

Whistleblower system. Improvement of the whistleblower system and Group-wide expansion of the service spectrum of the Business Practices Office (BPO).



Business partners. Optimization and expansion of the Group-wide integrity monitoring of the business partners that operate on behalf of Daimler.

Communication. Worldwide internal communication campaign “fairplay” on integrity-related issues.

Targets valid for 2012.

2012  24 f.

2012  45 f.

Almost all of the targeted individuals took part in the training programs.

- Risk-based focus on selected target groups and new issues (e.g. anti-trust law)
- The Integrity Code training program was postponed to 2012.

2012  45 f.

Clear guidelines.

- **Revision of the compliance guidelines** as part of the guideline optimization project.

Until 2012  46

Thorough reworking of the BPO whistleblower system.

- **Focus** is particularly on severe violations and on cases that are very damaging for the company.
- **Improved accessibility.**
- Available in **various languages.**

2011  46

New processes.

- **Introduction** of new processes in the divisions and business units.
- Planning of **process training programs.**

2013  45

fairplay.

- **Worldwide introduction of the campaign** in 19 languages and more than 40 countries, with communication to all employees.
- Continuation of campaign using additional topics.

Target	Achievements	Target horizon	Status quo	Page
Human rights risk management. Worldwide expansion of risk management at 18 Daimler production locations in line with UN requirements so that possible human rights violations can be detected early on.	Development of an overall concept. <ul style="list-style-type: none">– Political analysis of countries, Human Rights Compliance Assessments of Germany, Mexico, and Egypt.– The creation of central and local lines of responsibility has begun.	2013	<div><div></div></div>	<div><div></div></div> 49 f.
Data protection for employee details. Make all managers (Levels 5 to 2) in Germany aware of data protection issues related to the handling of health data by 2012.	Brochures and training programs. <ul style="list-style-type: none">– Creation of a manager brochure for publication in October.– Continued classroom instruction.	2012	<div><div></div></div>	<div><div></div></div> 50
Data protection worldwide. Development of a Group-wide awareness concept within the Daimler Group by 2015.	Creation of a Group-wide awareness concept. <ul style="list-style-type: none">– Development of training standards.	2015	<div><div></div></div>	<div><div></div></div> 50
Protection of customer data. Optimization of data protection in the Mercedes-Benz sales units of Daimler AG through the implementation of new national guidelines.	Raising awareness. <ul style="list-style-type: none">– Adjustment of the consent clause to fit the current legal situation.– Comprehensive awareness campaign with a roadshow for the sales staff in Germany.	2011	<div><div></div></div>	<div><div></div></div> 50

Product responsibility



CO₂ emissions from cars. Reduction of CO₂ emissions (based on the NEDC) generated by the new-vehicle fleet in Europe to around 140 g CO₂/km by 2012 and to **125 g CO₂/km by 2016.**

This corresponds to a reduction in CO₂ emissions of approximately **21 percent** over the five-year period **from 2007 to 2012** and around **30 percent from 2007 to 2016.** We will make further substantial reductions in CO₂ emissions by 2020. However, we will not be able to set concrete targets for this period until various unresolved regulatory and political issues (e.g. the framework conditions for e-mobility and the test cycle) have been clarified.

Reduction by more than 5 percent compared to the previous year.

- **150 g CO₂/km** of overall average emissions for the Mercedes-Benz Cars fleet in Europe in 2011.
- **Fuel consumption was reduced by up to 24 percent**, thanks to new BlueDIRECT V6 and V8 engines, the ECO start-stop function, and the enhanced 7G-TRONIC PLUS automatic transmission.
- The new M-Class' entire model lineup consumes **25 percent less fuel** on average than its predecessor.

2012/2016 67 f.



CO₂ emissions of light commercial vehicles. Reduction of the CO₂ emissions of the new-vehicle fleet in Europe by over **10 percent** by 2014 compared to 2010.

228 g CO₂/km.
- The Mercedes-Benz fleet of **light commercial vehicles in Europe** had **overall average emissions** of 228 g CO₂/km in 2011.

2014



68

Reduction of the fuel consumption of heavy-duty commercial vehicles in Europe. Reduction of the fuel consumption of N3 trucks (in liters per ton-kilometer) in Europe by an average **20 percent** by 2020 compared to the base year of 2005 (Euro III vehicles).

Reduction by around 9 percent.
- **Fuel consumption of long-haul trucks was reduced by around 9 percent** between 2005 and 2011.

2020



68

Reduction of the fuel consumption of heavy-duty commercial vehicles in the NAFTA region. Reduction of the fuel consumption of the Cascadia truck by more than **20 percent** by 2015 compared to the base year 2007.

Green House Gas 14 standard.
- **Certification of Daimler Trucks North America** according to the Greenhouse Gas 14 standard, which will go into effect with the 2013 model year.

2015



68

The Euro 6 standard for cars. Early compliance with the Euro 6 standard by **50 percent** of all Mercedes-Benz and smart new vehicles in Europe by the end of 2014.

1.8 percent.
- **The Euro 6 standard was met** by 1.8 percent of the Mercedes-Benz cars sold in Europe in 2011.

2014



71

EEV engines for light commercial vehicles. Introduction of EEV engines (parallel to Euro V) in all van production series by the end of 2013 // Introduction of Euro VI, Group I for N1 vehicles starting with the successors of the Vito/Viano if there is sufficient market demand.

EEV for all diesel engines.
- All diesel-powered models will also be offered as EEV versions.

From 2013



71

(early compliance)



Euro VI for heavy-duty commercial vehicles. Euro VI type approval for **30 percent** of Daimler commercial vehicles (buses, trucks, and semitrailer rigs) in Europe by 2013, on the condition that this plan is supported by the relevant political decisions.

First vehicle to meet Euro VI.
- The **new Actros** already **met** the demanding Euro VI emissions limits in 2011.

2013



71

Target	Achievements	Target horizon	Status quo	Page
EEV engines for heavy-duty commercial vehicles. Expansion of the lineup of EEV vehicles to more than 90 percent of the model spectrum by the end of 2011.	More than 90 percent available with the EEV option. - EEV availability for the production series Actros, Atego, Axor, and Econic (more than 90 percent of the model spectrum) and all engine families.	2011	<div><div></div></div>	<div><div></div></div> 71
Resource conservation. A 25 percent increase by 2015 of the total volume of parts and components in each Mercedes-Benz passenger car series for which the use of renewable raw materials and recycled materials is approved — with 2010 as the base year.	Greater use of recycled materials and renewable raw materials. - A 9.8 percent increase in the share of recycled plastics used; a 14.7 percent increase in the share of renewable raw materials used (based on a reference fleet), as compared to 2010.	2015	<div><div></div></div>	<div><div></div></div> 72
Interior emissions. Continual improvement of air quality in vehicle interiors.	Complete vehicle measurements. - Creation of a test chamber at the Sindelfingen plant for measurement of the entire vehicle.	2012	<div><div></div></div>	<div><div></div></div> 72
 Product development. Systematic integration of environmental aspects into Mercedes-Benz product development in line with ISO TR 14062 — Design for Environment.	External validation. - Successful implementation of internal and external product-related environmental audits in the C-/E-Class segment and for the smart/A-/B-Class. - Environmental certificates published for the SLK-, B- and M-Class.	2011	<div><div></div></div>	<div><div></div></div> 72
 Increasing the utilization of car2go. Tenfold increase by 2015 in the number of trips taken and the number of active users, as compared to 2011.	Acceleration rollout.	2015	<div><div></div></div>	<div><div></div></div> 73
Promoting the creation of a hydrogen infrastructure. Implementation of pilot projects for establishing a hydrogen infrastructure. Construction and commissioning of 20 hydrogen filling stations in Germany to supply fuel cell vehicles with hydrogen from renewable sources.	Acceleration rollout.	2014	<div><div></div></div>	<div><div></div></div> 66



Power from renewable sources for battery-operated electric vehicles.

Proof of representatibility of “0 grams of CO₂ well-to-wheel” mobility and raising customer awareness of the importance of recharging electric vehicles with energy produced exclusively from renewable sources.

New target.

2012

66

Passenger car safety. Enhancing Daimler's leading position – achieving a **five-star rating** in the Euro NCAP crash test for new model series with requirements raised starting in 2012, 2013, 2014, and 2015. // Being the Top Safety Pick in the IIHS crash test ratings with the Small Overlap Crash beginning in 2012.

Target is more demanding than in the prior year.

From 2012 // 2013 // 2014 // 2015

75

Light commercial vehicle safety. Achieving good crash performance and confirming the results in ratings such as the NCAP protocol for tests of heavy-duty vehicles. Introduction of additional active assistance systems, taking into account the actual accidents in 2013 and successively increasing the proportion of vehicles equipped with such systems until 2015.

Further improvement.

- Development of an enhanced ESP for the Mercedes-Benz Sprinter.
- Market launch on March 14, 2012.

From 2012

75



Assistance systems for heavy-duty commercial vehicles. Successive increase of the proportion of heavy-duty commercial vehicles equipped with assistance systems. For example, in

Doubling the share of vehicles equipped with Active Brake Assist.

- Equipping 20 percent of Actros long-haul trucks in Germany with **Active Brake Assist 2.**

2015

75

2009 approximately 10 percent of vehicles were equipped with Active Brake Assist; we would like to double that figure by October 2015.

Target

Operations-related environmental protection



CO₂ emissions in production. Continual reduction of specific CO₂ emissions from production operations, to result in **20 percent** lower emissions in 2015 as compared to 2007.

CO₂ emissions in production. Determination of an absolute CO₂ reduction target for European plants in the year 2020.

Biodiversity. Development and testing of a concept by 2013 for assessing a vehicle production location's impact on biodiversity.

Environmental performance indicators. Development by 2013 of a comprehensive system for using environmental performance indicators to formulate targets and monitor target achievement across all locations.

Our employees

Regularly assessment of employee commitment. Increasing employee satisfaction and identification with the company through measures implemented in response to periodic employee surveys.

HR marketing. Strengthening our position as an attractive employer by focusing HR marketing on the strategic future-oriented fields of "green recruiting" and "emerging markets."

Achievements

Reduction of specific CO₂ emissions from 2007 levels.

- Daimler Buses –**24 percent.**
- Mercedes-Benz Cars –**22 percent.**
- Mercedes-Benz Vans –**11 percent.**
- Daimler Trucks –**2.5 percent.**

(Analogous comparison with reference year; excluding fuels, excluding Atlantis Foundry).

New target.

Concept developed.

- Implementation of a "biodiversity check" at the Sindelfingen plant.
- **Development of a biodiversity performance indicator.**

Pilot project launched.

- The further development of indicators and reporting systems is being tested.
- **Practicability test.**

Stabilizing the Employee Commitment Index at 63 points.

- Increasing the index result from 58 (2008) to 64 points (2010); stabilization at **63 points in 2011.**
- **Implementation of planned measures.**
- **Full surveys and sample polls** to be carried out alternately.

Focus on green.

- Focusing Daimler's employer branding on "green recruiting" in all media.
- Recruiting events and image events with a **green focus** in 2011.

Target horizon

Status quo

Page

2015

79 ff.

2012

79 ff.

2013

84

2013

79

2015

92

2012

96 f.

Transparent and competitive remuneration according to globally uniform principles // Competitive management remuneration. Implementation of a globally uniform, variable, and transparent remuneration policy that focuses on performance-based elements oriented toward the medium and long terms.



Strategic diversity target. Daimler seeks to become a leader in terms of diversity management in the automotive industry. Diversity is therefore to be embedded in human resources processes and the corporate culture.

Increasing the share of women in the workforce

- A) to **20 percent** in executive positions worldwide at the Daimler Group (by 2020);
- B) to between **14 and 18 percent** at management Level 4 at Daimler AG (2015);
- C) to **35 percent** for CAREer hirings at the Daimler Group (by 2011); and
- D) to between **12.5 and 15 percent** in the Daimler AG workforce, to between **22 and 26 percent** for trainees, and to between **13 and 16 percent** for employees in commercial/technical apprenticeships (by 2015).



Generation management. Establishment of a generation management system. Greater consideration of demographic issues in our corporate culture and leadership processes.

Increasing the intercultural makeup of management personnel. Maintenance of at least the current proportion of non-German executives and promotion of intercultural skills among all managers.

Further standardization.

- Introduction of a **Corporate Compensation Policy** as part of the effort to standardize the basis of remuneration worldwide.
- Standardization of **the basic criteria for benefits**.

Diversity as a core element of HR processes.

- Embedding diversity-related issues as **evaluation criteria in assessments of performance and potential**.
- Embedding diversity targets in the **goal agreements with executives**.

Increases at all levels.

- A) **10.7 percent share of women in executive positions** worldwide at the Daimler Group (2010: 9.0 percent).
- B) **12.9 percent share of women in mid-level management** (Level 4) at Daimler AG (2010: 12.4 percent).
- C) **34 percent share of women** among **CAREer hirings** by 2011.
- D) **13.9 percent share of women in the Daimler AG workforce** (2010: 13.5 percent); **20.4 percent share of female trainees** (total) (2010: 20.6 percent), and **11.3 percent share of commercial/technical apprenticeships** at Daimler AG (2010: 11.3 percent). (Status: Dec. 31, 2011)

Focus on areas of activity.

- Workshops carried out in May and November 2011 for **identifying areas where action needs to be taken**, with participation by HR, General Works Council, and planning departments.
- Continuation of the **HR Resource Management rollout** at the Sindelfingen and Rastatt plants



> Approximately 30 percent.

- Share of non-Germans in **executive positions** in 2011.

2012  → 89







2020  → 93 f.

A) 2020
B) 2015
C) 2011
D) 2015

A) B) D)  → 95 f.
C) 

From 2012  → 95

2015  → 96

Target	Achievements	Target horizon	Status quo	Page
 <p>Securing highly qualified talents. Safeguarding the recruitment, promotion, and further training of talents with an academic background.</p>	<p>Highly qualified young talent.</p> <ul style="list-style-type: none"> – Hiring of approximately 500 college graduates and early professionals worldwide through the CAREer trainee program – Five students enrolled in the new Business Information Technology program at the Cooperative State University in Baden-Württemberg. – 40 active employees began a parallel program of study as part of the Daimler Academic Programs. 	2011		➔ 96 f.
<p>Green HR strategy. // Comprehensive planning for employees with know-how // Resource Management. Strategic initiative for anticipating and handling human resources-related challenges brought on by the transformation of drive-system and lightweight-design technologies.</p>	<p>Various initiatives.</p> <ul style="list-style-type: none"> – Managing the “Electromobility and Employment” study (ELAB). – Skills qualification for approximately 22,000 experts (along the value chain) and trainees. – Integration of aluminum and plastics expertise into existing profession profiles 	2012		➔ 96 f.
<p>Needs-based training. New prioritization, optimization of the training programs with the aim of further boosting the company’s innovative strength and development potential while taking future needs into account.</p>	<p>4.4 percent share of trainee positions within the active workforce.</p> <ul style="list-style-type: none"> – Around 50 percent share of trainee positions in the electrical and electromechanical professions in the passenger car plants. 	2015		➔ 96
<p>Ergonomics. Embedding ergonomics-related activities into planning and production processes.</p>	<p>Comprehensive ergonomics analyses.</p> <ul style="list-style-type: none"> – in the vehicle units Mercedes-Benz Cars and Daimler Trucks. 	2015		➔ 97
<p>Safeguarding jobs through Daimler guarantees. Extending the necessary flexibility in order to increase options for reacting to changing conditions.</p>	<p>No business-related layoffs</p> <ul style="list-style-type: none"> – for the entire workforce until 2016. – Further development of the personnel rotation system DMove for flexible assignments. 	2012		➔ 90.

____Supplier relations

 <p>Training programs. Improved embedding of Daimler’s sustainability requirements with the help of training sessions for suppliers.</p>	<p>>100 participants at training sessions conducted jointly with other automakers.</p> <ul style="list-style-type: none"> – India: Six training sessions, 40 participants from Daimler suppliers. – Brazil: One training session, 30 participants from Daimler suppliers. – Turkey: Two training sessions, 13 participants from Daimler suppliers. – Mexico: Four training sessions, 17 participants from Daimler suppliers. 	2013		➔ 102
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Supplier self-assessment. Monitoring the implementation of Daimler's sustainability requirements at suppliers with the help of information from the suppliers.

Contractual stipulations. Embedding the Daimler Sustainability Guideline in binding contractual stipulations.

Supplier self-assessment.
– **Survey of 77 suppliers** of the cleaning services commodity.

Sustainability requirements in contract stipulations.
– Corresponding changes to contracts made in **Argentina, Australia, China, Indonesia, Mexico, Singapore, South Africa, Thailand, Hungary, Vietnam, and Turkey.**

2012  → 102

2013  → 101 f.

Our customers

Customer Satisfaction. Maintaining Mercedes-Benz' status as the brand with the highest level of customer satisfaction in the premium segment.

Quality of services and parts. Safeguarding and increasing service quality for customers served by the Mercedes-Benz sales and service network, especially in the growing market for older vehicles.

Top performance in customer satisfaction.
– Mercedes-Benz once again achieved **top marks in various comparative surveys** and studies of premium brands in 2011.

Sustained improvement in service quality.
– **A rating of "very good"** once again in the ADAC Service Center Test 2011; **highest possible total points.**
– A positive result once again in the **Service Award** competition organized by kfz-betrieb magazine (for both passenger cars and commercial vehicles).
– Mercedes-Benz was **No. 1** for the third consecutive year in J.D. Power's VOSS Deutschland survey of customer satisfaction in the premium segment.

Ongoing target  → 104 ff.

Ongoing target  → 107

Social commitment

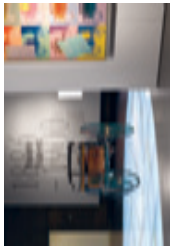










Traffic safety instruction. Traffic safety instruction and training in proper behavior to improve safety among elementary school students in Germany.

Training for thousands of children.
– Participation by **320 elementary school classes** from Germany and **more than 10,000 students** in the **MobileKids training event.**
– Participation by tens of thousands of children in the **MobileKids traffic safety training event** at the Ravensburger Spieleland amusement park as well as in a variety of other information and training events in Germany.
– Training for children at **250 events with the traffic safety puppet show** in cooperation with Stuttgart Traffic Safety Association.

2012  → 113

 Target achieved  Partial target achieved  New target

Target	Achievements	Target horizon	Status quo	Page
 Art and culture. Regional, location-based patronage of art and culture as part of the “good neighbor” approach; programs for employee cultural education.	Some 30 offerings for employees and their families. <ul style="list-style-type: none">- Support for the Staatgalerie Stuttgart, the Kunsthalle Tübingen, the Domnick Foundation, and the Ludwigsburger Schlossfestspiele (theater festival)- A total of some 30 (always fully booked) programs such as evening academies, tours, Meet the Artist events, and concerts to promote art and culture.- The programs were utilized by more than 2,000 employees and their families.	2012		 111
Commitment to education. Expansion and consolidation of educational activities for children and teenagers in Germany through the Genius initiative. // Sustained promotion and retainment of young talents “from the beginning.”	Expansion of the Genius program. <ul style="list-style-type: none">- Expansion of Genius into a nationwide program (workshops, children’s and youth programs at the IAA 2011, preparation for tours for children at the Sindelfingen plant, presence at shows and congresses).- Expansion of the target groups and further development of activities (exhibition at the Ravensburger Spielplatz amusement park, children’s university with Dr. Zetsche, competition for technical high schools, teacher training programs for drive system technologies and driver assistance systems, second textbook on “Safety,” 2nd Genius teacher conference).	2012		 111
Corporate volunteering approach. Promotion and support of employees’ volunteer work with the “We move it – 125 employee projects for sustainability” program, as part of Daimler’s activities to celebrate the 125th anniversary of the invention of the automobile. Implementation of employee-initiated social and environmental projects throughout Germany.	We move it! <ul style="list-style-type: none">- 1,062 project ideas submitted.- 125 winning projects from 16 locations. Up to €5,000 in award money for each selected project.- Implementation of the selected projects that focused on various aspects of sustainability in 2011.	2012		 114
 Corporate volunteering. Implementation of a company-supported volunteering program at Daimler AG.	Daimler ProCent. <ul style="list-style-type: none">- Implementation of the “ProCent” program at all Daimler AG locations by the end of 2011.- Rounded-off cent contribution from monthly paychecks as a donation to the Daimler ProCent development fund.- Employee contributions were matched by the Group.- The money collected is used to fund charitable projects proposed by employees in their regions, as well as Group-wide projects in Germany and abroad.	2013		 114



Corporate volunteering initiatives. Expansion of existing corporate volunteering projects at Daimler Financial Services.

International empowerment activities.

Expansion of existing empowerment initiatives of Daimler Financial Services in Ethiopia (Mercedes-Benz Bank AG) and South Africa (Mercedes-Benz Financial Services South Africa Ltd.).

Global sustainability challenges. Activities to establish and operate **ten additional national UN Global Compact networks**.

Donation policy. Part of the expansion of our donation strategy is the introduction of globally applicable donation guidelines and principles that take local customs and traditions into account.

Day of Caring in 12 countries in 2011.

- Approximately **2,200 employees from around the world** were involved (2010: 1,200 employees).
- New additions: **India, Italy, South Korea, Portugal, Russia, Thailand.**
- Continued activity: **Argentina, Germany, Croatia, Poland, Spain, Czech Republic.**

South Africa: CARE is safeguarding livelihoods and issuing microloans.

- Development and implementation in cooperation with CARE of a **comprehensive training program** that **focuses on safeguarding the livelihood** of people in need.
- **Healthcare training** on the topics AIDS and tuberculosis.
- **Accounting classes** as a basis for the accompanying microloan program.

South Africa: Youth Entrepreneurship Program.

- Nationwide **program for promoting an entrepreneurial mindset** among young office workers in order to create new jobs (since 2002).
- Training in business operations and the development of business plans as a means of **helping young businessmen and women** between the ages of 18 and 35 help themselves.

Ethiopia: Microloan program in the Midda region.

- **Program** initially established in January 2009; support at that time and since then from Mercedes-Benz Bank.
- Approximately **2,000 women have successfully participated** in the basic courses to date.

Active support.

- Participation in the UN Global Compact networks in **Germany, Egypt, and Poland.**

Determination of the key points of a global list of criteria.

2012  → 114

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2013 

2012  → 114

2013 

2013 

Integrity

Balance sheet for 2011

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Dr. Christine Hohmann-Dennhardt
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Transparency International
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Trainings

Compliance? Of course! In 2011 over 71,500 employees and managers participated in online training courses on antitrust law and the prevention of corruption or face-to-face training programs where they deepened their knowledge of these issues.

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Human rights

Risk assessment. In order to ensure that our business activities have a positive effect on the protection of human rights in the long term, we have introduced a risk assessment system. In 2011 we used this system to assess risks at three of our production countries.

→ Page 49 f.

Our approach

Only business integrity leads to long-term success — and Daimler orients its business activities in line with this conviction. Acting in compliance with national and international laws as well as the relevant regulations and internal guidelines is a basic principle of our company. We expect this attitude to be shared by all of our employees and also by our business partners. Above and beyond simple compliance with the rules, Daimler strives to maintain a corporate culture that is based on integrity, which means that everyone involved acts according to a shared value system. That's because in the long run shared value systems also turn out to generate better communities of value creation.

In order to promote this corporate culture, a new Board of Management function, Integrity and Legal Affairs, was established in February 2011. This function is headed by Dr. Christine Hohmann-Dennhardt, who formerly served as a judge on the German Federal Constitutional Court. Her Group-wide area of responsibility includes legal, the compliance organization, and corporate data protection. Responsibility for the recognition and protection of human rights is also part of this Board of Management function.

Integrity

As a founding member of the UN Global Compact and a member of its LEAD group, Daimler has committed itself to setting an example and actively promoting the Compact's values. Through the initiatives started by the integrity and legal department, Daimler aims to actively make a difference not only within the Group, but also beyond it by setting a good example.

➔ **Our involvement in the UN Global Compact: Page 22**

In November 2011 we launched a Group-wide dialogue on integrity that was initiated by the Board of Management function Integrity and Legal Affairs and is supported by the entire Board. Through this dialogue we aim to develop a shared understanding of business integrity across all functions and levels of the hierarchy that is derived from the principles of the UN Global Compact and to firmly anchor it throughout the Group.

Our Group-wide Integrity Code guides all of our employees on how to act responsibly in their daily work — and thus strengthens the foundation of our success.

➔ **Our Integrity Code: Page 22**

In May 2011 we launched the worldwide “fairplay” campaign, which deals with issues from the areas of integrity and compliance for all units in the Group.

➔ **Principles and guidelines: Page 20 ff.**

Compliance

The basic precondition of every sustainable business activity is observance of all the relevant laws, regulations, voluntary commitments, and internal guidelines. We refer to such rules-based behavior as “compliance.”

As a member of the UN Global Compact, Daimler joined other internationally operating companies in committing itself to uphold and actively promote the Compact's ten principles. These principles include the struggle against corruption.

Compliance organization strengthened. In 2011 we oriented the Group Compliance unit more strongly toward the Group's divisions. As a result, the Group's units and divisions are integrated more intensely into the compliance management process. The divisional Chief Compliance Officers help the employees in their divisions take responsibility for compliance in their daily work. They report to the Group's Chief Compliance Officer, who in turn reports to the head of the corporate function Integrity and Legal and the Daimler AG Supervisory Board. Our Group compliance organization comprises about 160 employees worldwide, approximately 74 of whom work at Group headquarters.

Compliance management system improved. Although Daimler assigns top priority to compliance with all of the relevant laws, regulations, and rules of behavior, it is never possible to entirely eliminate individual violations of the rules. That's why we put in place the necessary basic conditions and develop measures to protect the Group and its employees from unethical decisions and employee misconduct in order to promote behavior that is in line with the law. In order to reduce compliance risks, and in particular to prevent corruption, we have introduced new processes and systems. In addition, we have revised some of the preventive measures that already exist.

- The Group Compliance unit defines the Group's annual compliance program on the basis of a systematic risk analysis. In order to assess the risks within the business units, this unit uses both qualitative (e.g. estimates of the business environment) and quantitative indicators (e.g. statistical data concerning the Group).
- In 2011 we substantially restructured and improved our process of identifying integrity-related suspicions and eliminating risks to integrity involving our business partners (compliance due diligence). This is a core element of our Business Partner Integrity Management system.
- We have also restructured our process for preventing corruption in our business dealings with state and government-related institutions, and in doing so we have improved the cooperation between the sales units and the Group Compliance organization.
- The effectiveness of the compliance program that has been implemented within the Group's units and companies is regularly evaluated by means of a standardized control system and is also regularly monitored by the internal review structure.
- Our employees are continually informed about the significance of compliance and the goals of the compliance program. The Group's top managers regularly state their views regarding compliance issues at events and in our internal print and online

media. Newly appointed managers at Daimler receive a separate introduction to the topic of compliance.

- In addition, Daimler offers a comprehensive compliance training program. More than 50,000 employees from the subsidiaries and the sales units completed the web-based training program on corruption prevention in 2011. In more than 150 face-to-face training sessions, about 4,400 employees deepened their understanding of corruption prevention. We identify the target groups of these face-to-face training sessions on the basis of the annual risk assessment of the Group's companies and units.
- In 2011 we developed a new training program concerning antitrust law. Approximately 16,500 managers and selected employees from the relevant business units all over the world have already completed this web-based training program. By the end of 2011, about 654 managers had taken part in the advanced face-to-face training sessions on antitrust law.
- Since the beginning of 2011 we have also been offering compliance training sessions for our external partners, our joint venture partners, and companies in which Daimler is a minority shareholder. In these sessions we inform them about possible minimum requirements of a compliance management system that would ensure compliance with the rules governing business relationships.

Contact persons for employees. Our employees can turn to the Compliance Consultation Desk (CCD) if they have specific questions on how to avoid bribery. In 2011 the whistleblower system was thoroughly reformed. One important innovation is that in the future the Business Practices Office (BPO) will focus on serious violations of the regulations and cases that cause major damage to the Group. The BPO has also expanded its range of services. Since 2011 it has been receiving confidential tips regarding suspected misconduct via various access channels worldwide in a variety of languages.

The BPO decides whether to initiate an investigation using defined criteria. It considers, for example, whether the case involves a criminal act and whether the reputation of the company is being seriously threatened. Every possible case of misbehavior is dealt with according to the principles of fairness, consistency, transparency, and sustainability. Binding regulations are in place concerning the protection of whistleblowers.

Starting on February 1, 2012, whistleblowers in Germany also have the option of taking their concerns to Prof. Dr. Winfried Hassemer, a neutral intermediary who acts as an ombudsman. The obligation of lawyers to maintain confidentiality ensures that the identity of the whistleblower in question will not be made public without his or her permission.

___Antitrust law

Compliance with competition law. In 2011 Daimler implemented a Group-wide antitrust compliance program. We have developed what we call the "Daimler Standard" for formulating the contents of this program. It includes binding rules governing how certain types of behavior toward competitors are to be judged in-house in the future in terms of antitrust law (e.g. sharing information, benchmarking, working in associations). The Daimler Standard is just as strict as the routine application of antitrust regulations by the European antitrust authorities and courts.

The Daimler Standard basically applies everywhere in the world. Through it we are ensuring a uniform standard for compliance and consultation throughout the Group. Exceptions are permitted only in narrowly defined and particularly clear exceptional cases after a review of practice in the individual case.

➔ **Online and face-to-face training courses regarding antitrust law:**
Page 46

In addition to online and face-to-face training courses, Daimler's antitrust compliance program also includes another important component: the comprehensive documentation of antitrust law, including a handbook of antitrust law and various guidelines. Moreover, a document containing particularly important and frequently asked questions and their answers is available. All employees who have further questions about the Daimler antitrust compliance program or its individual components can address them to a central contact point.

We report on violations of antitrust law – insofar as they have occurred to a significant extent – in our Annual Report.

➔ **More on antitrust law: Annual Report 2011, Page 225**

___Human rights

We stand by our commitment to protect human rights in our company and also to promote this protection in our business community. Because we assign this issue the highest priority, we have directly anchored responsibility for human rights issues in the Board of Management. The protection of human rights also plays an important role in our governance structure for sustainability. Managers from the areas of Integrity and Legal Affairs, Communication, Corporate Environmental Protection, Human Resources, External Affairs and Public Policy, and Procurement are involved in this area.

The frame of reference. The binding frame of reference for our business activities is formed by the principles of the UN Global Compact and the requirements of the UN Global Compact LEAD group, the UN Declaration of Human Rights, the standards of the International Labour Organization (ILO), and the OECD Guidelines for Multinational Enterprises. We have incorporated many of these principles into our Integrity Code and the Principles of Social Responsibility. We approve and support the Guiding Principles on Business and Human Rights – principles that were adopted by the UN Council on Human Rights in 2011.

🌐 **The frame of reference for our human rights principles: Online E01**



“A common value system cannot simply be decreed from above.”

An interview with Dr. Christine Hohmann-Dennhardt. Since February 2011 she has been the head of the newly created Board of Management function Integrity and Legal Affairs. She was previously a judge on the German Federal Constitutional Court and the Minister of Science and Art as well as the Minister of Justice of the German federal state of Hesse. Her Group-wide area of responsibility at Daimler includes legal, the compliance organization, and corporate data protection. Dr. Hohmann-Dennhardt is an active member of the Daimler Sustainability Board (CSB).

Dr. Hohmann-Dennhardt, at Daimler you are responsible for the new Board of Management function Integrity and Legal Affairs. What objectives have you set for yourself?

Dr. Christine Hohmann-Dennhardt: My personal concern is that people should not simply obey the rules because they are, for example, afraid of the sanctions, but because they feel an inner desire to do the right thing. The goal is to ensure that Daimler conducts “decent” business, not only in terms of quantity but also qualitatively – in line with high ethical standards. In my opinion, these two aspects are inseparable.

What is your interim assessment after your first year at Daimler? What's the current status of the Group?

Hohmann-Dennhardt: We're making very good progress toward sustainably establishing integrity and compliance throughout the

entire Group. Daimler was the first, and so far only, automaker to establish a Board of Management function for Integrity and Legal Affairs, thus emphasizing the importance of this issue. We are dealing systematically with the issue of business ethics and sensitizing not only our employees but also our business partners. We are motivated by the conviction that a sense of business responsibility does not end at the plant gates.

How do you explain the connection between integrity and compliance to your employees?

Hohmann-Dennhardt: Compliance – in other words, ensuring that our business activities conform to laws, regulations, and internal guidelines – is an essential component of integrity. But integrity isn't only about obeying rules; it also means being able to follow your inner “compass.” Having a sure sense of what is right and wrong helps people to make the right decisions even in difficult situations and prevents them from breaking the rules.

How are you planning to foster this culture of integrity?

Hohmann-Dennhardt: A common value system cannot simply be decreed from above. That's why we'd like to conduct an open and constructive dialogue with as many employees as possible from different functions and different levels of the hierarchy about the question of what integrity means specifically with regard to our behavior at Daimler. The results of the Integrity Dialogue that we launched in November 2011 will flow into the new Daimler Integrity Code, which will regulate how we deal with one another within the Group and with our business partners.

Daily work in a globalized world is becoming increasingly complex. What principles can Daimler's employees and business partners rely on for orientation?

