Daimler

360

Facts on Sustainability

http://sustainability.daimler.com

2011

Important events in 2010

January – March

Enhancement of the car production network. The groundwork is laid for reorganizing the production network. When the new C-Class is introduced in 2014, Mercedes-Benz U.S. International will manufacture C-Class sedans in Tuscaloosa for the local market. Bremen will serve as the series' competence center for Europe. The Sindelfingen plant will be the central technology and research location.

Aid for earthquake victims in Haiti. Employees of Daimler and Daimler Financial Services donated money for a health station in Haiti. As with previous aid campaigns, Daimler Financial Services' Employee Matching Fund doubled the total amount of the donations.

April – June

Working time reduction ended ahead of time. Due to the increase in demand, the working time reduction stipulated in the collective bargaining agreement was ended ahead of time, in May 2010. Employees not subject to short-time work originally had their working times cut by 8.75 percent without compensatory pay back in May 2009.

Partnership between Daimler and Renault-Nissan. Daimler and Renault-Nissan will work together to create the next generation of the smart fortwo and the Renault Twingo. Another focus of the partnership is on the joint development and use of engines. The two companies also agreed to cooperate in the area of light commercial vehicles and to acquire a share of 3.1 percent in each other's enterprises.

Settlement with U.S. agencies. Daimler reached a settlement with the U.S. Securities and Exchange Commission and the U.S. Department of Justice after an investigation into violations of the U.S. Foreign Corrupt Practices Act was concluded. As a result, Daimler paid $185 million in fines and disgorged profits. In addition, former judge Louis J. Freeh will monitor Daimler's post-settlement compliance for a period of three years.

July – September

e-mobility initiative in Baden-Württemberg. The "e-mobility Baden-Württemberg" initiative launched by Daimler and EnBW Energie Baden-Württemberg will turn the state into a model region for zero-emission electric mobility over the next two years. The initiative kicked off in Stuttgart and will later be expanded to include Karlsruhe.

Daimler is no longer included in the Dow Jones Sustainability Index. Despite receiving better evaluations, Daimler is no longer included in the Dow Jones Sustainability Index World. This change took place because the number of automakers in the index was reduced from six to three in 2010.

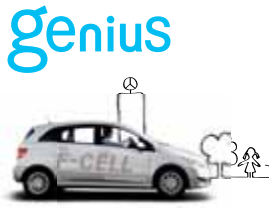
car2gether mobility concept in Ulm and Aachen. In a pilot project, Daimler became the first automaker to test a Web-based ride-sharing service. The car2gether concept is meant to supplement individual mobility in urban areas and is currently being tested in Ulm and Aachen.

Daimler Sustainability Forum in China. Daimler became one of the first German companies to engage in a stakeholder dialogue on sustainability in China. The event titled "Daimler Sustainability Forum – Ethic Standards and Corporate Responsibility" augments the „Sustainability Dialogue" that is held each year in Stuttgart.

Daimler hired more than 500 young skilled trainees in 2010. Daimler hired more than 500 young skilled trainees in 2010; most of them are computer scientists or engineers. The new recruits will further strengthen the company's innovative capabilities.

Joint venture for electric vehicles in China. BYD and Daimler signed a joint venture agreement to develop a new electric vehicle for the Chinese market. The two companies will invest a total of € 71 million in the joint venture. BYD Company Limited will contribute its expertise in the areas of battery technologies and electrical vehicle systems.

October – December



Genius – an educational initiative for children and adolescents in Germany. Daimler consolidated its educational initiatives in a program titled Genius – Daimler's Young Knowledge Community. As part of the associated tech@school project, Daimler engineers have already given talks about their work at more than 100 schools. The initiative aims to get children and adolescents interested in technology and the natural sciences.

„Sustainability Dialogue" 2010.
On November 11 Daimler held its third annual „Sustainability Dialogue", where approximately 130 stakeholders from Germany and abroad met company representatives to share ideas and discuss Daimler's sustainability performance. The discussions and working groups at the event provided Daimler with action-oriented insights for further improving its sustainability performance.

Daimler brings pay raise forward to February. Daimler will raise the pay of its non-exempt employees two months earlier than planned. As a result, 120,000 employees will get 2.7 percent more money, beginning in February. The profit-sharing payout for 2010 amounted to € 3,150.

German Sustainability Award 2010 for Mercedes-Benz Atego BlueTec Hybrid. Daimler's Mercedes-Benz Atego BlueTec Hybrid won the German Sustainability Award 2010 in the category for Germany's Most Sustainable Products/Services 2010. The award honors companies that combine business success with social responsibility and environmental protection.

The key figures of business year 2010

01 Corporate profile

	Unit	2008	2009	**2010**	
Revenue	in millions of €	98,469	78,924	**97,761**	↗
Operating profit / EBIT	in millions of €	2,730	-1,513	**7,274**	↗
Result before taxes on income	in millions of €	2,795	-2,298	**6,628**	↗
Group net income	in millions of €	1,414	-2,644	**4,674**	↗
Total vehicle sales	in millions	2.1	1.6	**1.9**	↗
Unit sales of Mercedes-Benz Cars		1,273,013	1,093,905	**1,276,827**	↗
Unit sales of Daimler Trucks		472,074	259,328	**399,263**	↗
Unit sales of Mercedes-Benz Vans		287,198	165,576	**224,224**	↗
Unit sales of Daimler Buses		40,591	32,482	**39,118**	↗
Contract volume of Daimler Financial Services	in billions of €	63.4	58.3	**63.7**	↗

03 Product responsibility

	Unit	2008	2009	**2010**	
Research and development expenditure	in millions of €	4,442	4,181	**4,849**	↗
thereof expenditures on environmental protection	in millions of €	1,799	1,721	**1,876**	↗
CO_2 emissions of the European fleet (vehicles from Mercedes-Benz Cars)	in g CO_2/km	173	160	**158**	↘

04 Operations-related environmental protection

	Unit	2008	2009	**2010**	
Energy consumption (total)	in GWh	10,971	8,938	**10,327**	↗
thereof electricity	in GWh	4,694	3,750	**4,442**	↗
thereof natural gas	in GWh	4,380	3,487	**3,986**	↗
CO_2 emissions (total, scope 1 and 2)	in 1,000 t	3,879	3,135	**3,699**	↗
CO_2 emissions (total) per vehicle produced (Mercedes-Benz Cars)	in kg/vehicle	1,352	1,485	**1,350**	↘
CO_2 emissions (total) per vehicle produced (Daimler Trucks)	in kg/vehicle	2,468	3,629	**3,077**	↘
CO_2 emissions (total) per vehicle produced (Mercedes-Benz Vans)	in kg/vehicle	1,010	1,389	**1,110**	↘
CO_2 emissions (total) per vehicle produced (Daimler Buses)	in kg/vehicle	2,695	2,911	**2,349**	↘
Solvents (VOC), total	in t	6,433	4,140	**5,386**	↗
Solvents (VOC) per vehicle produced (Mercedes-Benz Cars)	in kg/vehicle	1.07	1.03	**0.93**	↘
Solvents (VOC) per vehicle produced (Daimler Trucks)	in kg/vehicle	6.99	7.84	**7.64**	↘
Solvents (VOC) per vehicle produced (Mercedes-Benz Vans)	in kg/vehicle	3.34	3.59	**3.56**	↘
Solvents (VOC) per vehicle produced (Daimler Buses)	in kg/vehicle	16.71	20.28	**14.91**	↘
Waste (recovery rate)	in percent	92	92	**91**	↘
Water consumption (total)	in millions of m^3	15,673	11,886	**14,083**	↗

05 Employees

	Unit	2008	2009	**2010**	
Number of employees (worldwide)		273,216	256,407	**260,100**	↗
Number of trainees (worldwide)		9,603	9,151	**8,841**	↘
Average age of the workforce	in years	41.1	41.4	**41.9**	↗
Personnel expenses (worldwide)	in billions of €	15.1	13.9	**16.5**	↗
Average days of training and advanced development (per employee/year)	in days	4.4	2.4	**2.3**	↘
Costs for training and advanced professional development	in millions of €	272.7	206.8	**201.6**	↘
Proportion of women (Daimler AG)	in percent	12.9	13.1	**13.5**	↗
Proportion of women in Level 4 management positions (Daimler AG)	in percent	11.2	11.7	**12.4**	↗
Workforce turnover (worldwide)	in percent	6.5	9.7	**4.9**	↘
Proportion of part-time employees (Daimler AG)	in percent	6.1	6.4	**6.4**	→
Accident frequency[1]	number of cases	15.5	13.5	**15.0**	↗
Sickness figures	in percent	4.5	4.4	**4.9**	↗
Provisions for retirement benefits and healthcare	in billions of €	4.1	4.1	**4.3**	↗

06 Society

	Unit	2008	2009	**2010**	
Cost of foundations, donations, and sponsorships	in millions of €	41.46	26.4	**51.1**	↗

[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.

Foreword

Dear readers,

No other automaker can look back on a longer tradition than Daimler. Our success is due in large part to the fact that we have never focused on the short term. Instead, we've always set our sights on the big picture. Daimler has always been **a company oriented toward the long term** – and we intend to stay that way.

In 2010 we therefore "officially" incorporated the concept of sustainability into our system of strategic targets. In this way we are once more clearly emphasizing the fact that **economic, environmental, and social responsibility** go hand in hand. Sustainability is the basic principle that governs our business operations. We are therefore systematically tackling a host of issues from this perspective.

Our sustainability program for 2010 to 2020, which we are presenting to you for the first time in this report, is an important step toward our goal. In this program we have defined **key areas of action** for the coming years on the basis of our dialogue with our stakeholders. We aim to steadily continue reducing pollutants and emissions, further enhance the safety of our vehicles, expand our dialogue with our suppliers and dealers, and further strengthen our social involvement.

The focus is also on sustainability when it comes to managing our Group; specifically, we are striving to establish a corporate culture that is in line with the highest ethical standards. The principle here is **"Clean products – clean business dealings."** The creation of a new Board of Management position titled "Integrity and Legal" underscores our commitment to this principle.

We have set concrete targets and defined specific measures related to all of these goals and many others. Use them to evaluate our performance in the years ahead. We regard the management of sustainability as a continuous process, and we **welcome new input** from our stakeholders.

One of our **important guidelines** is the Global Compact of the United Nations, to which Daimler is particularly committed as a founding member. As a member of the LEAD group, which we joined at the end of 2010, we are actively pursuing the Compact's goals in order to fulfill our promise to consistently implement the principle of sustainability.

In addition to comprehensive information about our sustainability program for 2010 to 2020, the following pages also feature further examples and facts related to the topic of sustainability at Daimler.

We wish you pleasant reading and look forward to continuing our constructive dialogue with you.

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

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

Daimler 360

Facts on Sustainability 2011

About this report
- Report profile 8
- Materiality and stakeholder inclusiveness 10

Our sustainability program for 2010–2020 12

Important events in 2010 2
The key figures of business year 2010 3
Foreword 4
GRI Index 84
External assurance 86
Imprint/contact 87

01 Corporate profile

1.0 The Daimler Group 18
2.0 Corporate values and strategy 18
3.0 Product range and production locations 22
4.0 Results of fiscal year 2010 24

125! years inventor of the automobile – a threefold reinvention 20

02 Sustainability management

1.0 Sustainability management at Daimler 29
2.0 Responsible corporate management 30
3.0 Environmental management 32
4.0 Human resources management 34
5.0 Customer relations management 35
6.0 Management of political dialogue 35
7.0 Supply chain management 35
8.0 Management of the dialogue with stakeholders 36

Our targets 28

03 Product responsibility

1.0 Our objective 43
2.0 Drive technologies 43
3.0 Fuels of the future 45
4.0 Product use 46
5.0 Vehicle and road safety 49
6.0 Mobility concepts and services 52
7.0 Environmentally responsible product development 52
8.0 Recycling 53
9.0 Customer focus and consumer protection 53

Our targets 42
Interview with Prof. Dr. Herbert Kohler 50
Interview with Dr. Joachim Schmidt 55

http://sustainability.daimler.com

You can read this sustainability report in both printed and online form – and thus benefit from the advantages of each medium. You will find a concise presentation of the most important facts and figures on the topic of sustainability in this printed report. At the Web address you will find our interactive online report, which offers numerous supplements in addition to the content of the printed report. These include:

- a compilation of key figures and specific vehicle data in the form of graphics, timelines, and tables;
- additional background information;
- the exhaustive and thematically linked GRI Index;
- an effective search function and additional help with orientation, including an interactive table of contents, a glossary, and an overview of the graphics.

We have collated **all of the data and key figures contained in this report** in a PDF which can be downloaded online. To directly access this information, simply enter the number **001** in the search field of the interactive online report.

Link to online information
You can also see which topics have additional information online in the margins of this printed report. Simply enter the cross-reference number found here into the search field and you will instantly find the information you require:
http://sustainability.daimler.com

Page reference
Reference to a page in this report or in the 2010 Annual Report

Link to a graphic
The corresponding number indicates the associated graphic.

04 Operations-related environmental protection

1.0	Our objective	58
2.0	Energy management and climate protection	58
3.0	Air pollution prevention	60
4.0	Waste management	60
5.0	Water management	60
6.0	Transport and logistics	60
7.0	Noise abatement	62
8.0	Nature conservation, land use, and biodiversity	62
9.0	Use of resources and material	62
10.0	Sales operations	62

Our targets	58
External statement	63

05 Employees

1.0	Our objective	67
2.0	Employment	67
3.0	Performance and remuneration	68
4.0	Employer attractiveness	69
5.0	Diversity	69
6.0	Human resources development and support	72
7.0	Occupational health and safety	74

Our targets	66
Interview with Wilfried Porth	70
External statement	75

06 Society

1.0	Our objective	79
2.0	Social commitment	79
3.0	Human rights	83

Our targets	78
Interview with Martin Jäger	82

About this report

This is the sixth time in a row that we have published an integrated sustainability report titled *360 DEGREES – Facts on Sustainability*. This report gives an account of the efforts we are making to ensure that our corporate management activities are financially successful, environmentally compatible, and socially responsible. Our stakeholders were, and are, important dialogue partners for reporting and promoting our efforts with regard to sustainability.

Report profile

This sustainability report assesses the economic, environmental, and social impact of our business activities in 2010; shows what we have achieved; and introduces our Sustainability Program for 2010 to 2020. Our interactive online sustainability report supplements this printed report with more in-depth and extensive information and can be used in additional ways. The website features a search function and the exhaustive and thematically linked GRI Index, as well as 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 (see p. 18 ff.). The period under review corresponds to our business year, which runs from January 1 to December 31.

GRI Level A+. *Facts on Sustainability 2011* has been drawn up in line with the internationally recognized guidelines on sustainability reporting (G3) 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. A

Verification certificate ISAE 3000. The financial auditing and consulting firm PwC has checked the accuracy, completeness, comparability, comprehensibility, and relevance of the figures for "Direct and indirect CO_2 emissions from production," "Average CO_2 emissions of the European fleet (vehicles from Mercedes-Benz Cars)," "Proportion of women at Daimler" and the text passage on "Human rights" in our sustainability report on the basis of the International Standard on Assurance Engagements (ISAE) 3000. As a result, we have received a verification certificate (see p. 86). B

Global Compact progress report. Daimler was one of the first signatories of the United Nations Global Compact and is committed to upholding its ten principles. As of the end of 2010, the company has also been a participant in the LEAD Group of the United Nations Global Compact. 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.

We want to become better and better. We have continually enhanced our reporting in recent years. We have not only made our reporting more transparent and easier to understand, but also expanded the range of services we offer to our readers. In addition, we are committed to continuously adapting our sustainability reporting so that it meets its specific requirements more effectively and steadily improves in quality. C

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

A
Statement of GRI Application Level Check:
Online 002

B
More on ISAE 3000
Online 003

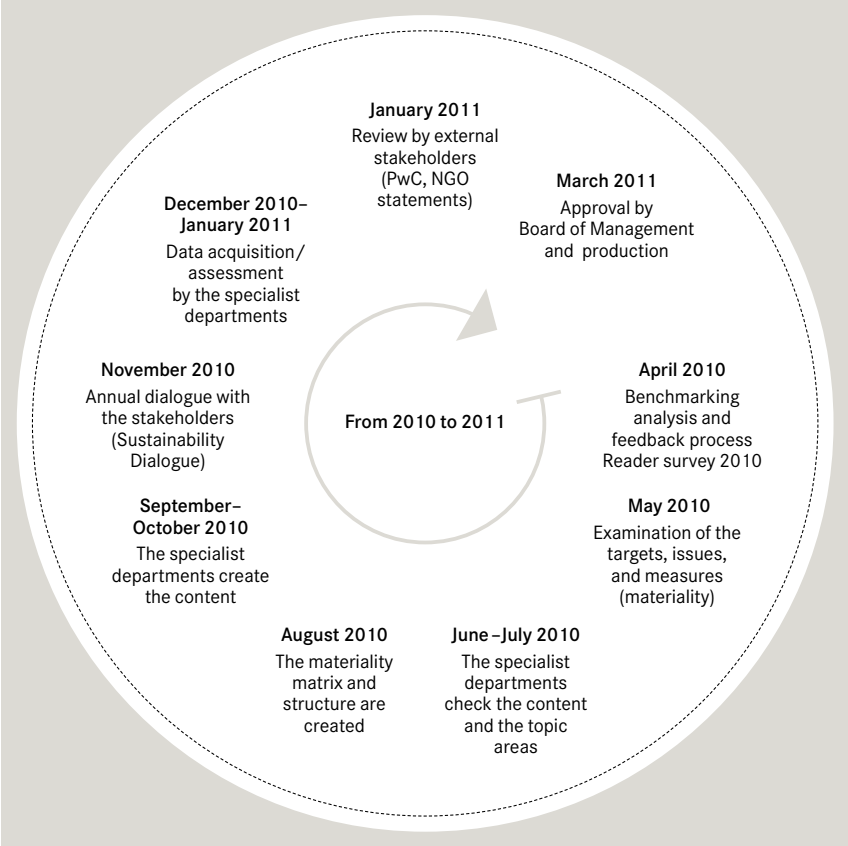
C
More information on the scope of reporting and the data acquisition methods:
Online 004

D
The results of our 2010 reader survey:
Online 005

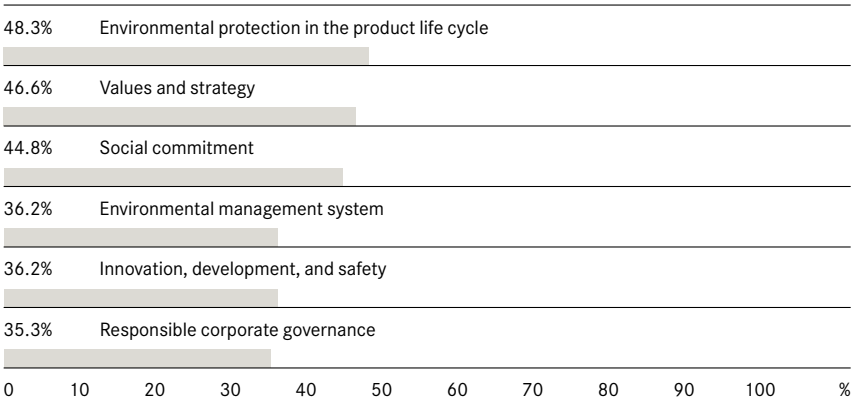
E
The history of sustainability reporting at Daimler:
Online 006

For further information, please enter the corresponding number at **http://sustainability.daimler.com**

01 Our sustainability reporting process 2010–2011



02 2010 reader survey: Topics with potential



Question: What do you think Daimler should report on more in the future?
(Multiple answers possible) (n = 116)
Reader survey in cooperation with the University of Hohenheim as part of a diploma thesis, 2010; survey period April 14–May 26, 2010

New features of this report. The report *360 DEGREES – Facts on Sustainability 2011* shows what conclusions we have reached in this regard. Using a multi-stage materiality analysis (see p. 10 f.), we evaluated internal and external sustainability requirements and expectations concerning our company and prioritized the relevant issues on which we need to take action. We reorganized our report's thematic structure in line with this evaluation. For example, the chapter titled "Environmental protection, innovation, and safety" has been split up and we now have a chapter on operations-related environmental protection as well as one on product responsibility (see p. 40). These changes have allowed us to highlight key product-related topics even more, thus focusing on an area in which our stakeholders particularly expect us to provide answers.

We have also tried to show more clearly 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 have set ambitious goals (see p. 12 ff.). Because the program runs from 2010 to 2020, we can plan measures for a longer term and manage our activities with greater foresight. Since it stipulates targets wherever possible 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.

The reporting process and quality assurance. External feedback is also important for us in terms of 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 (see p. 63 and p. 75). In addition, PwC examines system and data quality (see above and p. 86). We carry out exhaustive benchmarking, and in 2010 we also conducted a reader survey. 02 D

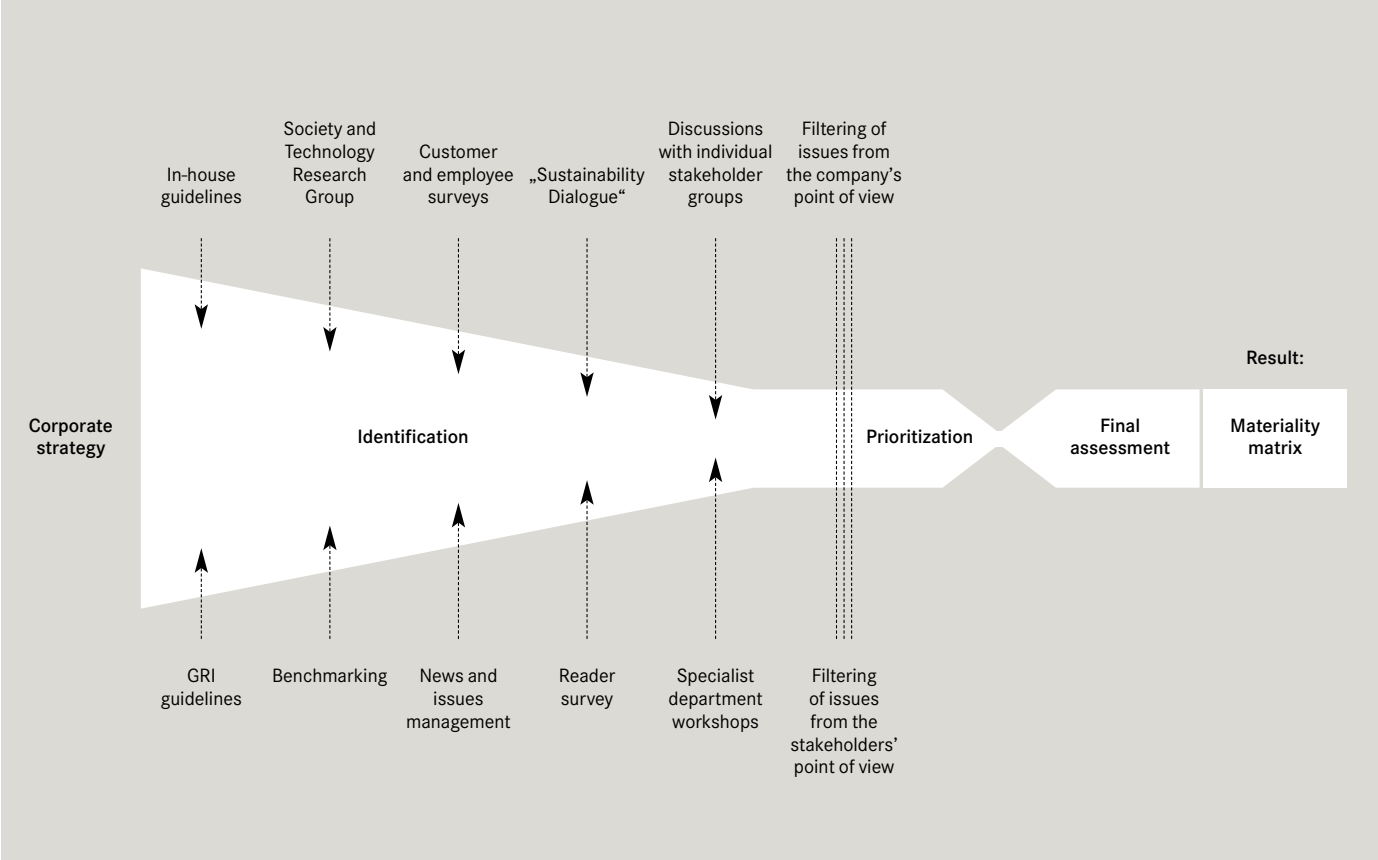
In parallel, we also check our targets, measures, and issues in-house, thus setting the qualitative guideposts for the subsequent report.

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 extreme care, a great variety of factors that were unforeseeable at the time of publication may lead to deviations. The content of the report was examined and released by the responsible staff members at the respective specialist departments. There was no examination by a financial auditing firm.

Note. Daimler published its previous sustainability report in April 2010 under the title *360 DEGREES – Facts on Sustainability 2010*. The next report will be published in mid-April 2012. E

Editorial deadline for this report: March 18, 2011

03 **Materiality analysis**



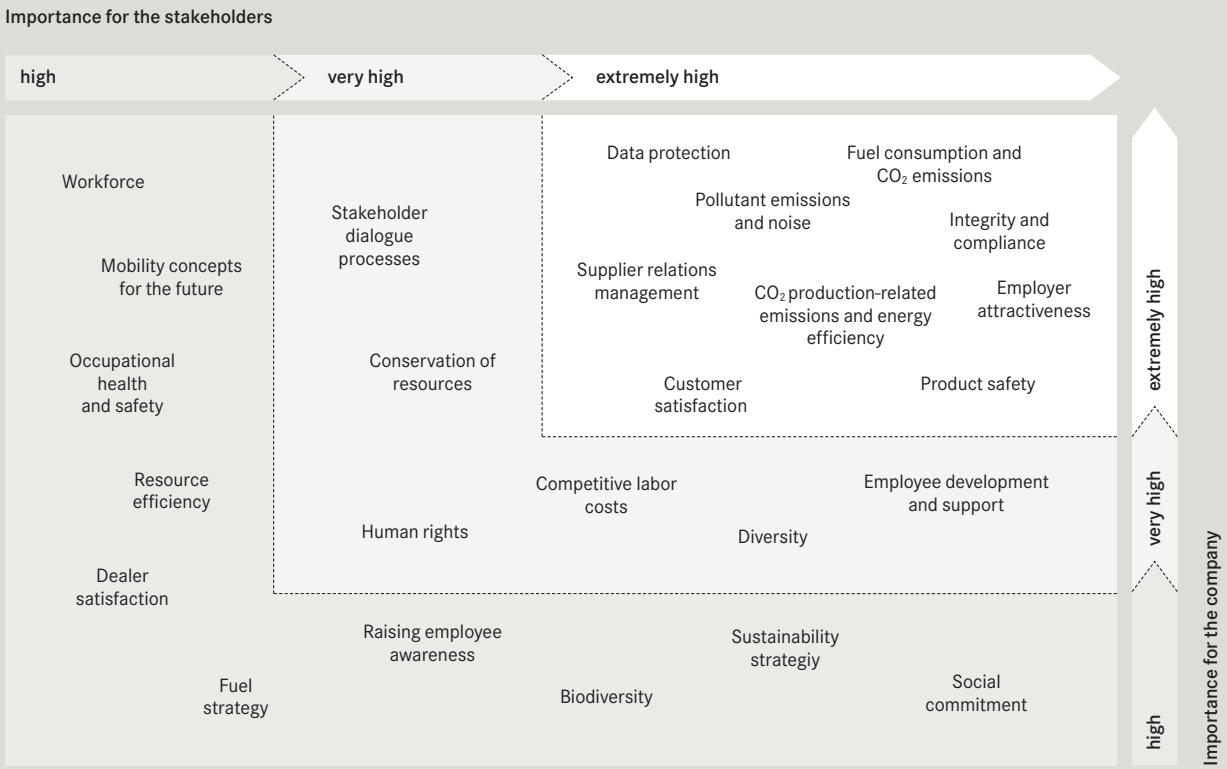
Materiality and stakeholder inclusiveness

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 helps us to improve. 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 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 weighting 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 preselecting 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 (see p. 37 ff.). This involves analyzing reader surveys of our reports, as well as customer surveys, discussions with individual stakeholder groups, and the results of our "Sustainability Dialogue". To determine what is in the best interest of our company, we rely 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 Technology Research Group. The latter organization examines changes in the environment,

04 Materiality matrix 2011



economy, and society (see the "Materiality analysis" chart). 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 Corporate Sustainability Office (CSO) and the Corporate 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 materiality matrix. The result of this year's materiality analysis is the 2011 materiality matrix (see graphic). 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 influence them – directly or indirectly.