Hohmann-Dennhardt: The UN Global Compact is an especially important guideline for our behavior. Our Integrity Code and our Social Responsibility Principles are based on it. As a founding member of this initiative, which was launched by Kofi Annan, and as a member of the LEAD group, we have committed ourselves to set an example and to actively promote the values of the UN Global Compact. In May 2011 we invited representatives from the fields of industry and politics to come to Berlin and join us and Georg Kell, the Director of the UN Global Compact, for a discussion on creating competitive advantage through sustainability. I consider it very important to continue and extend this discussion.

On what principles do you base your personal behavior?

Hohmann-Dennhardt: My basic principles include respecting the personal identity of every individual and behaving tolerantly toward people whose opinions differ from mine. I also think it's important to be responsible for one's own actions, ambitious, straightforward, and socially minded.

Sylvia Schenk, a board member at the German chapter of Transparency International, has been monitoring Daimler AG for years and has been a Daimler Sustainability Dialogue participant several times. In November 2011 she was on the panel for the Integrity in Dialogue kickoff event. In her statement here she focused on developments at the company in terms of sustainability and integrity.


In 2008, at the first Sustainability Dialogue, grown men told with a gleam in their eyes how they used to dream of Daimler when they were boys. Now they're there and have a voice. I had a much more distanced perspective. But taking part in dialogue is important. It changes how people see a company or a product. Suddenly it becomes clear that people are behind it all, attitudes and goals. And listening is also part of it: What are a local mayor's concerns? What does the Works Council worry about during a financial crisis? How does an Indian supplier prevent child labor? What's the story with CO₂, electric and hybrid mobility vehicles? But above all: What does the boss say? Dr. Zetsche is an effective speaker who uses clear language and leaves no doubt about the determination to take new approaches – the "tone from the top" is right on the mark. The Sustainability Dialogue is a symbol and crystallization of that; and year after year further commitments are taken on and progress is reported: No sale of Mercedes cars to the worst dictators. A woman on the Board of Management. More clearly defined environmental goals. Standards for suppliers further developed.

Completely new is the focus on integrity: Daimler is taking the step from compliance in its rather technical dimension to communicating values. Both are necessary – what good are environmental regulations and supplier standards if they aren't complied with? And what is gained from sustainability goals if they don't change attitudes but have to be forced on people? Values-based orientation wants to take the people – employees, but also shareholders and stakeholders – with it on the challenging road into the future, to give a new meaning to their actions in their various roles. It's no simple undertaking; you could feel that there also was skepticism among the some 550 employees at the kickoff event in November 2011. Are we really being taken seriously? Does my immediate supervisor know what's intended? Can I be openly critical without fearing repercussions? The Board of Management is present at the event today, but what is the everyday situation? In any case, things have gotten off to a good start: Dr. Zetsche is once again sending a clear message. He is conceding mistakes have been made: Compliance in the recent past has sometimes been too radical, too schematic, and tactlessly implemented. That offended some people, which he regrets. But compliance with laws and regulations is emphasized more than ever before, and Dr. Zetsche is taking a self-critical view of the past. Up until the 1990s, when bribery of contacts abroad was still tax deductible in Germany, Daimler also took part in potentially dubious business dealings. Today, integrity is defined differently; it demands transparency and ethical standards.

This has to be supported systematically, not just at kickoff events. Daimler reaches the general public via commercials – and Formula One. However, the latter is not generally associated with ethical behavior; on the contrary, media reports often connect it with the very opposite. Daimler should send a clear message concerning this issue. After all, in its sponsoring activities as well as elsewhere, a company sets standards and defines its own values.



Transparency and ethical standards

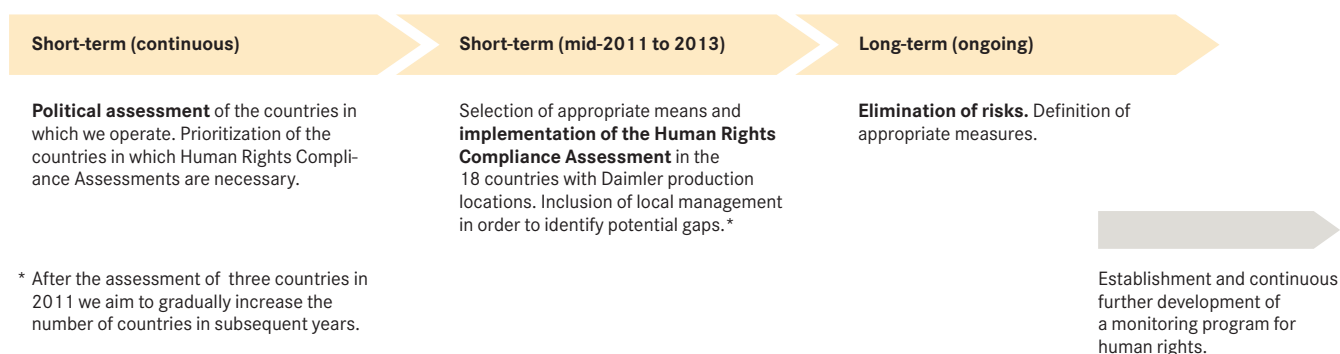
 **Sylvia Schenk**, has been with the German chapter of Transparency International since 2006 and is a member of its board.

Transparency International is active in over 100 countries, with officially recognized chapters in more than 70 countries. The organization is dedicated to fighting corruption.

 Further information is available at: www.transparency.de



Timeline for Daimler's implementation of the Human Rights Compliance Assessment



Employee rights and fair working conditions have a particular significance for us as an automaker. These rights include the right to collective bargaining and the principle of “equal pay for equal work.” We reject every form of discrimination, forced labor, and child labor, and we respect measures aimed at protecting the original inhabitants of a location. In our sustainability guidelines for suppliers, we also expressly call on our business partners, as well as their suppliers, to comply with and support comparable standards.

➔ **Our sustainability guidelines for suppliers: Page 101**

In industrial associations and international organizations, Daimler endeavors to persuade the business community to commit itself to the protection of human rights and to confront specific human rights issues. We also make this clear in our dialogue with governments and NGOs.

➔ **Daimler Sustainability Dialogues 2011: Page 26 ff.**

Training courses on human rights. Ever since 2009, a human rights module has been part of the training program regarding our Integrity Code, which is obligatory for our administrative employees. We plan to integrate human rights aspects into further compulsory training programs – for employees and other target groups, such as security personnel. The ongoing dialogue with our managers – for example, those in the areas of procurement and sales – is raising our Group-wide awareness of potential risk areas regarding human rights and promoting a uniform definition of ethical behavior.

Investigating suspicious behavior. Here too, our Business Practices Office (BPO) is available to receive tips concerning suspicious behavior both within and outside the company. For our relationships


with our suppliers in particular, we have an established and tested complaint management process in place. In 2011 we dealt with individual complaints regarding human rights violations within companies with which we have business relations. For example, a German NGO accused one of our business partners of having polluted a supply of drinking water through its production processes, thereby causing serious health problems for the local population. Daimler takes such accusations extremely seriously. Consequently, it made it very clear to this supplier's top management that such behavior would seriously compromise their company's future business relationship with the Group. As a result of Daimler's initiative and its efforts as an intermediary, a practical dialogue developed between the NGO and the supplier company. This dialogue will have to result in a substantial improvement in the quality of the drinking water and thus of the local community's basic living conditions.

Creation of a risk assessment system for human rights. We cooperate closely with local project managers so that we can develop a better understanding of local conditions and determine as accurately as possible whether and how our business activities affect the human rights of various stakeholders.

However, following an analysis of the political risks existing at individual locations we have concluded that we want to further reinforce our internal documentation process and our local responsibility structures. We have therefore initiated a systematic process for monitoring the Group headquarters and other locations to identify political risks and local requirements, among other things. We have also begun to carry out a Human Rights Compliance Assessment of the Daimler production locations worldwide. This assessment focus-



“By means of the Human Rights Compliance Assessment we monitor the protection of human rights in our business locations all over the world. Here in Egypt that is a particular challenge in these turbulent times. We have to use the utmost sensitivity to master this challenge anew every day.”

 **Mike Nolte**, CEO, Mercedes-Benz Egypt S.A.E., Vice President, German Chamber of Commerce, Egypt.

es in particular on environmental effects, human resources management, health and safety in the workplace, legal and administrative affairs, product quality and marketing, safety regulations, and supplier management. We may launch further initiatives on the basis of the results.

In 2011 we began assessing three countries. In the next three years we will expand the assessments of our production locations in three phases and also include businesses in which we hold a minority share. In addition, we encourage our business partners to carry out a similar human rights risk assessment process concerning their business operations.

___Data and consumer protection

Data protection. Daimler has established binding data protection guidelines for the processing of data pertaining to employees, customers, and partners, thereby creating a globally standardized level

of data protection for the Group. The guidelines correspond to the regulations contained in the European Data Protection Directive, as well as to the basic principles of other national and international data protection laws. They thus transfer the basic requirements of such legislation into our daily business operations. Backed up by a worldwide network of local data protection coordinators, our Chief Officer Corporate Data Protection ensures overall compliance with the regulations. For particular new data protection issues, specific decisions must be made as needed. For example, new regulations for dealing with social networks within the Group are currently being established.

Incidents. No serious violations of data protection were detected at Daimler locations in Germany in 2011, nor were any cases worth mentioning detected at any Group companies abroad. At the present time the number of inquiries and complaints filed by customers or employees is low compared to the number of individuals potentially affected. Nonetheless, we take these incidents seriously as an indicator of possible risks to the company, and we continually improve the relevant processes.

Data protection is not only a management responsibility; it affects every employee who deals with personal data. It is the company's responsibility to create a framework that allows each employee to meet the data protection requirements. Because we want to assess risks more effectively, data protection is an integral component of the Group's compliance risk management process.

Training programs. We have considerably expanded our measures for sensitizing the Group's employees to certain issues and providing them with information. We have worked out a concept for training managers and employees over several years, and we began to implement it in 2011. Specific training programs have already been carried out for special issues such as how to deal with health-related data and how to use a new consent clause for sales.

 **Corporate policy on data protection: Online E02**

Consumer protection. Daimler AG is obligated to provide the users of its products with appropriate information regarding their proper use and the potential risks. The company must also warn users of the dangers associated with its products, particularly in relation to foreseeable product misuse. Operator's manuals, information about how restraint systems and driver assistance systems function, and technical background information on the Internet enable customers to deal responsibly and safely with our products.

The increasingly complex functions and control processes must be presented in a clearly understandable manner in order to gain customers' acceptance without creating a surplus of customer literature. A publication approval process ensures that our customer literature — especially operator's manuals and maintenance booklets — meets the requirements of product liability law.

We report on punitive monetary and non-monetary sanctions — insofar as they have occurred to a significant extent — in our Annual Report.

 **Fines: Annual Report 2011, Page 122**

Business operations

Balance sheet for 2011

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- 55__Economic significance of the automotive industry

more than **2.1** m vehicles

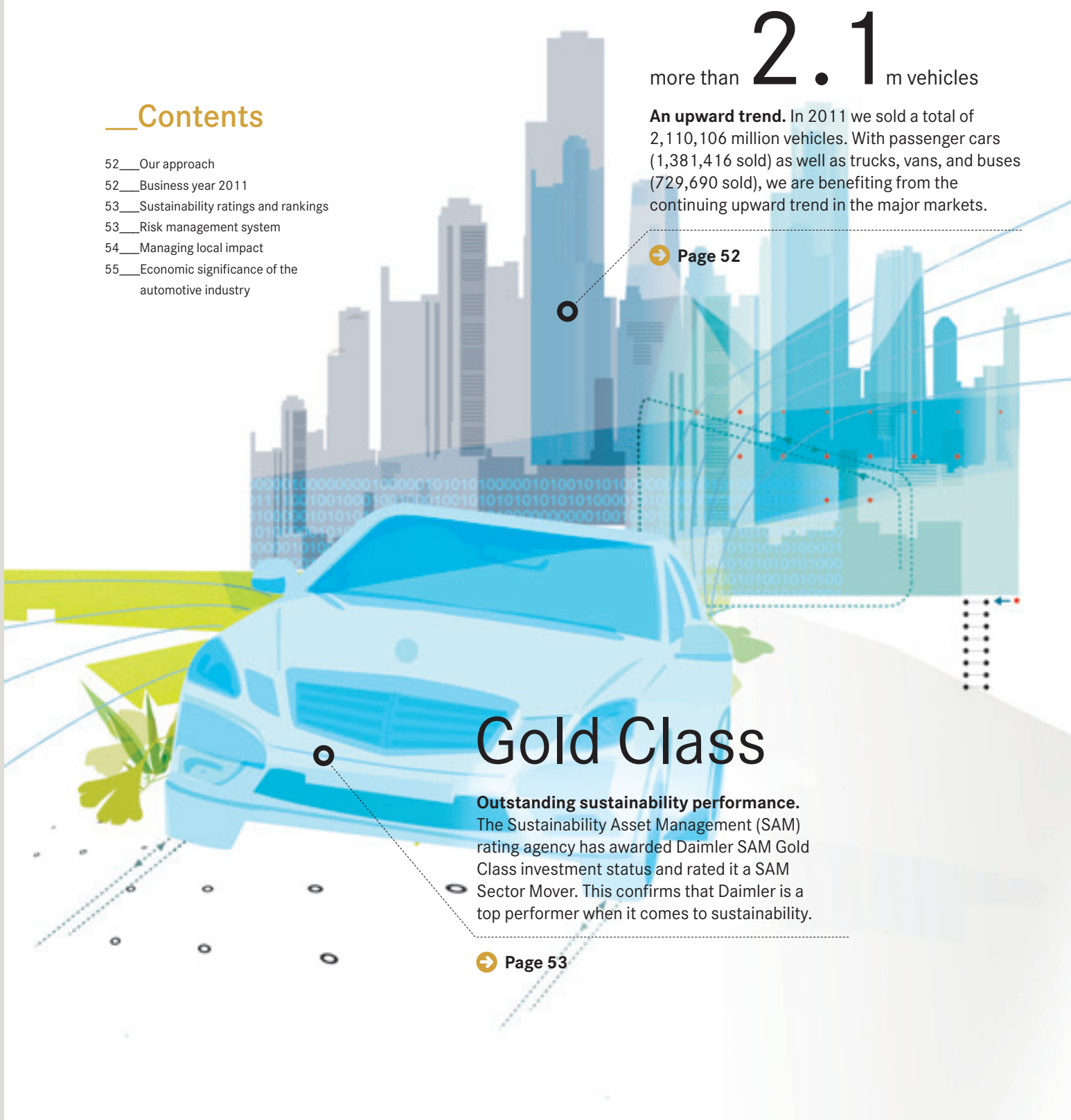
An upward trend. In 2011 we sold a total of 2,110,106 million vehicles. With passenger cars (1,381,416 sold) as well as trucks, vans, and buses (729,690 sold), we are benefiting from the continuing upward trend in the major markets.

→ Page 52

Gold Class

Outstanding sustainability performance. The Sustainability Asset Management (SAM) rating agency has awarded Daimler SAM Gold Class investment status and rated it a SAM Sector Mover. This confirms that Daimler is a top performer when it comes to sustainability.

→ Page 53



Our approach

It is part of our social responsibility as an economic enterprise to be competitive in the global markets and to make profits. This is the only way we can create value in the long term, safeguard jobs, make necessary investments, and contribute to the prosperity of the economies in which we operate.

Other dimensions of corporate responsibility, such as commitment to integrity and legality, environmental protection, and compliance with social standards, are closely related to these goals. They generate opportunities and risks that can have a direct impact on our economic performance. As a result, economic prudence alone dictates that we subject our corporate activities to comprehensive sustainability management. This means we must comprehensively align our risk management with these goals, and specifically that we should keep an eye on the local impact of our globally oriented business operations.

Business year 2011

The year 2011 developed favorably for Daimler. All the automotive divisions increased their unit sales. Revenue grew by 9 percent to €106.5 billion and operating profit (EBIT) reached €8.8 billion (2010: €7.3 billion). We anticipate a generally positive business development also for the year 2012.

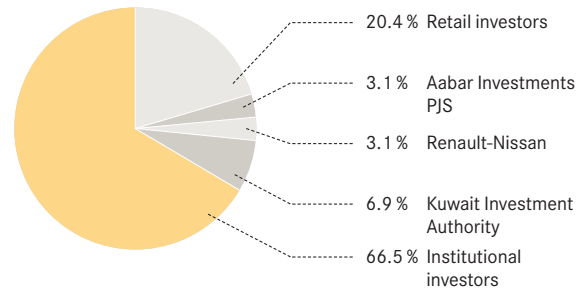
9%

increase of Group revenue to €106.5 billion in 2011

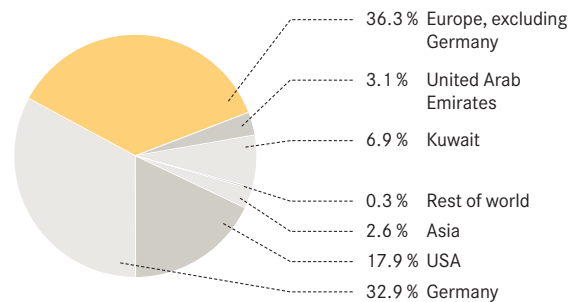
Revenue. The Daimler Group's revenue increased in 2011 by 9 percent to €106.5 billion; adjusted for exchange-rate effects, there was an increase of 10 percent. This means that the positive business development of 2010 continued – as we had expected at the beginning of the year. Revenue grew at Mercedes-Benz Cars by 7 percent to €57.4 billion, at Daimler Trucks by 20 percent to €28.8 billion, at Mercedes-Benz Vans by 17 percent to €9.2 billion. Daimler Buses's revenue decreased by 3.0 percent to €4.4 billion. Although the Daimler Financial Services division significantly increased its contract volume and new business compared with the prior year, its revenue decreased by 6 percent. This is primarily a reflection of the lower number of leased vehicles that came onto the US market in 2008 and 2009 and which are now being sold as used vehicles following the expiry of their contracts.

The shareholder structure (as of December 31, 2011)

By type of shareholder



By region



* 9.04 % together with shares lent to third parties in connection with financing transactions for which Aabar has a right of redelivery

In regional terms, Daimler's revenue growth was particularly strong in Asia (+15 percent to €22.6 billion). As in the prior year, the main positive impact in that region was from the favorable development of business in China (+22 percent to €11.1 billion). But we achieved significant revenue growth also in Latin America (+12 percent to €6.4 billion) and Eastern Europe (+29 percent to €6.4 billion). In the NAFTA region, revenue rose by 10 percent to €26.0 billion. In Western Europe, there was only a slight increase of 2 percent to €39.4 billion, with growth of 2 percent in Germany. In general, the regional distribution of Daimler's revenue has altered significantly during the past three years in favor of new markets. We now generate 37 percent of our business in markets outside the United States, Western Europe and Japan. That proportion was just 28 percent in 2008.

Broad shareholder structure. Daimler continues to have a broad shareholder base of approximately 1.0 million shareholders. The number of shareholders remained stable compared with 2010, so there was no continuation of the trend of falling shareholder numbers that occurred in previous years. There was a steadily growing demand for our shares from private investors during the second half of 2011, mainly in Germany.

Kuwait Investment Authority holds 6.9 percent of Daimler's shares and the Renault-Nissan Alliance holds 3.1 percent. Aabar Investments PJS, Abu Dhabi (Aabar), notified us in October 2011 that its Daimler voting rights had fallen below the notification threshold of 5 percent and amounted to 4.99998 percent at that time. This was caused by a slight increase in Daimler's share capital due to the exercise of stock options. In February 2012, Aabar notified us that the number of Daimler shares it physically owned had decreased to approximately 32.7 million, equivalent to a shareholding of 3.07 percent. In connection with the respective shareholding notifications, Aabar also informed us that it has the right to redelivery of the difference between the approximately 32.7 million shares it physically owns and the 96.4 million shares it originally acquired. In connection with its shareholding, Aabar entered into a series of financing transactions. As of 1 February 2012, the new rules pursuant to the German Securities Trading Act (WpHG) require separate incremental disclosures of certain elements of these transactions, which lead to double-counting with respect to parts of Aabar's total shareholding. Together with shares lent to third parties in connection with financing transactions for which Aabar has a right of redelivery, Aabar still holds 9.04 percent. BlackRock Inc., New York, informed us in August 2011 that it had exceeded the 5 percent notification threshold as defined by Germany's Securities Trading Act (WpHG) and that its Daimler voting rights amounted to 5.7 percent as of August 11, 2011. Capital Research and Management Company of Los Angeles, which notified us in May 2010 that it held 3.1 percent of our shares, is still above the 3 percent notification threshold stipulated by the WpHG. The treasury shares held by Daimler at the end of 2010 (approximately 0.2 million shares worth about €7 million) were used during the year under review to satisfy the claims of former AEG shareholders from arbitration proceedings.

In total, institutional investors hold 67 percent of our share capital and private investors hold 20 percent. Approximately 69 percent of our equity are in the hands of European investors and approximately 19 percent are held by US investors.

The Daimler share in sustainability indexes

	2010/2011	2011/2012
Rating agency		
Sustainable Asset Management	evaluated	evaluated
Vigeo	evaluated (without rankings)	evaluated (without rankings)
oekom research	"Prime Investment" status (score of B-)	"Prime Investment" status (score of B-)
Imug/EIRIS	evaluated (without rankings)	evaluated (without rankings)
Indexes		
Dow Jones Sustainability Index World	not listed/ Silver Class	not listed/ Gold Class
Dow Jones Sustainability Index Europe	not listed/ Silver Class	not listed/ Gold Class
ASPI Index	listed	listed
FTSE4Good Index	not listed due to EADS shares	

Sustainability ratings and rankings

In 2011 independent rating agencies and research institutes once again evaluated our sustainability performance. The results are a critical appraisal of our efforts to ensure that our business activities are not only financially successful but also socially and ecologically viable. The findings of these organizations help us to improve our performance.

In the rating conducted by oekom research, Daimler once again received the status of "Prime Investment" with a good overall score of B- (on a scale of A+ to D-).

In September 2011 Sustainable Asset Management (SAM) released the results for this year's Dow Jones Sustainability Index (DJSI). But in spite of a much improved overall evaluation of 93 points, Daimler once again is not represented in DJSI World. SAM did, however, honor Daimler with the "Sector Mover" status for achieving the biggest improvements in sustainability performance in the automotive sector. The top automakers achieved almost identical ratings, with less than one percentage point separating those included in the index from those that were not. Beyond the index, Daimler was recognized as a recommended investment with the SAM Gold Class rating (following a SAM Silver Class rating in the previous year). This distinction is awarded to only the best companies, which are rated no more than one percentage point lower than the top performer in the respective sector.

On account of our shares in EADS, Daimler shares were also not represented in the FTSE4Good Index in 2011. However, it should be noted that in 2011 Daimler once again received favorable marks for its commitment to sustainability from the sustainability analysts at the French rating agency Vigeo. In the IÖW/future ranking, which is based on an analysis of the sustainability reporting of the 150 largest German companies, Daimler rose to rank 4 in 2011 compared to rank 7 the previous ranking of the sustainability reports from 2009.

Daimler is committed to further intensifying its efforts related to sustainability. We expect our position in the relevant ratings and rankings to continue to improve as a result.

___ Risk management system

There are many risks that are inextricably linked with business activities conducted at the global level, and our internationally operating divisions are exposed to these risks as well. We have established monitoring and controlling systems that allow us to identify, assess, and rigorously address such risks at an early stage. These systems – which are also designed to ensure compliance with legal stipulations – have been consolidated into a standardized Group-wide risk management system. The main risk categories are economic risks, sector-specific risks (including environmental and social risks), financial market risks, compliance risks, and reputation risks.

Our risk management system is an integral part of the overall planning, controlling, and reporting process performed at all relevant units and corporate functions. Our approach is therefore based on the precautionary principle as a general guideline for risk prevention measures, and we have committed ourselves to this approach in concepts and initiatives such as the UN Global Compact and the GRI. For us, active risk management means identifying risks at an early stage, assessing their significance, and systematically addressing them. This approach is based on a risk management manual that describes the methodological and procedural framework of risk management at Daimler in detail. Our risk management should also help to increase awareness of risks at all levels of the company and improve the workforce's ability to deal with risk. This applies, for example, to public reporting, internal communications, and behavior during decision-making processes.

Identification and assessment. Identifying risks and assessing their likelihood of occurring and the damage they could cause is an important task at all the departments and units engaged in risk management activities. Key risk categories include:

- **Economic and social/political risks**, for example risks due to economic developments in the core markets or to the availability of raw materials or changing prices of these materials.
- **Sector-specific and company-specific risks** in the areas of development, procurement, production, sales, and associated legal risks. Examples include risks regarding product quality, risks resulting from political and legal conditions such as environmental legislation and regulations, environmental risks associated with products or production methods, risks due to unforeseeable events, and legal risks.
- **Financial market risks**, including fluctuating exchange rates, interest rates, and share prices.
- **Compliance risks**, i.e. those associated with violations of existing regulations (e.g. insider trading, violations of occupational safety requirements and data and IT security laws, corruption, embezzlement).

In addition, reputation risks – i.e. risks that affect the public's perception of our company and that could result in damage to the Group's image – are examined and qualitatively assessed.

Implementing measures. Responsible officials within the relevant units and corporate functions develop and initiate measures to avoid, reduce, and hedge risks. They also monitor these measures by means of a periodic controlling process. This includes the sys-

tematic integration of environmental protection features that cover the complete lifecycles of our vehicles. Like other development goals, environmental goals are pursued in the product development process and are part of the quality gate system in the development process. In accordance with the requirements of the German Law on Corporate Control and Transparency (KonTraG), we regularly conduct an environmental due diligence at our locations worldwide. The findings are made available to management. The analyses identify areas where there is a need for action and recommend measures for minimizing risk. The implementation status of these measures is determined annually and reported to the Board of Management. We have also started to carry out Human Rights Compliance Assessments for the Daimler production locations worldwide.

➔ **Our environmental risk analysis: Page 79**

➔ **Human Rights Compliance Assessments: Page 49 f.**

Organization and responsibility. The Group Risk Management Committee (GRMC) at Daimler coordinates the various risk management initiatives (including those that deal with risk management in a wider sense), checks to see that the implemented processes are effective and working properly and, if necessary, makes the required adjustments. The GRMC has also established an information platform that provides our employees with an overview of the key risks, simplifies risk identification, and supports the sharing of relevant information.

The Corporate Auditing department. The Corporate Auditing department helps the Board of Management to monitor the various functions and divisions of our company. The Corporate Auditing department and the auditors of our Consolidated Financial Statement are responsible for the integrated early warning system for risks as well as the establishment and implementation of risk management processes. On the basis of risk-oriented reviews, the Corporate Auditing department helps to make corporate processes efficient and effective and also improves management quality.

___ Managing local impact

A globally operating corporate group like Daimler, which has 63 production locations in 18 countries all over the world, faces a special challenge when it comes to managing the specific local environmental, social, and economic impacts of its business operations. Within our Group-wide sustainability management activities, we are currently working on improving the corresponding database and ensuring that our local reporting in this area is uniform. We have already made good progress in this regard in individual areas.

- **Managing environmental impact.** Over 98 percent of our worldwide production facilities have certified environmental management systems. In addition, we regularly review the individual facilities to identify specific environmental risks. In order to monitor the Group-wide environmental protection goals even better at the local level as well, we have developed standard processes for well-documented reporting and ensured the annual continuation of local goal-setting processes.

→ **The environmental statements of the plants: Page 78**

→ **More information on the organization of environmental protection: Page 78**

- **Protection of human rights.** Our Business Practices Office (BPO) is the point of contact for reporting violations of human rights worldwide – at our suppliers' locations as well. It investigates every well-founded complaint. We cooperate closely with local project managers in order to gain a better understanding of local conditions and the effects of our business operations on human rights. We have also started to conduct a Human Rights Compliance Assessment at our production locations all over the world. Through this project we aim to further improve our internal documentation and the local lines of responsibility.

→ **More information about our protection of human rights: Page 46 ff.**

- **Responsibility for our employees.** The governmental social welfare systems at our business locations all over the world are very diverse. One of the ways we have reacted to this situation is to set up appropriate programs for health maintenance and childcare that are tailored to meet local needs. We also set a high priority on the creation of training and qualification programs – especially in places where there is no appropriate infrastructure in this area. The Daimler Training System (DTS) ensures uniform standards and the further development of training programs at our business locations.

→ **Occupational health and safety worldwide: Page 97**

→ **Our worldwide training programs: Page 96**

- **Inclusion of our suppliers.** We have formulated in a special set of guidelines our expectations regarding the sustainability activities of our suppliers. These guidelines are a binding component of the contractual stipulations of Mercedes-Benz and of our general procurement requirements for non-production materials. We are also incorporating sustainability clauses step by step into our international procurement conditions. To support and monitor these activities, we use training sessions, assessments, dialogue, and communication measures. We have also started to integrate sustainability aspects into our audits for selecting new suppliers.

→ **More information about our supplier management system: Page 101 f.**

Economic significance of the automotive industry

The automotive industry is an important global driver of growth, income, employment, and innovation. The automobile enables a degree of flexibility and mobility that was undreamed of a century ago. Consequently, the automotive sector – and therefore our company as well – impacts global economic activity in a variety of ways.

In Germany, the automotive industry is one of the biggest employers, accounting for more than 14 percent of all workers in manufacturing. Employees work not only at the major automakers but also at many family-run and medium-sized companies in the supplier industry. The automotive industry accounts for just under 8 percent of total industrial added value in Germany. This percentage is unusually high by comparison with other industrialized countries. The significance of exports has grown continually in recent years. Today more than three-fourths of the passenger cars produced in Germany are exported. Germany is the world's fourth-largest auto-producing country after Japan, China, and the U.S.

In 2011 the sector's gross investments in plant and equipment were over €10 billion, which amounts to approximately a fifth of Germany's total industrial investments. Over the past ten years, more than €100 billion in total was invested in Germany. Over €20 billion is invested annually in research and development by manufacturers and suppliers in the automotive industry – more than any other sector. That amounts to about one third of the total R&D expenditures in Germany (and 40 percent of the expenditures by the manufacturing sector). On average, ten patent applications a day come from the automotive sector, especially in the area of environmentally friendly vehicle technologies. The Daimler Group invested €5.634 billion in R&D activities worldwide in 2011 (2010: €4.849 billion).

Above and beyond our core business – the production and sale of automobiles – Daimler also benefits the economy, science, and society in other ways. These include the Group's provision of financial support to community projects and its promotion of infrastructure services, for example by building its own sports and athletic centers.

 **The automotive industry in the U.S., Brazil, and China: Online F01**

__Innovation management

Balance sheet for 2011

__Contents

- 57 __Our approach
- 57 __Tools and processes
- 58 __Implementation and monitoring
- 59 __Fit for the future through innovation

>2,000

business ideas evaluated

Successful innovations. The Business Innovation unit ensures that good ideas generate good business. Good examples include car2go and the Mercedes-Benz Driving Academy.

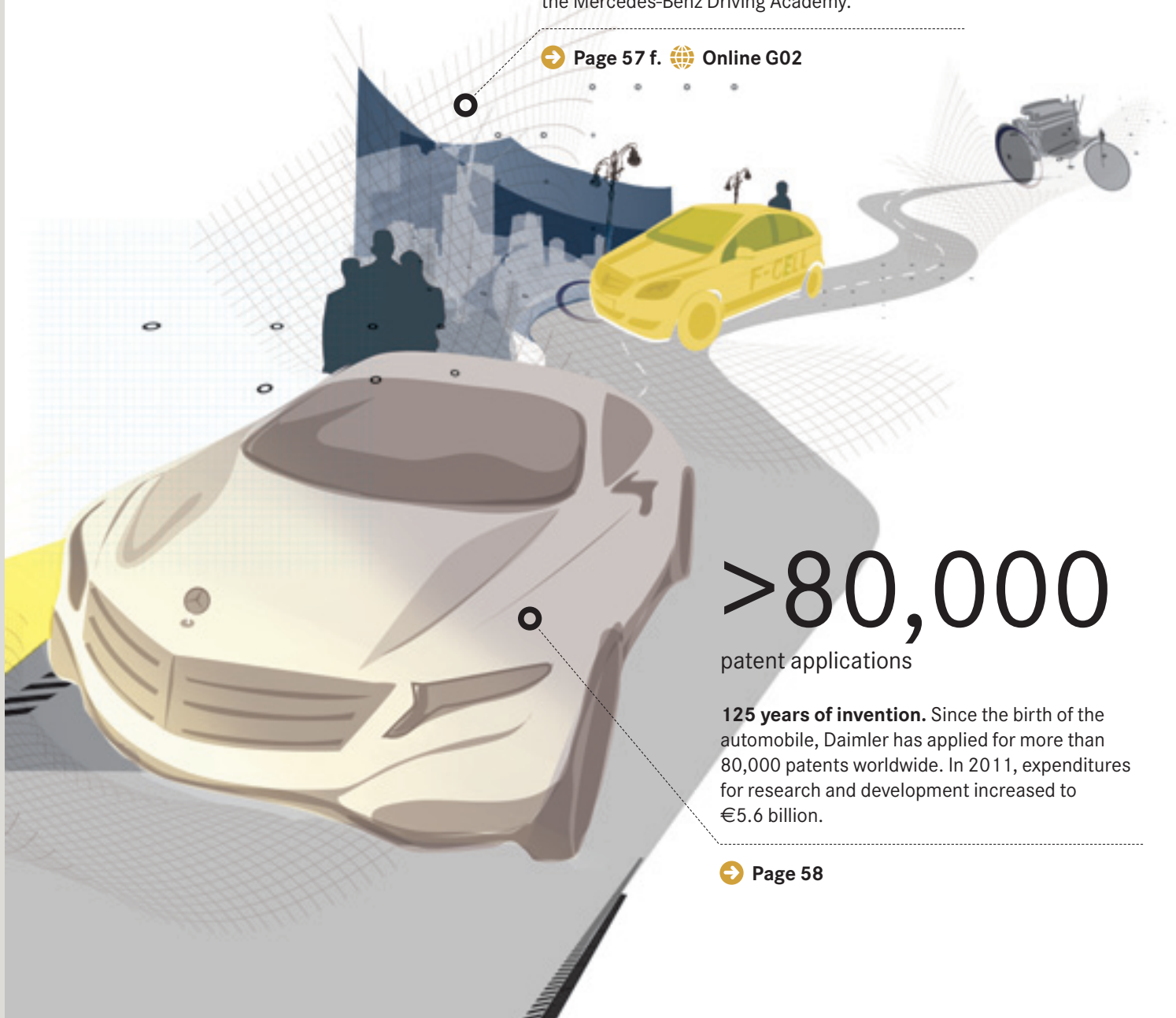
→ Page 57 f.  Online G02

>80,000

patent applications

125 years of invention. Since the birth of the automobile, Daimler has applied for more than 80,000 patents worldwide. In 2011, expenditures for research and development increased to €5.6 billion.