Even though all of these 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 of our sustainability strategy and our sustainability program (p. 12 ff). A

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 (see "Report profile," p. 8 f.). Although we aim to continuously improve the materiality analysis, some 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.

A

Information on how our sustainability strategy is integrated into our corporate strategy: **Page 18 ff.**

For further information, please enter the corresponding number into the search field at **http://sustainability.daimler.com**

Our sustainability program for 2010 – 2020

In 2010 we incorporated the concept of sustainability into our system of strategic targets. In this way we're emphasizing the fact that economic, ecological, and social responsibility are all interconnected at Daimler. Sustainability is the basic principle that governs our business operations. It requires us to regard our business targets and corporate interests in relation to our stakeholders' expectations and thus to prioritize the different areas in which we are pursuing sustainability. The conclusions we have reached are depicted in our materiality matrix for 2010. We have derived concrete targets based on these defined areas of activity, and we intend to be judged in terms of these targets in the future.

We do not regard this sustainability program for 2010 to 2020 as a static plan. 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 should therefore indicate 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.

The complete targets and measures for download:
Online 007 http://sustainability.daimler.com

Target achieved | Partial target achieved | New target

Target		Target horizon	Status quo	Page
02 Sustainability management				
Integrity and compliance	**Compliance training.** Group-wide continuation of the training program with more than 150,000 participants and extension of training programs to business partners.	2011		31
	Sharpening awareness. Improving employees' knowledge of the relevant agreements and guidelines.	2012		30
	Reporting system. Improvement of the reporting system and Group-wide expansion of the service spectrum of the Business Practices Office (BPO).	2011		31
	Business partners. Optimization and expansion of the Group-wide integrity monitoring of the business partners that operate on behalf of Daimler.	2011		30

Target		Target horizon	Status quo	Page
	Communication. Our worldwide internal communication campaign "fairplay." on integrity-related issues.	2013		31
Data protection	**Data protection for employee details.** Sensitization of all managers (Level 5 to Level 2) in Germany to data protection issues related to the handling of health data until 2012.	2012		31
	Data protection worldwide. Development of a Group-wide awareness concept within the Daimler Group by 2015.	2015		31
	Protection of customer data. Optimization of data protection in the Mercedes-Benz sales units of Daimler AG through the implementation of new national guidelines.	2011		31
Supplier relations management	**Training.** Improved embedding of Daimler's sustainability requirements with the help of training sessions for suppliers.	2013		36
	Information about suppliers. Monitoring the implementation of Daimler's sustainability requirements at the suppliers with the help of information from the suppliers.	2012		36
	Contractual stipulations. Embedding of the Daimler Sustainability Guideline in binding contractual stipulations.	2013		36
Stakeholder dialogue processes	**Stakeholder dialogue.** Internationalization of the dialogue with stakeholders	2014		37
Sustainability strategy	**Strategy process.** Formulation of the Group-wide Daimler sustainability strategy.	2011		18
Sustainability awareness	**Communication.** Strengthening employees' awareness of, and knowledge about, the Group's sustainability targets and activities.	2012		

03 Product responsibility

Fuel consumption and CO_2 emissions	**CO_2 emissions from passenger cars.** Reduction of CO_2 emissions (NEDC) generated by the new-vehicle fleet in Europe A) to less than 140 g CO_2/km by 2012 and B) to 125 g CO_2/km by 2016. This represents a 21 percent reduction in CO_2 emissions over the five-year period 2007 to 2012 and a reduction of around 30 percent between 2007 and 2016. We will make further substantial reductions to CO_2 emissions by 2020. We will not be able to give concrete targets for this period until various unresolved regulatory and political issues (e.g. framework conditions for e-mobility, test cycle) have been clarified.	A) 2012 B) 2016		46 f.
	CO_2 emissions from light commercial vehicles. Reduction of the CO_2 emissions generated by the new-vehicle fleet in Europe by 10 percent by 2014 as compared to the 2010 level.	2014		46 f.
	Reduction of fuel consumption by heavy-duty commercial vehicles. Reduction of the fuel consumption of N3 trucks in Europe by an average 20 percent per ton-kilometer by 2020 compared to the base year of 2005 (Euro III vehicles).	2020		47 f.
Pollutant emissions	**The Euro 6 standard for passenger 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.	2014		48 f.
	EEV engines for light commercial vehicles. Introduction of EEV engines (parallel to Euro 5) 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, provided there is sufficient market demand.	from 2013		49
	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.	2011		49

Target achieved | Partial target achieved | New target

Target		Target horizon	Status quo	Page
	Euro VI for heavy-duty commercial vehicle. Euro VI type approval for 30 percent of Daimler commercial vehicles (buses, trucks, and semitrailers) in Europe by the end of 2013, on the condition that this plan is supported by the relevant political decisions.	2013		49
Product safety	**Safety for passenger cars.** Achieving a five-star rating for each new production series even after the Euro NCAP requirements become much stricter, starting with Phase 3 in 2012	from 2012		49 f.
	Assistance systems for heavy-duty commercial vehicles. Successive increases of the proportion of heavy-duty commercial vehicles equipped with assistance systems. For example, in 2009 approximately 10 percent of vehicles were equipped with Active Brake Assist; we would like to double that figure by October 2015.	2015		49 f.
Conservation of resources	**Conservation of resources.** Increasing the total volume of all parts and components of Mercedes-Benz passenger car production series that have been approved for the use of renewable or recycled raw materials by 25 percent respectively by 2015, compared to the volume for 2010.	2015		Online 320
Interior emissions	**Interior emissions.** Continual improvement of the air quality in vehicle interiors.	2012		
Design for Environment (DfE)	**Product development.** Systematic integration of environmental aspects into Mercedes-Benz product development in line with ISO TR 14062 – Design for Environment.	2011		52 f.
Customer satisfaction	**Mercedes-Benz Cars.** Long-term maintaining Mercedes-Benz' status as the brand with the highest level of customer satisfaction in the premium segment.	2011		53 ff.
	Quality of services and parts. Maintaining and increasing service quality for the customers of the Mercedes-Benz sales network, especially in the growing market for older vehicles. Retention of the brand's top position for passenger cars and commercial vehicles, also with regard to distinctions such as the „Kfz-Betrieb“ (Vehicle Operations) Service Award in Germany.	2011		53 ff.
04 Operations-related environmental protection				
Energy efficiency	**Production-related CO_2 emissions.** Continual reduction of specific CO_2 emissions from production operations, resulting in 20 percent lower emissions in 2015 as compared to 2007.	2015		58 ff.
Biodiversity	**Biodiversity.** Development of a concept by 2013 for assessing an automotive location's impact on biodiversity	2013		62
Air quality, resource efficiency, environmental management	**Environmental performance indicators.** Development of a comprehensive system of environmental performance indicators by 2013 for managing target setting and target achievement at all locations.	2013		58
05 Our employees				
Employer attractiveness	**Work-life balance.** Development of ways to permanently balance employees' private and professional lives and embedding these practices in the Daimler corporate culture on the basis of defined areas of activity.	2013		69
	Employee commitment. Increasing employee satisfaction and identification with the company as a result of measures implemented in response to employee surveys.	2015		69
	HR marketing. Strengthening our position as an attractive employer by focusing our HR marketing on the strategic future-oriented fields of “Green Recruiting” and “Emerging Markets”.	2012		69
Competetive labor costs	**Competitive management remuneration.** Implementation of a globally uniform and transparent remuneration policy that focuses on performance-based elements oriented toward the medium and long terms.	2012		68

Target		Target horizon	Status quo	Page
Diversity	**Diversity management.** In the area of diversity management, Daimler aims to be one of the leading companies in the German automotive industry and to remain on top. Diversity is therefore to be embedded in human resources processes and the corporate culture.	2020		69
	Increasing the proportion of women in the workforce: A) The Daimler Group plans to increase the proportion of women in senior management positions to 20 percent worldwide by 2020. B) Daimler AG plans to increase the share of women in Level 4 management positions to between 14 and 18 percent by 2015. C) The Daimler Group plans for 35 percent of the people hired via CAReer to be women (by the end of 2011). D) Daimler AG plans to increase women's share of the workforce to between 12.5 and 15 percent by 2015, while also increasing the proportion of women trainees to between 22 and 26 percent, and of women trainees for commercial-technical professions to between 13 and 16 percent.	A) 2020 B) 2015 C) 2011 D) 2015		71 71 71 71
	Internationalization of management. At least preservation of the share of non-German senior managers to more than 30 percent and raising the international orientation of all managers.	2015		71
	Generation management. Greater consideration of demographic issues in our corporate culture and leadership processes.	2012		69 ff.
Employee development and support	**Securing highly qualified young talent.** Ensuring that academically educated managers are recruited, supported, and properly qualified.	2011		72
	Green HR strategy. A strategic initiative for anticipating and handling human resources-related challenges brought on by the transformation of drive technologies.	2012		72
	Needs-based training. New prioritization, optimization, and expansion of the training programs on offer.	2015		72
Occupational health and safety	**Ergonomics activities.** Incorporation of ergonomics activities in planning and production processes.	2015		74
Workforce	**Workforce.** Increasing human resources flexibility at Daimler AG through the use of temporary personnel.	2012		67
06 Society				
Human rights	**Risk management.** Worldwide expansion of risk management at Daimler's 18 production locations in line with UN requirements so that possible human rights violations can be detected early on.	2013		83
Social commitment	**Traffic safety instruction.** Expansion of traffic safety instruction measures for primary school children in Germany.	2012		79
	Art and culture. Expansion of regional, location-specific efforts to promote art in regions in line with our good corporate citizen philosophy.	2012		80
	Promoting education. Expansion and consolidation of educational activities for children and teenagers in Germany through the Genius initiative.	2012		81
	Corporate volunteering strategy. Implementation of a company-supported volunteering program at Daimler AG.	2013		80
	Corporate volunteering initiatives. Expansion of existing corporate volunteering projects and implementation of a company-supported volunteering program at Daimler AG.	2012		80
	International empowerment activities. Expansion of the existing empowerment initiatives of Daimler Financial Services in Ethiopia and South Africa.	2012		79

01 Corporate profile

The invention of the automobile by our pioneers Gottlieb Daimler and Carl Benz 125 years ago launched the success story of motorized individual mobility. This anniversary has a special significance for Daimler. Since the original invention, numerous technical milestones demonstrate that we have continued in the footsteps of our company founders. Daimler has done pioneering work and will continue to shape the future of mobility through pathbreaking innovations that transform car and commercial vehicle construction.

Corporate profile

1.0 The Daimler Group 18

2.0 Corporate values and strategy 18
2.1 The Daimler target system 18
2.2 Principles and guidelines 22

3.0 Product range and production locations 22

4.0 Results of fiscal year 2010 24
4.1 Settlement with US authorities 24
4.2 Broad shareholder base 25
4.3 Sustainability ratings and rankings 25

125! years inventor of the automobile – a threefold invention 20

You can find all of the key figures as well as more in-depth information on this chapter in our interactive online report.
http://sustainability.daimler.com

1.0 The Daimler Group

Daimler AG is the parent company of the Daimler Group and is domiciled in Stuttgart. 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.

Daimler can look back on a tradition now covering 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 by 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 approximately 8,000 sales centers worldwide. 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. 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 2010, Daimler generated revenue of € 97.8 billion. The individual divisions contributed to this total as follows: Mercedes-Benz Cars 53 percent, Daimler Trucks 22 percent, Mercedes-Benz Vans 8 percent, Daimler Buses 5 percent and Daimler Financial Services 12 percent.

At the end of 2010, Daimler employed a total workforce of more than 260,000

2.0 Corporate values and strategy

We fundamentally transformed mobility with the invention of the automobile 125 years ago. And we aim to continue playing a groundbreaking role with the further development of mobility in the future. As pioneers of automotive engineering, we intend to make future mobility safe and sustainable. Our activities are focused on our customers' needs. We want to inspire them with

- exciting premium automobiles that set standards in the areas of design, safety, comfort, perceived value, reliability and environmental compatibility;
- commercial vehicles that are the best in their respective competitive environment;
- outstanding service packages related to those products; and
- new mobility solutions, oriented towards the needs of our customers.

This is our mission, and this is what we stand for at Daimler. We have formulated this mission in terms of the Daimler target system, which includes the targets for the Group as a whole and for each of our business areas.

2.1 The Daimler target system. Our overriding corporate goal is to achieve sustainable profitable growth and thus to increase the value of the Group. We intend to be among the world's leading automotive companies. The Daimler target system consists of six strategic dimensions.

1. Excellent products offering superior customer experience form the basis for our success.
2. Leading brands
3. Innovation and technology leadership.
4. Global presence and networking.
5. Operational excellence and sustainability.
6. High performing, inspired employees. 06

We aim to inspire our customers with our brands, products and services. And we strive to occupy the leading position in each market segment. With pioneering technologies, we want to be the world leader for sustainable drive systems and safety. To us, having a global presence means that we want to secure our position in traditional markets while expanding in new markets. Operational excellence and efficiency along with inspired and high-performing people are the key to our future corporate success.

In the long term we can safeguard our success only if we align our corporate behavior with the principle of sustainability. This principle determines our corporate behavior in all of the key areas: business operations, corporate governance, environmental protection, and safety, as well as our relationships with our employees, customers, and society as a whole. Because we want to embed sustainability not only in our practical operations but also in our formal principles, the Board of Management has decided to include sustainability as an additional target in the Daimler target system. Our employees orient their behavior according to our corporate values of Passion, Respect, Integrity, and Discipline. They strive to set an example by behaving ethically and in conformity with the law.

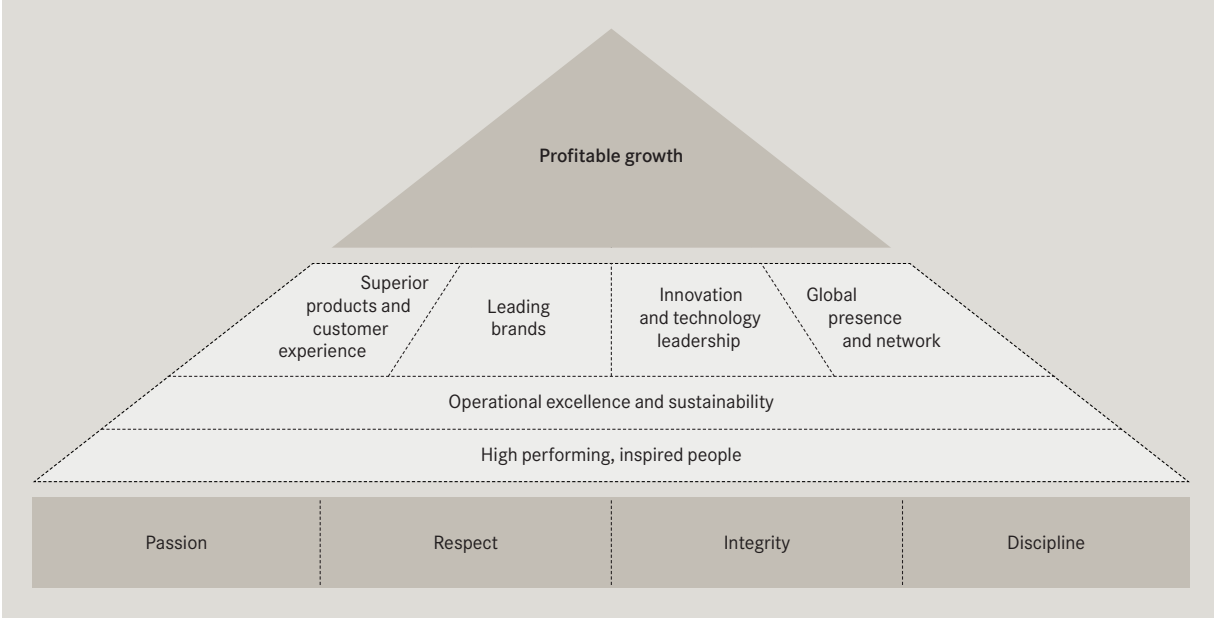
Sustainability

as an essential component of the Daimler target system

05 The Daimler Group (as of December 31, 2010)

Brands	Mercedes-Benz, smart, Mercedes-AMG, Maybach, Freightliner, Mitsubishi Fuso, Western Star, Thomas Built Buses, Orion, Setra, Detroit Diesel, 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) Wilfried Porth (Human Resources and Labor Relations Director), Andreas Renschler (Head of Daimler Trucks), Bodo Uebber (Finance & Controlling/Daimler Financial Services), 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	260,100
Trainees	8,841
Market capitalization	€ 54.0 billion
Total assets	€ 135.8 billion

06 Daimler target system



125! years inventor of the automobile — a threefold reinvention

125 years of sustainable business activities. On January 29, 1886, Carl Benz changed the world when he applied for a patent on his "vehicle powered by a gas engine" under the number 37435. The company that is known today as Daimler AG can trace its roots back to this patent, which marked the birth of the automobile. With their inventions, the founding fathers of our company set into motion a dynamic development that has continued to this very day. They paved the way for the automobile society, which has in turn generated numerous new opportunities — but has also created challenges. Our company came up with responses to these challenges by initiating pioneering paradigm shifts and developing groundbreaking innovations that have reinvented the automobile time and again.

The challenge of traffic safety: the first reinvention of the automobile. The expansion of industrial-scale motor vehicle production at the beginning of the 20th century increased traffic density and the risk of injury posed by ever-faster cars. We responded to this challenge with pioneering innovations that created new dimensions of vehicle safety. These developments ranged from the concept of a defined crumple zone (as early as 1952) to the integration of intelligent active and passive safety systems.

The challenge of environmental protection: the second reinvention of the automobile. At the very latest, the key challenges associated with environmental protection had been recognized by the time the United Nations Conference on Environment and Development took place in Rio de Janeiro in 1992. For us as an automaker, the focus had to be on aspects such as the avoidance of emissions, energy efficiency, and the use of environmentally friendly drive systems and fuels. We have performed a lot of groundbreaking work here as well — from the production of the first diesel-powered passenger car (as early as 1936) to the development of a broad range of innovative drive system concepts that are paving the way toward the long-term goal of zero-emission driving.

The challenge of a networked mobile way of life: the third reinvention of the automobile. Owning a vehicle became the symbol for individualized quality of life in the 20th century. Today's challenge is to redefine a mobile way of life in a society marked by many different lifestyles that are also constantly changing. Daimler is also playing a pioneering role in the transition to flexible and networked mobility by offering a unique mix of vehicles — as well as infrastructure and mobility initiatives such as "car2go" — that enable individuals to use appropriate vehicles as needed, without having to own their own cars.

We're celebrating this year — with many different activities. Among other things, we will hold a major art exhibition in 2011, stage an international soccer match, and organize the world's biggest Mercedes-Benz meeting — all in honor of the 125th anniversary of the invention of the automobile. As an expression of thanks to our approximately 270,000 employees, we will also be organizing festivities for our workers and their families at nearly all Daimler locations around the world. In addition, our "We move it! — 125 employee projects for sustainability" initiative is supporting our employees' social commitment by providing as much as €625,000 in funding for 125 selected projects.

Excellent products offering superior customer experience form the basis for our success. Through the constant search for the best solution and in line with the lifecycles of our products, we are launching 16 new models at Mercedes-Benz Cars in the years 2010 and 2011 alone. We are expanding our product portfolio in all divisions to address increasing differentiation within customer segments as well as varying regional requirements. Some examples are the CLS Shooting Brake and the long version of the E-Class for China. At Daimler Trucks, we renewed a large part of our product range with five new models in the year 2010. As ever, our main goal is to be Number 1 in terms of customer satisfaction. We place high priority on our activities directed at improving product and service quality as well as on providing a range of services appropriate to our customers' needs.

Leading brands contribute towards the Daimler Group's longterm success. Leading brands also provide customers with orientation, create trust and arouse the emotions. The Mercedes-Benz brand is one of the most successful and well-known brands in the world. We intend to maintain and extend this position also in the future. Our divisions' brand strategies, such as "The best or nothing" at Mercedes-Benz, help us to further sharpen our brands' profiles compared with the competition and to organize our activities accordingly.

Innovation and technology leadership. We want to be the innovation leader for green technologies and safety: With "Green Technology Leadership" at Mercedes-Benz Cars and "Shaping Future Transportation" at Daimler Trucks, Mercedes-Benz Vans and Daimler Buses, we will live up to our ambitions today and in the future. Differing mobility demands require different drive system solutions. Our portfolio of solutions ranges from the optimization of internal-combustion engines to hybridization to vehicles that are free of local emissions. We also intend to further strengthen our pioneering role in the fields of active and passive safety for cars and commercial vehicles.

With new business ideas such as car2go and Bus Rapid Transit (BRT), we are pursuing innovative mobility concepts and business models to fulfill customers' needs and to utilize additional growth potential. A

Global presence and networking. Our goal as a company is to continue our profitable growth and to be among the best in the industry: in our core business, in traditional and new markets. In particular in the rapidly growing markets of China, India, Russia and Brazil, we are intensifying our local activities by establishing and developing local production and sales operations, to some extent together with local partners.

Operational excellence and sustainability. We achieve operational excellence by means of efficiency targets and related programs in the areas of production, development, sales and administration. This is based on a culture of excellence. By means of standardization and modularization, we can significantly enhance efficiency with new products, new technologies and new processes. We are improving our cost position with support from cooperations, for example with Renault-Nissan. At the same time, we are expanding our product portfolio in the small-car segment and with small vans. Due to our flexibility, for example in production at Daimler Trucks, we can cope better with market cycles. Programs such as Truck Operating System (TOS) at Daimler Trucks create a culture of learning and continuous improvement. Through this holistic management approach, all of the direct and indirect areas of the worldwide sites of Daimler Trucks are gradually improving their efficiency.

We have a clear claim to leadership also in the field of sustainability. We place a particular focus on environmental protection with production and products, long-term job protection, responsible suppliers, intact relations with society, and transparent communication. One of the key goals in this context is the ongoing reduction of the CO_2 emissions of our cars and commercial vehicles. We intend to reduce the average CO_2 emissions of our fleet of new cars in the European Union from 158 g/km in 2010 to less than 140 g/km in 2012. A key contribution will be made by our BlueDirect V6 and V8 gasoline engines with third-generation direct fuel injection, which we launched in late 2010. And within the framework of a voluntary commitment signed by various truck manufacturers, we are pursuing the goal of reducing the CO_2 emissions of the heavy trucks (above 12 tons) we sell in Europe compared with base year 2005 by an average of 20 percent per ton-kilometer by 2020. B C

We aim to have high-performing, inspired employees who direct their actions towards our corporate values and maintain the highest ethical standards. The new Board of Management position for Integrity and Legal has the task of ensuring that rules and regulations are observed and that the highest ethical standards are met. As we regard diversity within our workforce as an advantage, we are making efforts to achieve for example 20 percent of executive positions occupied by women by the year 2020 and to increase our internationality. Ultimately, we will grow profitably by consistently implementing the strategies derived from our target system.

For all our activities, the focus is on
- strengthening the core business,
- growing further in new markets,
- maintaining a leading position with "green" technologies, and
- playing a leading part in the development of new mobility concepts and services.

A
More on innovative mobility concepts:
AR pages 142f.

B
More on reduction of CO_2 emissions:
pages 46ff. and AR pages 140ff.

C
More on our sustainability strategy:
Online 101

For further information, please enter the corresponding number into the search field at
http://sustainability.daimler.com

2.2 Principles and guidelines. Our standards of professional behavior. As a globally operating company, Daimler is subject to legal systems that often differ greatly from one region to the next. In order to help our employees orient themselves in this complex legal environment, we have formulated a set of standards of professional behavior. These serve as a binding definition of correct behavior in everyday business operations. These standards comprise the relevant laws as well as additional internal guidelines. Every individual employee is obligated to ensure that his or her daily behavior on the job complies with the Daimler professional standards. A

House of Policies. On the basis of our corporate values of Integrity, Passion, Respect, and Discipline, in 1999 we developed an Integrity Code that applies to all of our employees. In 2003 we supplemented the Integrity Code with our Principles of Social Responsibility and our Code of Ethics, which corresponds to the requirements of U.S. law. Additionally introduced corporate policies and corporate guidelines implement the principles of the Integrity Code in concrete rules of behavior. In 2008 the Board of Management also approved the House of Policies, a new system of guideline management that brings together all of the Group-wide guidelines and makes it even easier to comply with the different sets of regulations, because all of the guidelines will also be available in a central database on the intranet. B

UN Global Compact. As one of the first signatories of the UN Global Compact in 2000, our company has committed itself to the ten basic principles of this initiative. Since late 2010 Daimler has also been a member of the Global Compact LEAD group of approximately 50 participating companies, whose members have committed themselves to the exemplary implementation of these principles. C

Voluntary commitment to responsible action. On November 25, 2010, leading managers and entrepreneurs from 21 German companies met in Berlin to sign a document called "Principles of Responsible Behavior in Business." In this document, Dr. Dieter Zetsche and the other signatories affirm their support for a social market economy and fair rules for global competition. On the basis of six principles, the CEOs and managing directors commit themselves to success- and value-oriented leadership in line with a social market economy. According to this guideline, competition is necessary but profits may not be achieved by illegally damaging third parties.

The companies also affirm their responsibility to promote human well-being by continually seeking better ways to use resources and thus making their business operations more sustainable. The principles underlying the guideline are to be put into daily practice, together with the employees and labor organizations, at all corporate levels, and they must also become part of the companies' management processes. D

3.0 Product range and production locations

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 approximately 8,000 sales centers worldwide. E

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 are currently constructing a new plant in Hungary, which is scheduled to go into operation in 2012. The most important markets for Mercedes-Benz Cars in 2010 were Germany with 23 percent of unit sales, the other markets of Western Europe (27 percent), the United States (17 percent) and China (13 percent).