→ Page 58





“No other premium automaker is better prepared when it comes to harnessing innovation in order to fulfill the entire range of expectations regarding sustainable mobility.”

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

Our approach

New ideas are created in people's minds. Daimler supports this process by giving its employees the space they need for free and creative thinking and work, and by supporting them with the right processes and systems wherever it makes sense to do so.

€5.6 bn

research and development expenditure in 2011

Extensive investments in research and development form the foundation that will enable us to not merely maintain but also raise our high level of innovation even further in the long term. Expenditures for research and development increased to €5.6 billion in 2011 (2010: €4.8 billion).

Ever since the invention of the automobile 125 years ago, innovations have played a key role at our company. Innovations will also shape our future. In view of the accelerated pace of technological development and the challenges posed by climate change and environmental protection today, we are faced with the task of reinventing the automobile.

Innovation management. Our goal is to offer our customers fascinating products and customized solutions for need-oriented, safe, and sustainable mobility. To reach this goal, we need a constant supply of new ideas, creative solutions, and clever inventions. The starting point and key ingredient of future corporate success is successful research and development work. In order to implement as many ideas as possible as quickly as possible, we have established innovation management processes that bring together creativity and customer utility. Our research and technology policy forms the strategic framework for innovation-oriented themes from the areas of research, science, and technology. This policy represents the Group's position in committees and associations. It guides our opinion-forming activities and decision processes in the areas of research promotion and scientific issues. With the help of our own future research and technology monitoring, we ensure that our new solutions anticipate changing framework conditions and the future wishes of our customers. Our customer research activities and the monitoring of product acceptance at the Customer Research Center (CRC) ensure that customer feedback and innovative ideas flow into the development of new vehicles from the very start.

The organizational structure of innovation management: Online G01

New ideas concerning our core business. Discovering unused potential within the company, finding new growth areas, and developing business models on this basis — that's the task of the Business Innovation (BI) unit, which was established in 2007. The only condition: The business idea must be related to Daimler's core business. All projects are worked out in close cooperation with the respective business units and experts within and across the organization. In most cases a pilot project is used to assess whether a new business idea is ready for the market. Lean processes and excellent internal and external networking are the basis of the Business Innovation unit's success. To date, BI has identified numerous business ideas for Daimler and implemented promising ideas in pilot projects. Examples of successful ideas include car2go, the Mercedes-Benz Driving Academy, Mercedes-Benz Rent, and the “ex-factory driving aids” programme.

Identification and development of new business ideas: Online G02

Tools and processes

In order to further improve our company's competitiveness, we need the knowledge and experience of all of our employees. But the perspectives of our customers, other drivers, and external experts are also valuable for us. That's why we've developed tools and processes to include all of these resources in our idea development activities. We offer our employees Web-based platforms that give them new opportunities to share their ideas, participate in constructive and creative discussions, and evaluate and further develop ideas.

Idea management (IDM). Through the idea management process, our employees contribute valuable experience from their daily work. In this way, they significantly help to optimize and further develop internal processes and procedures. In addition, our employees' suggestions for improvements and their implementation support the product optimization process. Daimler introduced the IT-supported idea management system *idee.com!* at its locations in Germany in

2003. Thanks to an optimized workflow, suggestions for improvements can be submitted simply and directly via the intranet at [idee.com!](#) and thus be more easily processed and implemented. A great deal of time can be saved because the processing of the submitted ideas by managers, assessors, and the idea management staff is quick and paperless.

 **Idea management with [idee.com!](#): Online G03**

The intranet community for research and development. The RD Community platform has been available to Research & Development employees since 2009. On this intranet-supported platform they can not only contribute suggestions, tips, and ideas on products, processes, and facilities but also read, discuss, and cooperatively refine all of the submissions.

Innovation Workshop. Every year, Daimler invites Mercedes-Benz drivers, customers of other automakers, and non-drivers to its Innovation Workshop. At this annual event, between 60 and 80 workshops with a total of about 1,500 participants take place. The aim of the workshop sessions is to discover new ideas and work on new products. The key criterion for evaluating the ideas is acceptance by the customers.

A platform for new business ideas. The BI Community created by the Business Innovation unit is a platform on which Daimler employees from all over the world can contribute, discuss, evaluate, and further refine their business ideas. Since its launch in August 2008, more than 30,000 employees have posted about 2,000 ideas.

A network for IT innovations. Through the Open IT Innovation Network (OIN) Daimler registers, traces, and implements IT innovations. Every Daimler employee whose work is related to IT can communicate his or her concrete ideas via the OIN. The range of topics is defined by the areas of interest, which are derived from the innovation strategy of the IT management team. But ideas that cannot be categorized in these areas are also of interest to the IT community.

Pooling ideas for new financial services. The worldwide idea platform [myidea.](#) that was launched in March 2010 is directed at the employees of Daimler Financial Services. On this platform in the intranet they can discuss and further develop their business ideas and share their thoughts about business ideas that have already been implemented.

 **Tools and target groups: Online G04**

Implementation and monitoring

Patents demonstrate innovative strength. Daimler has followed up its invention of the automobile by sending in more than 80,000 patent applications worldwide to date. In 2011 the company applied for 2,175 patents for its inventions.

77,000

suggestions for
improvement
submitted by
employees

Good ideas save money. Since the beginning of 2011, 148,000 employees have submitted 77,000 suggestions for improvements. The suggestions submitted during this period resulted in total savings of more than €68.4 million. The company honored its inventive employees by granting them bonuses worth a total of more than €17.5 million.

Awards and honors. Since 1994 Daimler has been honoring the top innovations from the areas of product innovation and process innovation with the Research and Innovation Award. The awards are presented for projects that

- represent outstanding scientific or technical research and innovation,
- are of high scientific quality,
- stand up to international comparison, and
- have the potential to be utilized by the Group.

For the Research and Innovation Award 2011 a total of seven projects were nominated as finalists. The winner in the “Product Innovations” category is the “Construction Site Assistance” project, and the overall award in the “Process Innovations” category went to the “CFRP Manufacturing Technology” team.

 **Winners of the Research and Development Award 2011: Online G05**

In addition, by means of the Inventors’ Roundtable initiative, which was established in 2007, Daimler honors outstanding inventions and safeguards them by establishing copyright. Moreover, in July 2011 the Group presented the first-ever IDM RD idea award. This award is presented in the categories “Best Idea” and “Best Unit” to the employees and the centers that have distinguished themselves in the submission, evaluation, and implementation of suggestions for improvement.

In July 2011 Mercedes-Benz received the L.E.A.D.E.R. award of the newspaper “Automotive News Europe.” This annual award — whose name stands for “Leaders in European Automotive Development, Excellence and Research” — honors outstanding innovative performance in the areas of product development and environmental technology.

Fit for the future via innovation



MILESTONES

- **1886** Gottlieb Daimler and Carl Benz invent the **world's first automobile**
- **1896** Daimler-Motoren-Gesellschaft launches the **world's first truck** on the market
- **1936** World's first series-produced **diesel-powered passenger car**: the Mercedes-Benz 260 D
- **1956** Safety body with a **crumple zone** in the 220-model vehicles of the W 111 series
- **1978** Introduction of the **ABS anti-lock braking system** in the S-Class of the 116 series
- **1981** Introduction of the **airbag** in the S-Class of the 126 series
- **1981** First **ABS for commercial vehicles** on the market
- **1994** Introduction of the world's first **fuel cell vehicle**, the NECAR 1 (New Electric Car)
- **1995** The **Electronic Stability Program ESP®** is series-produced in the S-Class coupe of the 140 series
- **2005** The first Mercedes-Benz trucks and city buses with **BLUETEC** are delivered



- **2009** The S 400 HYBRID is the **first series-produced passenger car with a lithium-ion battery**
- **2010** Mercedes-Benz and smart electric vehicles with lithium-ion batteries from Daimler's own production
- **2011** **Significantly wider range** due to the **new lithium-ion battery** from Deutsche Accumotive, which will be used in the updated smart fortwo electric drive starting in 2012.



6D-Vision

Revolutionary visual aid. With **1** 6D-Vision, the cars of the future will see things faster than humans. This technical system can **see spatially** and **precisely assess movements**. Whether it's a vehicle coming in from the side or a child who suddenly appears from nowhere, assistance systems with 6D-Vision could help to avoid about 15 percent of all accidents.

77,000 suggestions

Daimler is a hotbed of ideas. **2** Idea Management (IDM) thrives on Daimler employees' ideas and suggestions for improvements. In 2011, approximately 77,000 suggestions for improvements were submitted to IDM, 5 percent more than in the year before. These suggestions serve to optimize our processes and have saved the company a total of approximately **€68.4 million**.

2,175 new developments

"Green" growth. Daimler applied for 2,175 patents for new developments in 2011. This puts it in the forefront of premium automakers. Today more than half of the patent applications coming from Daimler are based on "green" technologies. One example of this is the **3** saw-toothed wheel spoiler that significantly improves the aerodynamics of the new B-Class.

Brand champion of innovation

Mercedes-Benz is Number 1. In the 2011 rankings of the Center of Automotive Management (CAM), Mercedes-Benz occupied the **top spot as the most innovative automotive brand** for the third time in a row. Its direct competitors in the premium segment, BMW and Audi, were third and sixth respectively.

Product responsibility

Balance sheet for 2011

Power pack

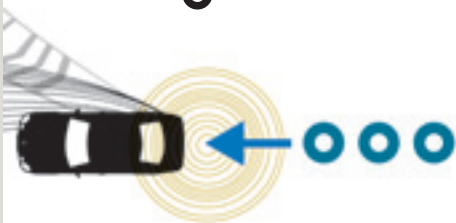
Truck of the year. The new Actros sets standards. Not only are its pollutant and particulate emissions far lower than those of its predecessor; it also consumes less fuel. That's one of the reasons why international automotive journalists elected it Truck of the Year 2012.

➔ Page 64 f.

Euro VI

Powerful and efficient. BlueEfficiency Power is the name of a new generation of heavy-duty engines launched in spring 2011. All of these powerful yet clean engines for heavy-duty commercial vehicles already meet the Euro VI emissions standard two years before it will go into effect.

➔ Page 64 f.



500

 vehicles

Electromobility. The Vito E-CELL is the first series-produced van with an all-electric drive. Production of the vehicle started in December 2010, and a total of 500 units had been delivered to customers in Germany and France by the end of 2011.

➔ Pages 64, 66

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64	Focus 3: Locally emission-free driving
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67	Fuel consumption and CO ₂ emissions
69	Dialogue: An interview with Prof. Herbert Kohler
71	Pollutant emissions
71	Noise
72	Environmentally responsible product development
72	Recycling
73	Mobility concepts and services
74	Electric driving
75	Vehicle safety

5

 stars

Our target. Achieving a five-star rating for each new production series in the Euro NCAP crash tests, even as more stringent requirements raise in 2012, 2013, 2014, and 2015.

➔ Page 75

Our approach

For us, product responsibility means offering as much customer utility as possible while at the same time maintaining the highest safety standards and setting benchmarks when it comes to environmental and climate compatibility. Daimler's Environmental Guidelines are the binding standard for our actions when it comes to the environment. The second guideline stipulates that we develop products that are exceptionally ecologically sound within their respective market segments.

Daimler ensures outstanding product quality, which includes meeting demanding environmental standards and conserving natural resources. Our Design for Environment measures therefore take the entire product lifecycle into account – from development, production, and product use all the way to recycling and disposal. A key focus of our research and development work is continuous improvement of our products' environmental compatibility. We have already scored many successes in this endeavor and will continue to rigorously follow this path in the future.

 **Environmental Guidelines: Online H01**

Environmental management in product development. The environmental impact of our vehicles and the requirements regarding their environmental compatibility are integral aspects of automobile development at Daimler and are discussed and implemented by the corresponding committees. Environmentally responsible product development is also a topic addressed by our Corporate Environmental Council, which takes a Group-wide approach to environmental issues. The vehicle specifications and the quality gates in the development process document the products' environmental impact and requirements during the entire product creation process.

Mercedes-Benz Cars not only meets all the requirements that are stipulated by ISO 14001 and EMAS; its product development processes also fully comply with the international ISO TR 14062 environmental standard and the expanded criteria that have been defined by TÜV Management Service GmbH.

- ➔ **Environmentally responsible product development: Page 72**
- ➔ **Corporate Environmental Council: Page 78**
- ➔ **More on ISO 14001 and EMAS: Page 78**

Drive system strategy

Our strategy for achieving emission-free mobility. Global trends are changing the automotive environment and causing structural shifts. Shrinking oil reserves, rising energy prices, a growing urban population, and intense demand for mobility are all factors that are also driving the transformation of the automotive industry. The burden that can be put on the world's ecosystem is limited, and new solutions are needed to address the impact our mobility has on the environment and the contribution it makes to global warming. Our aim is therefore to substantially reduce fuel consumption and to minimize pollutant emissions today and completely eliminate them in the long run. To this end, we are developing cutting-edge drive technologies that meet current and future mobility requirements in all segments of road traffic.

 **Development of CO₂ emissions from road traffic: Online H02**

As part of our Road to Emission-free Driving strategy, we are implementing these measures for our passenger cars and commercial vehicles. Our roadmap focuses on the following elements:

1. We are continuing to develop our vehicles with state-of-the-art combustion engines and optimizing them in order to achieve significantly lower fuel consumption and emissions.
2. We are achieving noticeable further increases in efficiency through customized hybridization, i.e. the combination of combustion engines and electric motors.
3. Our electric vehicles are making locally emission-free driving possible.

Our roadmap for sustainable mobility

Drive technologies

Optimization of our vehicles with state-of-the-art internal combustion engines	Increased efficiency with hybridization	Emission-free driving with electric vehicles
<ul style="list-style-type: none">– BlueEFFICIENCY– BlueDIRECT– BlueTEC– NGT	<ul style="list-style-type: none">– HYBRID– BlueTEC HYBRID– Plug-in HYBRID	<ul style="list-style-type: none">– Electric Drive– E-CELL/E-CELL PLUS– F-CELL

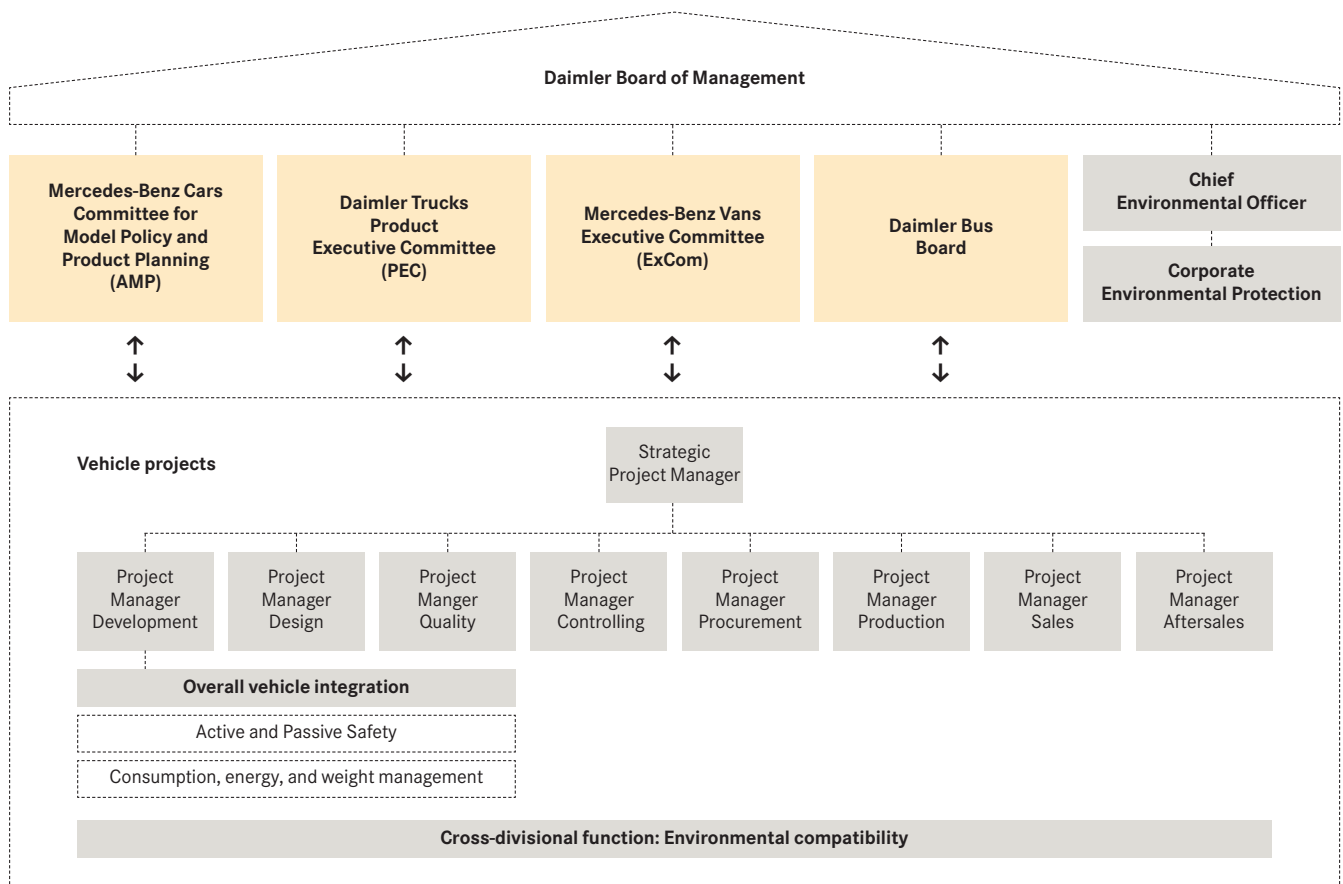
Energy

Clean fuels for internal combustion engines: synthetic fuels, biofuels, natural gas	Energy sources for emission-free driving: electricity, hydrogen
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Our aim is to create an intelligent mix of the aforementioned technologies. Such a drive system mix would offer the right solution for every mobility requirement – from urban commuters to long-distance drivers.

 **Scenarios for the mobility of tomorrow: Online H03**

Environmental management in product development



Focus 1: Optimization of the combustion engine

In 2011 we launched a completely new series of four-cylinder gasoline engines. Their combustion processes are shaped by the third generation of Mercedes-Benz direct injection technology, which was introduced in 2010 in the BlueDIRECT V6 and V8 engines. A host of improvements are helping to significantly boost these engines' energy efficiency. In addition to low engine weight, low friction, and ancillary components that are switched on as needed, the main improvement is the low-end torque design, which makes it possible to have a high torque at low engine speeds. In addition, the ECO start-stop function is included in the standard equipment.

The B-Class consumes only 4.4 liters of fuel per 100 kilometers. Like the economical four-cylinder gasoline engines and the new four-cylinder diesel engine, which is an enhanced version of the third-generation common-rail direct injection system, are used in the new A-Class and B-Class cars. Supported by new transmissions – the 7G-DCT dual clutch transmission and the new six-speed manual transmission – the two diesel models of the B-Class (the B 180 CDI BlueEFFICIENCY and the B 200 CDI BlueEFFICIENCY) consume only 4.4 liters of fuel per 100 kilometers. This is noticeably less than their predecessors, which consumed 5.2 liters per 100 kilometers.

Drive technologies from Daimler

Share in percent	Gasoline-powered vehicles	Diesel-powered vehicles	Natural gas drive vehicles	Hybrid drive vehicles ¹	Electric drive vehicles ²
Europe	29.1	70.6	0.3	0.2	0.1
NAFTA	56.9	42.9			
Japan	52.6	46.9			
China	90.9	7.8			

¹ With more than 6,000 commercial vehicles with hybrid drive systems currently in operation worldwide (including buses), Daimler is the market leader in this area.

² Daimler has the largest fleet of fuel cell vehicles (passenger cars, vans, and buses) of any manufacturer in the world. The smart fortwo electric drive has been produced in a batch of 1,500 vehicles since November 2009. The A-Class E-CELL, the B-Class F-CELL, and the Vito E-CELL are also already being manufactured under series production conditions.

Highly efficient engines for trucks. The Mercedes-Benz OM 471 is the first member of the New Engine Generation — an all-new series of heavy-duty engines. In 2011 this engine was installed in the new Mercedes-Benz Actros for the first time. As a result, the fuel consumption of the Euro V version of the truck is about 6 to 7 percent lower than that of its predecessor, while the Euro VI version consumes between 3 and 4 percent less fuel than its predecessor.

➔ **More on pollutant emissions: Page 71**

🌐 **Natural gas drives from Daimler: Online H04**

Focus 2: Hybridization

Customized hybrid systems for cars. Hybrid technologies play a key role in Daimler's efforts to achieve emission-free driving. In passenger cars, for example, hybrid technologies are substantially boosting the efficiency of our drive systems. Our modular system of hybrid drives allows us to combine a range of hybrid modules and batteries of different power outputs with various gasoline and diesel engines. It enables us to provide vehicles for a broad range of different needs, depending on the area of application and the performance required. The S 400 HYBRID and ML 450 HYBRID models introduced in 2009 will be followed by the first diesel hybrid in 2012: the E 300 BlueTEC HYBRID. In the S 500 Plug-in HYBRID, the battery can be hooked up to a power outlet in order to extend the vehicle's electric range. This highly efficient combination of combustion engine and electric motor will be series produced in the next generation of the S-Class.

The efficiency champion among commercial vehicles. At the end of 2011 there were over 6,000 hybrid trucks and buses from Daimler in use worldwide. Depending on how they are used, commercial vehicles with hybrid drives can consume up to one-third less fuel than their conventional counterparts. Their strengths are particularly apparent in urban applications, such as when they are used in regular-service buses or delivery trucks.

🌐 **Hybrid technologies for cars and commercial vehicles: Online H05**

Focus 3: Locally emission-free driving

Electric vehicles powered by batteries or fuel cells are our means of achieving locally emission-free driving. Many of our vehicles have already proven themselves in field tests. Five models are currently being produced and have already hit the road: the smart fortwo electric drive, Mercedes-Benz A-Class E-CELL, Mercedes-Benz B-Class F-CELL, Mercedes-Benz Vito E-CELL, and the Mercedes-Benz Citaro FuelCELL Hybrid. Longer ranges, more power, lower system costs, and expansion of the infrastructure are the main focus of our development work in the field of electromobility.

🌐 **Daimler's fuel cell- and battery-powered electric vehicles: Online H06**

Our battery-powered electric vehicles. Starting in the spring of 2012, the enhanced smart fortwo electric drive will be available in more than 30 markets worldwide. It will be powered by a battery from Deutsche Accumotive, a joint venture of Daimler AG and Evonik Industries. The powerful lithium-ion battery has a capacity of 17.6 kilowatt-hours. In conjunction with a more efficient powertrain, the battery makes ranges of more than 140 kilometers possible.

Efficient in every way —



Euro VI

Effective exhaust treatment. The new Actros is the first and only truck to date developed consistently in line with the requirements of the Euro VI emissions standard. With substantially lower amounts of pollutants and particulates in its exhaust, the vehicle has ushered in a new era, two years before Euro VI comes into effect.

The successful formula is ② the combination of a particulate filter with SCR, AdBlue injection, and cooled exhaust gas recirculation in a system that is adapted to the new generation of Actros engines.

Truck of the Year 2012

Paving the way for the commercial vehicles of the future. In November 2011 the international trade press voted the Actros "Truck of the Year 2012" because it made the **biggest contribution to further enhancing road freight traffic**. The vehicle also won the ① European Transport Sustainability Prize 2012.

the new Actros



TARGET

Reduction of fuel consumption by heavy-duty commercial vehicles. Reduction of the fuel consumption of N3 trucks in Europe by an average of **20 percent** per ton-kilometer by 2020 compared to the base year of 2005 (Euro III vehicles).

TARGET HORIZON

2020

ACHIEVEMENTS

By 2011, fuel consumption of long-haulage trucks had been reduced by around 9 percent compared to the starting year.

Partial target achieved

➔ Page 35

BlueEfficiency Power

Powerful yet low consumption. The Euro VI variant of the new Actros consumes **between 3 and 4 percent less fuel** than the truck's predecessor. This improvement is due to the new generation of BlueEfficiency Power engines, which are powerful as well as economical, producing a high torque even at engine speeds under 1,000 rpm.



40% less AdBlue

2,600 hours

A miracle of efficiency. The 3 Actros also demonstrates its capabilities with regard to the total cost of ownership (TCO). Due to a number of parameters such as its low fuel consumption, a 40 percent lower AdBlue consumption, **reduced repair and maintenance costs**, and maintenance intervals as long as 150,000 kilometers, the new Actros has the lowest total costs of any truck in its emissions class.

Non-stop aerodynamic testing. The new Actros was tested in the 5 wind tunnel for over 2,600 hours – longer than any other truck before. The result of this testing is a range of **aerodynamic innovations** such as the new 4 cab design, the electronically controlled radiator shutter, and the optional aerodynamic wind deflectors and side trim. Together, these features contribute greatly to the truck's improved fuel efficiency.

The Mercedes-Benz A-Class E-CELL is also powered by a battery. In 2011 we delivered the first of these vehicles, out of a total of 170 units, to customers in Germany. The customers pay a monthly full-service leasing rate of €900 plus tax over a period of four years.

The Mercedes-Benz Vito E-CELL is the first series-produced commercial vehicle in its class with purely electric drive. Thanks to its emission-free drive system, this innovative vehicle is ideal for logistics operations in inner cities and areas with especially sensitive environmental conditions. With a range of around 130 kilometers, the Vito E-CELL meets the typical customer requirements for vans operating over short distances. The first batch of 100 Vito E-CELLs was delivered to customers in Berlin and Stuttgart at the end of 2010. Plans call for delivery of 2,000 additional units all over Europe. Around 500 vehicles are currently being used in seven European countries by Hermes, Deutsche Post DHL, the parcel and express delivery company DPD, and other customers. The customer feedback has been very good.

Our fuel cell-powered passenger cars and buses. We are already producing the B-Class F-CELL in small batches. Customers in Europe and the U.S. received the first of the approximately 200 vehicles in 2010. The components of the fuel cell system that powers the B-Class F-CELL are taken from the range of e-drive modules, which Mercedes-Benz developed for a variety of different electric vehicles.

The same components are also being used in the Citaro FuelCELL Hybrid. Thanks to improved fuel cell components and hybridization with lithium-ion batteries, the new Citaro FuelCELL Hybrid uses almost 50 percent less hydrogen compared to the predecessor generation. We are building this fuel cell bus in a small-batch production series of 30 units in all. In 2011 we delivered four of the vehicles to Hamburger Hochbahn AG, which will test them as part of Germany's Sustainable Bus System of the Future Demonstration (NaBuZ demo) project. Three more buses will be delivered in 2012.

Supplying fuel cell vehicles with hydrogen from renewable sources. Electric vehicles can only establish themselves on the market and become widespread if there is an extensive network of filling and charging stations. This is why Daimler is also committed to ensuring the availability of battery-charging stations and hydrogen filling stations. As part of the H2 Mobility initiative, we are working together with the German Transport Ministry and our partners from the energy industry to create a hydrogen infrastructure in Germany. Starting in 2012 we will work together with the technology company Linde to set up 20 new hydrogen filling stations in Germany in order to supply the steadily growing number of fuel cell vehicles with hydrogen from renewable sources.


 **On the road to renewable production of hydrogen: Online H07**

 **More information on alternative fuels: Page 67**

Electricity from renewable energies for electric cars. In 2011 the municipal power company of Ulm/Neu-Ulm (SWU) set up 24 charging stations, creating a comprehensive electromobility infrastructure in the two parts of the city. Until the end of 2012, people can recharge all types of electric vehicles – including e-bikes and electric scooters – at the charging stations free of charge. Vehicles




“In the long term, the fuel cell is the most viable proposition for sustainable and emission-free mobility that uses resources sparingly.”

 **Prof. Dr. Herbert Kohler**, Vice President, E-Drive & Future Mobility, Chief Environmental Officer, Daimler AG, Member of the Sustainability Board (CSB)

that are recharged at these stations will be carbon-neutral because the charging stations are only supplied with renewably generated SWU NaturStrom electricity. In response to the availability of the new charging stations, Daimler has added five electric smart fortwos to its car2go fleet in Ulm. In addition, the first all-electric car2go fleets of 300 vehicles each have been operating in Amsterdam and San Diego since the end of 2011.

The third generation of the smart fortwo electric drive will be available beginning in the spring of 2012. We have acquired stakes in new wind farms to supply the power needed to operate all of the vehicles sold in Germany. In doing so, we are responding to political requests for the increased use of renewable sources of energy and do not accept power generation subsidies as provided by Germany's Renewable Energy Act (EEG).

 **More information on car2go: Page 73 f.**

Our fuel roadmap

The amount and type of emissions produced by road traffic are not only dependent on the vehicles' drive systems, but also on the fuels employed and the way these fuels are manufactured. This is especially the case with carbon dioxide, which contributes considerably to manmade climate change.


Our vision for the future is to make road traffic emission-free.

Because they do not produce any local emissions, fuel cell and battery-electric drive systems in a variety of vehicle segments are already reducing pollution in urban areas. If electricity and hydrogen are produced from renewable sources, they enable nearly CO₂-free mobility along the entire energy chain.

Hybrid technologies will play a key role on the road to the drive systems of tomorrow, which is why cutting-edge combustion engines will continue to be an indispensable option for the future. Hence order therefore order thus on our Road to Emission-free Driving, we won't be able to get along without hydrocarbon based fuels in the medium-term, even though the pace of development is increasingly stepping up for drive system technologies.


One way in which we can reduce our dependence on fossil sources of energy is to use new synthetic fuels. We are therefore contributing to the development of new methods of producing second-generation biofuels, which can be made of source materials that have previously not been considered for the transportation sector.

In spite of all of the efforts to develop alternative drive concepts, combustion engines will not disappear immediately. Although the number of new electric vehicle registrations is steadily increasing and the mix of automobiles on the road is becoming more diverse, most vehicles will continue to be equipped with combustion engines for many years to come. It's therefore imperative that CO₂ emissions of fossil fuels be improved further.

 **More information on the fuel roadmap: Online H08**

 **From E10 to BTL: Online H09**

 **Hydrogen from renewable sources: Online H010**

 **Online tool for calculating energy balance: Online H11**

Fuel consumption and CO₂ emissions

Over a vehicle's life cycle, most of the primary energy consumption and CO₂ emissions are associated with the vehicle utilization phase. This share is about 80 percent in the case of passenger cars equipped with combustion engines. We are therefore taking seriously all we can to further reduce these emissions. Our efforts here have been successful, and the emissions of our fleet of new vehicles once again dropped considerably across all passenger car series in 2011.

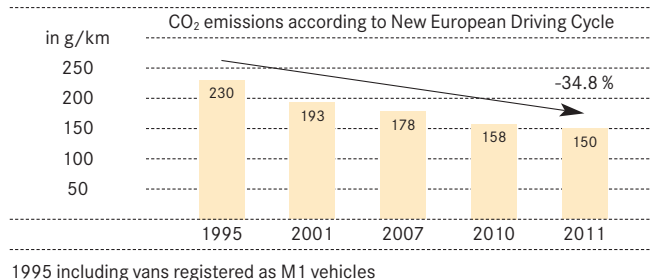
The average emissions of the entire Mercedes-Benz Cars fleet in Europe were 150 grams of CO₂ per kilometer in 2011, and we have achieved a total emission reduction of approximately 35 percent since 1995. This was due in part to the further rollout of our BlueEFFICIENCY models, the wide-scale introduction of V6 and V8 BlueDIRECT gasoline engines and the seven-speed 7G-TRONIC PLUS automatic transmission. Due to the launch of our new compact cars and the growing share of vehicles with alternative drive systems, we will be able to steadily reduce the fuel consumption and CO₂ emissions of our fleet in Europe in the years ahead. Our goal is to reduce the CO₂ emissions of our new-vehicle fleet in Europe to around 140 grams per kilometer by 2012 and to 125 grams per kilometer in 2016.

 **More information on BlueEFFICIENCY: Online H12**

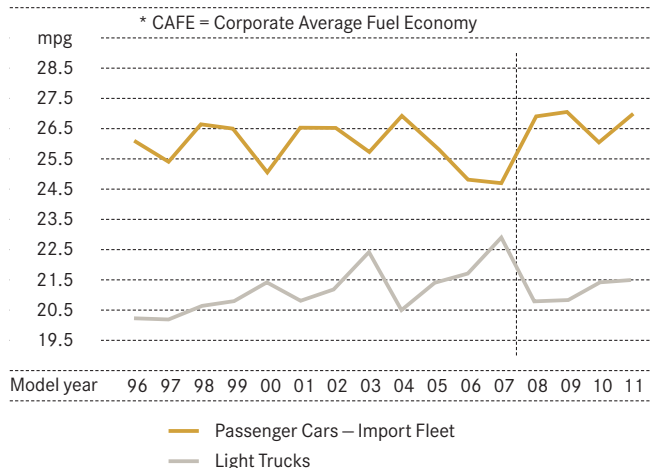
 **Data of current vehicle models: Online H13**

 **EU CO₂ legislation: Online H14**

Development of CO₂ emissions for the Mercedes-Benz Cars passenger car fleet in Europe (EU 27) 1995–2011




Daimler CAFE* values for passenger cars and light trucks 1996–2011 in the U.S.



Beginning with the 2008 model year, the figures only apply to Mercedes-Benz and smart vehicles sold in the U.S. Until the 2007 model year, the light trucks also included Chrysler LLC vehicles not belonging to the SUV segment.

* CAFE = Corporate Average Fuel Economy

U.S., Japan, China: National standards for fuel efficiency and emissions. The Corporate Average Fuel Economy (CAFE) standards apply in the U.S. The fleet value for each model year is determined by the number of vehicles sold and the respective fuel economy figures. For every 0.1 mile per gallon below the stipulated level, the manufacturer in question has to pay a fine of US\$5.50 for each vehicle sold. Due to an above-average sales increase in the premium segment, Daimler had to pay a CAFE penalty of US\$11.8 million for model year 2010.

 **More information on CAFE: Online H15**

In Japan, the “Top Runner” concept has fixed upper limits for the fuel consumption of passenger cars. Therefore the most efficient models in defined classes were determined and their fuel consumption values including improvement potential were specified as targets. In total Mercedes-Benz gasoline and diesel models have achieved the targets for 2010 (based on the Japanese business year, which ended on March 31, 2011) under the official assessment rule including credit system. Our product planning activities are geared toward achieving targets for 2015 in all weight classes. The target values for 2020 are in the final legal process.

The Chinese government is also regulating the fuel consumption of road vehicles. Stage II of China’s fuel-efficiency standards have been in force since January 1, 2009. Stage III is scheduled to go into effect in 2012, with the aim of reducing the average fuel consumption of newly registered passenger cars by 20 percent compared to Stage II. As a result, fuel consumption will amount to only about 7 liters per 100 kilometers by 2015.

Canada, South Korea, and Australia also have mandatory standards and voluntary measures for reducing the fuel consumption and CO₂ emissions of passenger cars.

 **Overview of CO₂/fuel consumption legislation worldwide: Online H16**

However, we also face special challenges in developing countries and emerging markets. To reduce the CO₂ emissions of premium segment vehicles, for which demand is growing in these countries, is part of our core business activities. However, we also want to offer mobility solutions for those people who do not have a car of their own. The Bus Rapid Transit concept is a very successful example of this.

 **More information on Bus Rapid Transit: Page 75**

Light commercial vehicles: A fuel-efficient Sprinter that consumes 7.2 liters per 100 kilometers. New technologies are also reducing the fuel consumption of our vans. For example, the Sprinter crewbus equipped with a BlueEFFICIENCY package, four-cylinder diesel engine, ECO Gear manual transmission, and a special final drive ratio, consumes only 7.2 liters of fuel per 100 kilometers and emits 189 grams of CO₂ per kilometer.

The average emissions of our fleet of light commercial vehicles in Europe was 228 grams of CO₂ per kilometer in 2011. We are aiming to cut CO₂ emissions by more than 10 percent between 2010 and 2014.

 **EU emission limits for light commercial vehicles: Online H17**

Heavy-duty commercial vehicles: More efficient with each new model. Daimler has also continually reduced the fuel consumption of its heavy-duty commercial vehicles over the past few years. This was achieved through more efficient engines, improved tires and aerodynamics, drive ratios in line with specific requirements, and the introduction of BLUETEC technology.

4.5%

less fuel is consumed by the Actros BlueTec 6 than by the predecessor model

less than its predecessor. The Actros BlueTec 5 (Euro V emissions limit) achieved a value of 25.1 liters per 100 kilometers, 7.6 percent less than the reference value. The new Actros’ fuel consumption per ton of payload is therefore nearing a value of only one liter per 100 kilometers.

Our goal for the total fleet of Daimler trucks (N3) in Europe is to reduce fuel consumption by an average of 20 percent per ton-kilometer by 2020. To achieve this reduction, we are continuing to work hard to develop technical innovations.


 **Savings potential in commercial vehicles: Online H18**

Lightweight construction saves fuel and resources. Comfort and safety equipment, as well as alternative drive technologies, increase vehicle weight. This weight has to be offset so that the vehicles can meet the increasingly tough fuel consumption requirements stipulated by law. New materials and production processes, as well as innovative component designs, help to significantly reduce the weight of our vehicles. In the SKO (soft kill option) method, for example, computer simulation is used to configure body and suspension components in such way that the material in areas subject to lower loads can be made softer and thinner or even completely eliminated („killed“). By contrast, the areas subjected to the most stress are reinforced in a targeted manner. In these ways, the SKO method reduces vehicle weight by up to 30 percent.

Potential uses of new materials are demonstrated by the F 125f, the latest research vehicle from Mercedes-Benz. A combination of fiber-reinforced plastics (FRPs) with a high proportion of carbon fibers (CFs) and lightweight metals, high-strength steels, and hybrid materials, in which each component is precisely customized to match the requirements, reduces the weight of this innovative vehicle’s body to about 250 kilograms. This means that the body of the new F 125f weighs about 40 percent less than that of a comparable vehicle currently being series-produced.

Economical driving enhances fuel economy. However, it’s not just improvements to the vehicles that reduce fuel consumption; efficiency is also enhanced by an economical and anticipatory driving style. The Mercedes-Benz Eco Training programs that we offer to drivers of passenger cars and commercial vehicles demonstrate how fuel consumption can be reduced by up to 10 percent in practice. Drivers receive additional support in the form of gear-shifting recommendations and a display of current fuel consumption in the instrument cluster.

 **More on our Eco Training courses: Online H19**

 **Fuel-saving tips: Online H20**

The success of our engineering measures was confirmed in 2011 during a comparative drive, in which two new Actros 1845 trucks and an Actros 1844 from the predecessor series each covered 10,000 kilometers on the route from Rotterdam to Szczecin and back. The vehicles were fully loaded. During the trip, the Actros 1845 BlueTec 6 (Euro VI emissions limit) consumed 25.9 liters of fuel per 100 kilometers, 4.5 percent



“Customers compare individual vehicles.”

P Interview with **Prof. Dr. Herbert Kohler**, Vice President, E-Drive & Future Mobility, Chief Environmental Officer, Daimler AG, Member of the Sustainability Board (CSB)

___ Prof. Kohler, last year Daimler made significant improvements in CO₂ emissions reduction compared to the average CO₂ emissions of cars sold in Europe. Will you be able to keep up this pace?

Prof. Herbert Kohler: The fact is that the reduction of average CO₂ emissions by more than 5 percent represents a big leap forward – and this was achieved despite the model changeover-related decline in the share of the A- and B-Class. This comes as no surprise to us, however; we see it as the natural outcome of our technological CO₂ offensive introduced many years ago. We launched a number of new vehicles and powertrain components on the market in 2011 – for example our new BlueDIRECT engines, which deliver fuel consumption savings of around 25 percent in combination with the improved 7G-TRONIC PLUS with the ECO start-stop function. When you do that, such reductions in fleet fuel consumption are just a logical consequence of the corresponding product and powertrain component strategy. More big steps forward will follow. After all, we have set ourselves ambitious targets, with the value of 125 grams of CO₂/km by 2016, for example, which we of course also want to achieve by thoroughly implementing our product strategy. I would like to add here, however, that in my opinion the assessment of individual vehicles is a better reference value for evaluation purposes.

___ In what way?

Kohler: Well, fleet consumption is ultimately an integral value that only very conditionally takes into account the differences between the product portfolios sold. And that's not true only of the obvious variables such as the share of the vehicles in the upper range, mid-range and compact segments, but also details such as the percentage of station wagons or the question of the percentage of automatic transmissions. Based on the numbers at the end of 2011, for example, if you make a detailed comparison (same vehicle type, comparable engines and equipment) of our vehicles with those of our main competitors, the result shows that we are best positioned overall in the core segments – the S-, E-, and C-Class – in a direct CO₂ comparison with the competition. This is a picture you don't get if you only consider the fleet consumption figures. And the individual vehicle comparison is also the relevant reference point from the customers' point of view, of course.

___ Why did you set yourself these ambitious targets – for example, 125 grams of CO₂/km in 2016, which is a reduction of yet another 25 grams, or nearly 17 percent in just five years? And that goes for the 2012 target too. Aren't you worried about tarnishing your reputation if you don't reach a target?

Kohler: Our overriding aim in setting the CO₂ targets was to send a clear message to society, and especially to the environmental stakeholders, that reduction of CO₂ emissions is a challenge that we first of all recognize and accept, and secondly that we want to make our own significant contribution to mastering this challenge.



“Our E 300 BlueTEC HYBRID will be available from mid-2012. At 109 grams of CO₂/km, it shows the direction of future development.”

 Prof. Dr. Herbert Kohler

For competitiveness-related reasons, we could not, and cannot, of course communicate targets for individual vehicles, so we believe setting an ambitious fleet consumption target is an appropriate indicator for this purpose, even given all the aforementioned reservations. Naturally a challenging goal carries the inherent risk that you won't entirely succeed in reaching it. That's especially true when – as with fleet consumption – the target also depends on factors like customers' changing preferences in terms of vehicle types. These are factors that we as automakers can only influence to a limited degree. But abandoning ambitious targets certainly isn't a solution. Not only would this be contrary to our own standards; it's also clear that you can't improve your reputation with critical stakeholders if you only set yourself mediocre targets.

___ **If we just look ahead to the future, in 15 or 20 years, where do you believe we can be in terms of energy-efficient vehicles?**

Kohler: If we look at our reporting on fleet consumption beginning in 1995, we will have achieved a reduction in energy consumption of about 45 percent by 2016. Given the right parameters, I believe it's completely realistic that the fourfold improvement in energy efficiency called for in 1995 by people including Prof. von Weizsäcker can be achieved.

___ **What do you mean by the “right parameters”?**

Kohler: To me it is clear that we will see increasing electrification of drive systems during the current decade, which will include further significant reductions in fuel consumption. Our E 300 BlueTEC HYBRID, which will be available starting in mid-2012, shows the direction of future development with its 109 grams of CO₂/km. It is also obvious to us that we will need electric drive systems over the long term in order to achieve the big objectives in the area of environmental policies. With battery-powered electric vehicles for urban use in the compact segment – and especially fuel cells as a largely cross-segment energy carrier – the necessary vehicle technologies are in the development phase, and we are moving forward on this front with large-scale funding. As demonstrated by our F125! research vehicle, it's quite possible that in 15 to 20 years an S-Class equipped with a fuel cell will need only one-fourth of the energy consumed by an S-Class built in 1995.

Unfortunately, however, we also clearly see that nearly every country lacks the political master plan needed to ensure the presence of the requisite electricity or hydrogen infrastructure. The example of renewable energies for electric power illustrates two points: First, that the creation of a new infrastructure is possible if the politicians want it, and secondly that the framework conditions must of course be designed in such a way to cover the costs that will initially arise. As is the case with renewable sources of energy, it should also be possible to develop a comparable master plan for a new infrastructure for the transportation sector, especially since the costs are much lower. The one-time investment costs for a hydrogen infrastructure in Germany equals about 15 percent of the annual costs for renewable energies, for example.

Pollutant emissions

In recent years we have significantly reduced various types of emissions across our entire vehicle range with the help of improved engines and highly efficient exhaust gas treatment systems. However, due to technology-related reasons, future emissions limits for nitrogen oxides (NO_x) make it more difficult for us to further cut particulate emissions and fuel consumption.

 **Passenger car emission limits worldwide: Online H2 1**

Passenger cars: Low emissions already in accordance with Euro 6. Our BLUETEC models of the R-Class, M-Class, and GL-Class already comply with tough future emissions limits, as do the E 350 BlueTEC and the S 350 BlueTEC. All of these vehicles fulfill the Euro 6 emissions limit, which will go into effect for all new models in September 2014 and for all new vehicles in September 2015. Diesel cars will then be required to emit 10 percent fewer particulates and 55 percent fewer nitrogen oxides than are permitted by today's Euro 5 standard.

 **More information on BLUETEC: Online H22**

Proportion of Mercedes-Benz Cars vehicles registered in Europe in 2011 that fulfill the current and future emissions standards

	HC + NO _x in g/km		NO _x in g/km		Particulates in g/km		Proportion of Mercedes-Benz Cars vehicles that comply with the corresponding limits
	Diesel	Gasoline	Diesel	Gasoline ²	Diesel	Gasoline ²	
Euro 5	0.23	0.06	0.18	0.005	0.005	0.005	97.7 percent
Euro 6 ¹	0.17	0.06	0.08	0.005	0.005	0.005	1.8 percent

¹ The Euro 6 limits are binding for all new vehicles from January 1, 2015.

² The particulate matter limits apply only to engines with gasoline direct injection.

Commercial vehicles: Actros and Travego pave the way for Euro VI. The new Euro VI emissions limits will go into effect in 2014. Compared to the Euro I values of 1992, the new limits will reduce particulate emissions by about 97 percent and nitrogen oxide emissions by around 95 percent. The new Mercedes-Benz Actros is the first truck to meet the Euro VI standard. To make this possible, our engineers combined BLUETEC technology with a cooled exhaust gas recirculation system and a particulate filter. The first travel coach with Euro VI certification is the Mercedes-Benz Travego Edition 1, in which new in-line engines equipped with X-PULSE fuel injection technology and BLUETEC ensure high fuel efficiency and very low pollutant emissions. In addition, the cooled exhaust gas recirculation system cuts down production of nitrogen oxides, leading to a 40-percent reduction in AdBlue consumption. The new Citaro models, which we have been offering since 2011, are also prepared to accommodate the powertrains for the upcoming Euro VI emissions standard.

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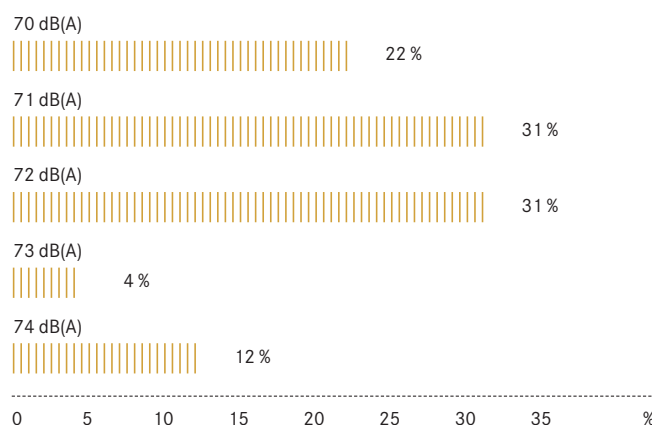
 **Emissions limits for heavy-duty commercial vehicles: Online H23**

Here as well, our goal remains to apply state-of-the-art technologies to achieve further reductions of airborne emissions and thus be able to comply with future emission limits in advance if possible.

Noise

The noise produced by our cars, trucks, and buses has been substantially reduced by means of a wide variety of technological measures – ranging from lower engine speeds and optimization of fuel injection and combustion processes to encapsulation of the engine and transmission. Our buses have become more than 10 decibels quieter since the early 1970s, for example. New limits, which will go into effect for cars in 2013 and for commercial vehicles in 2014, will reduce noise levels further. And, beginning in 2016, the limits for tire rolling noise will also be lowered. Together, these measures will reduce the noise from vehicles by half.

Pass-by noise of passenger cars – distribution over the number of Mercedes-Benz and smart cars sold in Europe in 2011



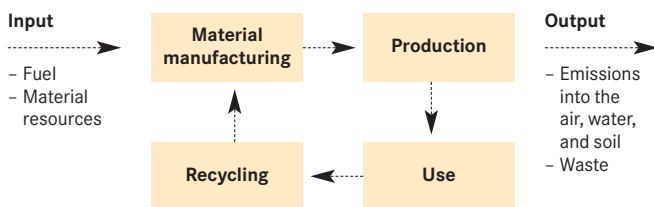
The legal limit is 74 dB(A) and is binding for the accelerated pass-by test. A reduction of 3 dB(A) corresponds to a reduction of the acoustic power by half.

In general, most commercial vehicle noise is generated by tires, vehicle bodies, and payloads. Key parameters that Daimler can directly influence are low-vibration design, optimal engine encapsulation, and aerodynamically efficient cabs with low wind resistance. We are also working closely with tire and vehicle body manufacturers to reduce noise to a minimum. However, noise levels are also dependent on other factors such as traffic density, construction near roadways, driving habits, and road conditions. The challenges increase as traffic density rises. Just making improvements to vehicle technology helps little in this regard, since the rolling noise from the tires exceeds engine noise at speeds above approximately 50 km/h. Reducing noise levels will therefore also require use of electric vehicles and implementation of infrastructure measures, including those for improving road conditions.

Environmentally responsible product development

A vehicle's environmental impact is largely decided in the first stages of development. The earlier that environmentally responsible product development (Design for Environment, DfE) is integrated into the development process, the more efficiently it can help to minimize the impact on the environment. By contrast, later corrections of the product design are only possible to a limited extent. This is why our development specifications already include continual improvements made to the environmental compatibility of Daimler vehicles. Serving as a cross-divisional team, our DfE experts are involved in all stages of the vehicle development process. Their job is to evaluate new component and vehicle concepts as part of a life cycle assessment (LCA).

Life cycle assessment



Life cycle assessment. To make a vehicle more environmentally friendly, its emissions and resource consumption must be reduced throughout its entire life cycle. The standardized tool for evaluating a vehicle's environmental performance is the life cycle assessment, which examines all of the ways a vehicle impacts the environment, from raw material extraction and vehicle production to product use and recycling. The requirements of an ecologically oriented product development are specified in the ISO TR 14062 standard.

Environmental certificate for Mercedes-Benz models. In 2005 the Mercedes-Benz S-Class became the world's first automobile to receive a TÜV environmental certificate for fulfilling the TR 14062 standard. Since then, ten Mercedes-Benz production series have been awarded the environmental certificate, most recently the new Mercedes-Benz M-Class, B-Class, and SLK in 2011. Each certificate documents the progress that has been achieved in comparison with the predecessor model.

Certified Mercedes-Benz models: Online H24

Environmental profile of the Mercedes-Benz M-Class: Online H25

Recycling

During the development process we make sure that recycling-capability aspects are incorporated into our vehicle designs. The recycling concept is created during the initial stages of a vehicle's development. This concept analyzes the individual components and materials at each stage of the recycling process:

1. Pretreatment (removal of all service fluids, tires, the battery, and catalytic converters; ignition of airbags)
2. Dismantling (removal of replacement parts and/or components for material recycling)
3. Separation of metals in the shredder process
4. Treatment of non-metallic residual fraction (shredder light fraction – SLF).

The quantitative flows stipulated for each step determine the recycling or recovery rate for the vehicle as a whole. The aforementioned process chain ensures that all Mercedes-Benz models demonstrate a recyclability rate of 85 percent and a recovery rate of 95 percent. As a result, we are already meeting the requirements of the EU directive that will go into effect in 2015.

Proven elements of our recycling concept are resale of tested and certified used parts by the Mercedes-Benz Used Parts Center (GTC), remanufacturing of components, and the MeRSy Recycling Management system for workshops.

More information on the GTC and parts remanufacturing: Online H26

Europe-wide take-back network for end-of-life vehicles. We guarantee that our customers can easily turn in their old cars and that these automobiles are professionally disposed of in accordance with the EU's directive on end-of-life vehicles. To this end, we have established networks for returning end-of-life vehicles in all EU countries.



“In the future, mobility will be even more closely networked and mobility services will increasingly complement the means of transport. Consistent, smart networking is of crucial importance here.”


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

LiBRI-battery recycling for electromobility. Unfortunately, there are still hardly any empirical values for the return of old electric vehicles and the recycling of their batteries. Germany's Environmental Ministry has therefore helped fund the LiBRI and LithoRec projects for development of a recycling concept for lithium-ion batteries. Both of these projects aimed to achieve a high recycling rate for valuable materials, although the two metallurgic processes – each project used another metallurgic process.

Within the LiBRI network, Daimler cooperated with Umicore AG & Co. KG, Clausthal Technical University, and Oeko-Institut to work on the entire process chain, ranging from an easy-to-disassemble battery design to recovery of materials. The creation and operation of a test facility for battery disassembly and preconditioning of materials will lay the foundation for the subsequent large-scale technological implementation of recycling processes.

MeRSy conserves resources. A total of 75 components of the new Mercedes-Benz B-Class have been approved for the use of high-quality recycled plastics. These materials account for 39.2 kilograms of the vehicle's weight, 5 percent more than in the predecessor model. Typical applications include wheel arch linings and cable ducts, which are mainly made of polypropylene. However, used plas-

tics go through a long process before they are installed in new vehicles as recycled materials. At the beginning of this process is the MeRSy Recycling Management system for workshops, which was introduced in Germany in 1993. This system helps to collect and recycle the waste material created during maintenance or repair of our vehicles. If recycling is not possible, the system ensures that the material is professionally disposed of. The system is now used for a total of more than 35 fractions, including plastic parts, batteries, packaging materials, catalytic converters, used tires, brake fluid, and coolants. Thanks to MeRSy, we are annually turning significantly more than 30,000 tons of waste into valuable new materials at our German workshops alone. In 2011 MeRSy collected a total of 32,849 tons of end-of-life parts and materials for recycling. Some 1.087 million liters of coolant and 798,000 liters of brake fluid were also recycled.

 **More information on MeRSy: Online H27**

____ Mobility concepts and services

Growing cities, more traffic, and the related strain on the environment – infrastructure and transportation systems are increasingly reaching their limits, especially when trying to transport passengers quickly and comfortably in metropolitan areas. But these developments also offer opportunities because they require and promote innovative mobility approaches, including future-oriented concepts such as car2go and Bus Rapid Transit.

car2go. Registered car2go customers can rent a smart fortwo on the spur of the moment, use it for as long they like, and return it to a public parking space in the area covered by the project. Following pilot projects in Ulm, Germany, and Austin, Texas, car2go is now also being offered in Hamburg, Vancouver, Lyon, and Vienna. All-electric car2go fleets consisting of 300 smart fortwo electric drive vehicles each have been in operation in Amsterdam and San Diego since the end of 2011.

Electric driving

TARGET

Passenger car CO₂ emissions. Reduction of CO₂ emissions (NEDC-based) generated by the new-vehicle fleet in Europe to about 140 g CO₂/km by 2012 and to 125 g CO₂/km by 2016, corresponding to a CO₂ emissions reduction of about 21 percent in the five-year period from 2007 to 2012 and of around 30 percent from 2007 to 2016. We will make further substantial CO₂ emission reductions by 2020 but will be unable to set concrete targets for this period until various unresolved regulatory and political issues are clarified (e.g. framework conditions for e-mobility, test cycle).

TARGET HORIZON

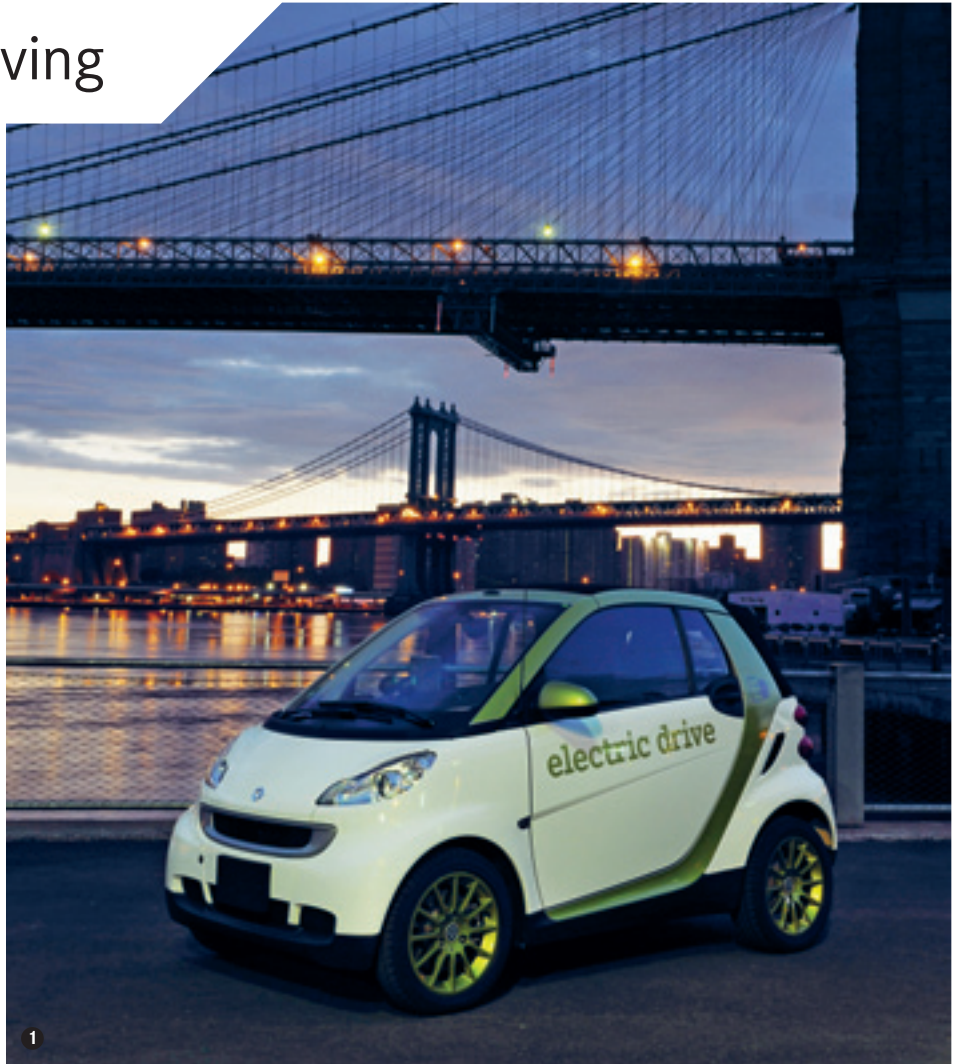
2012 // 2016

ACHIEVEMENTS

The overall average emissions of the Mercedes-Benz Cars fleet in Europe was reduced by over 5 percent compared to the prior year and amounted to 150 g CO₂/km in 2011.

Partial target achieved

➔ Page 34



In 30 markets worldwide

Emission-free and agile. Beginning in 2012 the new generation ❶ smart fortwo electric drive will make **local emission-free driving** even more attractive, as it will boast a top speed of over 120 km/h and a range of more than 140 kilometers. Due to the great demand, the predecessor model's planned production volume of 1,000 vehicles had to be raised to 2,000 units.

Carsharing goes electric

Amsterdam now using car2go. In November 2011 ❷ Amsterdam became the sixth location to offer car2go. The city's **300 smart fortwo electric drives** represent one of the world's biggest all-electric car-sharing fleets. At the charging stations, the emission-free city cars are exclusively recharged with electricity from renewable sources.

17.6 kWh



Pioneering battery technology. The battery weighs 175 kilograms, has an output of 17.6 kWh and can be fully recharged in just eight hours. Because the **HV lithium-ion battery** is more powerful and durable than previous battery systems, it can boost a vehicle's range from 135 to **over 140 kilometers**, despite its higher power rating. The innovative energy storage system was developed by Deutsche Accumotive, a joint venture of Daimler and Evonik.



smart ebike

Electric vehicle on two wheels. With its unusual design, city-oriented functionality, and efficient drive system, the **3** smart ebike combines everything that makes the smart so special, and does so on two wheels. This vehicle, which will enter **series production in 2012**, is equipped with a 0.25 kW electric motor that has a range of 100 kilometers. The rider can activate the motor as needed by pedaling.

Eco-electricity for smart fleet

24 charging stations provide a **comprehensive electricity supply network** for the five smart fortwo electric drive cars added to the car2go fleet in **4** Ulm/Neu-Ulm in 2011. Only electricity generated from renewable sources is used.

Bus Rapid Transit. Demand for transportation services is rising dramatically in big cities and regions with rapidly growing populations. Bus Rapid Transit (BRT) offers efficient solutions to overcome these challenges. The system, which was awarded an Öko-Globe in the New Mobility Concepts category in 2011, consists of one or more trunk lines that have regular-service buses traveling at frequent intervals and are fed by several feeder lines coming from all areas of a city. With the help of an intelligent computer-controlled traffic management system, separate bus lanes enable the vehicles to transport large numbers of passengers quickly and efficiently. Like rail-based systems, Bus Rapid Transit systems can speedily and comfortably transport large numbers of people through inner cities. However, BRT systems can be implemented in less time and at far less expense than rail systems, which is why they are also easier to change. Another of BRT's strengths is that it can be precisely adapted to a city's specific needs and local conditions. The primary aim here is to integrate existing means of transportation into a comprehensive local public transit system.

Daimler Buses has a team of experts who provide support with planning, implementation, and enhancement of customized concepts for BRT systems. BRT is ideally suited for emerging markets with megacities like São Paulo, Mexico City, Bogotá, and Pune. However, Mercedes-Benz buses are also being used in BRT systems in European cities such as Istanbul and Nantes. More than 15,000 buses are currently being used in Bus Rapid Transit systems worldwide.

Vehicle safety

Our Road to Accident-free Driving. Vehicle safety has always been one of our brand attributes. Our engineers have consistently been ahead of their time when it comes to the development of new safety technologies. Our Road to Accident-free Driving strategy continues to motivate us to make mobility as safe as possible for all road users.

The Road to Accident-free Driving

Integrated safety			
Prevention	Reaction	Protection	Rescue
Driving safely, issuing timely warnings, and providing assistance functions	Responding to danger with PRE-SAFE® systems	Providing appropriate protection in the event of an accident	After an accident: preventing serious consequences and providing rapid assistance

This strategy encompasses four areas of action:

1. **Prevention:** Avoiding accidents is our prime objective. To make road traffic safe, we do not leave drivers on their own when they get behind the steering wheel. Active safety technologies that are designed to counter frequent causes of accidents help and support drivers perform their tasks. These systems continuously check the motorist's physiological condition, scan the vehicle's surroundings, and provide stability during dynamic driving.
2. **Response:** Our key response system is PRE-SAFE®, which synergistically combines active and passive safety measures. With the help of sensors from vehicle safety systems such as ESP and Brake Assist, PRE-SAFE® can recognize dangerous situations early on in order to warn the driver and prepare the vehicle for an impending accident.
3. **Protection:** Daimler conducts a large number of different crash tests that go far beyond meeting legal requirements. When developing our safety systems, we also draw on data produced during more than 40 years of our own accident research. These developments also benefit road freight traffic safety, as demonstrated by an underride guard for trucks, for example. Moreover, many innovations that were first used in Daimler vehicles (e.g. airbags, the ABS anti-lock braking system, and ESP) have now become standard features in the automotive industry.
4. **Rescue:** Whenever there is an accident, the first priority is to quickly rescue vehicle occupants so that the accident's consequences can be kept to a minimum. We therefore assist rescue workers by providing them with online rescue guidelines and rescue data sheets for our cars and commercial vehicles. These guidelines and data sheets show the rescue workers how to stabilize the vehicles and extract the occupants quickly and safely.

Mercedes-Benz safety research aims to avoid accidents and minimize the consequences of those that do occur. To make this possible, we orient ourselves on real-life safety situations, using a development philosophy based on real-life accidents and their causes. In doing so, we always want to make sure that drivers can travel stress-free and maintain their full ability to concentrate. To help make this possible, we offer comfort-oriented springs and seats, a low-noise environment, effective headlights and windshield wipers, and a simple and safe system of operation. Should drivers nevertheless get into critical situations, our safety systems will help them deal with the danger as effectively as possible.

Taking curves safely. With its pioneering innovations, Daimler has been improving vehicle safety for many decades. The latest of these developments is the ACTIVE CURVE SYSTEM. In the third-generation Mercedes-Benz M-Class introduced in 2011, the safety system ensures smooth driving around curves, thus delivering greater agility, more driving fun, and significantly increased safety, especially at high speeds. Hydraulically operated cross-stabilizers on the front and rear axles balance out the roll angle generated by the driving speed and curve radius when the vehicle is going around a curve. The regulation of the cross-stabilizers is adjusted to the

PRE-SAFE®

The Mercedes-Benz anticipatory occupant protection system now also in the B-Class

In the new model series, it comprises safety functions such as closing the side windows and the sunroof in critical situations where high lateral dynamics are generated, reversible tensioning of the seatbelts, and automatically adjusting the power passenger seat with a memory function.