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 28 production facilities are in the NAFTA region (14, thereof 11 in the United States and 3 in Mexico), Asia (5), Europe (7), South America (1) and Africa (1). In Brazil, Daimler Trucks will expand its production network in 2012 with the addition of the plant in Juiz de Fora, where heavy-duty Mercedes-Benz Actros trucks as well as medium-duty Mercedes-Benz Accelo trucks will be produced for Latin American markets. Daimler Trucks' product range includes light-, medium- and heavy-duty trucks for local and long-distance deliveries and construction sites, as well as special vehicles for municipal applications. Due to close links in terms of production technology, the division's product range also includes the buses of the Thomas Built Buses and Fuso brands. Daimler Trucks' most important sales markets in 2010 were Asia with 34 percent of unit sales, the NAFTA region (22 percent), Latin America excluding Mexico (16 percent) and Western Eu rope (16 percent).

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 a 50:50 joint venture, Fujian Daimler Automotive. The division's product range comprises the

A
Our standards of business behavior spelled out:
Online 102

B
Our Integrity Code, our Principles of Social Responsibility, and our Code of Ethics, verbatim:
Online 103

C
More on the principles of the Global Compact:
Page 85

D
The Principles of Responsible Behavior in Business, verbatim:
Online 104

E
More about our locations worldwide:
Online 105

F
Our shareholder structure according to § 313 HGB:
Annual Report 2010 page 63

G
The details of our portfolio changes:
Annual Report 2010 page 67

For further information, please enter the corresponding number into the search field at
http://sustainability.daimler.com

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 77 percent of unit sales. The Sprinter is sold in the United States under the Freightliner brand, and since the beginning of 2010 also under the Mercedes-Benz brand.

Daimler Buses. The Daimler Buses division with its brands Mercedes-Benz, Setra and Orion is the world's leading manufacturer of buses and coaches above 8 tons. The product range supplied by Daimler Buses comprises city and intercity buses, coaches and chassis. The most important of the 15 production sites are in Germany, Turkey, Latin America, France, Spain and the NAFTA region. In 2010, 45 percent of Daimler Buses' revenue was generated in Western Europe, 12 percent in the NAFTA markets and 27 percent in Latin America (excluding Mexico). While we mainly sell complete uses 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 and credit cards. The main areas of the division's activities are in Western Europe and North America. In 2010, more than 40 percent of the vehicles sold by the Daimler Group were financed by Daimler Financial Services. Its contract volume of € 63.7 billion covers 2.5 million vehicles. Daimler Financial Services also holds a 45 percent interest in the Toll Collect consortium, which operates an electronic road-charging system for trucks over 12 tons on highways in Germany.

Through a subsidiary, Daimler holds a 22.5 percent equity interest in the European Aeronautic Defence and Space Company (EADS), a leading company in the aerospace and defense industries. In economic terms, Daimler owns 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.

Daimler also holds a 28.4 percent equity interest in Tognum AG, one of the world's leading producers of off-highway engines. Through a broad network of holdings, joint ventures and cooperations, Daimler is active in the global automotive industry and related sectors. F

Portfolio changes. With the goal of strengthening our core business and utilizing new growth potential, we further developed the Daimler Group's business portfolio in 2010. G

Daimler AG creates new Board position for "Integrity and Legal"

Daimler AG has created a new Board of Management position for "Integrity and Legal." The Supervisory Board has thus expanded the Board of Management to seven members, as previously announced on September 28, 2010. The tasks of the new Board of Management member will include managing the global Legal and Compliance Organization and the related processes, as well as business ethics and the sustained anchoring of compliance and integrity throughout the Group.

"On the subject of compliance, we follow the same principles that we apply in our business: to be pioneering with innovations in our industry. To do so, on the one hand we are now creating the organizational and structural basis. On the other hand, we will continue to consistently prioritize integrity as a key element of our corporate culture," said Dr. Dieter Zetsche, Chairman of the Board of Management of Daimler.

Dr. Christine Hohmann-Dennhardt was appointed as a member of the Board of Management in the newly created position with responsibility for Integrity and Legal Affairs for the period of February 16, 2011 until February 28, 2014. Dr. Christine Hohmann-Dennhardt, born on April 30, 1950 in Leipzig, was a judge of the First Senate of the Federal Constitutional Court from January 1999 until February 2011. She was Hesse Minister of Science and the Arts from 1995 until 1999, and Hesse Minister of Justice from 1991 until 1995. Before that, she was director of the social court in Wiesbaden as well as a judge at the Social Courts of Frankfurt am Main, Wiesbaden and at the District Social Court in Darmstadt. She gained a doctorate in law at the Johann Wolfgang Goethe University in Frankfurt.

As a matter of principle, Daimler aims to create a corporate culture that not only fulfills the requirements of applicable law, but also meets the highest ethical demands and is regarded as exemplary throughout the industry. To achieve this goal, Daimler will successively take further initiatives in addition to establishing this new Board of Management position.

The flawless execution of all transactions in conformity with applicable regulations requires a properly trained compliance organization with a worldwide reach as well as effective processes and controls. For this reason, Daimler will create even clearer structures and apply more resources in order to meet those requirements.

4.0 Results of fiscal year 2010

Daimler sold a total of 1.9 million vehicles in 2010. The level of the prior year, which had been very low due to the global economic and financial crisis, was thus surpassed by 22 percent. The market revival was significantly more dynamic thanexpected at the beginning of the year, especially for cars.

The Daimler Group's revenue increased in 2010 by 24 percent to € 97.8 billion; adjusted for exchange-rate effects, there was an increase of 19 percent. This means that our business recovered from the worldwide sales crisis faster than we had expected at the beginning of the year, but the Group's total revenue only reached the magnitude of 2008 and was still below the record level of the year 2007. All divisions profited from the recovery of major markets: Revenue rose at Mercedes-Benz Cars by 29 percent to € 53.4 billion, at Daimler Trucks by 31 percent to € 24.0 billion, at Mercedes-Benz Vans by 26 percent to € 7.8 billion and at Daimler Buses by 8 percent to € 4.6 billion. The Daimler Financial Services division also achieved revenue growth of 7 percent to € 12.8 billion.

In regional terms, Daimler increased its revenue primarily in Asia/Australia (+58 percent to € 19.7 billion). The main positive impact in that region was from the favorable development of business in China (+109 percent to € 9.1 billion). In the NAFTA region, revenue rose by 22 percent to € 23.6 billion. The development of business in Latin America was also very dynamic, especially in Brazil (+54 percent to € 4.2 billion).

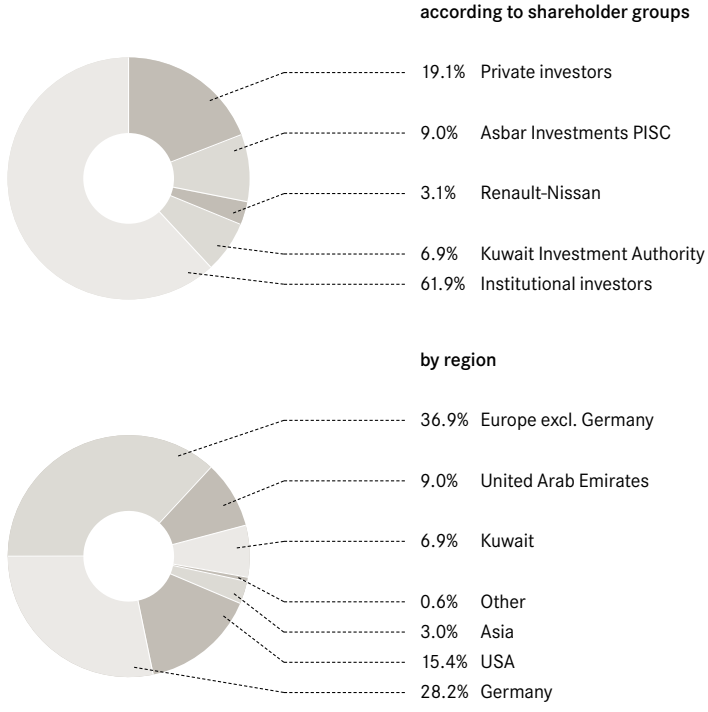
In Western Europe, however, there was only a small increase of 6 percent to € 38.5 billion; slight growth of 3 percent in Germany was boosted by stronger growth of 9 percent in the other markets of the region. In general, the regional distribution of Daimler's revenue has altered significantly in the past two years in favor of new markets. We now generate 35 percent of our business in markets outside the triad of the United States, Western Europe and Japan. In the year 2008, that proportion was still just 28 percent.

4.1 Settlement with US authorities. On April 1, 2010, Daimler AG reached a settlement with the United States Securities and Exchange Commission (SEC) and the US Department of Justice (DOJ) concluding investigations of possible violations of the US Foreign Corrupt Practices Act (FCPA). As part of the settlement, Daimler paid fines and penalties of US $ 93.6 million (approximately ¤70 million) and agreed to disgorge profits of US $ 91.4 million (approximately €68 million). Daimler had recognized provisions in a sufficient volume for this in previous years. Daimler cooperated with the SEC and the DOJ

07 Sustainability rating agencies and indexes

	2009/2010	2010/2011
Rating agencies		
Sustainable Asset Management	evaluated	evaluated
Vigeo	evaluated (without rankings)	evaluated (without rankings)
Sustainalytics (DAX 30)	evaluated (16th place)	evaluated (16th place)
Oekom Research	Prime Investment Status (score of C+)	Prime Investment Status (score of B-)
Imug/EIRIS	evaluated (without rankings)	evaluated (without rankings)
Indexes		
Dow Jones Sustainability Index World	listed	not listed
Dow Jones Sustainability Index STOXX	not listed	not listed
ASPI Index	listed	listed
FTSE4Good Index	not listed due to EADS shares	

08 The shareholder structure (as of December 31, 2010)



on the investigations, which started in the fall of 2004. In parallel, Daimler has developed a wide-ranging compliance organization to ensure that its business practices conform to the Group's Integrity Code and the provisions of applicable law in the future. A

The investigations of Daimler AG and Daimler North East Asia Ltd. carried out by the DOJ were deferred on the premise that Daimler will not violate the provisions of the FCPA during the two-year term of the agreements and will maintain a comprehensive compliance program. This program is designed to ensure, inter alia, compliance with anti-bribery laws such as the FCPA. Upon successful satisfaction of the terms set forth, the proceedings will be dismissed without further action. In addition, former US federal judge Louis Freeh will serve for three years as an independent compliance monitor; his role will include monitoring and documenting the Company's compliance program.

4.2 Broad shareholder base. Daimler continues to have a broad shareholder base of approximately 1.0 million shareholders. Shareholder numbers are still decreasing because private investors in particular are reducing their portfolios. The proportion of institutional investors increased again in 2010. 08

Aabar Investments PJSC, Abu Dhabi, holds 9.0 percent of Daimler's stock and is thus still our biggest investor. The second-largest shareholder is still the Kuwait Investment Authority with 6.9 percent of our shares. In April 2010, Daimler AG and the Renault-Nissan Alliance agreed not only on wide-ranging strategic cooperation but also on a cross-shareholding. The Renault-Nissan Alliance received a 3.1 percent equity interest in Daimler, served from our treasury shares.

As a result, the proportion of treasury shares held by Daimler fell below the disclosure threshold of 3 percent. At the end of the year, we held 221,418 treasury shares (0.02 percent).

4.3 Sustainability ratings and rankings. Our efforts to align our strategy and operations with the principle of sustainability were also honored in business year 2010 in external evaluations of our performance. However, we also had to deal with some disappointments. 07

In the ratings conducted by oekom research, Daimler once again received the status of "Prime Investment." However, this time it considerably improved its overall score to B- (on a scale of A+ to D-).

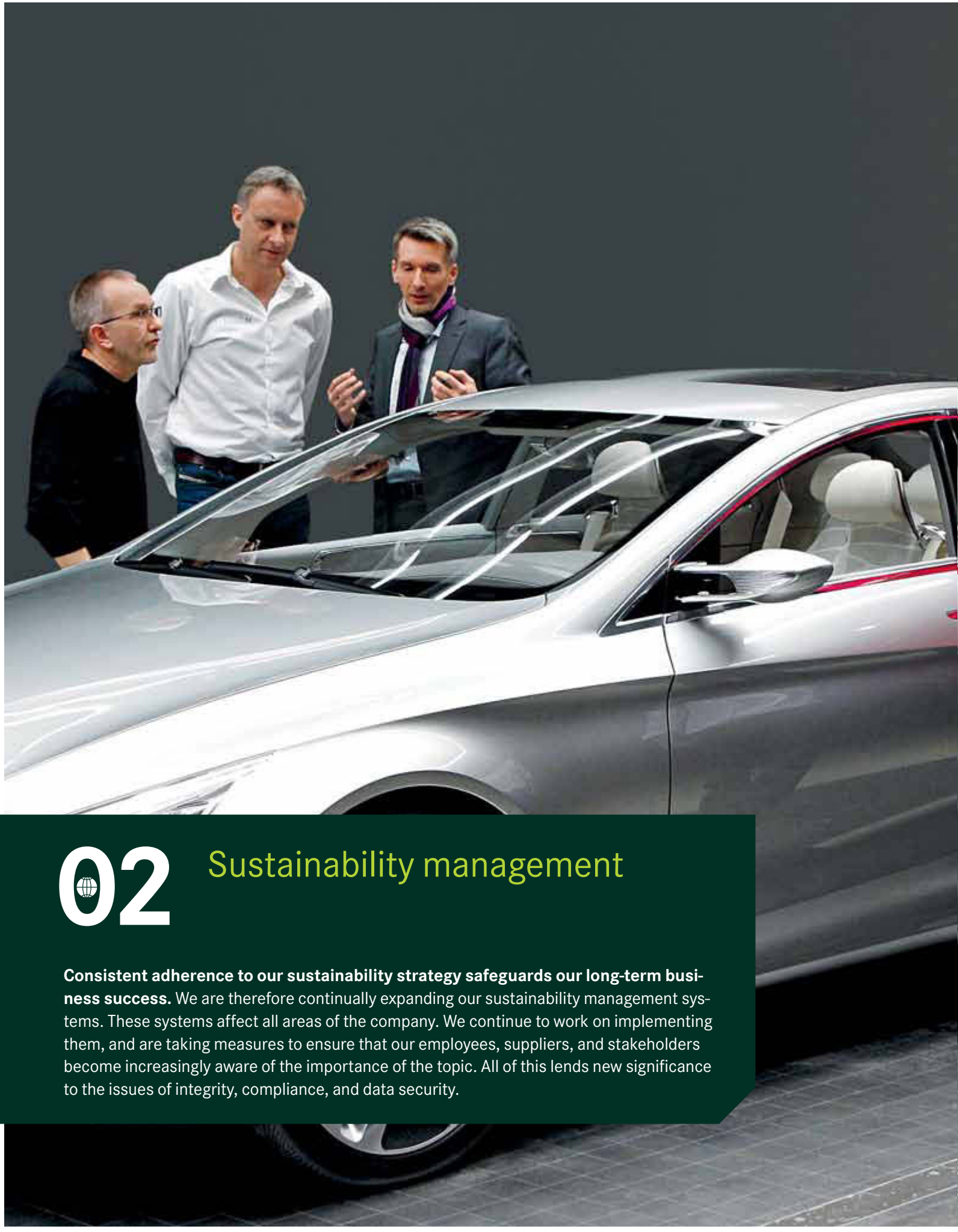
In September 2010, Sustainable Asset Management (SAM) released the results for this year's Dow Jones Sustainability Index (DJSI). In spite of an improved overall evaluation, Daimler is no longer represented in DJSI World. Previously, Daimler had been among the top five automakers in the worldwide rankings of the Dow Jones Sustainability Index for five years in a row. The total number of automakers included in the "Automobile and Parts" section of the Index was reduced. Whereas DJSI World 2009 included six automakers, in 2010 there were only three (BMW, Fiat, and VW). In addition to Daimler, Toyota and Renault were no longer included in DJSI World. The overall ratings of all the automakers are very close together; as a result, the inclusion or exclusion of individual companies were decided on the basis of only a very few percentage points.

On account of our shares in EADS, Daimler was also not represented in the FTSE4Good Index in 2010. However, it should be noted that in 2010 Daimler received favorable marks for its commitment to sustainability from the analysts at the French sustainability rating agencies Vigeo and Sustainalytics. 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.

A

More on the compliance organization:
page 30 f. and
Annual Report 2010 pages 158 f.

For further information, please enter the corresponding number into the search field at
http://sustainability.daimler.com



02 Sustainability management

Consistent adherence to our sustainability strategy safeguards our long-term business success. We are therefore continually expanding our sustainability management systems. These systems affect all areas of the company. We continue to work on implementing them, and are taking measures to ensure that our employees, suppliers, and stakeholders become increasingly aware of the importance of the topic. All of this lends new significance to the issues of integrity, compliance, and data security.

Sustainability management

1.0 Sustainability management at Daimler 29

2.0 Responsible corporate management 30
2.1 Our corporate governance structure 30
2.2 Integrity and compliance 30
2.3 Risk management system 31

3.0 Environmental management 32

4.0 Human resources management 34

5.0 Customer relations management 35

6.0 Management of political dialogue 35

7.0 Supply chain management 35
7.1 Our standards and requirements 35
7.2 Implementation and monitoring 36

8.0 Management of the dialogue with stakeholders 36
8.1 Focus on key sustainability issues 37
8.2 Internationalization of the company-wide „Sustainability Dialogue“ 37
8.3 Results of the „Sustainability Dialogue“ 2010 37

Our targets 28

All the information, downloads, and key figures associated with this report can be found online at a site that also includes an archive of previous reports:
http://sustainability.daimler.com

Our targets

Target achieved | Partial target achieved | New target

Integrity and compliance

Target Compliance training. Group-wide continuation of the training program with more than 150,000 participants and extension of training programs to business partners.
Achievements In 2010, over 111,000 staff members took part in Web-based training sessions that addressed Daimler's behavioral guidelines. More than 21,000 staff members from the various companies and units that deal with sales completed our Web-based corruption-prevention training program. A total of 140 hands-on training sessions with more than 3,500 participants were conducted worldwide. In addition, the Group's top managers completed a precisely targeted anti-corruption training program.
Target horizon end of 2011 p. 31

Target Sharpening awareness. Improving employees' knowledge of the relevant agreements and guidelines.
Achievements We designed and carried out an initial investigation. The results were analyzed – also at the unit level – and communicated Group-wide, for example in the Employee Portal.
Target horizon end of 2012 p. 30

Target Reporting system. Improvement of the reporting system and Group-wide expansion of the service spectrum of the Business Practices Office (BPO).
Achievements In the Asia and Australia-Pacific region we have expanded the range of the reporting system. We have also raised the profile of the BPO and created more transparency with regard to the reported tips concerning suspected misbehavior, while safeguarding anonymity.
Target horizon end of 2011 p. 31

Target Business partners. Optimization and expansion of the Group-wide integrity monitoring of the business partners that operate on behalf of Daimler.
Achievements In 2010 we defined and documented standard processes for new business partners. We decided on a risk matrix for evaluating business partners on the basis of country-specific and business risks.
Target horizon end of 2011 p. 30

Target Communication. Our worldwide internal communication campaign "fairplay." on integrity-related issues.
Achievements New target
Target horizon end of 2013 p. 30

Data protection

Target Data protection for employee details. Sensitization of all managers (Level 5 to Level 2) in Germany to data protection issues related to the handling of health data until 2012.
Achievements New target
Target horizon end of 2012 p. 31

Target Data protection worldwide. Development of a Group-wide awareness concept within the Daimler Group by 2015.
Achievements New target
Target horizon end of 2015 p. 31

Target Protection of customer data. Optimization of data protection in the Mercedes-Benz sales units of Daimler AG through the implementation of new national guidelines.
Achievements New target
Target horizon end of 2011 p. 31

Supplier relations management

Target Training. Improved embedding of Daimler's sustainability requirements with the help of training sessions for suppliers.
Achievements In Turkey and Brazil, Daimler has joined forces with other automakers to conduct pilot training sessions on social standards, human rights, environmental requirements, and business ethics. Turkey: two training sessions; the participants included 13 Daimler suppliers. Brazil: ten training sessions; the participants included 40 Daimler suppliers.
Target horizon end of 2013 p. 36

Target Information about suppliers. Monitoring the implementation of Daimler's sustainability requirements at the suppliers with the help of information from the suppliers.
Achievements The Daimler questionnaire was tested with suppliers all over the world; an online version of it is available.
Target horizon end of 2012 p. 36

Target Contractual stipulations. Embedding of the Daimler Sustainability Guideline in binding contractual stipulations.
Achievements The Sustainability Guideline was integrated into the Mercedes-Benz Special Terms, which applies to suppliers active in the passenger car and commercial vehicle sector in Germany. It was also integrated into the procurement conditions for suppliers of non-production materials.
Target horizon end of 2013 p. 36

Stakeholder dialogue processes

Target Stakeholder dialogue. Internationalization of the dialogue with stakeholders.
Achievements The central, globally oriented stakeholder dialogue event in Stuttgart (the „Sustainability Dialogue") was supplemented in 2010 with a regionally oriented event in China.
Target horizon end of 2014 p. 37 ff.

Sustainability strategy

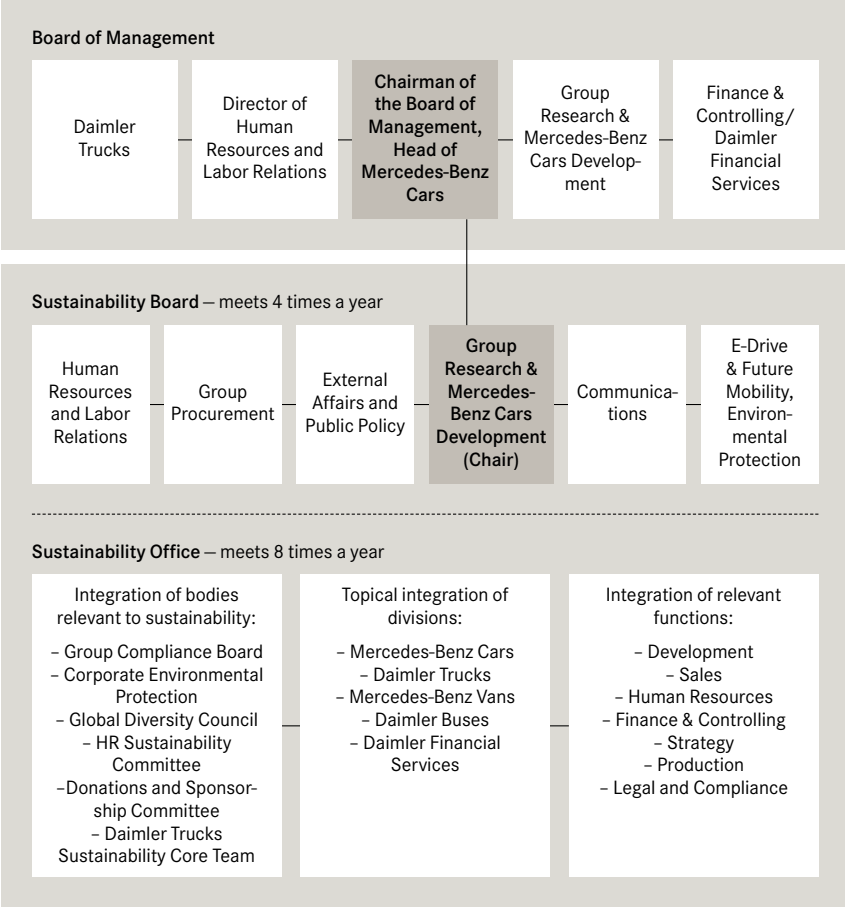
Target Strategy process. Formulation of the Group-wide Daimler sustainability strategy.
Achievements New target
Target horizon end of 2011 p. 18 ff.

Sustainability awareness

Target Communication. Strengthening employees' awareness of, and knowledge about, the Group's sustainability targets and activities.
Achievements New target
Target horizon end of 2012

You can find further information on partial targets and specific measures: **Online 200** **http://sustainability.daimler.com**

09 **Sustainability Governance Structure (as of December 31, 2010)**



1.0 Sustainability management at Daimler

Our corporate sustainability management body is the Sustainability Board, which was established in 2008 by a Board of Management resolution. This body effectively combines all management processes relevant to sustainability. The board, which is directly responsible to the CEO, coordinates key sustainability initiatives throughout the Group and supports the operating units with their implementation. The Sustainability Board is headed by a Board of Management member. Dr. Thomas Weber, the Board of Management member responsible for Group Research and Mercedes-Benz Cars Development, has been the director of the board since 2009. Dr. Weber has set a goal for the Sustainability Board stipulating that Daimler must be among the top companies in the industry with regard to sustainability issues. The board is supported by the Sustainability Office, which ensures that all relevant corporate departments, established bodies, and key decision-makers from all divisions are involved in sustainability management activities.

The Sustainability Board analyzes and evaluates Daimler's sustainability activities, prepares decision memorandums on behalf of Daimler CEO Dr. Dieter Zetsche, and supports the Board of Management by working with the Sustainability Office to provide second opinions. The board is also responsible for the annual Sustainability Dialogue event, which it coordinates.

Our various focus areas from the prior year were further addressed in 2010 by the Sustainability Board in order to structure its work and define new targets and measures. These areas include climate protection (CO_2 reduction), sustainability in supply chains, responsibility for employees, compliance, stakeholder dialogue, and community relations. One of the board's main tasks remains to dove tail and coordinate our centralized, Group-wide sustainability approach with that of our business units (and/or their brands).

In 2010, for example, we 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. In addition, the individual corporate functions and other operating units established specialized committees to organize their sustainability activities.

Our Human Resources Sustainability Committee brings together all the relevant human resources functions at the Group. The committee, which ensures the holistic implementation, controlling, and reporting of sustainability measures at Human Resources, 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 Corporate Sustainability Board.

2.0 Responsible corporate management

2.1 Our corporate governance structure. Because Daimler has its headquarters in Germany, its corporate governance system is designed in accordance with German law. The powers of our three main corporate bodies – the General Meeting, the Board of Management, and the Supervisory Board – are also defined by German stock corporation law. The law's most important aspect is the dual management system, which calls for strict separation between the management organ (the Board of Management) and the monitoring organ (the Supervisory Board).

Trading of Daimler shares on the New York Stock Exchange was discontinued in June 2010.

2.2 Integrity and compliance. For Daimler, compliance means that our activities must adhere to all the relevant laws, regulations, and rules, as well as the applicable internal guidelines. Our corporate value of Integrity forms the basis of all our compliance activities. We know that a sustainable culture of integrity can only be established if everyone at the company assumes full responsibility for his or her actions.

Business integrity and sustainable growth are closely linked because a community of values also generates a community of value creation in the long run. That's why we seek to create a global corporate culture that not only complies with legal requirements but also lives up to the highest ethical standards. To this end, the Supervisory Board decided to establish a new Board of Management position for "Integrity and Legal" in the third quarter of 2010. A

We have also introduced extensive communication and training measures to ensure that our employees, suppliers, and contractual partners are fully committed to our corporate value of "Integrity." In addition, we have firmly incorporated processes into our human resources organization that assure clear rules for all employees.