A further innovative assistance system in the new B-Class is COLLISION PREVENTION ASSIST. This radar-based system draws the driver's attention to an impending rear-end collision. In Germany, rear-end collisions cause about 22 percent of traffic accidents involving injuries or fatalities. In the U.S., rear-collisions even account for 31 percent of such traffic accidents. The use of COLLISION PREVENTION ASSIST substantially reduces the risk of an accident, as demonstrated by driving simulator tests with 110 motorists.

Using radar, the system measures the distance to the vehicle up ahead and identifies situations where there is a risk of collision. On the basis of the calculated moment of impact, it activates visual and acoustic warning signals. At the same time, the system prepares the brakes to decelerate the vehicle to the degree required. If the driver reacts to the warning by forcefully stepping on the brakes, COLLISION PREVENTION ASSIST automatically makes the optimal braking power available. If the driver of the vehicle up ahead speeds up during the braking maneuver, the system reduces the braking deceleration. In the new B-Class, COLLISION PREVENTION ASSIST operates in a wide range of speeds, extending from 30 to 250 km/h. This is an advantage compared to other brake assist systems for this class of vehicle, which only operate in a more restricted speed range.

Active engine hood protects pedestrians. If a traffic situation becomes critical and leads to an accident, it is essential that more vulnerable road users in particular do not suffer serious consequences. As a result, vehicles such as the new Mercedes-Benz M-Class of 2011 are equipped with an active engine hood that protects pedestrians and cyclists during collisions. As soon as the sensors in the front section of the vehicle register a collision with a pedestrian, the system raises the rear of the hood within a fraction of a second in order to provide more room for deformation. The improved packaging of the components in the engine compartment also creates room that can have life-saving consequences during a collision.

 **More information on safety innovations: Online H28**

current driving conditions. As a result, the system provides a high degree of stability during highway driving and enables better axle articulation when driving at low speeds in rugged terrain.

Innovative safety systems in the compact segment. PRE-SAFE® celebrated its premiere in the S-Class in 2002, and now it's also available in the new B-Class. This anticipatory occupant protection system from Mercedes-Benz is thus entering the compact vehicle segment.

__Operations-related environmental protection

Balance sheet for 2011

>98% certified

Certified according to ISO and EMAS. More than 98 percent of our employees worldwide work at plants using certified environmental management systems.

➔ Page 78  Online I02

75% energy savings

New repair technology. Cast parts with damaged surfaces used to be discarded. Thanks to a new thermal coating system, Detroit Diesel can now rework these parts, thereby reducing energy consumption by 75 percent.

➔ Page 79 ff.

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- 85 __**Statement:** Martin Schmied, Öko-Institut

Our approach

At Daimler, operations-related environmental protection means analyzing and managing all of the company's processes with regard to their environmental impact. We have formulated the requirements of our comprehensive approach to environmental protection in our Group's Environmental Guidelines, which are an integral part of our sustainability strategy. We also require our suppliers to address environmental concerns.

→ **Our Environmental Guidelines:** Page 62

→ **Our sustainability guidelines for suppliers:** Page 101

Environmental protection measures at our company focus on the production processes at our plants because that is where not only our responsibility is greatest, but also our range of options. In our third environmental guideline, we have committed ourselves to making all stages of production as environmentally compatible as possible. Our environmentally friendly production and processing technologies set benchmarks in operations-related environmental protection. We are particularly committed to climate protection, air pollution prevention, and resource conservation. We thus strive to:

- reduce direct and indirect CO₂ emissions,
- reduce solvent emissions,
- conserve resources and avoid waste.

→ **Our environmental targets at a glance:** Page 38

→ **Product-related environmental protection:** Page 62 ff.

Our environmental organization. On behalf of the Daimler Board of Management, the Board member responsible for Group Research & Mercedes-Benz Cars Development has also been given responsibility for the Group's environmental protection activities in relation to the company's processes, vehicle production operations, and products. The following four functions or organizational units are responsible for the central management of environmental issues, as well as cross-unit networking and the communication of activities:

- A Chief Environmental Officer has been appointed to coordinate environmental management activities throughout the Group on behalf of the Board of Management. This official also advises the company's management on environmental issues.
- The Corporate Environmental Protection unit coordinates the operational requirements of Group-wide environmental management. Its tasks include analyzing legal requirements, defining and refining environmental protection standards, providing environmental reporting, and carrying out production-related risk management activities associated with environmental protection.
- The Corporate Environmental Council is made up of executives responsible for Design for Environment, the environmental management officers from the divisions, and representatives from the Corporate Strategy and Communications units. The council examines environmental protection issues to determine their relevance to the Group and also initiates and coordinates cross-divisional and cross-unit protection measures and projects.
- Various regional committees ensure that local and regional conditions are taken into account in production-related environmental protection measures and are appropriately managed in coordination with the Corporate Environmental Protection unit and the Group's Chief Environmental Officer.

→ **Corporate organization for environmental protection:** Online I01



“Energy consumption and resource conservation will continue to shape operations-related environmental protection at our company over the next ten years.”

→ **Prof. Herbert Kohler**, Vice President, E-Drive & Future Mobility, Chief Environmental Officer, Daimler AG, Member of the Sustainability Board (CSB)

Certified management systems. Our sites around the world are certified in line with the international environmental standard ISO 14001; almost all the sites in Germany are also validated in line with the EU's Eco-Management and Audit Scheme (EMAS). All of the sites are regularly audited by internal and external experts. Today more than 98 percent of our employees worldwide work at facilities whose environmental management systems have been certified.

→ **The environmental statements of the plants:** Online I02

In order to integrate environmental protection tasks into the processes even more closely, we are working to merge the management systems for quality, environmental protection, and occupational safety. We have also had the first locations certified in accordance with the new standard for energy management systems, DIN EN 16001 – in close connection with the existing environmental management system. The certified locations include our production facility for Formula 1 engines in Brixworth, UK, as well as the plants in Untertürkheim, Berlin, and Hamburg.

→ **Data collection:** Online I03

Corporate Directive on Environmental Management. Our Corporate Directive on Environmental Management contains binding stip-

ulations for our environmental management systems, including the specific tasks of all environmental protection units and the requirements for overarching closed loops and internal reporting processes. The Corporate Directive on Environmental Management therefore serves as the basis for the proper use of our management system and its intended continuous improvement process.

Environmental risk analysis. We regularly analyze the environmental risks at our locations in accordance with globally uniform standards so that these risks can be prevented or reduced. Our efforts in this context include the systematic monitoring and assessment of a location's environmental management system and relevant parameters – e.g. atmospheric emissions, wastewater treatment, waste management, the handling of hazardous materials, and contamination of soil and groundwater. The elimination of existing risks to the environment is governed by binding agreements between the Board of Management and the plant managers.

Multi-location structures. In order to better manage Group-wide environmental protection targets across all organizational levels, we have drawn up regular environmental protection processes that enable well-founded forecasts, reports to higher levels of the hierarchy, and the continued pursuit of annual local targets. The challenge during the current pilot phase is to develop a method that takes local conditions and the differences between the various production locations into account despite the need to standardize key indicators and parameters.

Environmental education. We want all of our employees to support the Group's environmental protection efforts. This is why we regularly organize awareness and training programs for employees and managers that focus on the practical application of environmental protection at the company and address questions concerning environmental responsibility. We also train our auditors – who monitor the environmental management systems of our plants – and provide training to supplier auditors. In addition, we offer refresher courses that allow participants to share ideas and experiences.

➔ **Integration of sustainability aspects in supplier audits: Page 101 f.**

Energy management and climate protection

Climate protection is the most important environmental goal in our production process. Our Group-wide target is to reduce the CO₂ emissions generated by production activities by 20 percent per vehicle by 2015, compared to the values recorded in 2007. To achieve this goal, we employ various methods. The aim is to use energy efficiently and make sure that electricity and heat are supplied in a way that is as environmentally friendly as possible.

🌐 **Calculation of our CO₂ emissions: Online 104**

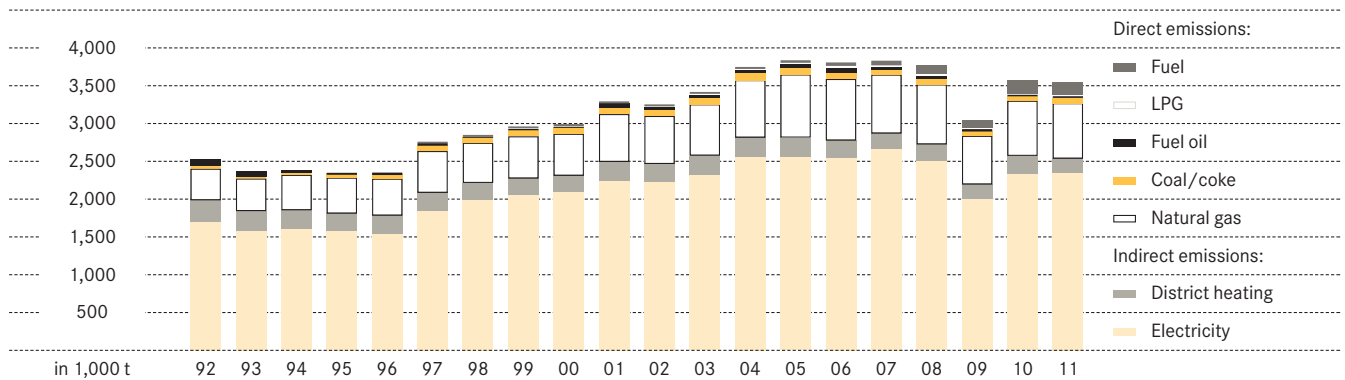
Although we increased our production output, thanks to measures for boosting energy efficiency and optimizing energy supply, we not only reduced our CO₂ emissions in absolute terms in 2011, but also cut specific emissions by an even greater amount. The chart at the bottom shows in detail how much CO₂ was generated over the long term through the direct combustion of fossil fuels and the procurement of electricity and district heating from external producers.

Climate-friendly energy supply. For many years now, we have been using low-carbon natural gas to fuel the heating systems of our plants. We also use district heating wherever it is available.

Many production plants use highly efficient cogeneration plants operated either by Daimler itself or by regional power companies. At one plant, shredded waste wood is used to generate completely CO₂-neutral heat. We are also steadily reducing the use of fossil fuels that lead to high CO₂ emissions. For example, coke is used only for smelting cast iron. Coke is still used here because no technological alternative is yet available.

The possibilities for using renewable sources of energy are particularly great when new production facilities are constructed. At the Rastatt plant, for example, geothermal energy is being used in a new production hall in combination with a holistic concept. The latter covers the provision of heat and cooling, the operation of highly efficient ventilation systems, and the recovery of heat from production

Direct and indirect CO₂ emissions from production



Holistic concept

TARGET

CO₂ emissions in production. Continual reduction of specific CO₂ emissions from production operations by **20 percent** by 2015 as compared to 2007.

TARGET HORIZON

2015

ACHIEVEMENTS

Change in specific CO₂ emissions compared to 2007:

- Daimler Buses
-24 percent
- Mercedes-Benz Cars
-22 percent
- Mercedes-Benz Vans
-11 percent
- Daimler Trucks
-2.5 percent

(calculated in a comparable way to the reference year; excluding fuel and Atlantis Foundry).

Partial target achieved

➔ Page 38



70,000 m²

€58 million

A good climate with zero fossil energy.

A new production hall at the Rastatt plant sets new **standards when it comes to energy and resource efficiency**. Measuring 70,000 m², the facility manufactures A- and B-Class car bodies. Although the hall has no conventional heating or air conditioning system, temperatures remain comfortable all year round, thanks to the use of an unparalleled technological concept. As a result, **no fossil fuels** are needed to generate heat or cooling and **electricity consumption is substantially reduced**.

A worthwhile ecological concept. Daimler has invested €58 million in **1** buildings and **5** technology in the halls. In other words, the investment in this building technology was 2 percent higher than would have been the case if the company had simply purchased equivalent technology "off the rack." The company's planners and engineers also invested 2,000 hours of work in the concept and its implementation. These investments have paid off, since the costs of operating the hall and supplying it with energy are **€450,000 lower per year** than would otherwise be the case.





Intelligent system for big savings

A building full of innovations. In the new hall, an **extremely efficient energy system** was combined with various types of renewable energy. **② ④** For example, a heat pump that uses groundwater heats and cools the building. In addition, waste heat from the production process is harnessed as well, while the ventilation systems exploit **energy-efficient components**. The air volumes are dynamically controlled and heat is recovered wherever possible. An intelligent system supplies energy for production and lighting as needed.

The result:

Consumption of electrical energy	Consumption of thermal energy	Consumption of thermal energy for cooling	CO ₂ emissions
- 10%	- 100%	- 100%	- 26%


processes. It is therefore possible to dispense with heat from fossil fuels in the production hall, thereby cutting CO₂ emissions by about 2,600 tons per year compared to conventional solutions.

In recent years, we have put new roof-top photovoltaic systems into operation at several locations in Germany, Canada, and the U.S. As a result, we now have more than 45,000 square meters of roof surface available for the CO₂-neutral generation of electricity. The most recent of these systems is a solar carport that was put into operation at the Mercedes-Benz dealership in Mainz in 2011. The facility primarily supplies power to a charging station for electric vehicles.

Identifying power hogs. In the past few years, our efforts to uncover further savings potential has focused on unnecessary machine standby and idling times during production breaks and on week-ends. Improved shutdown control systems have enabled us to make considerable progress in this area. In addition, we are now also examining existing production and infrastructure processes. In this context, especially big savings can be achieved in areas related to the heating, cooling, and ventilation of buildings.

“Achieving more with less” was the slogan of a project in Untertürkheim which systematically analyzed the savings potential of all the ventilation systems. New machines that produce fewer emissions and less waste heat have now been installed. Machine extraction has been optimized in order to reduce the ventilation rate in the halls. The analysis of the 200 ventilation systems enabled us to optimize the control system and thus reduce the ventilation rate by 23 percent on average. As a result, the energy bill was cut by 30,000 megawatt-hours of heat and 22,000 megawatt-hours of electricity per year without degrading the employees’ air quality. These savings set new records in terms of comparable buildings and amount to around 19,500 tons of CO₂ per year.

As with ventilation systems, smart control units can save large amounts of energy in many other production processes as well. However, the required information and communications technology (IT) has itself become a major energy consumer. To address this problem, our GreenIT project consolidates existing activities for boosting efficiency and conserving resources in the IT sector, while also initiating new measures and establishing links to other resource optimization projects. As far as the computer center, the IT infrastructure, the network, the telecommunications services, and the office automation systems are concerned, the GreenIT project has enabled us to save around 159,000 megawatt-hours of electricity and thus 95,000 tons of CO₂ since its launch in 2008.

 **More information on GreenIT: Online I05**

Air pollution control

Vehicle production at Daimler plants creates emissions, most notably in the form of solvents (volatile organic carbon compounds, or VOCs) released in the paint shops. Other pollutants, such as sulfur dioxide (SO₂), carbon monoxide (CO), nitrogen oxides (NO_x), and particulates, are emitted into the atmosphere primarily through combustion processes in furnaces and at engine test rigs. We will strive to reduce the low level of emissions achieved to date even

further wherever possible. Benchmarks show that painting technology for passenger cars has already reached a very high standard, and as a result further reductions of emissions are scarcely possible. For example, the introduction of water-based paints in the 1990s enabled us to reduce solvent emissions by some 70 percent at the passenger car plants. Reducing emissions in the painting of commercial vehicles and drive trains is still possible, and we are using innovative solutions to do so. In 2009, for example, an especially innovative system was launched at the axle paint shop of the Gaggenau plant, where it has been substantially reducing solvent emissions, energy consumption, and CO₂ emissions. The paint shop uses special paints that dry in just 90 seconds under ultraviolet light. By comparison, conventional paints take 30 minutes to dry at 80 degrees Celsius.

Waste and resource management

When it comes to waste management, we believe that prevention and recycling are preferable to disposal. Accordingly, the reconditioning and reuse of raw, process, and operating materials has been standard practice at the Group's plants for many years now. Moreover, in order to avoid the creation of waste from the very beginning, we use innovative technologies and eco-friendly production planning processes. Because we are responsible for our waste even after it has left our plants, we use a standard process to evaluate at regular intervals the companies that are charged with disposing the waste of our German production facilities. None of the waste is exported to other countries.

Group-wide data on production-related environmental protection (* 2011 figures are provisional)

		Unit	2009	2010	2011*	2009/2010	Change in % 2010/2011
Energy consumption	Total	GWh	8,923	10,442	10,600	17.0%	1.5%
	of which electricity	GWh	3,758	4,362	4,664	16.1%	6.9%
	of which natural gas	GWh	3,494	4,032	4,053	15.4%	0.5%
	of which district heating	GWh	933	1,085	895	16.3%	-17.5%
	of which fuel oil	GWh	120	75	83	-37.5%	10.7%
	of which liquefied petroleum gas (LPG)	GWh	123	96	81	-22.0%	-15.6%
	of which coal	GWh	144	173	188	20.1%	8.7%
	of which fuel	GWh	351	619	636	76.4%	2.7%
CO ₂ emissions	Total	1,000 t	3,052	3,582	3,547	17.4%	-1.0%
	of which direct (Scope 1)	1,000 t	856	1,009	1,010	17.9%	0.1%
	of which indirect (Scope 2)	1,000 t	2,196	2,573	2,537	17.2%	-1.4%
Emissions into the atmosphere	Solvents (VOC)	t	4,142	5,506	6,310	32.9%	14.6%
	Sulfur dioxide (SO ₂)	t	34	40	44	17.6%	10.0%
	Carbon monoxide (CO)	t	2,152	2,229	2,501	3.6%	12.2%
	Nitrogen oxides (NO _x)	t	794	984	849	23.9%	-13.7%
	Particulates (total)	t	189	208	196	10.1%	-5.8%
Waste volumes	Waste for disposal	1,000 t	43	64	69	48.8%	7.8%
	Waste for reuse (without scrap metal)	1,000 t	148	194	209	31.1%	7.7%
	Scrap metal for reuse	1,000 t	544	675	786	24.1%	16.4%
	Hazardous waste for disposal	1,000 t	25	32	14	28.0%	-56.3%
	Hazardous waste for reuse	1,000 t	44	52	58	18.2%	11.5%
Water consumption	Drinking water (externally supplied)	million m ³	7.14	8.48	8.73	18.8%	2.9%
	Well water (derived on site)	million m ³	4.02	4.75	5.55	18.2%	16.8%
	Surface water and similar	million m ³	0.58	0.77	0.72	32.8%	-6.5%
Area	Plant area	km ²		39	40	(Data only collected since 2010)	3%
	Percentage covered by buildings or roads	%		54	57	(Data only collected since 2010)	6%
Costs related to environmental protection	Investments	millions of €	50	45	59	-10.0%	31.1%
	Current expenditure	millions of €	372	378	395	1.6%	4.5%
	R&D expenditure	millions of €	1,721	1,876	2,159	9.0%	15.1%
Truck trips by suppliers, Germany and Vitoria (IBLIS)	Truck kilometers	millions of km	113	135	159	19%	18%
	Tons of cargo transported	millions of t	2.8	3.7	4.4	32%	19%
	Calculated amount of CO ₂ emissions	1,000 t	83	101	119	22%	18%
CO ₂ emissions from business trips (originating in Germany)	By train	1,000 t	0.6	0.7	0.8	17%	14%
	By plane	1,000 t	8.5	15	19.4	76%	29%
Amount of material used for the products made	Metallic materials	millions of t	2.7	3.4	3.9	26%	15%
	Other materials	millions of t	0.8	1.0	1.2	25%	20%

The prevention of landfill waste is one of our top priorities in the United States. Following the first successful project at Daimler Trucks North America in Gaffney, South Carolina, the Thomas Built Buses plant in High Point, North Carolina, also stopped depositing waste at landfills in early 2011. Since May 2011 the Daimler Buses North America plant in Mississauga, Canada, has been officially certified as being a “zero waste to landfill” facility. In less than a year, the van assembly plant in Ladson, South Carolina, practically achieved its target of recycling 99.5 percent of its waste. In honor of this achievement, the plant received an Earth Day Award from the South Carolina Department of Health and Environmental Control. All of these successes are the result of everyone’s tireless efforts to prevent waste, sort any unavoidable waste that does occur, and come up with new ways to recycle materials and energy.

Energy consumption. Intensified efficiency-boosting measures worldwide and mild temperatures in central Europe helped energy consumption to grow at a far lower rate than production output at all of the Group’s plants.

CO₂ emissions. Indirect CO₂ emissions from the use of external electricity and district heating dropped as a result of energy-saving measures as well as from the separate purchase of electricity low in CO₂.

Emissions into the atmosphere. Random samples are generally used to determine the volume of pollutants (SO₂, CO, NO_x, and particulates) emitted by officially monitored production facilities. Solvents (VOC) are mainly determined from material balances that provide more precise results. Emissions developed at a low level, generally in line with production.

Waste volumes. Because of the construction of a new treatment facility, since 2011 large amounts of rinsing water no longer need to be disposed of as hazardous waste. Although the total amount of waste rose due to increased production, and in particular to substantially higher amounts of scrap metal, the overall recycling rate grew from 91 percent to 93 percent.

Water consumption. Due to conservation measures, the total amount of water consumed rose at a slower rate than production. In addition, the share of water from the company’s own wells increased. The surface water category encompasses water from rivers as well as rainwater used for production purposes.


Land. The increase in the plant areas is due to better documentation methods.

Costs related to environmental protection. During the year under review, the further intensification of the research and development of alternative drive systems was also reflected in the increased spending on environment-related R&D.

Truck shipments of suppliers in Germany and Vitoria. The total values from the central logistics database refer to the great majority of plants in Germany as well as to the facility in Vitoria, Spain. Despite great optimization efforts, truck shipments and the corresponding emissions rose at an above-average rate.

CO₂ emissions from business trips. The values were computed by adding together the number of person-kilometers of all the trips booked in Germany by the central Travel Services unit. Trips in company cars were not included. The substantial rise in emissions from business flights is caused by the growth of the company’s global activities.


Material balance of the products manufactured by the Group. The material balance of all of the Group’s products was calculated for the first time. Because the material compositions of the vehicles are known, the material balance can be computed by multiplying the compositions of a representative group of vehicles with unit sales.

 **Specific data from the divisions and data on wastewater emissions:**
Online I06

___Water management

Daimler’s aim in terms of water protection is to use this precious commodity as sparingly as possible and to avoid contaminating resources. This applies particularly in countries with dry climates.

In general, most of our production plants do not channel their wastewater into lakes or rivers. Instead, following appropriate pretreatment, it is channeled into local water treatment plants through the public sewer system. Detailed data regarding the various wastewater parameters can be found in the environmental statements of the EMAS-certified plants.

 **Environmental statements: Online I02**

Our plant in Saltillo, Mexico, is located in a very arid, desert-like region, where it is absolutely essential that water be used very sparingly. While planning the new truck assembly plant we therefore made an environmental impact assessment so that we could invest in the right technology for minimizing the effects of critical environmental factors. Because there is no public wastewater treatment plant nearby for processing the facility’s sewage, we built a biological treatment system in addition to a plant for chemically and physically treating the wastewater from production. As a result, all of the treated wastewater can be reused several times before finally being employed to irrigate the assembly plant’s grounds. The sewage sludge from the biological treatment plant is mixed with plant cuttings and composted for use in improving soil quality. Despite the need for soil sealing measures, we also installed two large rainwater cisterns to improve the creation of groundwater. Special protective measures prevent the rainwater from being contaminated at gas stations and other areas where hazardous substances might seep out.

We have also implemented other measures for saving and reusing water since production was launched at the Saltillo plant in spring 2009. These have enabled us to reduce production-related water consumption by 20 percent, compared to the first year of production.

___Transport and logistics

Our environmental performance is also affected by the vehicles that transport deliveries to and from our production plants as well as by our employees’ commutes, all of which consume resources and cause emissions and noise. We are minimizing these emissions by optimizing the logistics systems involved and by using rail and ship transport. Whenever feasible, we are increasingly replacing business trips with conference calls and video or online conferences. Employees working in Sindelfingen and Stuttgart receive discounted yearly passes for the public transit system.

We are centrally monitoring all truck shipments to our plants in Germany and in Vitoria, Spain. We can estimate the amount of CO₂ emitted, based on the tonnage and the number of kilometers driven per truck (handbook on emission factors for road traffic, HBEFA 2.1).

In a scientific study concluded in 2010, we examined how we can better combine our supplier shipments so that we can reduce emis-

sions and costs by keeping the number of deliveries as low as possible in trucks that are more efficiently used than before. The pilot locations chosen for this study were Kassel and the Global Logistics Center (GLC) in Germersheim. These two facilities alone receive over 81,000 parts from more than 1,500 suppliers located in 40 supply regions throughout Europe. The task of optimizing these shipments was therefore very complex, particularly since deliveries also had to be organized in line with production requirements, which means that shipments have to be received just in time and just in sequence in order to keep storage needs to a minimum.

As a result, Daimler Research in Ulm cooperated for many years with the logistics experts at the two pilot facilities, the University of Paderborn, and a specialized software company to develop the Web-based Supply Network Optimizer (webSNO). Thanks to this system, the number of truck shipments to the two project locations was reduced by around 27,800 trips in 2010 alone. This cut the total distance covered by 2.6 million kilometers and eliminated about 2,300 tons of CO₂ emissions. Because the Optimizer cut CO₂ emissions by a relative amount of 35 percent and reduced costs by 11 percent during the project, the system will probably substantially reduce emissions, costs, and traffic when it is introduced in other production plants.

___ Noise abatement

Daimler remains committed to minimizing the noise levels to which its employees and the neighbors of its production locations are subjected. Whenever we plan new facilities, the Group's noise abatement concepts ensure that excessive noise does not occur in the first place. The sources of noise at Group production sites are also closely monitored, and the volume is reduced where possible by the installation of sound-absorbing elements and noise abatement walls, for example.

 **Gaggenau noise abatement concept:** [Online I07](#)

___ Nature conservation, land use, and biodiversity

We consider the protection of soil and groundwater to be one of the most important aspects of our commitment to environmental protection. The primary goal in this area is to prevent soil and groundwater from being contaminated in the first place. Whenever possible, we design outdoor areas at our plants in such a way that they can serve as a habitat for indigenous plants and animals, and thereby help maintain biodiversity.

Protection of soil and groundwater. Technical equipment such as catchment trays, double-walled containers, special sealed floor coverings, and leakage warning systems helps prevent water-polluting fluids from leaking into the ground. Our in-house guidelines take into account the wide variety of legal requirements worldwide and provide all of our locations with minimum standards for dealing with contaminated soil or groundwater. In 2011, we registered no accidents which damaged the soil or the groundwater.

Land use. Our production facilities cover a total area of about 4,000 hectares (10,000 acres), around 55 percent of which is covered by buildings, roads, and parking areas. Because land is a limited public asset, we use these surfaces as efficiently as possible – for example through multi-story buildings and high-density construction. Such industrial architecture can also provide a habitat for threatened animal species. One example of this can be found at our plant in Wörth, where peregrine falcons nest on top of a chimney. In cooperation with nature conservation organizations and public agencies, we are increasingly transforming open areas at our plants into species-rich meadows instead of lawns.

We are currently developing a biodiversity indicator in order to make our progress in this area easier to measure. This indicator will categorize outdoor areas not only according to their use but also in line with their environmental value. This indicator will enable us to set quantitative targets in the future so that we can specifically improve this aspect of the environment.

 **Projects for nature and species conservation worldwide:** [Online I08](#)

___ Use of resources and material

As an automaker, we are part of an industrial sector that consumes large volumes of material. We therefore strive to plan raw material use carefully and employ finite resources as sparingly as possible.

A large proportion of the materials used in our vehicles is obtained from suppliers in the form of components. Although the components' environmental impact does not directly affect our environmental performance as described in this report, they are taken into account when we make holistic environmental assessments during product development and when we select materials. To date, the assessment method we have used for our car series allows us to calculate the total amount of material that will be needed during the production process and also incorporates waste flows. The result is shown in the table on page 82.

Some metals that are needed for the production of catalytic converters and are also increasingly required for batteries and electric drive systems are very scarce worldwide. We employ efficient technologies so that the use of such materials can be kept to a minimum. Another aim is to take the recycling of materials from end-of-life vehicles into account as early as the product development stage. We are particularly focusing on special batteries for creating electric powertrains as well as on all-new electric traction motors. Various research projects have been launched in this regard in order to create closed loop systems over the long term.



Daimler has shown foresight

Martin Schmied, Deputy Head of Division Infrastructure & Enterprises,
Öko-Institut

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Was the 17th UN Climate Conference in Durban a success? Opinions differ, but it's clear that binding worldwide climate protection targets won't be set until 2015 for 2020. Corporations must therefore now show the foresight the situation demands and implement ambitious environmental and climate protection targets even without international guidelines. The principle is "Don't wait – act now!"

Alternative drive and fuel concepts are a key theme in this context. Daimler's product range already includes hybrid vehicles, and the Group is continuing to press ahead with its research on fuel cell vehicles. Daimler will soon offer a series-produced electric vehicle, the smart fortwo electric drive. However, in order for alternative vehicle concepts to relieve pressure on the environment, the alternatively utilized energy must also be produced in a climate-friendly manner. And that applies to all drivetrain and fuel concepts. Daimler AG has demonstrated foresight in this area. The electricity for the new smart fortwo electric drive vehicles sold in Germany will come exclusively from power plants producing renewable energy, which will be built to supplement existing plants. That will be a genuine contribution to climate protection.

"Mine is yours" – that's how one German weekly newspaper sums up a new trend in industrialized countries. Whether it's clothing, gardens or cars, more and more consumers are sharing and borrowing rather than buying. In line with this trend, Daimler AG is offering car2go, a carsharing product for large cities. Daimler has also set clear targets for itself in terms of helping to ensure that these offers will be taken up much more often by 2015. Combining these mobility services intelligently with alternative drive concepts and exporting them to megacities in China and India will require continued foresight – and persistence.

Nonetheless, the environmental and climate friendliness of our mobility in 2020 and 2030 will depend primarily on how fuel-efficient "conventional" cars will be. Daimler AG has made progress in reducing its vehicles' fuel consumption. Its ambitious medium-term target is to reduce the emissions of its cars to 125 grams of CO₂ per kilometer by 2016. But if Daimler is to be a pioneer in the area of climate protection in the long term, it needs to set its own CO₂ targets for 2020 and beyond. It should also actively support stringent CO₂ limits for passenger cars, light commercial vehicles, and future heavy-duty vehicles at the EU level – without any loopholes.

In recent years Daimler AG has shown its foresight through its involvement in measures to protect the environment and the climate. It has launched future-oriented initiatives and projects and vigorously pressed ahead with important developments. Foresight also involves continuing to be a pioneer in the area of environmental and climate protection in spite of the absence of international targets. Öko-Institut believes it is necessary to link entrepreneurial activities and political influence and follow up the progress achieved so far with further action, especially when it comes to the establishment of the Group's own long-term CO₂ targets.

Berlin – January 12, 2012

Our employees

Balance sheet for 2011

Talent

HR development. Daimler invests in its employees. Young people who have completed their technical training with top grades receive career development assistance from FacTS (Facharbeiter Talent Schmiede) in their initial years at the Group.

➔ Page 96 f. 🌐 Online J26

63 points


Employee satisfaction. We regularly implement improvement measures of many kinds on the basis of the results of our employee surveys. The Employee Commitment Index (ECI) remained stable at 63 points in 2011.

➔ Page 92 🌐 Online J12

72%

participation

Life balance. A survey of 6,200 employees in 2010 concerning the balance of work and family responsibilities had a response rate of about 72 percent. Evaluation of the survey responses enables us to develop tools, measures, and processes that help our employees achieve an even better balance between work and private life.

➔ Page 92 f.  Online J 13



ProCent

Every cent helps. Through Daimler's ProCent initiative, employees can contribute the cent part of their monthly salaries or wages to social and environmental projects. Every cent that is donated is matched by Daimler.

➔ Page 114

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Our approach

Our employees are an important group of stakeholders as well as being key players in our business operations. That's why we regard employee relations that are characterized by fairness and trust as more than just an ethical and legal obligation. Without them, we would be unable to successfully manage our business activities. Effective human resources policies contribute to building such employee relations by placing emphasis not only on the rights and needs of the employees, but also on their talents and qualifications. They lay the groundwork for the efficient deployment of personnel while ensuring that our employees give their best performance – with a high level of motivation and a sense of satisfaction with their jobs. That's why the fundamental principles of our human resources policies include appropriate remuneration and high standards of occupational health and safety as well as flexible, family-friendly models for working hours and extensive training and qualification offerings. As part of our diversity management efforts we are working to make diversity a value factor in our human resources processes and in our corporate culture.

Safeguarding employee rights. In our Principles of Social Responsibility we declare our commitment to strict observance of the rights of employees, in accordance with the principles of the UN Global Compact. We place great emphasis on intensive cooperation with employee representatives from labor councils, labor unions, and national and international bodies such as the World Employee Committee (WEC) and the European Works Council. Daimler issues regular reports to the WEC regarding violations of our principles of social responsibility. In 2008 we revised the procedure for dealing with complaints, which now also applies to suppliers, from whom we likewise require compliance with fundamental social standards.

- 🌐 **Employee representatives and employee rights:** Online J01
- ➔ **Implementation of the UN Global Compact principles:** Page 22
- ➔ **Employee rights as a component of human rights:** Page 46 f.
- ➔ **Employee rights in supplier management:** Page 101 f.

Our strategy. Daimler pursues a global human resources strategy that is in line with its corporate goals and with the principle of sustainability.

The strategy is based on five pillars:

- Profitability
- A competitive workforce
- Future-oriented managerial expertise
- High attractiveness as an employer
- Professional organization

🌐 **HR target system for the five pillars:** Online J02

Our strategy also includes sustainability targets that are specific to the business units – such as those for promoting equality of opportunity and addressing demographic changes. Implementation involves cascading the strategic targets as part of the annual goal agreement process with our managers.



“Efficiency and good working conditions are not mutually exclusive.”

🌐 **Wilfried Porth**, Member of the Board of Management of Daimler AG, Human Resources and Director of Labor Relations

Green HR strategy. In the context of our green HR strategy we are preparing in particular for the challenges that are emerging for Human Resources as a result of the trend toward new, green drive technologies. The aim here is to ensure that the right employees continue to be available at the right time and in the right locations. In order to do this, we have identified the necessary areas of activity and are now developing and implementing specific measures. These are combined in five work packages:

- HR requirements analysis and planning: anticipation of future manpower needs, quantitative and qualitative, on the basis of the divisions' current strategic planning – e.g. by means of HR resource management
- Co-financing of the ELAB study concerning the effects of drive system electrification on employment
- Training: e.g. integration of “green” expertise into the existing job profiles
- Recruiting and employer branding: e.g. even greater presence at job fairs for high school and college graduates and in the area of social media (such as Facebook and Twitter)
- Further training: qualification of about 44,000 employees throughout the value chain in the past two years
- Human resources development, e.g. via the Daimler Academic Programs

🌐 **Additional information on ELAB:** Online J03

Our HR organization. The Corporate Human Resources department is responsible for all human resources functions and processes worldwide. The Board of Management member responsible for Human Resources, who is also the Group's Director of Labor Relations, oversees the department. This member is also responsible for ensuring adherence to the international labor standards of the UN Global Compact and to labor standards derived from it – for example, those of the ILO. The Human Resources department comprises three areas of responsibility:

- Corporate functions that are responsible for human resources strategy, policy, and guidelines throughout the Group,
- Divisional human resources functions that are responsible for personnel work in the divisions and business locations as well as

- for the implementation of human resources strategy, and
- Service units that provide regionally based human resources services.

 **HR organizational structure: Online J04**

Key figures for measuring success and for transparency. The Global Human Resources Scorecard is a key controlling tool used by Daimler. The scorecard, in turn, is aligned with the Group's goal achievement system. The scorecard's success factors and 21 key performance indicators (KPIs) make it possible to compile key global HR figures in a targeted manner, thereby enabling us to evaluate the success of the human resources processes and measures at the divisions both in general terms and with regard to sustainability. This creates transparency, and the effect is enhanced by a system for sharing best practices that generates momentum for continual improvement. The KPIs include the Employee Commitment Index and key figures regarding qualification measures, the effects of demographic change (aging effects), and the number of women in management positions.

 **HR Scorecard: Online J05**

Workforce development

271,370

employees worked
at Daimler Group
worldwide in 2011

On December 31, 2011, the Daimler Group employed 271,370 employees, 11,270 more than in 2010. At most of the Group's locations we have created new jobs. At the locations where capacities are being expanded for the long term, we have increased the permanent workforce, primarily by hiring many of our former trainees on a permanent basis and by offering permanent employment to temporary personnel.

Flexibilization. Given the increasingly turbulent markets worldwide and the resulting uncertainty when it comes to making forecasts, measures for increasing flexibility are becoming more and more important. Flexibility enables companies to take advantage of market opportunities and manage risks. HR's contributions to these efforts are therefore growing in significance. In the current market environment, for instance, HR is responsibly contributing to long-term employment at our locations and to the positive development of the local job markets. In 2011 this enabled us to quickly act on market opportunities as they arose, by means of the flexible assignment of personnel and flexible working hours, thus safeguarding employment for the long term. We worked additional shifts, for example; and working time accounts and temporary personnel

Employee fluctuation rate (in percent)

	2009	2010	2011
Group (worldwide)	9.7	4.9	4.2
Germany	4.1	2.8	2.7
U.S.	35.8	14.1	6.8
Rest of the world	15.0	7.2	6.6
Women (worldwide)	8.5	5.4	4.8

Total workforce by region and division

Year-end status	2009	2010	2011
Africa	6,059	6,060	6,312
Asia	18,863	18,123	18,153
Australia	1,203	1,240	1,172
Europe	192,199	194,790	201,354
of which in Germany	162,565	164,026	167,684
North America incl. Mexico	23,221	24,661	27,689
South and Central America	14,862	15,226	16,690
Mercedes-Benz Cars	93,572	96,281	99,091
Daimler Trucks	70,699	71,706	77,295
Daimler Financial Services	6,800	6,742	7,065
Mercedes-Benz Vans	15,226	14,557	14,889
Daimler Buses	17,188	17,134	17,495
Sales & Marketing	47,625	48,299	49,699
Other	5,297	5,381	5,836
Total workforce	256,407	260,100	271,370

 **More key figures concerning employees: Online J07**

helped us to meet the customers' needs. Against this background we are making our workforce even more flexible and improving the ways in which we implement measures.

 **Remuneration of temporary personnel: Page 90 ff.**

 **Flexible working time regulations: Online J06**

The worldwide employee fluctuation rate in our company is 4.2 percent and has once again slightly declined compared to the previous year's level. Because of the recovery of the U.S. market, the fluctuation rate in the U.S. is 6.8 percent, a figure that is significantly lower than the previous year's 14.1 percent. The fluctuation rate also takes into account early retirements, voluntary severance agreements, part-time phased early retirement contracts (particularly in Germany), and layoffs (U.S.).

Performance and compensation

We believe in offering a competitive compensation policy that is both efficient and attractive. Our overall compensation concept is based on the same principles worldwide, including for example a combination of fixed and variable compensation components. The framework and minimum requirements for compensation systems are described in our new Corporate Compensation Policy.

 **Our new Corporate Compensation Policy: Online J08**


Market-oriented. The companies in the Daimler Group pay wages and salaries in accordance with the relevant laws and – where applicable – with collective agreements. In addition, they determine wages and salaries based on the current labor market indicators, i.e. in comparison with the compensation offered by other companies. For the spectrum of Group companies (vehicle production and vehicle imports and sales) market-level wages exceed the local minimum wages. A large majority of the Group companies offer further benefits whose combined value is higher than the legally required levels. These benefits include voluntary insurance coverage or other supplementary provisions.

Variable compensation for executives. The variable component of an executive's compensation increases in relation to the degree of responsibility involved in his or her position. It is linked to the individual's performance but also to the company's business development. The variable compensation for executives is subject to standard specifications worldwide. This also applies to stock-based compensation, which is a long-term and sustainability-oriented remuneration component for executives. The basis for determining variable compensation is a goal agreement process that implement under globally standardized conditions for management Levels 1 to 5 and for senior employees in technical and administrative functions worldwide. Sustainability aspects also play a role here. For example, we reach agreements on diversity and compliance targets with our executives, depending on their positions and management levels.

 **Performance appraisal and management by objectives: Online J09**

In addition to being a basis for compensation, the results of the performance appraisal that is part of the annual leadership process also serve as a foundation for the development of our employees and the potential management.


 **Management development and potential management: Page 97**

 **Definition of performance-based remuneration components as determined by collective agreements: Online J10**

Fair compensation for temporary personnel. We use temporary workers to increase our flexibility and safeguard the jobs of our permanent workforce. In doing so, we cooperate exclusively with commercial and non-profit temp work agencies that are approved by Germany's Federal Employment Agency and are subject to collective bargaining agreements. The compensation of our temporary personnel in the commercial area corresponds to the entry-level wage of Daimler's own employees. In our framework agreements with temp work agencies, we supplement the gross wages the employees receive as a result of the agencies' collective bargaining agreements so that the temporary workers are given the same wages that collec-



“Top performance doesn't depend on nationality, gender, or background.”

 An interview with **Wilfried Porth**, Member of the Board of Management of Daimler AG, Human Resources and Director of Labor Relations

___With the update of the Safeguarding the Future 2012 agreement, you have given the permanent employees in Germany a guarantee of employment until the end of 2016. How can Daimler nevertheless stay flexible? Could this employment guarantee possibly work to the disadvantage of temporary employees?

Wilfried Porth: “Safeguarding the Future of Daimler” is a very important agreement for our workforce because it effectively combines the elements of great flexibility and ensured competitiveness and employment. And it has so far proved its value in every respect — especially in periods that were difficult for business. These outstanding results have enabled us to update our agreement in close cooperation with the employee representatives. We regard the use of temporary personnel as a tool that lets us react flexibly to fluctuations in capacity utilization. Temporary employees supplement the permanent workforce; they don’t replace it. Our use of temporary workers is subject to clear regulations, which we believe are superior to those at many other companies. This applies to quotas of temporary personnel in production and fair compensation. We already acted on the widely discussed issue of “equal pay” a long time ago.

___The automotive technology involved in the trend toward electromobility is also revolutionizing qualification and training profiles. What is Daimler doing to recruit technicians and engineers who have the sought-after “green” qualifications?

Porth: It’s no secret that there is great demand for experts in this area and that employers are competing intensely for them. This is why we cooperate closely with colleges and universities in these fields. But we also rely on targeted training and qualification measures for our own employees. In the past two years, for instance, we provided training for about 44,000 employees, above all in alternative drive concepts and lightweight engineering. And we will focus even more intensely on these programs in the future.

___The year 2011 marked the 50th anniversary of the job recruitment agreement between Germany and Turkey. Today Daimler has approximately 6,000 Turkish employees in Germany. Do you regard this as a success story for integration?

Porth: Definitely. We have Turkish-German employees who are the third generation in their families to work for Daimler. And we think that’s a great development. Our Turkish-German employees are indispensable — in areas ranging from assembly to management. And that’s exactly how it should be. Top performance doesn’t depend on nationality, gender, or background. And integration is a joint effort. It requires the involvement of politicians, educators, teachers, friends, neighbors, fellow club members — but also employers, colleagues, and networks. At our company there’s the Daimler Türk-Treff, for example, one of the biggest and oldest employee networks in Germany. For almost 20 years Türk-Treff has been committed to ensuring that there is harmonious cooperation at Daimler instead of separatism or even opposition.

___In 2011 Daimler firmly established generation management as a future-oriented initiative in its HR strategy. What concrete effects will that have?

“Essentially, we are open to the idea of offering new flexible working time models for all employee groups.”

 **Wilfried Porth**

Porth: We recognize that employees over the age of 50 will account for a much larger share of the total workforce in the next ten years, particularly at our German locations. And we’re preparing for that. After all, in production especially we have to apply ergonomic work station designs to ensure that older employees will also be able to contribute their skills and capabilities. The focus here is also on company healthcare programs — such as the tried and tested “Kraftwerk Mobil” strength training program in the production plants — and lifelong learning. As a forward-looking planning measure we are also collaborating with our HR Resource Management to analyze the qualification structure and future needs of individual locations so that we can respond well in advance.

___Politicians are continuing to discuss the possibility of introducing a statutory quota for the percentage of women holding management positions. Daimler rejects this idea. What’s your solution?

Porth: Daimler already decided back in 2007 to ensure that women would be in 20 percent of the senior management positions by 2020. Particularly for us as a technology-oriented company, this is quite an ambitious target, there’s no question about that. In order to achieve this objective, we have agreed on clearly outlined intermediate phases with our managers and with the Board of Management. And I can assure you that we’re making excellent progress. We are also working to recruit young people who are starting out in the field of engineering, and we are making a targeted effort to stimulate interest in the technical professions among young women, for example by sending our engineers to speak at schools and give the pupils an insight into what their profession is like. And in addition to currently offering flexible working time models to fathers and mothers alike, by the end of 2012 we will be able to accommodate a total of approximately 570 children in daycare centers at all 14 of our locations in Germany. I also think it’s important to mention that since 2006 we have been conducting diversity workshops and have launched mentoring and tandem programs as well as a number of women’s and engineers’ networks.

tive bargaining agreements stipulate for entry-level positions at Daimler. If the number of flexible workers used by a location exceeds eight percent of the permanent production workforce, all temporary workers also receive the shift differential wage established by collective bargaining with the metalworkers' union, provided this is agreed upon with the works council.

Preventing discrimination. Daimler does not permit unequal treatment of employees who deliver the same performance, handle the same tasks, and bear the same responsibilities. To ensure that hiring processes are free of gender-specific or other forms of discrimination, the fixed base salary is calculated according to the individual's position and corresponding level. Also serving this purpose are procedures we use for the regularly scheduled salary check, including for example mandatory documentation, the "many eyes" principle and clearly comprehensible, transparent processes set up on a central software program. At Daimler AG in Germany, all benefits for full-time employees are also available in principle to part-time personnel. One exception here is the provision of company cars. Several well-founded special rules apply to temporary personnel.

Attractive retirement plan options. At all of its locations, Daimler offers its employees attractive retirement plans in line with the market standards in the various countries. We have formulated the valid general requirements in our General Pension Policy, which is in effect throughout the Group. This policy specifies that the promised benefits should contribute to sufficiently secure retirement, be predictable and feasible for the company, and be designed to ensure low risk. In addition to the benefits financed by the company, we offer different models of deferred compensation, which enables employees to take advantage of additional tax incentives.

 **More on retirement plans and deferred compensation: Online J 11**

Expenditure on pension provisions at the Daimler Group

in billions of €	2009	2010	2011
Cash value of pension liabilities on Dec. 31 ¹	16.5	17.7	19.1
Payments to retirees	0.8	0.8	0.8
Expenditure on government and external pension plans	1.0	1.2	1.3

You will find the figures and more detailed information on pages 217-221 of our 2011 Annual Report.

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

Employer attractiveness and a focus on the employees

Striving to ensure good and fair work conditions is a fundamental ethical obligation for us as an internationally operating employer. However, the shortage of skilled personnel is a growing problem, and in Germany in particular we are facing yet another challenge: We are in direct competition with other companies today for the best young job-seekers, and we must demonstrate our attractiveness as an employer in this competitive atmosphere. This is why it's more important than ever before to listen carefully to our employees when they express their wishes and needs, and to take into account their feedback concerning working conditions and topics of strategic importance for the company.

 **Our program for young employees: Page 96 f.**

Positive trend in employee satisfaction. Regular surveys to determine employee satisfaction are an important instrument of organizational and management development at Daimler. We carry out such surveys for the entire Group and its subsidiaries, as well as at individual business units. Standardized methods are employed for the global Group-wide surveys, which focus on the employees' binding and identification with the company and on their satisfaction with their working conditions and the management. The results of these surveys flow into the Employee Commitment Index (ECI). The employees' degree of familiarity with our corporate values and our compliance regulations is also evaluated.

63 points

was the ECI value in the current employee survey

In September 2011 we once again carried out the worldwide Daimler Employee Survey as scheduled. The high response rate (73 percent) revealed that the survey is well accepted by the employees as an element of Daimler's feedback-orientated culture. The ECI value amounted to 63 index points, down by 0.5 percent from the 2010 level, thus stabilizing at an above-average level by comparison with other companies.

 **Results of the employee survey: Online J 12**

Making balance possible. Shaped by the forces of globalization and technological change, today's working environment is generating new opportunities. However, it also requires new solutions, including how to strike a sustainable balance that allows fulfillment in one's career and also in one's private life. For us, this challenge is also linked to the question of how we can ensure that our employees are able and willing to give their best performance over the long term. To achieve this aim, we must redesign the relationship between employees and the company.

- Our goal is to establish opportunities for balancing a career and private life that are in tune with modern times, and to do so as a core element of our corporate culture.
- In doing so, we want to systematically promote individualized lifestyle concepts, in large part because they reflect the diversity

of our workforce and help us to retain the specialized know-how and valuable experience of our employees, even when they temporarily interrupt or reduce the time they spend at work.

- Measures for balancing work and family responsibilities are important factors when it comes to recruiting qualified young employees and managers. One attractive feature here is our daycare centers for children up to age three in convenient proximity to our locations. We are continuing to expand these facilities. By summer 2011 there were already 11 “sternchen” daycare centers able to accommodate 471 children.
- To determine more exactly the needs our employees have and the difficulties they face in organizing their everyday routines, we conducted a representative survey of our workforce in 2011. We are also collaborating with the Industrial and Organizational Psychology department at Heidelberg University on a research project focusing on life balance.

 **Survey and research for the life balance project: Online J 13**

Flexible work as a cornerstone of work-life integration. The findings gathered to date clearly indicate that the vitally important tools for successfully balancing work and private life include flexible working-time arrangements and models. There are currently more than 300 different frameworks at Daimler, ranging from traditional part-time positions to job-sharing models, rotations, and mobile work. They are intended especially for mothers and fathers, older employees, employees with handicaps, employees in rehabilitation or reintegration phases, and those whose capabilities have changed, i.e. employees with long-term disabilities resulting from an accident or illness. We have designed the models to offer solutions tailored to the various life situations of our employees.

In 2010 about 500 employees took leaves of absence ranging from one to five years in duration. About 95 percent of the employees choosing this option take advantage of Daimler's reemployment guarantee and return to the company. But whereas most men apply for a leave of absence in order to further their education or travel around the world, women often use the time off to take care of their children, and in most cases they then return to the company to work part-time.

 **An overview of our flexible work models: Online J 14**

 **Parental leave and return to the company: Online J 15**

Diversity

“Diversity management isn't merely nice to have, it's a business must.” – In this statement made back in 2005, Daimler, and particularly the Board of Management, clearly expressed the company's commitment to diversity. We recognized early on the potential that is offered by professional diversity management designed for the long term, as well as the contribution that diversity makes to the company's competitiveness. This is why we created the conditions needed to make Daimler one of the companies most renowned for its diversity management.

 **Our diversity organization: Online J 16**

Percentage of women employees at Daimler AG

in %	Target corridors of the new company agreement (2011–2015)	As of Dec. 31, 2009	As of Dec. 31, 2010	As of Dec. 31, 2011
Workforce	12.5–15	13.1	13.5	13.9
White-collar	–	24.2	24.3	24.9
Trainees	22–26	20.7	20.6	20.4
Commercial-technical vocational training	13–16	11.7	11.3	11.3
Level 4 management	14–18	11.7	12.4	12.9
Level 5 management	4–6	3.5	3.5	4.0
Senior management positions	–	8.3	8.9	10.6

Diversity key figures

in %	As of Dec. 31, 2009	As of Dec. 31, 2010	As of Dec. 31, 2011
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Percentage of foreign employees

– Group Germany	11.4	11.1	11.1
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Percentage of part-time employees

– Daimler AG (Germany)	6.4	6.4	6.9
– Share of part-time women	62.5	64.8	61.4
– Share of part-time men	37.5	35.2	38.6

Percentage of employees on parental leave

– Daimler AG (Germany)	1.1	1.1	1.7
– thereof women	58.4	62.4	63.4
– thereof men	41.6	37.6	36.6

in years	As of Dec. 31, 2009	As of Dec. 31, 2010	As of Dec. 31, 2011
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Average age

– Workforce, Group (worldwide)	41.4	41.9	41.9
– Women, Group (worldwide)	39.2	39.7	39.8
– Workforce, Daimler AG (Germany)	42.5	42.9	43.0
– Women, Daimler AG (Germany)	39.9	40.3	40.4

Average length of service

– Workforce, Daimler Group (worldwide)	15.4	16.0	15.9
– Women, Group (worldwide)	12.5	13.1	12.9
– Workforce, Daimler AG (Germany)	18.1	18.7	18.8
– Women, Daimler AG (Germany)	15.4	16.0	15.9

 **Percentage of severely disabled: Online J 17**

A successful mix

TARGET

Diversity management.

In the area of diversity management, Daimler is aiming to be a leader in the German automotive industry. Diversity thus needs to be embedded in human resources processes and the corporate culture.

TARGET HORIZON

2020

ACHIEVEMENTS

Making diversity an integral part of the performance and potential assessment process

Target achieved

➔ Page 39



Generation diversity

KPI measures “aging effects.” By 2021 **2** half of our permanent workforce in Germany will consist of men and women over 50. This is why we have made generation management an integral element of our HR strategy. The new key performance indicator (KPI) introduced in 2011 documents important effects of the aging of the workforce, thus helping us plan future measures.



“Kraftwerk Mobil”

Fitness training in the workplace.

The “Kraftwerk Mobil” program allows our employees to engage in strength training for abdominal and back muscles, right at the workplace. The service is being put to good use by many employees. The mobile fitness unit stops regularly at **nine plants**.

Women in management

First woman at the company’s highest level.

In February 2011 the Group’s Board of Management ceased to be a “men only” domain, with the selection of **Dr. Christine Hohmann-Dennhardt** as the Daimler Board member responsible for the newly created corporate function Integrity and Legal Affairs.



20%

More women on the Supervisory Board. Here too, Daimler is increasing the representation of women. With **Sari Baldau** and **Petraea Heynike** as shareholder representatives, women now make up 20 percent of the Supervisory Board.

60

participants


Daimler Women Days. Bertha Benz once took part in the development of the engine, and today a growing number of women are working on the mobility of the future. In July 2011, **1 3 4** 60 women with backgrounds in engineering and IT gathered at the Mercedes-Benz Museum in Stuttgart. The women who took part in the Daimler Women Days spoke with managers and human resources experts about **career opportunities at Daimler**.

Activities and targets of our diversity management. A culture of diversity requires deeds as well as words – including the rejection of any form of discrimination and the creation of a work environment that is free of prejudice. And such a culture calls for us to boldly set clear targets. We have established three main focal points in our diversity strategy:

- **Promotion of women in management positions (gender diversity):** We want to increase the proportion of women in senior management positions throughout the Group to 20 percent by 2020. On the basis of this target, which we defined back in 2007, we formulate annual targets and report them to various committees. As of December 31, 2011, women already held more than 10 percent of our senior management positions worldwide (end of 2010: 9 percent). And a company agreement has been in effect since 2001 that specifies target corridors for increasing the percentage of women in all areas of responsibility for non-exempt employees (see the table on p. 93 for the current figures). Mentoring programs and measures for improving the balance between work and family life provide support for women who are climbing the career ladder. We also are promoting role models – with Dr. Christine Hohmann-Dennhardt as the first woman to serve on our seven-person Group Board of Management, and Sari Baldau and Petraea Heynike serving as shareholder representatives on our Supervisory Board.

 **Diversity on the Supervisory Board: Online J 18**

- **Generation diversity as a strategic challenge:** Employees aged 50 years and older currently make up about 30 percent of our permanent workforce in Germany, and this percentage will increase over the next ten years. By 2021 it will rise to roughly the 50 percent mark. Changes to collective bargaining agreement conditions and legal frameworks, such as retirement at age 67, are intensifying this demographic trend. This presents two main challenges: management of the aging workforce – for example, by making use of the employees' knowledge gained from long experience and by responding to changes in their capabilities – and the need to secure young talent and retain our employees' experience-based know-how.







 **Average age of our employees: Online J 19**

In 2011 Daimler firmly established generation management as a strategic initiative in its HR strategy and reinforced it with a wide array of measures. To test their effectiveness, in 2011 we supplemented the ongoing reporting of our age structure data by introducing another KPI that describes the aging effects.

- **Intercultural operations open doors.** Our employees in Germany come from over 140 different nations. As a company with operations worldwide, we need this culturally diverse workforce,


not least because it makes us more sensitive to the different wishes and preferences of our customers around the world.

We promote our company's intercultural character and its related policies by means of activities that include mentoring programs, training in intercultural competence, assigning personnel to locations abroad, and targeted recruiting of employees with an international profile.

-  **Our "Fairness in the Workplace" agreement: Online J20**
-  **Increasing the share of women in the workforce as a whole: Online J21**
-  **Ensuring equal pay for equal work: Page 90**
-  **Generation management activities: Online J22**
-  **Intercultural activities: Online J23**
-  **Diversity management measures and projects: Online J24**

Above and beyond our diversity focal points, we are working to establish a culture of diversity even more firmly at our company. For example, in all of our divisions we have set up think tanks where current challenges and new ideas are discussed across all levels of the hierarchy. In addition, we are using "speaker qualifications" to expand our pool of professional multipliers for diversity-related topics. And finally, we are preparing a company-wide Diversity Management Scorecard.

Diversity management as a management task. Diversity management is a responsibility of managers throughout the company, which is why the handling of diversity issues has been one of the assessment criteria for evaluating the performance and potential of our managers since 2007. Manager training programs and diversity workshops serve to make our employees more sensitive to such aspects and to enhance their diversity expertise – for example, when they are dealing with ambiguous situations or leading teams of people from different backgrounds.

-  **Managers' development and potential management: Page 97**

Heterogeneous teams are actually more successful. Internal analyses at Daimler confirm what numerous studies have shown: Intentionally mixed teams are more successful. In 2009, for instance, heterogeneous teams working on a project in Mercedes-Benz S-Class production had a lower incidence of errors and absenteeism. They also contributed more suggestions for improvement.

___ Development and support

Highly trained and qualified employees are crucial for the success of our company. This is why we implement custom-tailored programs and support measures in all the important phases of an individual's training and career path. Key strategic activities are:

- vocational training in technical and commercial areas
- recruiting and development of talented new employees
- advanced training and lifelong learning
- manager development and management of potential

The development and design of these key areas of activity with an international scope are currently among our top priorities.

Training: Fit for the technologies of tomorrow. We are expanding our portfolio of careers in line with our needs and with an emphasis on the long term. In line with this approach, we modified the number of our trainees in 2011. At the end of the year, Daimler employed 8,499 trainees worldwide (2010: 8,841 trainees; 2009: 9,151; 2008: 9,603; 2007: 9,300). In Germany a total of 2,067 trainees were working at Daimler (2010: 2,034 trainees; 2009: 2,341; 2008: 2,500; 2007: 2,600).

The Daimler Training System (DTS), which was introduced in our technical professions in 2008, uses a targeted application of methods and didactically oriented instruction to ensure the continued high quality and efficiency of vocational training at the Daimler plants in Germany. New technological developments, for example in the area of green technologies, can be quickly integrated into training programs with the help of the system. We are currently expanding the system to include commercial training at Daimler plants and the sales and financial services units at Daimler.


International training. On the basis of the DaimlerAusbildungsSystem (DAS), we have developed specially adapted modules for technical training that can be used worldwide. Under the title DaimlerVocationalTrainingSystem (DVTS), this is enabling us to set standards that provide orientation for instructors and trainees. Our objective is to make a standardized training concept available to the training personnel abroad. We support the long-term creation and expansion of Daimler training centers around the world by means of targeted further training for instructors, consultation regarding curriculum development, and the provision of modern training equipment.

-  **More information on the DAS and training projects: Online J25**

Finding and developing new talent. In 2011 we also focused on talented people by offering attractive entry-level and qualification programs designed to recruit potential employees for our company and to offer them clear perspectives for their career development. The continuing strong interest in these programs made it possible in 2011 for us to recruit approximately 500 college graduates and early professionals for the CAREer trainee program. Our most important measures for recruiting external talent and supporting talented individuals within our company are:

- Talent Meets the Star: A campaign for highlighting professional training at Mercedes-Benz
- Cooperative State University: Alternating study and practical training
- Daimler Student Partnership: A support program for college students
- CAREer – The Talent Program: A Group-wide trainee program for college graduates and early professionals
- Daimler Academic Programs: Acquisition of a bachelor's or master's degree for outstanding employees
- FacTS: A support program for young workers

We are currently intensifying our direct dialogue with graduates and early professionals, especially those in the fields of engineering and IT. We are increasingly using social media in these efforts. In emerging markets such as China, for example, ensuring the effectiveness of appeals to target groups is also growing in importance. In addition, plans call for the academic sponsorship program Daimler Academic Programs to be not only expanded with further areas of study and more participants, but also made international.

 **Our programs for talents in detail:** [Online J26](#)

 **Our career portal:** [career.daimler.com](#)

Internships, master's theses, and doctoral dissertations. High school and university students who are still in the orientation phase can gain an impression of our operations by means of internships. Summer jobs are another opportunity for them to get to know their potential employer. In the final phase of their education, we offer the students a broad range of possibilities, whether they are in degree, bachelor's or master's programs. College graduates with above-average grades can write their doctoral dissertations at our company. In this way we promote the transfer of knowledge between universities and Daimler.

 **Daimler's support for scientific research:** [Page 110](#)


Advanced training and qualification. Effective knowledge management and the principle of lifelong learning are key elements of the qualification concept and work philosophy at the Daimler Group. On this basis, the Group-wide agreement on qualification also promotes and governs advanced training at the company. Once a year, supervisors and employees discuss qualification issues and agree on qualification measures, on the basis of our need for strategic and operative training. We provide our employees with qualification training and continuing education opportunities throughout their entire career. In 2011 we focused on qualification in the area of green technologies and provided extensive resources for qualification measures. Every employee received an average of 3.8 days of qualification instruction in 2011 (2010: 2.3 days; 2009: 2.4 days).

Qualification in Germany

	2009	2010	2011
Investments in qualification in millions of euros	59	73	101
Qualification days per employee (total)/year	2.4	2.3	3.8
Qualification days per woman employee/year	only collected since 2011		3.8
Qualification hours per employee/year	16.8	16.1	26.6
Trainees worldwide	9,151	8,841	8,499

We believe the integration of new technologies, from e-lectures to interactive e-learning, is an essential factor for ensuring modern, highly effective qualification. We are currently working on a Group-wide Daimler Distance Learning Strategy. The aim is to create a recommendation for a uniform framework with a continuous learning architecture for the use of innovative learning methods and learning spaces. The first implementation phase is scheduled to begin in early 2012 and to be completed in 2015. An important pilot project here will be the introduction of a learning platform for trainees and instructors. The platform will be based on the DTS and offer additional networking and communication possibilities.

Another key strategic element for us is the transfer of personnel development and personnel qualification concepts to our foreign locations. For instance, we are currently transferring basic and advanced training concepts, including our development process for master craftsmen, to our new location in Hungary.

 **Key points of emphasis in specialized and interdisciplinary qualification:** [Online J27](#)

Management development and potential management. At Daimler, the management development and the potential management are based on the appraisal of performance during the LEAD management development process. Our Leadership Behaviors, which place the Daimler Excellence culture on a firm practical foundation and make it measurable, form the basis of our assessments. They also include aspects related to sustainability and social responsibility:

- The employee acts responsibly towards the community, environment and key stakeholders,
- orientates own decisions and goal achievements by sustainability,
- ensures long-term sustainability for the organization,
- reaches decisions based on ethical standards, the company's Integrity Code and compliance standards.

The LEAD process applies to all managers and specialist groups worldwide, and the NAVI process applies to 100 percent of the employees in Germany who are subject to collective bargaining agreements. Similar performance systems are in place worldwide at the employee level.

 **Performance and compensation:** [Page 90](#)

Occupational health and safety

Today more than ever before, good health is a central corporate value. Demographic trends, the changing world of work, and changing lifestyles are affecting employees' performance potential and posing new challenges for our company. As a result, forward-looking, efficient, and sustainable solutions are needed for occupational health and occupational safety, whose primary aim is to prevent risks in the workplace that can endanger employees' lives and health. These challenges are the responsibilities of our central unit Health & Safety, in which we have combined the areas of occupational medicine, occupational safety, workplace health improvement, ergonomics, social counseling, and integration management.

 **About our activities in generation management:** [Page 95](#)

 **Employee protection, Fukushima:** [Online J28](#)

 **Infection wave EHEC O104:** [Online J29](#)

 **Accident data for 2011 at Daimler:** [Online J30](#)

 **Medical service for traveling employees:** [Online J31](#)

The Safeguarding the Future of Daimler agreement of 2011, training and qualification programs, diversity management and the promotion of equal opportunity, new hiring and profit sharing – these and other examples stand for employee-oriented sustainability at Daimler. Many employees, like the company itself, are now taking part in the newly established ProCent donation fund and are thus also committing themselves to involvement in sustainable projects beyond the confines of the company. In addition, many employees volunteered their time and effort to the success of the initiative “We move it! – 125 employee projects for sustainability” in the anniversary year 2011. The Safeguarding the Future of Daimler agreement has made it possible to give the employees a secure outlook for the coming years. Until the end of 2016 there will be no layoffs for reasons related to business operations (this also applies to future employees), and the remuneration structures are secure for the long term. The percentage of trainees who are hired following completion of their training continues to be 90 percent, which so far has resulted in the permanent employment of practically all trainees. The situation for temporary employees in production continues to be relatively well regulated; however, the transparency of plant contracts should also be improved.


Demographic change is becoming an increasingly important factor for sustainable corporate development. The adjustment of working conditions to the requirements of the aging workforce is already needed today. This is why it is urgently recommended that Daimler use the HR resource management analyses as a basis from which to draw the right conclusions for the Group-wide implementation of generation management. These measures should take a holistic approach to “good work,” which integrates work organization, ergonomically designed workstations, healthcare programs, qualification etc. Working conditions should be designed to enable employees to do their jobs until retirement age without suffering from adverse effects on their health. This includes already taking ergonomic requirements into account in the production planning stage, appropriate cycle times, rotation alternatives, and alternating workloads. Projects that make it possible to assign older workers to tasks that suit their capacities should be initiated and implemented in consultation with the Works Councils at all company locations.