For example, newly hired staff members are given a "Welcome Package" outlining our rules of behavior, and periodic Web-based training sessions continually update their knowledge of key issues. We also conduct compliance checks on employees set for assignment to positions that involve business in countries with a high level of corruption. Our vigilance is further enhanced through targeted rotations and the temporary assignment of employees to compliance functions.

Beyond that, we have made integrity a component of our goal agreements, manager assessment criteria, and variable remuneration system, thereby ensuring that this issue is always taken into consideration. Violations of our policies are subject to sanctions in line with the applicable labor laws. Also very important are extensive internal communication activities on the topic and our regular discussions of integrity-related issues at events held for managers, employees, and business partners.

Compliance risk management. We expanded our systematic risk assessment activities in 2010. We analyzed all Group companies and all Daimler corporate departments in terms of the risk of corruption, after which each company/department was assigned a risk classification. Key risk assessment criteria include business activities, the business environment, and country-specific parameters as laid out in Transparency International's Corruption Perceptions Index. Workshops are also held with business unit directors in order to evaluate additional qualitative risk aspects. All of these activities will permanently increase the transparency of corruption risks throughout the Group.

Risk assessment is used as the basis of the subsequent implementation of corruption prevention programs tailored to the specific risk classifications of Group companies and corporate functions. Corporate Compliance Operations (CCO) is responsible for defining the annual anticorruption program at the Group level and assisting with its global implementation.

About 90 local compliance managers monitor more than 180 Group companies and business units on site. They support the local management teams in their efforts to ensure compliance with anticorruption guidelines, and also regularly submit reports to executives at both the business units and Group headquarters.

We have also established standardized control systems at 72 sales companies and business units that help ensure integrity and proper behavior in line with the relevant guidelines. The effectiveness of the controls is evaluated by the companies each year using standardized assessment procedures, and is also the subject of internal audits. To minimize corruption risks even further, we are expanding the existing standard process for examining our business relations with public agencies and those customers with close ties to governments in countries with a high risk of corruption.

Integrity is a key condition for partnerships based on trust, which is why we expect our business partners to act in full accordance with all regulations. Those who act on behalf of Daimler must meet the highest ethical standards. To minimize corruption risks, we conduct a risk-based integrity evaluation of all business partners that support Daimler sales. We also sign contractual agree-

ments with these partners that make clear our expectations regarding proper behavior.

Compliance cannot be delegated. Because they serve as role models and primary contact persons for their employees, managers bear special responsibility for ensuring correct behavior. Our personnel development proc-ess therefore emphasizes the importance of compliance. Only those employees who consistently obey the rules are allowed to take on greater responsibility. We set firm compliance targets for managing directors, financial and sales directors, and aftersales managers, and we also plan to link the variable management remuneration component even more closely to compliance criteria in the future.

A greater number of employees participated in our compliance training programs in 2010, when over 111,000 staff members took part in online training sessions on the Daimler Integrity Code. Along with corruption prevention topics, the seminars addressed environmental protection, respect of human rights, conflicts of interest, and proper behavior in public. More than 21,000 staff members from the various companies and units involved in sales also completed our Web-based corruption-prevention training program in 2010. The program was supplemented by more than 140 on-site training sessions that attracted over 3,500 participants.

The Compliance Consultation Desk responds to questions about corruption prevention. The most frequently asked questions and answers compiled from years of compliance consultation are also available in structured form in an online database. Employees and external partners from around the world can report suspected misconduct to the Business Practices Office at any time. Confidentiality is guaranteed, and reports can be submitted anonymously. The protection of whistleblowers is governed by binding rules. B C

Data protection. Data protection is very important to the public, and this issue was highlighted in 2010 by online services such as Google Street View and the increased utilization of social networks such as Facebook. In this connection we are experiencing a far-ranging cultural transformation whose consequences can now cause even behavior that is within the law to trigger negative reactions if it deviates from the new values. Companies around the globe are now obligated to meet new legal requirements for data protection and information security, and they must also address the ongoing cultural transformation.

Daimler has established binding protection guidelines for the processing of data pertaining to employees, customers, and partners, thereby creating a globally uniform data security standard for the Group. These guidelines correspond to regulations contained in the European Data Protection Directive, as well as to the principles of other national and international data security laws. They thus apply the requirements of such legislation to our daily business operations. New regulations need to be developed for issues related to social networks. Questions related to data protection are also arising due to the increasing number of electronic systems in automobiles. In view of this situation, we implemented important measures to improve data security in vehicle development in 2010.

The number of inquiries and complaints is low compared to the number of individuals potentially affected. In 2010 the Group investigated incidents reported in the prior year and altered specific processes to ensure that such incidents do not recur. We take these incidents seriously as indicators of possible risks to the company, and we improve the relevant processes as needed.

The company needs to create a framework that allows each employee to meet the data protection requirements. These days, data security is not just a management issue; it also presents a challenge to virtually every employee. Daimler insists on strict adherence to its data protection guidelines because we are aware of the risks posed by actual or supposed violations of data security regulations. Supported by a global network of local data protection coordinators, the Group's Chief Data Protection Officer ensures that all guidelines are adhered to. In order to further raise awareness of data privacy issues at the company, and to assess more effectively the risks associated with the use of personal data, we have also stepped up measures to sensitize employees to this topic and ensure that they are properly informed.

2.3 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. 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-related risks, and risks to the company's reputation.

Our risk management system is an integral part of the overall planning, controlling, and reporting process performed at all the relevant legal entities and corporate functions. For us, active risk management means identifying risks at an early stage, assessing their significance, and consistently addressing them. The basis of this approach is a risk management manual that describes the methodological and procedural framework of risk management at Daimler in detail.

A
More about our new corporate function for "Integrity and Legal": **Page 23**

B
More about the Business Practices Office: **Online 201**

C
Further information on our compliance with competition law: **Online 202**

For further information, please enter the corresponding number into the search field at **http://sustainability.daimler.com**

Over 111,000

participants in compliance programs in 2010

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

- economic and social/political risks (e.g. risks due to economic developments in the core markets or changes in the price of raw materials);
- sector and company-specific risks in the areas of development, procurement, production, sales, and associated legal risks (e.g. risks regarding product quality, risks resulting from legal and political conditions such as environmental legislation etc., risks due to unforeseeable events, environmental risks associated with products or production methods, legal risks);
- financial market risks (including fluctuating exchange rates, interest rates, and share prices);
- compliance-related risks such as those associated with violations of existing regulations (e.g. insider trading, violations of occupational safety requirements or data and IT security laws, corruption, embezzlement).

The company also examines and qualitatively assesses reputation risks that can damage its image.

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. Their duties include the systematic integration of environmental protection features that cover the complete life cycles of our vehicles – from development and production to recycling. The goal here is 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 communication, and behavior in decision-making processes.

Organization and responsibility. The Group Risk Management Committee (GRMC) 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 work properly and, if necessary, makes required adjustments. The GRMC has also established an information platform that provides an overview of key risks, simplifies risk identification, and supports the sharing of relevant information.

The Corporate Auditing department. The risk management system helps the Board of Management to identify key risks at an early stage and initiate suitable countermeasures. The Corporate Auditing department supports the Board of Management in monitoring the various functions and divisions at our company. The department and the auditors of our Consolidated Financial Statement continually monitor not only our integrated early warning system for risks but also 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 improve management quality. As part of its review activities, the department informs the Board of Management, the Audit Committee, and the auditors for our Consolidated Financial Statement of its conclusions, suggestions for improvement, and the extent to which the proposals have been implemented. In addition, the department utilizes the results of risk management reporting at Daimler AG to develop risk assessments.

3.0 Environmental management

We take a preventive approach to environmental protection that systematically takes into account all the stages of the vehicle manufacturing process, as well as the complete product life cycle – from development to recycling. The basic principles for this are formulated in our Environmental Guidelines, which are valid throughout the Group:

- We address the environmental challenges of the future by working continuously to improve the environmental performance of our products and operations.
- We develop products that are exceptionally ecologically sound within their respective market segments.
- We plan all stages of manufacturing to ensure optimal environmental protection.
- We offer our customers ecologically oriented services and information.
- We strive to achieve exemplary environmental performance worldwide.
- We provide our employees and the public with comprehensive information about environmental protection.

We have developed clear structures, processes, and areas of responsibility in order to pursue our environmental targets and make specific improvements. A

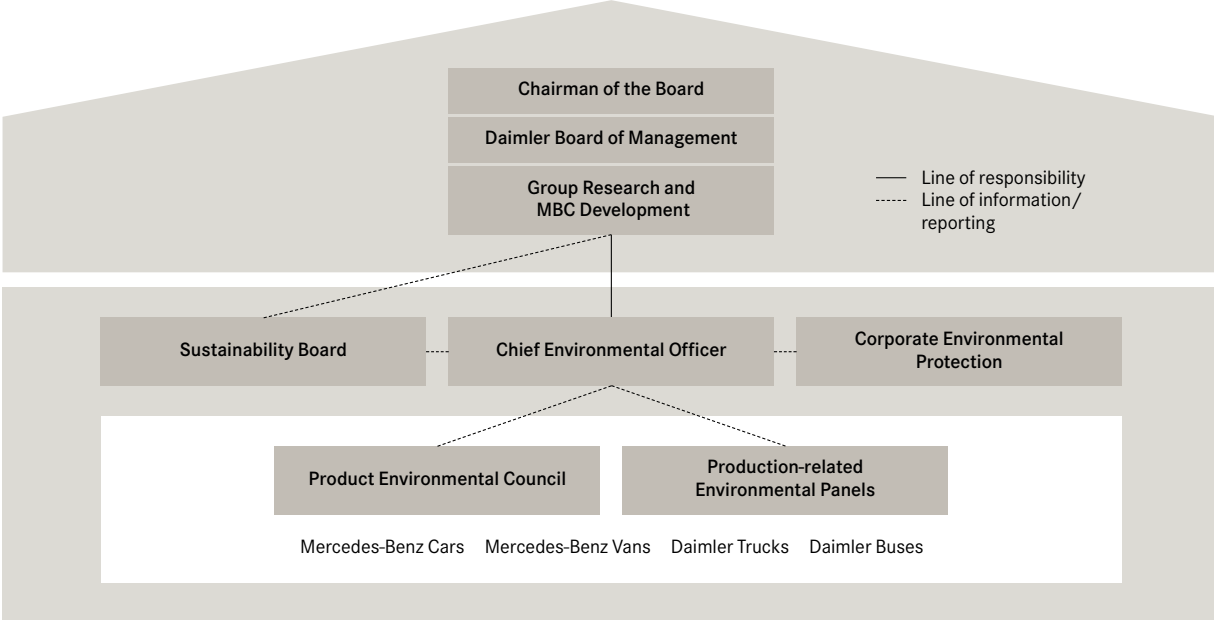
Our environmental organization. On behalf of the Daimler Board of Management, the Board member responsible for Group Research and Mercedes-Benz Cars Development is also charged with the company's environmental protection activities. In addition, the following four functions or organizational units are responsible for the central management of environmental issues, as well as cross-unit networking and the communication of activities:

A

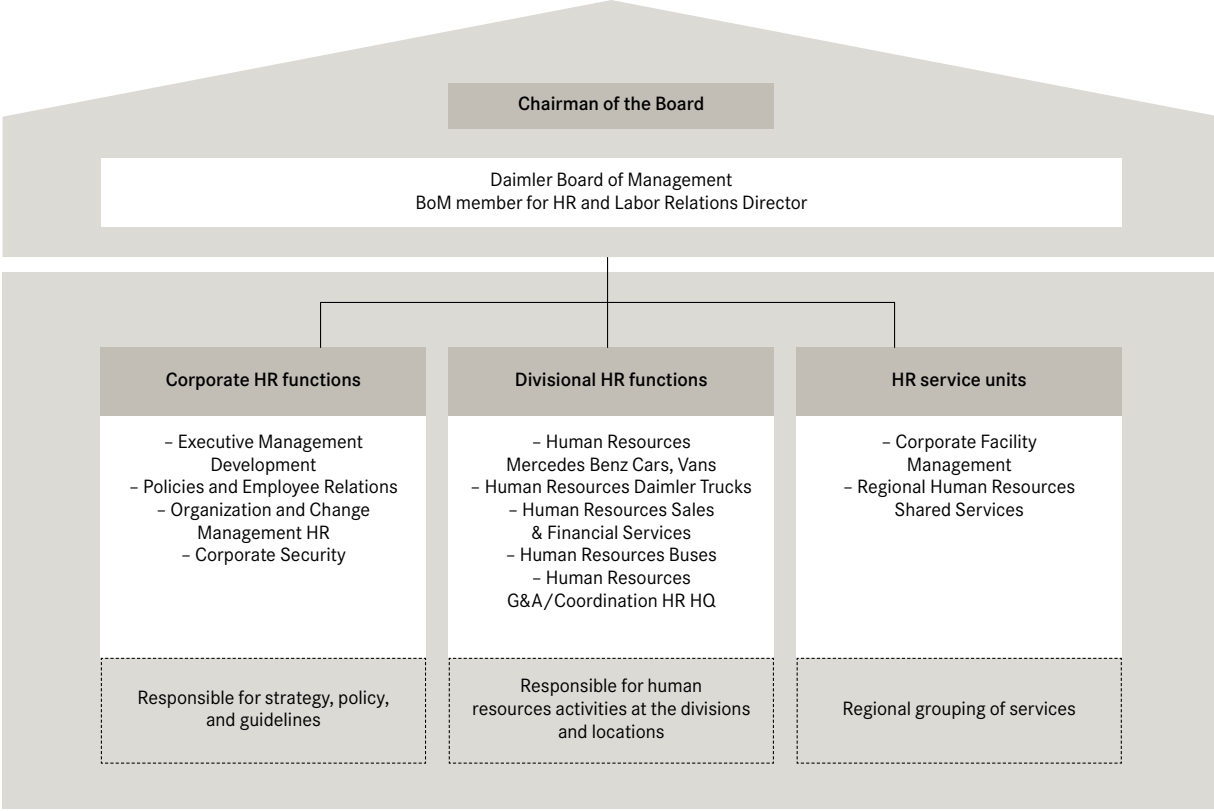
The Group's complete Environmental Guidelines:
Online 203

For further information, please enter the corresponding number into the search field at
http://sustainability.daimler.com

10 Corporate environmental protection organization



11 HR management scheme – integrated HR functions



- A Chief Environmental Officer has been appointed to coordinate environmental management throughout the Group. 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 and implementing the legal requirements, defining and refining environmental standards, ensuring regular 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 environmental protection measures and projects.
- Various regional committees monitor production-related environmental protection measures together with the Corporate Environmental Protection unit and the Chief Environmental Officer.