Good working conditions and high ergonomic standards are elements of a sustainable human resources policy. Efficiency and good working conditions are not mutually exclusive. Both are necessary and should be given equal emphasis in order to achieve the leadership in innovation and technology (which depends on good work in development and production) that is a key element of the Daimler target system. A commitment to sustainability has also been a strategic dimension of the Daimler target system since 2010. The reinvention of the automobile and the ability to offer integrated mobility concepts are key factors of environmentally friendly sustainability. The production of low-emission vehicles that this will require should be supported by strategic human resources policies based on social sustainability. This calls for not only involving the employee representatives in questions related to labor policy and corporate strategy, but also for including the employees in the processes, qualifying them, and “getting them on board.”

Stuttgart – January 13, 2012



Beyond the confines of the company

 **Dr. Jürgen Dispan**, researcher and project coordinator at the IMU Institute


The IMU Institute is an independent research and consulting facility. Social and business analyses, assessments, and concepts related to working conditions are provided by the institute's approximately 30 employees.

 More information is available at: www.imu-institut.de



Guidelines to supplement international principles. Daimler management and the World Employee Committee have developed standardized, prevention-oriented principles for occupational health and safety at all Group locations worldwide. These principles are based on legislation in each country and on the International Labour Organization's (ILO) guidelines for occupational health and safety (ILO/OSH-MS 2001). Around the world, Daimler conducts occupational health examinations and a wide range of preventive measures designed to protect our employees' health, make workplaces ergonomic, and ensure occupational safety. In places like South Africa, we also make fighting HIV/AIDS a top priority.

The new corporate guideline for occupational health and safety has been available since August 1, 2011, in ten languages in our Uniform Guidelines Database. This separate, overarching guideline specifies all of the essential and generally valid regulations for occupational health and safety in the Daimler Group.

 **The national subsidiaries' fight against HIV/AIDS: Online J32**

 **Our agreements on occupational safety: Online J33**

From prevention to rehabilitation: Health centers at the locations. The primary aim of the corporate measures for promoting good health is to motivate our employees to have a healthy lifestyle and proactively take on more individual responsibility regarding health-related issues. There are now health centers at nearly all of Daimler's plants. The centers offer employees individualized advice and many services for prevention, therapy, and rehabilitation, practically right in the workplace. The annual Daimler Health Campaign for all locations and units is also intended to help raise employees' awareness of health-related issues.

 **The 2011 health campaign: Online J34**

Projects and initiatives in occupational health and safety in 2011:

- **Precise formulation of ergonomic workplace requirements.** Systematic monitoring of the planning and production processes with regard to ergonomic aspects (strain due to posture, body strength etc.), improved recording and documentation, applying preventive design measures – including adjustable workstation heights, handling aids, etc. – in the passenger car and truck divisions. The main objective in terms of ergonomics is the overarching implementation of this approach in all business units.

 **More on our activities in ergonomics: Online J35**


- **Pilot project for a profile comparison.** We are currently testing a newly developed IT system for use in integration management, which serves to re-integrate employees who have limitations due to illness or injury into the existing work processes over the long term. It has been used with success since the spring of 2011 at the pilot locations Sindelfingen, Untertürkheim, and Wörth and facilitates comparisons of workplace and ability profiles. A Group-wide agreement concerning the project was signed in 2011, and its expansion to other locations is being planned.

- **Prompt care for psychosomatic ailments.** Occupational medicine and social counseling are increasingly becoming factors in the treatment of psychosomatic ailments. In order to quickly provide expert assistance, we have built up a network of specialized

Occupational health and safety at Daimler: Key figures

	2009	2010	2011
Health management			
Health training courses offered:			
– Shift workers	670	670	657
– Managers	330	330	407
– Senior management staff	72	84	128
Offers for periods of preventive treatment:			
– Shift workers	111	111	237
– Managers	89	89	151
– Senior management staff	0	0	25
Corporate medical service			
Office hours	24,769	27,792	30,272
Preventive occupational medicine check-ups	36,195	35,037	37,969
Vaccinations and medical service for traveling employees	16,609	16,314	19,456
Major check-ups for senior managers	765	268	225
Minor check-ups	765	713	763
Corporate social counseling			
Number of clients counseled	4,499	4,967	5,742
Other key figures			
BKK members	167,581	171,404	176,503
SG Stern members	35,300	36,372	37,774

care providers in cooperation with the Daimler offices of the health insurance companies BKK and AOK as well as local psychologists and institutions. This makes it possible for plant physicians or counselors to provide employees with appropriate therapeutic measures without delay. In addition to the seminars focusing on stress prevention (e.g. MBSR – Mindfulness Based Stress Reduction), which are part of the company's health management measures, this issue is also addressed by management training courses for social counseling, with an emphasis on the aspects of early diagnosis and intervention.

 **Social counseling on offer: Online J36**

- **Occupational safety guidelines for managers.** In 2011, together with the occupational safety managers of the plants and branches, the central Health & Safety unit released the guide "Risk Assessment – Guidelines for Managers." The guide describes the standard procedures for all locations in Germany and is produced in coordination with the Occupational Safety, Environment and Health Commission of the General Works Council. The guide serves as a reference work and provides the managers with important pointers regarding their responsibility in the area of risk assessment.

Supplier relations

Balance sheet for 2011

> 100 participants

Worldwide training programs. We support our suppliers in areas such as working conditions, environment, and business ethics. In 2011 over 100 supplier representatives in Brazil, India, Mexico, and Turkey participated in training sessions on these themes.

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- 101 Our standards and requirements
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Dialogue

Establishing sustainability requirements on a broad basis. To this end, a 16-member working group used the Daimler Sustainability Dialogue to discuss standardized tools for conducting training courses and evaluations in the supply chain. The participants included supplier representatives and Daimler procurement managers, as well as specialists from various scientific fields and from NGOs.

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Our approach

Our efforts to implement a responsible human resources policy, systematic prevention of environmental damage, and the ethical conduct of our business operations will be credible only if we apply them not only to our own company but also to our suppliers. Especially because we are a globally operating company, we place a high priority on ensuring that sustainability standards are systematically complied with along our entire supply chain. We are creating the foundation for this compliance by building and maintaining an effective and reliable supplier network.

> 50

worldwide locations
of the procurement
organization

Our procurement organization. Procurement activities at Daimler AG are managed in three departments: Procurement Mercedes-Benz Cars and Vans, Procurement Daimler Trucks and Buses, and International Procurement Services – Non-Production Materials. Procurement is represented at more than 50 locations worldwide. Our Group-wide requirements

and standards regarding performance, partnership, and sustainability apply equally to all of our procurement areas and locations, and we have a coordinated strategy for their application.

Dialogue and cooperation. In order to ensure that our measures have a strong impact and use our resources effectively, we actively promote the company-wide and industry-wide standardization of sustainability measures along the supply chain. Our suppliers benefit from this process, because it increases transparency and because uniform customer requirements reduce the workload when it comes to answering inquiries, for example. We are active members of associations such as econsense and the German Association Materials Management, Purchasing and Logistics (BME). Together with experts from the different procurement areas of other renowned manufacturers, we also participate in a working group that specifically deals with sustainability issues in the supply chain and carries out joint activities such as training sessions for suppliers. In addition, Daimler is a member of the U.S. organization for standardization activities in the auto industry (Automotive Industry Action Group, AIAG). This association offers a neutral platform on which automakers, suppliers, service providers, and an appropriate number of academic representatives can meet in order to develop, harmonize, and improve standards, technologies, business practices, and processes in the automotive supply chain.

We engage in intense dialogue with our stakeholders concerning sustainability aspects in the supply chain. A working group focusing on this topic met for the fourth time at the Daimler Sustainability Dialogue in Stuttgart in 2011. Among the topics we discussed with supplier representatives and NGOs in this working group were the questions of what criteria would be sufficient for sustainability evaluations of suppliers, and how they could be implemented effectively.

➔ **More information on the Daimler Sustainability Dialogue: Page 26 ff.**

Our standards and requirements

The Daimler Supplier Network (DSN) defines the Daimler procurement business philosophy as “Commitment to Excellence.” This philosophy is based on the principles of performance and partnership. We measure our suppliers’ performance with the help of the External Balanced Scorecard according to the criteria of quality, technology, costs, and delivery reliability; the principle of partnership includes the aspects of fairness, reliability, and credibility. We take these principles seriously. For example, as part of our risk management system we have established processes for identifying suppliers that are having financial difficulties and for helping to stabilize the situation.


The effectiveness of these principles as guidelines for practical action was particularly evident in 2011. The devastating earthquake and tsunami of March 11, 2011 in Japan had severe repercussions for the country, its people, and its industry – including many suppliers of Daimler AG. In addition to providing direct assistance and support for the suppliers and their employees in Japan, our top priority was to restore stable vehicle production. Thanks to close cooperation with our suppliers, we were able to quickly rebuild the supply chain after the catastrophe.

Daimler Guideline on Sustainability. Our expectations regarding ecological, social, and business ethics issues are formulated in our Sustainability Guidelines for Suppliers. These guidelines are a binding element of the Mercedes-Benz special terms and the General Conditions of Procurement (for non-production materials) that apply to the majority of our suppliers. We are also incorporating sustainability clauses step by step into our international procurement conditions. This has been the case in Australia, China, Indonesia, Mexico, Singapore, Thailand, Hungary, Vietnam, Argentina, South Africa, and Turkey since the end of 2011.

Our guideline on sustainability require environmentally responsible production processes, to give just one example. Our suppliers either comply with the ISO 14001 norm or EMAS or can provide proof that they are using a comparable environmental management system. The environmental compatibility requirements for the components they deliver are defined in our specifications. We have also embedded the criteria for materials selection, environmental laws, banned substances, and recycling requirements in the Mercedes-Benz contract conditions.

We support our suppliers’ fulfillment of these requirements through measures such as targeted information and training courses. The

central dialogue medium is our online Daimler supplier portal, where we have also stored all of the current requirements and standards in a number of languages.

 **The Daimler supplier portal: Online K01**

 **Daimler Guideline on Sustainability: Online K02**

Implementation and monitoring

Our objective is to work together with our suppliers all over the world to ensure that sustainability standards are maintained along the entire supply chain. In order to support and monitor the concrete implementation of these requirements at our direct suppliers, we use various tools. These include training sessions, measures that promote dialogue and communication, and performance assessments that take sustainability measures into account. We have also started to integrate sustainability aspects into audits we use for selecting new suppliers. The decision criteria we use for the specific selection of appropriate tools are provided by a risk analysis process that is carried out according to individual countries and product groups.

> 100

suppliers completed training courses in India, Brazil, Mexico, and Turkey in 2011

on this issue. After conducting successful pilot training courses, we are now using these courses as a standard instrument in selected countries. In 2011 they were conducted in India, Brazil, Mexico, and Turkey. A total of more than 100 suppliers completed the courses.

The one-day training sessions, which are carried out in local languages, are led by an independent instructor assisted by an attorney. The training sessions deal with the requirements regarding working conditions, environmental standards, and business ethics that are specified in our Guideline on Sustainability. The participants also learn about the country-specific legislation in these areas and the requirements for management systems, and they practice applying what they have learned to model situations.

Online self-assessment. For suppliers from high-risk countries and for special product and service groups, we use our questionnaire for supplier self-assessment. This questionnaire, which is available online, is used to gather information about working conditions, environmental standards, and business ethics. It also requires our suppliers to specify how they communicate and implement the standards within their own supply chains. The suppliers can make comments and add supplementary materials. In order to be able to post targeted questions, we have one version for product suppliers and one for service providers.

Supplier training courses. In cooperation with other automakers and the U.S. organization for standardization activities in the auto industry (Automotive Industry Action Group, AIAG), we conduct training courses on sustainability for suppliers. It is more efficient to have a joint program for the various manufacturers and suppliers, and it shows the suppliers what a high priority automakers place

Sustainability training courses for suppliers in 2011

Training course content: business ethics, environmental standards, and working conditions

Country	Time span of course	Venue	Number of Daimler suppliers
India	April – August 2011 6 training units	Bangalore, Chennai, Delhi, Pune	40 participants
Brazil	August 2011 1 training unit	São Paulo	30 participants
Mexico	November – December 2011 4 training units	Mexico City, Monterrey	17 participants
Turkey	November – December 2011 2 training units	Bursa, Istanbul	13 participants

We use the results of the questionnaires to categorize the suppliers according to a “traffic light” system. The “green” group completely fulfills the guidelines’ requirements, the “yellow” group generally does so, and the “red” group does not fulfill the requirements. According to this system we work out the necessary consequences and improvement measures and discuss them with the suppliers. In 2011 our suppliers in the “cleaning services” product group filled out the self-assessment questionnaire.

CSR/Sustainability Audits. In Procurement Trucks & Buses, we integrated questions about sustainability standards into the on-site assessments of new suppliers in 2011 for a selected number of new suppliers in selected countries. We will test this process in pilot projects in Mexico, China, Russia, and India that will run until March 2012. Our objective is to use this block of questions in the future as a standard model for high-risk countries.

Dealing with violations. There is an established process for investigating cases where there is a concrete suspicion that our sustainability guidelines have been violated by our direct suppliers or within the supply chain. In such cases, we make contact with our direct business partner and ask it to state its position and describe the measures it is carrying out to remedy the situation. We cooperate closely with our employee representatives, especially in cases where there is a suspicion of violations of human rights.

Communication and training in procurement units. All new employees in procurement units in Germany are required to attend training courses dealing with sustainability and compliance. A special training session on sustainability standards in procurement is recommended for all buyers. We provide all the information about our standards and measures in this area in a special section of the Daimler employee portal.

__Our customers

Balance sheet for 2011

20 cities

Pioneering system for local public transportation. From Bogota to Istanbul, 130 major cities are solving their transportation problems with Bus Rapid Transit. Daimler is playing a role in 20 of them. Of the 40,000 units that are in use worldwide, 16,000 are from Daimler.

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1st rank

Award-winning customer service. In 2011 the Service Award of *kfz-betrieb* magazine again went to Mercedes-Benz. Places 1 through 5 went to four Mercedes-Benz commercial vehicle centers and one Fuso center. Mercedes-Benz also had top scores in the ADAC 2011 car workshop test.

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Our approach

We aim to fulfill our customers' expectations – or even exceed them, if possible – regarding our products, sales, service, and the associated support. Customer appreciation guides all of our actions. We approach our customers with openness and a keen sense of their individual wishes and requirements. This is crucial because we know that our customers' expectations vary greatly – in terms of their individual needs, regional considerations, and product groups.


Customer relationship management. All of our business units have developed an effective customer relationship management (CRM) system that enables us to evaluate and improve our customer relations. Within this management system, we develop strategies and programs to ensure that our high customer service standards are maintained. Activities in this area are managed on the basis of performance indicators.

 **Customer satisfaction: Selected programs from the business units:**
Online L01

All of the business units regularly conduct customer satisfaction surveys in order to find out whether we are on the right track with these programs and our products and services. We also get feedback from external studies, which determine how we are positioned with regard to our competitors in different countries and regions. These customer satisfaction surveys and market research activities provide us with insights that subsequently affect product design and vehicle development. In addition, these findings show us how mobility needs are changing and which solutions we have to find for new mobility requirements.

 **Automotive awards: Online L02**

Customer rights. The framework for good customer relations is formed by legal requirements in areas such as consumer protection. We believe that good customer relations management includes a service-oriented approach to our customers' rights – for example, with regard to complaints and the provision of information.

 **Data and consumer protection: Page 50**

Finding solutions for tomorrow's customer requirements

In the future, our customers will want to travel comfortably and flexibly while at the same time protecting the environment. As an automobile manufacturer, we have to develop future-oriented product and service concepts early on to fulfill these customer requirements. The main trends and our solutions for them are:

Electromobility: This will be the drive concept of the future, especially in urban areas.

- The electric motors used in our smart vehicle series, for example, are specifically designed for such applications, as they are highly efficient and produce zero local emissions.
- In 2011 Mercedes-Benz opened Germany's first certified workshop in Berlin for professionally servicing all vehicles equipped with electric, fuel cell or hybrid drives (E-CELL, F-CELL, E-CELL PLUS).
- Because electric car batteries are still very expensive, Daimler Financial Services (DFS) offers the sale&care concept, which enables customers to buy or lease a vehicle, but only rent the battery. Another advantage of this concept is that Daimler takes care of the battery's regular maintenance.

 **Drive system strategies: Page 62 ff.**


Carbon-neutral supply chains: Today's customers are demanding that logistics be environmentally friendly.


- Our range of vans and trucks offers a variety of future-oriented options for achieving this goal. Examples include the new Actros, which is considered the world's cleanest and most efficient truck, as well as the Mercedes-Benz Vito E-Cell featuring an electric drive system.
- Intelligent fleet management allows customers to optimize their transport routes and fleet sizes. To make this possible, Mercedes-Benz offers its FleetBoard tool. In 2009 alone, FleetBoard users saved 174,000 tons in CO₂ emissions, meaning that these companies were able to reduce annual fuel costs by up to €6,500 per truck. For this achievement, FleetBoard once again won the Image Award for the best telematics brand in 2011.

 **More information on FleetBoard: www.fleetboard.com**

Local public transportation is an essential element for the development of sustainable mobility concepts in large cities.

- We offer a broad lineup of appropriate transport solutions, ranging from compact buses to large articulated buses equipped with electric, hybrid or fuel cell drives.
- Our Bus Rapid Transit system is creating new possibilities for the intelligent management of public transportation in big cities.

 **Fuel cell buses: Page 66**

 **Bus Rapid Transit: Page 75**

Good and practical



MOBILE DESPITE HANDICAP

A wide range of adaptive equipment. Our project for factory-installed adaptive equipment makes it easier for people with physical disabilities to be mobile with a vehicle. They can order **15 pieces of adaptive equipment directly from the factory** – from steering and operating aids to adjusted pedals, hand operating systems for brakes and accelerators, and technology that makes it easier to get into and out of vehicles.

Customized support. Specially trained salespeople advise and assist handicapped customers at **22 More Mobility Centers**. We are continually expanding this network and increasing its expertise.

➔ Page 108

30 areas of application

Special tasks require special solutions.

Daimler offers a **1 2 broad range of cars and commercial vehicles for special applications**. We provide special models for around 30 different areas of application, from patrol cars, fire fighting trucks, and ambulances to refuse collectors and runway de-icing vehicles for airports.



Tailored on customer requirements


Vehicles as different as the wishes of our customers. No matter whether special equipment, bodies or paint jobs are needed, every special vehicle is precisely adapted for its intended use and the **customer's requirements**. In many cases, customer requirements lead to innovations that are subsequently used on a large scale.

Variety

A real all-rounder. The **3** Mercedes-Benz Unimog is the **most versatile vehicle ever**. Thanks to its flexibility and outstanding off-road performance, it can perform (almost) any task, from mowing grass to clearing spaces, plowing snow, cleaning roads and transporting goods. It's very ecological and economical, so it's used by many municipalities. Many Unimog vehicles – from the U 20 to the U 5000 – were delivered to communities in Germany in 2011 alone.



“Fuel efficiency makes trucks more economical.”

 **Andreas Renschler**, Member of the Board of Management of Daimler AG,
Head of Daimler Trucks

___ **The new Actros sets benchmarks for environmental compatibility. How does that benefit your customers?**

Andreas Renschler: Fuel efficiency has always played a major role for our customers because it helps to ensure economical operation. Shipping companies are particularly interested in a truck's total cost of ownership. Fuel costs are one of the biggest items here, accounting for over 30 percent of the total. The Euro VI variant of the new Actros consumes 4.5 percent less diesel than its predecessor, while the reduction for the Euro V variant is even higher, at 7.6 percent.

___ **Prior to the introduction of the Actros, people often said that the Euro VI emissions limit could only be met if fuel consumption rose as well. However, the new Actros complies with the standard while at the same time consuming less fuel than its predecessor. How did you accomplish that?**


Renschler: We developed the new Actros from scratch, beginning with the new highly efficient engine generation and extending all the way to the enhanced transmissions and drive axles as well as the cab variants, which have been aerodynamically optimized down to the last detail. The new Actros is the result of more than ten years of hard work, over 20 million test driving kilometers, and more than €2 billion spent on development and production technology.

___ **The Fuso Canter Eco Hybrid was one of the world's first series-produced light trucks with hybrid drive when it was launched in 2006. What has the response been like?**

Renschler: We have sold around 1,200 Fuso Canter Eco Hybrids worldwide since the vehicle was introduced. The successor model will be launched in Japan this spring, and we intend to build on its predecessor's success. I'm convinced that alternative drive systems will play an increasingly important role in commercial vehicles as well. Hybrid technology is particularly well suited for short-distance delivery vehicles that transport goods on the last mile to their final destinations.

___ **Regular-service buses play the main role in Daimler's Bus Rapid Transit (BRT) mobility concept for rapidly growing cities. Why did you develop this system?**

Renschler: Daimler didn't become the world's leading commercial vehicle manufacturer by always doing the same thing. Today we not only make our vehicles as efficient as possible, we also look for optimal conditions of use. BRT creates separate lanes for buses, thus eliminating traffic jams and other obstacles. This allows large numbers of passengers to be transported quickly, and the emissions per passenger and kilometer are substantially reduced. BRT is ideally suited for emerging markets with megacities such as Mexico City in Latin America and São Paulo in South America. However, Mercedes-Benz buses are also being used in BRT systems in cities such as Istanbul and Nantes. Big cities need efficient, high-performance, and environmentally compatible transportation solutions like BRT, which cost much less to set up than rail systems.

 **The complete interview with Andreas Renschler can be found at:**
Online L03

The **new communication technologies** can make mobility more efficient and convenient.

- For example, our smartphone apps provide our customers with direct access to useful information and services. The free Mercedes-Benz Service app, for example, provides practical assistance to drivers on the road, including information on how to handle breakdowns and emergencies.
- For our bus customers, we have set up the Omniplus information and contact website as well as the Bus Dock Service portal, which contains detailed technical information about our vehicles. The customer satisfaction surveys are also conducted through the Omniplus site.

 **Omnipus:** www.omniplus.com

In today's **mobile society** cooperative car-sharing models like Daimler's car2go are becoming increasingly popular. The advantage of such models is that the cars are used extremely efficiently, customers don't have any long-term financial obligations, and the vehicles can be quickly and easily rented with the help of smartphones or through the Internet:

➔ **Mobility concepts and services:** Page 73 ff.

Customer service and workshops

Customers who buy one of our vehicles acquire a top-quality product and want to be sure they also get optimal service when they are using their automobiles. That's why we consider the technical services offered by workshops to be particularly important.

Workshop Process. With the Workshop Process 2010 (WP2010), Mercedes-Benz defined an ideal procedure that we use to measure the quality of our customer service – from the initial service order and the work carried out on the vehicle to the point when the vehicle is returned to the customer. Since 2006, WP2010 consultants from our Global Service & Parts (GSP) unit have been supporting the workshops in their implementation of this successful model with the help of examples of best practice. Workshop employees receive intensive training, and regular internal monitoring activities ensure that the service standards are met.

By the end of 2011 more than 1,600 workshops in 73 countries had taken part in WP2010. About 1,350 of the workshops only service passenger cars. Since 2010 we have increasingly advised workshops which also service other vehicles such as Mercedes-Benz trucks and buses. In 2011 our consulting services attained a new level of quality when DEKRA for the first time certified experts from the Global Service & Parts Organization as WP2010 Dealership Process Consultants in accordance with DIN ISO 17024.

The other business units at Daimler have similar global consulting and training concepts for improving customer orientation and services at workshops.

➔ **Mercedes-Benz: Services for used and remanufactured parts:**
Page 72

Customer service and complaints. The Mercedes-Benz Customer Assistance Center (CAC) Maastricht N.V. in the Netherlands is our

central point of contact for Mercedes-Benz customers and other interested parties in western Europe. The approximately 600 employees at the center ensure that the customers receive personal assistance – around the clock, at a consistently high level of quality, and in their own language. The main responsibilities include the coordination of Mercedes-Benz 24-hour emergency breakdown assistance and the processing of customer inquiries and complaints.

As part of its Good Support Declaration initiative, which began in 2010, Mitsubishi Fuso Truck & Bus Corporation (MFTBC) extended the opening hours of its customer service centers by two hours. In addition, it makes sure they are also open on weekends. And thanks to a new call center, Fuso is now accessible to customers around the clock. The Fuso Customer Assistance Center received 443 complaints between January and October 2011, or 66 fewer than in the same period of the previous year. The CAC checks each customer complaint in depth and gets local dealers involved in order to resolve quality issues in line with customer requirements.


In order to ensure top reliability for its customers, Daimler Trucks North America (DTNA) pursues a holistic quality strategy that encompasses all stages of the product lifecycle. The analysis of warranty cases is only one of the company's sources for identifying quality issues, as most problems are discovered at an early stage and thus do not produce any major complaints in the first place. For example, product reports from field staff often reveal incipient problems early on. As a result, the number of vehicle-related complaints dropped from 3,109 in 2010 to 2,537 in the year under review.


At the end of 2010 DTNA introduced its Online Warranty Link (OWL), which is a web-based system for ensuring that warranty claims are processed more quickly and efficiently. More than 400 dealers and 200 suppliers are now successfully using the system for the benefit of customers.

In 2011 the Daimler subsidiary EvoBus reorganized its complaints management process. As a result, customer inquiries are now processed centrally so that they can be processed more quickly and effectively.

Vehicle-related information. We want to enable our customers to make optimal use of their vehicles. Our aim is to provide more than just mandatory information on the use of the vehicles and possible risks, so our service booklets also tell customers how to minimize fuel consumption, for example. In addition, Mercedes-Benz offers Eco Training courses that teach motorists how to save fuel when driving cars and commercial vehicles. Daimler has also been offering training courses in safe driving for more than three decades. In addition to providing programs for car drivers, the company also trains professional drivers of vans, buses, and trucks.

Our Guideline for Rescue Services is designed for rescue teams, giving them important information about vehicle types and functions so that they can quickly extricate accident victims.

 **More information on eco and safety training programs:** Online L04

 **Guideline for Rescue Services:** Online L05



“Since 2010 we have been helping handicapped people by offering adaptive equipment for the A-, B-, C-, and E-Class and the GLK directly from the factory. We wanted to closely link adaptive equipment to series production as part of the normal process, without giving it a separate status.”

 **Dr. Joachim Schmidt**, Head of Mercedes-Benz Sales and Marketing

Customer dialogue and advertising

Mercedes-Benz only advertises in environments that can be reconciled with the brand values Fascination, Perfection, and Responsibility. That means we do not advertise in settings that glorify violence, portray disasters or depict sexually objectionable content. Our standard is the Code of Ethics of the European advertising industry. Our advertising activities also take the cultural customs of the respective sales markets into account.

Sustainability as an advertising topic:

- Efficiency and sustainability played a prominent role in the advertising campaigns for the M- and B-Class.
- Efficiency was also the dominant topic of an ad printed as part of the C-Class advertising campaign.
- Ads highlighting the F-CELL World Drive and a film about the A-Class E-CELL provided information on new drive technologies.
- The “Efficiency Pays” trade marketing campaign.
- The “Staying Alive” TV commercial about the fuel consumption-reducing ECO START-STOP function.
- Bus Rapid Transit (BRT), local public transportation, carsharing.

New kinds of customer dialogue. Nowadays we have to use a variety of channels in order to communicate with our customers in a meaningful way. These channels range from tried and tested direct customer contact all the way to digital platforms. We have particularly expanded the latter, including maintaining an active social media presence on Facebook and, also on Google+, where we enter into a dialogue with customers and other interested individuals.

Offers for handicapped people

Because we want people with physical disabilities to be just as mobile as other customers, we offer a wide variety of products and special services that make this possible.

- Since 2004 Mercedes-Benz has been conducting a sales promotion program in Germany for people whose mobility is impaired. This program applies to almost all of our car series and offers special conditions for new vehicles.
- The new factory-installed adaptive equipment program enables our customers to choose from a selection of key adaptive equipment installed directly at the plant. Following the model’s successful test in Germany, we now plan to gradually expand it to other countries and add suitable items to the product range.

 **More information:** www.mercedes-benz.de/fahrhilfen

- Mercedes-Benz also publishes a mobility guidebook that provides a wide range of tips and information on this issue, including advice on how to obtain a driver’s license.

 **Our mobility guidebook for handicapped people:** Online L06

Barrier-free mobility: Daimler offers a broad range of adaptive equipment, including steering aids, hand operating equipment for brakes and accelerators, pedal adjustments, easy entry systems such as platform lifts for cars and buses, and extendable power ramps for minibuses. Mercedes-Benz currently operates 22 More Mobility Centers, at which specially trained salespeople will gladly advise and assist customers. We are steadily expanding this network of service centers.

Gaining knowledge through dialogue. In order to find out more about the needs of customers with physical disabilities, we have for many years now been holding discussions with vehicle body builders as well as with the handicapped people themselves. Every two years we are also represented at the REHACARE trade show, where we talk with customers and their families. In addition, we share experiences with physically handicapped employees at our company. One of the results of this dialogue is an all-new entry protection system for wheelchair users.

__Social commitment

Balance sheet for 2011

€125 million

More capital for promoting research. To mark the 125th anniversary of the automobile, Daimler raised the endowment funding of the Daimler and Benz Foundation by €88 million.

➔ Page 110

125 projects

We move it! Daimler promoted its employees' volunteer activities through the "We move it!" initiative. A total of €625,000 was donated to 125 socially beneficial employee projects.

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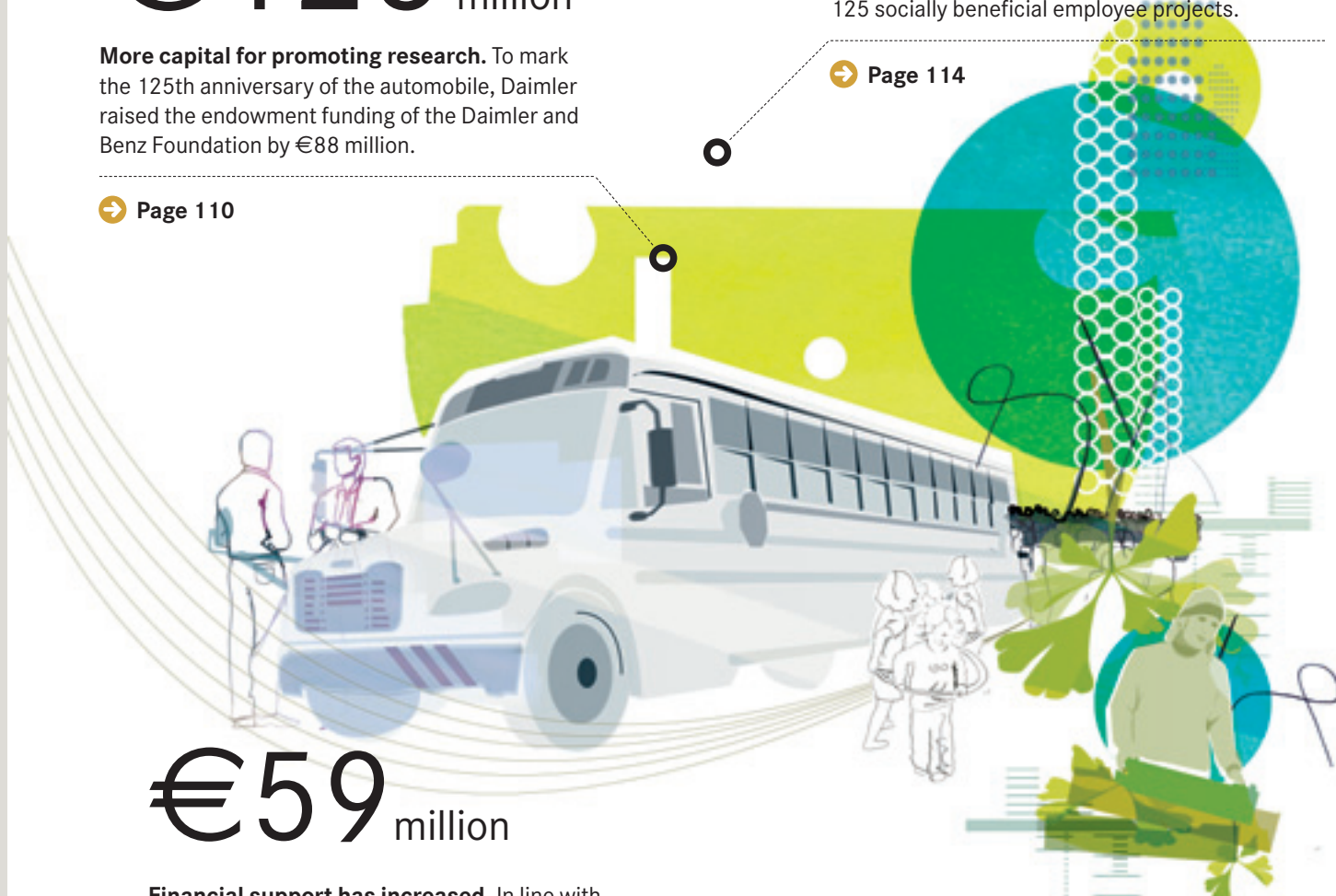
€59 million

Financial support has increased. In line with our policy of social responsibility, we supported nonprofit organizations and social initiatives with funds totaling €59 million in 2011. This amount represented a 15.5 percent increase compared to the previous year.

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Our approach

At Daimler, we believe that entrepreneurship and social responsibility are inseparable. At all the locations where we do business as an employer and a client, we engage in many different kinds of exchange with the people of the region. This presents us with the challenge and the responsibility of actively helping to shape these communities and fostering dialogue between different cultures. We also contribute our specific skills as an automaker in projects aimed at the common good.

Our basic aim is to promote clearly visible social benefits and to continually expand our social commitment. This is why our social involvement is directed at a number of focus areas. We have created transparent structures and clear lines of responsibility for our funding activities.

The focal points of our funding activities. We consolidate our broad spectrum of social commitment into five areas: donations, sponsoring, promoting foundations, corporate volunteering and projects we initiate ourselves. In these areas, we focus on five fields of activity:

- Science, technology, and the environment
- Art and culture
- Education
- Charitable projects/community projects
- Political dialogue

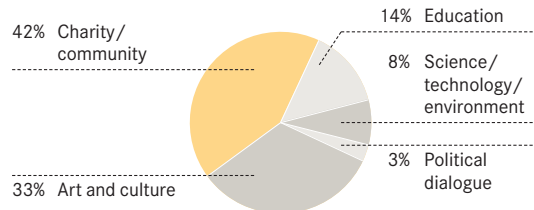
In the area of corporate volunteering, we promote social, environmental, and educational projects. In addition, we are actively involved in various initiatives dealing with traffic safety.

In all of our activities we conduct an intensive dialogue with the communities and local institutions involved, taking regional conditions and general social requirements into account. Through these activities we supported nonprofit organizations and socially oriented projects with funding that totaled €59 million in 2011.

Effective organization, clear basic principles. A committee for donations and sponsorship coordinates the Group's activities. In close cooperation with the Board of Management and our worldwide production facilities and plant managers, this committee defines and is responsible for our areas of activity in line with national and regional policies. It monitors and makes the decisions regarding all of our major projects and funding plans.

When we grant funding and make donations, we take steps to ensure maximum transparency. In 2009 we established sponsorship guidelines which ensure that our funding is awarded according to understandable criteria and complies with ethical standards and the currently valid legal regulations. And since 2007, all of the Group's activities in the areas of donations and sponsorship have been registered in a database.

Donations and sponsorship in 2011



Contributions to political parties. When it comes to making contributions to political parties, Daimler maintains strict compliance with the currently valid legal regulations and with the Group's internal guideline that was introduced in 2006. This guideline stipulates that donations to parties are permitted only if they are expressly authorized by the Board of Management. In 2011 Daimler donated a total of €435,000 to political parties exclusively in Germany in order to support democratic structures (2010: €425,000). Of this total, the CDU and SPD parties each received €150,000, and the FDP, the CSU, and BÜNDNIS 90/DIE GRÜNEN each received €45,000.

Promoting science, technology, and environmental protection

Those who advocate sustainable development are obliged to invest in the human capacity for innovation. Accordingly, we support universities and research institutes all over the world.

The Daimler and Benz Foundation – for people and the environment. In order to address important research issues concerning the interrelationships between human beings, the environment, and technology, the Daimler and Benz Foundation supports interdisciplinary scientific projects in this area. To mark the 125th anniversary of the automobile, Daimler increased the foundation's endowment by €88 million to €125 million.

 www.daimler-benz-stiftung.de

€120 m


is donated annually by the Stifterverband to support scientific research in Germany

Stifterverband: Daimler is one of the founding members of the Stifterverband für die Deutsche Wissenschaft (Donors' Association for the Promotion of Sciences and Humanities in Germany). This is the largest private foundation of its kind in Germany. The association provides over €120 million in sponsorship funding each year.

 www.stifterverband.org

Daimler Foundation strengthens Germany as a center of scientific research. Back in 1975 we transferred a working-capital fund to the Stifterverband in order to establish the Daimler Foundation. Since that time, the earnings from this fund have been used to promote science and technology and support up-and-coming young scientists.

Supporting the environment worldwide. We believe it is our responsibility to preserve the diversity of habitats, species, and genes for future generations. Since 1998 Daimler has therefore been supporting the Global Nature Fund (GNF), whose worldwide Living Lakes project pursues the goal of protecting and renaturing lakes, wetlands, and other bodies of water. In this connection we joined the GNF in the summer of 2011 to organize a nature-oriented family camp on Lake Constance for the first time ever.

 www.globalnature.org

Environmental education for children. On the occasion of World Environment Day in June 2011, Mercedes-Benz do Brasil made a targeted appeal to the upcoming generation. At performances of the play "Planeta Mercedes-Benz – Our Sustainable World" at one of the company's truck production plants in Brazil, approximately 7,000 children were reminded of how important it is to deal respectfully with nature.

___Support for art and culture

We assign a high priority to the promotion of art and culture. For this reason, we support a variety of such projects all over the world, especially in the vicinity of our production locations. Through the experience of art we as a company also receive new impulses and ideas that we can creatively implement in our work.

A long-term commitment to art. Daimler has been promoting contemporary art for more than 30 years. The Daimler Art Collection, which was founded in 1977, today comprises approximately 1,600 works. Most of these works, which we present to the public in exhibitions, come from artists based in the regions where we operate.

Partner of the Staatsgalerie Stuttgart. Through a long-term partnership with the Staatsgalerie Stuttgart art museum, Daimler promotes the city's cultural life and also offers its employees and their families educational opportunities in the area of culture.

In 2011 we extended our successful sponsoring partnerships with art institutions to include other locations.

___Promoting education

Education opens doors. It strengthens individuals, families, and thus ultimately society as a whole. That's why we support a host of education projects all over the world.

Genius: The knowledge community for children and teens. Through Genius – Daimler's young knowledge community, we aim to get children and teens enthusiastic about technology and the natural sciences. For example, Daimler engineers go to school classes in college preparatory schools to explain how a fuel cell car functions. Another popular project in 2011 was a workbook on drive system technology that was developed by teachers and Daimler engineers.

 www.genius-community.com

South Africa: Educational opportunities for disadvantaged youths and adults. In order to promote the society and economy of South Africa, Daimler supports social education projects such as St. Anthony's Education Centre. This project enables disadvantaged young people and unemployed adults from slum neighborhoods to gain further education. Here they can acquire competence in various skilled crafts or complete the work for a high school degree.

 www.st-anthonyscentre.co.za

Russia: Training for auto mechanics for Mercedes-Benz passenger cars. Russia is becoming an increasingly important sales market for Daimler. Along with the steadily growing number of vehicles sold, the demand for high-quality maintenance is also increasing. In order to meet this need, Daimler is training its own auto mechanics. To this end, we have been cooperating since 2008 with the Moscow State Technical University and the technical colleges in Moscow and St. Petersburg. A total of 35 students participated in the training program in 2011.

U.S.: Disadvantaged children learn to read and write. Only about one-third of the young people in Detroit have basic reading and writing skills. To improve this situation, the Beyond Basics educational project conducts reading and writing programs for children from socially disadvantaged families in public schools. Daimler Financial Services USA (DFS) has been a major partner supporting Beyond Basics since 2005.

 www.beyondbasics.org

Germany: Writing history live. The "Das Gedächtnis der Nation" (The nation's memory) project, which was launched in the fall of 2011, is using new methods to write history. In the course of the project, interviews are conducted with eyewitnesses of important historical events and recorded on video so that they can be preserved for the following generations. A "bus of the century" equipped by Daimler with TV technology is traveling through Germany for this purpose.

 www.gedaechtnis-der-nation.de

Disaster assistance for Japan

DAIMLER IN JAPAN

Mitsubishi Fuso Truck and Bus Corporation (MFTBC)

Locations:

Kawasaki, Kanagawa Prefecture
(headquarters/research and development center/production of trucks, engines, components)

Kitsuregawa, Tochigi Prefecture
(test course)

Nakatsu, Kanagawa Prefecture
(transmission production)

Fuchu-machi, Toyama Prefecture
(bus production)

Dealers and workshops:

Over 200 throughout Japan

Employees:

13,000

Products:

Light and medium-duty trucks
(Canter LDT, Fighter MDT)

Urban buses and travel coaches
(Rosa, Aero Star, Aero Queen, Aero Ace)

Industrial engines

Shareholders:

89.29% Daimler

10.71% Mitsubishi Group

AFTER THE CATASTROPHE

Fortunately, no employees of MFTBC were killed or seriously injured during the severe earthquake that struck Japan in March 2011. However, some of them lost family members to the subsequent tsunami. The MFTBC production facilities did not suffer any major damage. At the Kitsuregawa test course, the road surface was split by a deep crevice and had to be repaired. The dealerships in the region around Sendai in northern Japan suffered heavy damage.

In order to be prepared for the ongoing risks, MFTBC set up an **emergency control center** in Osaka, far from the site of the catastrophe of last March. From the center, 21 members of the management team guided the company. Production was initially severely limited after the earthquake because necessary components were not being delivered. ①③ A step-by-step approach was adopted to get things back to normal. Even so, it was not possible to increase the production volume at the various plants until April 20.



€2,000,000

spent on immediate aid for the victims. After the devastating earthquake and tsunami in northern Japan, Daimler made €2 million available at short notice in order to help the people who had been affected.

50

trucks and off-road vehicles for reconstruction. In order to support the aid and reconstruction efforts in Japan, especially in the northeastern part of the country, Daimler handed over 50 trucks and off-road vehicles to the **Nippon Foundation, a Japanese aid organization.** The vehicles were worth **approximately €4 million.**

Mercedes-Benz Trucks flown to Japan

Speedy assistance. The donated vehicles included **30 Canter trucks from Fuso, eight Mercedes-Benz Zetros trucks, four Mercedes-Benz Unimog vehicles, and eight Mercedes-Benz G-Class off-road vehicles.**

④ Two Antonov-124 planes – the world's biggest air freight carriers – transported these powerful vehicles to Japan in the fastest possible way.



2



3



4

Practical assistance

Support for dealers and workshops. In order to help the dealerships that were severely damaged by the earthquake and the tsunami in Japan, MFTBC sent assistance teams into the region. ② A total of 85 employees from Kawasaki repaired damaged vehicles and helped with the reconstruction efforts.

12,000

employees

Solidarity and generous donations. Within just a few weeks, more than 12,000 employees from all of the Daimler Group's companies in Germany donated approximately €600,000 for the earthquake victims in Japan. Employee representatives worked together with corporate management to initiate this project. The donations were transferred via the German Red Cross to partner organizations in Japan.

Turkey: Each Girl Is a Star. Daimler is making efforts to recruit more young women into technical professions. In Turkey, we are successfully using the promotional program Each Girl Is a Star to make it easier for women to enter such professions by means of an internship or a scholarship. The program was launched in 2004 with 200 young women, and since then the number of participants has grown fivefold.

Traffic safety

Traffic safety is a core theme of our educational work. In order to eliminate traffic accidents, we need not only technically improved vehicles but also programs that sensitize road users to possible dangers. Daimler is therefore involved in many different kinds of initiatives to promote traffic safety.

MobileKids – Traffic safety for elementary school children.

To prepare children to negotiate road traffic safely, we established our MobileKids traffic education initiative back in 2001. MobileKids teaches children about all the facets of safe and sustainable mobility in a playful way. Among other things, the program launched the MobileKids Schooldays throughout Germany in September 2011 in order to teach primary school children about traffic safety in their own neighborhoods. And in April 2011 the MobileKids traffic safety school opened up in the Ravensburger Spieleland amusement park.

www.mobilekids.net/de

RoadSense – Traffic safety instruction for eighth-graders.

When children become teenagers, they become more active participants in road traffic. That's why Daimler launched its RoadSense educational program in Stuttgart in 2010. The aim is to sensitize eighth-graders from all types of secondary schools to the hazards of road traffic. To date, 4,750 young people have participated in RoadSense.

<http://de.mbdriivingacademy.com>

Charitable projects

Although people in general have never been more prosperous than they are today, a large proportion of the world's population is still bitterly poor. This is why we provide disaster relief and support projects that help people to help themselves, to give just a few examples.

€2 m

donated since the launch of STAR CARE

STAR CARE – Aid to children. This project began in 1996 with a test tour for trucks to Spain, when Daimler employees brought back regional specialties in order to sell them and donate the proceeds to the Olgahospital for children in Stuttgart. Since then, the project's volunteers who are employees of Daimler AG and its partner companies have formed a network of registered NGOs. Daimler AG is a sponsor of these charitable projects and gives them moral and financial support. Since the



“Through the ProCent promotional fund we are jointly demonstrating our sense of social responsibility and actively supporting our colleagues’ social involvement.”

Stefan Schwaab, Vice Chairman of the General Works Council Daimler AG, Vice Chairman of the Works Council Gaggenau Plant, Member of the Supervisory Board Daimler AG

start of the project, around €2 million has been gathered to help sick, handicapped, and socially disadvantaged children.

 www.starcare.de

Sports give young people courage. In 2000 Daimler worked together with Richemont to establish the Laureus Sport for Good Foundation, which helps children and young people who are living under difficult conditions. Since that time, the foundation has supported more than 80 sports projects all over the world. New projects are added every year. For example, the Cologne project Kids for Future, in which boxers train young people from socially disadvantaged neighborhoods, received funding in 2011.

 www.kids-for-future-fk-kalk.de

Hope for slum-dwellers in India. Through the SEED program Daimler aims to improve the living conditions of slum-dwellers and street children in Chennai, India. It helps to provide affordable housing, schooling for children, and training for youths so that they have

better job opportunities. SEED was launched in July 2011 to mark the entry of Daimler Financial Services India into the local market.

Microloans make women strong. Daimler Financial Services worked together with the “Menschen für Menschen” (People for People) foundation to establish a microcredit program for needy women in Ethiopia. The program not only issues loans but also teaches the women the basics of business management. This enables them to work out a plan for using the money to build up a profitable business. A total of 1,200 women have successfully participated in the program since 2009, and that number is set to increase to 2,500 by 2012.

Prompt disaster relief. Because disaster relief has to be quick and effective, we established a special process for it in 2009. On this basis we were able to react directly to a number of emergency situations in 2011, for example the earthquake and tsunami in Japan, the tornado in Alabama, the famine in East Africa, the flooding in Thailand, and the earthquake in Turkey. Thanks to this process, we were also able to choose effective assistance projects to get involved in.

Corporate volunteering

Because we want to make a difference in the locations where we operate, we promote well-functioning communities. We support education and training programs as well as the expansion of child-care centers close to our business locations. In addition, many of our employees participate in neighborhood projects and work as volunteers in socially beneficial initiatives.

ProCent: Employees and the Group donate together. In 2011 Daimler created the ProCent initiative at the behest of the Works Council. Since December 2011 all Daimler employees have had the opportunity to join the ProCent initiative by donating the cents in their monthly net salaries to a special fund. The project’s motto is “Doing good together – each plant for its region, all of us together for the world.” Every donated cent is matched by the company, and the total amount thus saved in this fund is donated to environmental and social projects.

125

social and environmental employee initiatives were supported to mark the anniversary year

We move it! As part of its activities to mark the 125th anniversary of the birth of the automobile, Daimler has used the “We move it!” initiative to support its employees’ volunteer activities. By the end of 2011 it had assisted 125 social and environmental employee initiatives by granting them a total of €625,000.

Day of Caring. Ever since 2006, Daimler Financial Services (DFS) has been giving

its employees all over the world one day off from work so that they can get involved in the company’s social and environmental projects. In 2011 there were Days of Caring in 16 countries, including Korea, Argentina, and Germany. A total of 2,200 employees have been involved in these projects so far.

___GRI Index



Both the printed and the interactive online versions of the Daimler Sustainability Report 2011 are based on the guidelines of the Global Reporting Initiative (GRI). These guidelines were established with the help of the UN in 1997 in order to create a globally accepted guideline for companies and organizations reporting on their environmental, social, and economic activities. The amended guidelines of 2011 (G3.1) serve as the basic framework for Daimler's sustainability reporting.

You can find the full version of the GRI Index in the interactive online report. To directly access the GRI Index there, simply enter the number A04 in the search field.

 <http://sustainability.daimler.com>



Indicator	Status	Link
1. Strategy and analysis		
1.1 Statement from the most senior decision-maker	1.1 Complete	➔ SR 3, 9
1.2 Key impacts, risks and opportunities	1.2 Complete	➔ SR 20 ff., 53 ff.
2. Organizational profile		
2.1 Name of the organization	2.1 Complete	➔ SR 14
2.2 Brands, products and/or services	2.2 Complete	➔ SR 15
2.3 Operational structure	2.3 Complete	➔ SR 15
2.4 Headquarter location	2.4 Complete	➔ SR 15
2.5 Countries in operation	2.5 Complete	➔ SR 15
2.6 Nature of ownership	2.6 Complete	➔ SR 14 ff.
2.7 Markets served	2.7 Complete	➔ SR 14 ff.
2.8 Scale of the organization	2.8 Complete	➔ SR 14 f., 52
2.9 Significant changes regarding size, structure, or ownership	2.9 Complete	➔ SR 16
2.10 Awards received	2.10 Complete	➔ SR 17
3. Report parameters		
3.1 Reporting period	3.1 Complete	➔ SR 10
3.2 Date of most recent previous report	3.2 Complete	➔ SR 11
3.3 Reporting cycle	3.3 Complete	➔ SR 11
3.4 Contact point for questions	3.4 Complete	➔ SR 119
3.5 Process for defining report content	3.5 Complete	➔ SR 29 f.
3.6 Boundary of the report	3.6 Complete	➔ SR 10 f.
3.7 Limitations on the scope or boundary of the report	3.7 Complete	➔ SR 10 f.
3.8 Joint ventures, subsidiaries, and outsourced operations	3.8 Complete	➔ SR 10 f.
3.9 Data measurement techniques	3.9 Complete	➔ SR 10 f.
3.10 Effects of re-statement of information provided in earlier reports	3.10 Complete	➔ SR 11
3.11 Significant changes in the scope, boundary, or measurement methods	3.11 Complete	➔ SR 10 f.
3.12 GRI Content Index	3.12 Complete	➔ SR 115 ff.
3.13 External assurance	3.13 Complete	➔ SR 48, 85, 99, 118
4. Governance, commitments, and engagement		
4.1 Governance structure	4.1 Complete	➔ AR 169 ff.
4.2 Indication whether chairperson is also executive officer	4.2 Complete	➔ AR 176
4.3 Independent members at the board	4.3 Complete	
4.4 Mechanisms for shareholders and employees to provide recommendations to the board	4.4 Complete	
4.5 Linkage between executive compensation and organization's performance	4.5 Complete	➔ SR 90
4.6 Processes to avoid conflicts of interest at the board	4.6 Complete	
4.7 Expertise of board members on sustainability topics (including gender and diversity aspects)	4.7 Complete	➔ SR 24 f.
4.8 Statements of mission, codes of conduct, and principles	4.8 Complete	➔ SR 20 ff., 24 ff., 44, AR 172, 180
4.9 Procedures for board governance on management of sustainability performance	4.9 Complete	➔ SR 20 ff., 24 ff.
4.10 Processes for evaluation of the board's sustainability performance	4.10 Complete	➔ SR 20 ff., 24 ff., 90
4.11 Precautionary approach	4.11 Complete	➔ SR 20 ff., 24 ff.
4.12 External charters, principles, or other initiatives	4.12 Complete	➔ SR 22, 26 ff., 68, 73, 109 ff.
4.13 Memberships in associations	4.13 Complete	➔ SR 26, 109 ff.
4.14 Stakeholder groups	4.14 Complete	➔ SR 26 ff.
4.15 Stakeholder identification and selection	4.15 Complete	➔ SR 26 ff.
4.16 Approaches to stakeholder engagement	4.16 Complete	➔ SR 26 ff.
4.17 Topics and concerns raised by stakeholders	4.17 Complete	➔ SR 26 ff.
Economic performance indicators		
MA Management approach	MA Complete	➔ SR 52
EC1 Direct economic value generated and distributed	EC1 Complete	➔ AR 86 ff.
EC2 Financial implications due to climate change	EC2 Partial	➔ AR 118 ff.
EC3 Coverage of the organization's defined benefit plan	EC3 Complete	➔ SR 91
EC4 Financial government assistance	EC4 Partial	➔ AR 196
EC5 Entry level wage compared to local minimum wage by gender	EC5 Partial	➔ SR 90, 91, 92
EC6 Locally-based suppliers	EC6 Partial	➔ SR 100 ff.
EC7 Local hiring	EC7 Partial	➔ SR 100 ff.
EC8 Infrastructure investment and services for public benefit	EC8 Partial	➔ SR 88 f.
EC9 Indirect economic impacts	EC9 Partial	➔ SR 55

Indicator	Status	Link
Environmental protection		
MA Management approach	MA Complete	
EN1 Volume of materials used	EN1 Complete	
EN2 Recycled materials	EN2 Complete	
EN3 Direct primary energy consumption	EN3 Complete	
EN4 Indirect primary energy consumption	EN4 Complete	
EN5 Energy savings	EN5 Complete	
EN6 Initiatives for energy-efficiency and renewable energy	EN6 Complete	
EN7 Initiatives for reducing indirect energy consumption	EN7 Complete	
EN8 Total water withdrawal	EN8 Complete	
EN9 Effect of water withdrawal	EN9 Complete	
EN10 Water recycled and reused	EN10 Complete	
EN11 Land assets in or adjacent to protected areas	EN11 Complete	
EN12 Impacts on biodiversity	EN12 Complete	
EN13 Habitats protected or restored	EN13 Complete	
EN14 Strategies for biodiversity	EN14 Complete	
EN15 Endangered species	EN15 Complete	
EN16 Greenhouse gas emissions	EN16 Complete	
EN17 Other greenhouse gas emissions	EN17 Complete	
EN18 Initiatives to reduce greenhouse gas emissions	EN18 Complete	
EN19 Emissions of ozone-depleting substances	EN19 Complete	
EN20 NO _x , SO _x , and other air emissions	EN20 Complete	
EN21 Water discharge	EN21 Complete	
EN22 Waste by type and disposal method	EN22 Complete	
EN23 Significant spills	EN23 Complete	
EN24 Waste deemed hazardous under the terms of the Basel Convention	EN24 Complete	
EN25 Impacts of discharges and runoff on biodiversity	EN25 Complete	
EN26 Initiatives to mitigate environmental impacts	EN26 Complete	
EN27 Packaging materials	EN27 Complete	
EN28 Sanctions for noncompliance with environmental regulations	EN28 Complete	
EN29 Environmental impacts of transport	EN29 Complete	
EN30 Environmental protection expenditures	EN30 Complete	
Employees		
MA Management approach	MA Complete	
LA1 Workforce by employment type, gender, and region	LA1 Complete	
LA2 Employee hires and turnover by age group, gender, and region	LA2 Complete	
LA3 Benefits to full-time employees by significant locations of operation	LA3 Complete	
LA4 Employees with collective bargaining agreements	LA4 Complete	
LA5 Minimum notice period(s) regarding operational changes	LA5 Complete	
LA6 Workforce represented in joint health and safety committees	LA6 Complete	
LA7 Occupational diseases, lost days, and number of fatalities by region, and gender	LA7 Complete	
LA8 Training on serious diseases	LA8 Complete	
LA9 Trade union agreements on health and safety	LA9 Complete	
LA10 Training per employee by gender	LA10 Complete	
LA11 Programs for lifelong learning	LA11 Complete	
LA12 Regular performance and career development reviews by gender	LA12 Complete	
LA13 Composition of governance bodies	LA13 Complete	
LA14 Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	LA14 Complete	
LA15 Return to work and retention rates after parental leave, by gender.	LA15 Complete	
Human rights		
MA Management approach	MA Complete	
HR1 Investment agreements which take human right issues into account	HR1 Complete	
HR2 Supplier, contractor, and business partner screening on human rights	HR2 Complete	
HR3 Training on human rights	HR3 Complete	
HR4 Incidents of discrimination, and corrective actions taken	HR4 Complete	
HR5 Freedom of association and collective bargaining	HR5 Complete	
HR6 Child labor	HR6 Complete	
HR7 Forced labor	HR7 Complete	
HR8 Training for security personnel	HR8 Complete	
HR9 Violations of rights of indigenous people	HR9 Complete	
HR10 Human rights reviews and/or impact assessments	HR10 Complete	
HR11 Grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	HR11 Complete	

➔ SR: Link to page numbers in the current Sustainability Report
➔ AR: Link to page numbers in the Annual Report 2011

Status			Link	Indicator			Status	Link
Society								
MA	Complete	➔	SR 77 ff.	MA	Complete	➔	SR 110	
EN1	Partial	➔	SR 82 ff.	SO1	Complete	➔	SR 55	
EN2	Partial	➔	SR 72					
EN3	Complete	➔	SR 82 f., AR 95	SO2	Complete	➔	SR 45 ff., AR 173	
EN4	Complete	➔	SR 82 f., AR 95	SO3	Complete	➔	SR 45 ff., AR 173	
EN5	Complete	➔	SR 79 ff.	SO4	Complete	➔	SR 45 ff., AR 172 ff.	
EN6	Complete	➔	SR 62-70, AR 148 ff.	SO5	Complete	➔	SR 28	
EN7	Complete	➔	SR 79 ff.	SO6	Complete	➔	SR 110	
EN8	Complete	➔	SR 82 f.	SO7	Complete	➔	AR 122	
EN9	Immaterial			SO8	Complete	➔	AR 122	
EN10	Partial			SO9	Complete	➔	SR 28	
EN11	Immaterial							
EN12	Complete	➔	SR 84	SO10	Complete	➔	SR 28, 109 ff.	
EN13	Immaterial							
EN14	Complete	➔	SR 84	Product responsibility				
EN15	Immaterial			MA	Complete	➔	SR 62 f.	
EN16	Complete	➔	SR 82 f., AR 95	PR1	Complete	➔	SR 62 f.	
EN17	Partial	➔	SR 82 f., AR 95	PR2	Complete	➔	SR 75	
EN18	Complete	➔	SR 79 ff.	PR3	Complete	➔	SR 22, 46	
EN19	Immaterial			PR4	Complete	➔	SR 22, 46 ff.	
EN20	Complete	➔	SR 81 ff.	PR5	Complete	➔	SR 104	
EN21	Complete	➔	SR 82 f.	PR6	Partial	➔	SR 26, 46 ff.	
EN22	Complete	➔	SR 82 f., AR 95	PR7	Complete	➔	SR 22, 27, 60 ff., 77 ff.	
EN23	Complete	➔	SR 82 f.	PR8	Complete	➔	SR 49	
EN24	Complete	➔	SR 82 f.	PR9	Complete	➔	SR 49	
EN25	Immaterial							
EN26	Complete	➔	SR 62-75, AR 148 ff.	Sector Supplement				
EN27	Immaterial			A1	Partial			
EN28	Complete	➔	SR 67	A2	Immaterial			
EN29	Partial	➔	SR 82 ff.	A3	Partial	➔	SR 101 f.	
EN30	Complete	➔	SR 82 f., AR 95	A4	Complete	➔	SR 63	
				A5	Partial	➔	SR 71	
				A6	Partial	➔	SR 67 ff.	
				A7	Partial	➔	SR 67 ff., AR 94	
				A8	Partial	➔	SR 71 f.	
				A9	Partial	➔	SR 82 ff.	
				A10	Complete	➔	SR 72 f.	
UN Global Compact								
UN Global Compact Principles								
MA	Complete	➔	SR 46 ff.	P1	Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence	P1	➔	SR 22, 27, 44 ff.
HR1	Complete	➔	SR 46	P2	Businesses should make sure they are not complicit in human rights abuses	P2	➔	SR 22, 27, 44 ff.
HR2	Partial	➔	SR 46, 100 ff.	P3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	P3	➔	SR 22, 46
HR3	Partial	➔	SR 44, 102	P4	Businesses should uphold the elimination of all forms of forced and compulsory labor	P4	➔	SR 22, 46 ff.
HR4	Complete	➔	SR 44 ff.	P5	Businesses should uphold the effective abolition of child labor	P5	➔	SR 22, 46 ff.
HR5	Complete	➔	SR 46, 101 f.	P6	Businesses should uphold the elimination of discrimination in respect of employment and occupation	P6	➔	SR 22, 46 ff.
HR6	Complete	➔	SR 48 f., 102	P7	Businesses should support a precautionary approach to environmental challenges	P7	➔	SR 22, 27, 60 ff., 77 ff.
HR7	Complete	➔	SR 48 f., 101 f.	P8	Businesses should undertake initiatives to promote greater environmental responsibility	P8	➔	SR 22, 27, 60 ff., 77 ff.
HR8	Partial	➔	SR 45 f.	P9	Businesses should encourage the development and diffusion of environmentally friendly technologies	P9	➔	SR 22, 27, 60 ff., 77 ff.
HR9	Complete	➔	SR 49	P10	Businesses should work against corruption in all its forms, including extortion and bribery	P10	➔	SR 22, 44 ff.
HR10	Partial	➔	SR 49, 50					
HR11	Partial	➔	SR 49					



Independent Assurance Report on the Daimler Sustainability Report 2011

To the Corporate Sustainability Board ('CSB') of Daimler AG, Stuttgart:

We have performed assurance procedures to provide assurance on the following aspects of the Daimler Sustainability Report 2011.

Subject matter

Data and information disclosed in the Sustainability Report 2011 of Daimler AG for the financial year ended December 31, 2011 on the following aspects:

- The application on the group-level of the Daimler internal guidelines for the environmental data reporting, disclosure of human resources related information and information related to sustainable procurement activities in the Sustainability Report, with a reasonable assurance;
- The internal reporting system and procedures on the group-level (excluding the corresponding processes on site-level), including the control environment, to collect and aggregate sustainability data and information, with a reasonable assurance; and
- The consolidated data in connection with the group key performance indicators: production-related energy consumption and CO₂ emissions on page 82, CO₂ emissions for the European Mercedes-Benz car fleet on page 67, statements and information on generation management matters on pages 94 to 97 and supply chain management on pages 100 to 102 of the Sustainability Report 2011, with a limited assurance.

Criteria

- The Daimler internal guidelines for the reporting of environmental data, the disclosure of human resources related information and sustainable procurement activities.
- GRI G3.1 Sustainability Reporting Guidelines, 2011; and
- The defined procedures by which the sustainability data are gathered, collated and aggregated internally and the principles summarized on pages 10 & 11 of the Daimler Sustainability Report 2011 which define the scope of the reporting.

Responsibility and Methodology

The accuracy and completeness of sustainability performance indicators and information are subject to inherent limitations given their nature and methods for determining, calculating and estimating such data. Our assurance report should therefore be read in connection with Daimler AG's internal guidelines, definitions and procedures on the reporting of its sustainability performance.

The CSB of Daimler AG is responsible for both the subject matter and the criteria. Our responsibility is to provide a conclusion on the subject matter based on our assurance procedures in accordance with the International Standard on Assurance Engagements (ISAE) 3000.

In a present limited assurance engagement the evidence-gathering procedures are more limited than in a reasonable assurance engagement (for example, an audit of financial statements), and

therefore less assurance is obtained than in a reasonable assurance engagement.

Main Assurance Procedures

Our assurance procedures included the following work:

- **Evaluation of the application of group guidelines**
Reviewing the application of the Daimler internal guidelines for the reporting of environmental data, the disclosure of human resources related information and sustainable procurement activities;
- **Review procedures on group-level**
Interviews with group-functions in the areas of Environmental Protection, Labour Law, Human Resources and Procurement. The selection of interviewees was based on qualitative criteria considering the subject matters;
Interviewing personnel responsible on group-level for internal reporting and data collection;
- **Assessment of the performance indicators**
Performing tests on a sample basis of evidence supporting the key performance indicators and information (production-related energy consumption and CO₂ emissions, CO₂ emissions for the European Mercedes-Benz car fleet, generation management, sustainable procurement activities) as disclosed with the sustainability reporting 2011 relative to completeness, accuracy, adequacy and consistency;
- **Review of the documentation**
Reviewing the relevant documentation on a sample basis at the group head office, including management and reporting structures and documentation;
- **Assessment of the processes and data consolidation**
Reviewing the appropriateness of the data and information management and reporting processes for the Daimler sustainability reporting; and
Assessing the consolidation process of data at the group level.

Conclusions

In our opinion:

- The internal guidelines for the environmental data reporting, the disclosure of human resources related information and information related to sustainable procurement activities are being applied properly;
- The GRI G3.1 Sustainability Reporting Guidelines are being applied properly; and
- The internal reporting system and procedures to collect and aggregate group environmental data, human resources related information and sustainable procurement activities are functioning as designed and provide an appropriate basis for their disclosure.


Based on our work described in this report, nothing has come to our attention that causes us to believe that the data and information mentioned in the subject matter and disclosed with the Daimler Sustainability Report 2011 does not give a fair picture of Daimler AG's performance in the area of Sustainability.

Zurich, February 27, 2012

PricewaterhouseCoopers AG

Dr. Juerg Wyser

Stephan Hirschi

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Contact	Tel. +49 (0) 711 17-0 (headquarters) Fax +49 (0) 711 17-790-95251 e-mail: sustainability@daimler.com  http://sustainability.daimler.com Sabine Brändle (Procurement) e-mail: sabine.braendle@daimler.com Dr. Bettina Grözinger (Human Resources) e-mail: bettina.groezinger@daimler.com Dr. Udo Hartmann (Environment) e-mail: udo.hartmann@daimler.com Dr. Wolfram Heger (Society) e-mail: wolfram.heger@daimler.com

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<http://sustainability.daimler.com>

Our interactive online report