Production-related environmental management. The certification of our sites around the world in line with the international environmental standard ISO 14001, and the additional validation of our German locations by the EU's Eco-Management and Audit Scheme (EMAS), are important elements of our environmental management system. The efficacy of our system is regularly audited by internal and external experts. In order to integrate environmental protection tasks into the processes at the respective units even more closely, we are working to merge the management systems for quality, environmental protection, and occupational safety into a single system. Today more than 98 percent of our employees worldwide work at facilities whose environmental management systems have been certified.

We are also using local environmental risk assessments to identify environmental risks in line with uniform worldwide standards, reduce such risks, and thus improve our preventive measures for environmental protection. This involves the systematic monitoring and assessment of a location's environmental management system and relevant parameters such as atmospheric emissions, wastewater treatment, waste management, the handling of hazardous materials, and contamination of soil and groundwater. The elimination of all identified risks to the environment is one of the goals agreed upon by the Board of Management and the plant managers. A

Environmental management in product development. Vehicle development is a standardized process in which vehicle specifications and quality gates (milestones in the development process) form the basic cornerstones. The environmental effects and requirements of our vehicles (in terms of fuel economy, emissions, environmental performance, and materials and recycling) are integral elements of all our specifications and are also taken into account throughout the entire product creation process.

Mercedes-Benz Cars meets all the requirements that are stipulated by ISO 14001 and EMAS, and its product development processes fully comply with the international ISO TR 14062 environmental standard and the expanded criteria that have been defined by TÜV Management Service GmbH. B

Environmental education. Progress with the company's environmental protection activities is only possible if all employees contribute to the effort. This is why we organize 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.

4.0 Human resources management

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 Labor Relations Director, oversees human resources operations throughout the Group. Human resources tasks are divided among three areas: corporate functions responsible for personnel strategy, policies, and guidelines at the Group; divisional human resources functions that manage HR activities at the divisions and various locations and are responsible for the implementation of HR strategy; and service units that provide regionally based HR services. 11

Our strategy. Daimler pursues a global human resources strategy that is in line with its corporate goals and the principles of sustainability. It is based on five pillars: profitability, a competitive workforce, future-oriented managerial expertise, a high level of attractiveness as an employer, and a professional organization that focuses on principles of sustainability. Our strategy also includes business unit-specific sustainability targets, such as those for promoting equality of opportu-

nity and addressing demographic changes. Implementation is assured by cascading the strategic targets through the annual goal agreement process. C

Our success indicators. 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 the 17 current 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 human resources processes and measures at the Group level and the divisions, both in general terms and with regard to sustainability. This creates transparency, and the effect is enhanced through a best-practice sharing system that generates momentum for continual improvement. The KPIs include the Employee Commitment and Qualification Index and the number of women in management positions. D

5.0 Customer relations management

Customer satisfaction is a top priority at Daimler. This applies to our products, sales and servicing activities, financing, insurance, and other services. Customer appreciation is therefore extremely important to us. 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. All of our business units have therefore developed within the framework of their Customer Relationship Management (CRM) systems strategies and programs that are tailored to the needs of their customers. These strategies and programs include practical guidelines and recommendations for dealing with customers at the point of sale, as well as targeted training programs for staff members who have contact with customers.

We regularly measure customer satisfaction through internal studies conducted at the dealership level and in external surveys that reveal our position compared to our competitors at the national level. The results tell us where our customers think we can improve and which aspects are particularly important to them.

These aspects include product and service quality as well as consumer protection topics such as those related to the handling of complaints and the use of personal data. These issues are therefore important to us as we work to further improve customer satisfaction. We also conduct specialized surveys and stakeholder discussions to obtain information about special customer requirements such as those related to individuals whose mobility is restricted. E

6.0 Management of political dialogue

The External Affairs and Public Policy department in Stuttgart is the central coordinating office for dialogue with political decision-makers. The department has field offices in Berlin, Brussels, Moscow, Beijing, Tokyo, and Washington, and is also present at more than 30 other Daimler corporate representation offices in key markets.

We set great store by standardized communication with political decision-makers. Our communication activities must comply with current legal stipulations and with our standards for responsible lobbying procedures. The top priority is to pursue the interests of our company in an ethically sound manner, while also taking into account the interests of our stakeholders.

This includes remaining 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. F G

7.0 Supply chain management

Procurement activities at Daimler 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 Daimler locations worldwide. The goal of procurement at Daimler is to create an effective global supplier network that contributes to the company's business success.

7.1 Our standards and requirements. We seek to achieve sustained and efficient cooperation with our suppliers in a system marked by agreement on mutual expectations and obligations. The aspects we consider important include:

- Clearly defined performance criteria (quality, technology, costs, delivery reliability);
- the values of fairness, reliability, and credibility;
- sustainability standards that we have formulated in our supplier guidelines.

A
Information on the environmental impact of our production processes and the associated environmental protection measures:
Page 56 ff.

B
Information on the environmental impact of our products and our associated measures:
Page 40 ff.

C
More about our main human resources issues and activities:
Page 64 ff.

D
Overview of our factors for success and our key performance indicators:
Online 204

E
More information on our commitment to customers and our consumer protection measures:
Page 53 ff.

F
Our contributions to political parties in 2010:
Page 80

G
Information on the issues addressed in our dialogue with political decision-makers:
Online 205

For further information, please enter the corresponding number into the search field at
http://sustainability.daimler.com

Successful sustainability pilot training programs in the supply chain

In May 2010 we offered our first sustainability pilot training programs for suppliers in Turkey in cooperation with Ford, General Motors, Renault, and Toyota. The training sessions were organized by the Automotive Industry Action Group (AIAG), an American association that is dedicated to standardization activities in the automotive industry. The joint approach of various manufacturers and suppliers boosts efficiency and makes it clear to suppliers that automakers assign a high priority to this issue.

The training program in Turkey focused on working conditions, environmental standards, and the associated demands that are placed on management systems. A Turkish attorney provided information about the Turkish laws relevant to these areas. Approximately 140 suppliers participated in the training program, including 13 Daimler suppliers for Procurement Trucks and Buses (PTB) and International Procurement Services (IPS). "The participants were very interested and the response was positive across the board," said Celil Kayserilioglu, head of Procurement Trucks & Buses Turkey.

All of the suppliers agreed that the results of the training program will impact the business operations of their companies and subcontractors. Sustainability thus also becomes an issue for smaller companies along the supply chain. The majority of the participants were in favor of regular training sessions so that sustainable activities can be jointly promoted. In response to the successful initiative in Turkey, Daimler cooperated with other automakers to also offer pilot training programs in Brazil in the fall of 2010. The approximately 500 participating companies included about 40 suppliers of Mercedes-Benz. Beginning in 2011, we plan to run such training courses specifically for suppliers in high-risk countries.

The Daimler Supplier Network (DSN) has defined the Daimler procurement business philosophy as "Commitment to Excellence." The main principles of this philosophy are performance and partnership. Supplier performance is measured with the help of the External Balanced Scorecard, which evaluates quality, technology, costs, and delivery reliability, while partnership is assessed in terms of fairness, reliability, and credibility.

Principle of sustainability. Our expectations regarding ecological, social, and business ethics issues are formulated in our Sustainability Guidelines for Suppliers. At the end of 2010, these guidelines were made a binding element of the Mercedes-Benz Special Terms and the General Conditions of Procurement that apply to the majority of our suppliers. Additional individual agreements are now being gradually adapted worldwide. Sustainability and compliance are also part of the compulsory program for new employees. A

Consistent application of sustainability standards in the supply chain is also very important for maintaining our company's reputation. For this reason, it's also the subject of extensive discussions with our stakeholders at events like the Daimler Sustainability Dialogue. We maintain contact with our competitors as well in an effort to jointly promote the development of more uniform standards (see "Successful sustainability pilot training programs in the supply chain"). B

7.2 Implementation and monitoring. We utilize a variety of instruments to support and monitor the implementation of our sustainability measures. These include training programs as well as dialogue and communication. In 2010 we introduced supplier sustainability self-assessments and training programs as pilot projects (see "Successful sustainability pilot training programs in the supply chain"). Both measures proved effective and will be launched as standard instruments in 2011.

We conducted country and product group-based risk analyses to ensure that our suppliers remain in compliance with our sustainability standards and that we can train them accordingly. Beginning in 2011, suppliers identified in our risk analyses will be required to fill out an online questionnaire that provides information on how well they meet our sustainability requirements. An audit or training measure can then be implemented, depending on the results of the sustainability self-assessment. We also reserve the right to take further measures if serious violations occur.

8.0 Management of the dialogue with stakeholders

Our business activities affect the interests of many people and take place within frameworks that differ accord-

ing to country and region. We can thus only do business sustainably if we engage in dialogue with the various groups our company impacts, exchange information with them, address controversial topics without preconditions, and jointly search for solutions that bring us closer to a society that effectively deals with the challenges of the future. Dialogue with our stakeholders is a key element of our sustainability strategy.

Our most important stakeholders are customers, employees, investors, suppliers, associations, non-governmental organizations (NGOs), the scientific community, national and local governments, local residents, and neighbors. Our main 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. The identification of stakeholders is linked to the definition of issue clusters that are highly relevant to sustainability from the point of view of both our company and its stakeholders. The Group has units and contact persons that are responsible for these key dialogue issues – e.g. Investor Relations, Corporate Environmental Protection, Human Resources, the procurement organization, External Affairs and Public Policy, and Communications. C

8.1 Focus on key sustainability issues. Over the last few years, we have consolidated the stakeholder dialogue on sustainability into five issue clusters considered to be particularly important for our company from both an internal and external point of view: Environment, Employees, Human Rights, Responsibility in the Supply Chain, and Community Relations. We have defined different main themes within these clusters.

The relevant corporate units and departments utilize the dialogue on the topics in these clusters as a vehicle for sharing information and incorporating external experts into discussions that address specific sustainability questions. To ensure the continual inclusion of our stakeholders in our ongoing dialogue, we

- conduct surveys and studies (e.g. customer satisfaction studies, employee surveys, qualitative stakeholder surveys, surveys of readers of this report);
- work in organizations and sustainability initiatives (e.g. the UN Global Compact, the German Business Ethics Network, ISO 26000 standardization bodies);
- maintain direct personal contact with external experts, for example in working groups that meet on a regular basis.

The umbrella event for the institutionalized dialogue is the annual Daimler "Sustainability Dialogue" in Stuttgart, which was established in 2008. This forum, which is coordinated by the Sustainability Board and Office, brings together representatives from politics, associations, scientific institutes, and NGOs with executives from our company. The express aim of the forum is to engage in a dialogue with critical interest groups in particular so that we can learn from one another and find practical solutions together.

Where possible, we incorporate the knowledge gained and agreements reached in our varied dialogue activities into specific measures and targets for our business operations. Here we employ materiality analyses to weight and prioritize the relevant topics, and in this sense our Sustainability Report reflects the issues that are at the top of the agenda in our stakeholder discussions. The valuable input we regularly receive through our events reinforces our determination to intensify stakeholder dialogue on the international level as well in the future.

8.2 Internationalization of the company-wide "Sustainability Dialogue". We will continue the "Sustainability Dialogue" in Germany in the future and supplement it with similar dialogue forums in additional regions. To this end, Daimler staged the first "Daimler Sustainability Forum – Ethical Standards and Corporate Responsibility" at the United Nations Pavilion at the Expo Center in Shanghai in 2010.

This and other events in the future, some of which will have a regional focus, will improve our understanding of specific sustainability requirements in different nations and regions and enable us to adjust our activities accordingly. These events also offer us the opportunity to present our views on responsible corporate management in direct personal discussions. D

8.3 Results of the "Sustainability Dialogue 2010". In November 2010 we once again invited more than 130 internal and external specialists to our central dialogue forum in Stuttgart for the third annual "Sustainability Dialogue". Three members of the Daimler Board of Management also attended the event, in which issue-specific working groups addressed selected sustainability topics, thus continuing the stakeholder discussions that had taken place throughout the year.

Here is a brief overview of the discussion results from this year's "Sustainability Dialogue":

Environment. Key topics addressed included "Electric Mobility – Core Issues Related to Renewable Electricity" and "Sustainable Mobility Services and Systems." The participants agreed to study and jointly evaluate various concepts for providing additional "green electricity for electric mobility" along the chain that stretches from power generation, electricity trading systems, and certification to vehicle manufacturers and customers.

With regard to sustainable mobility concepts, we plan to examine possibilities for diversifying and expanding the

A
Further information and the complete text of our Sustainability Guidelines:
Online 206

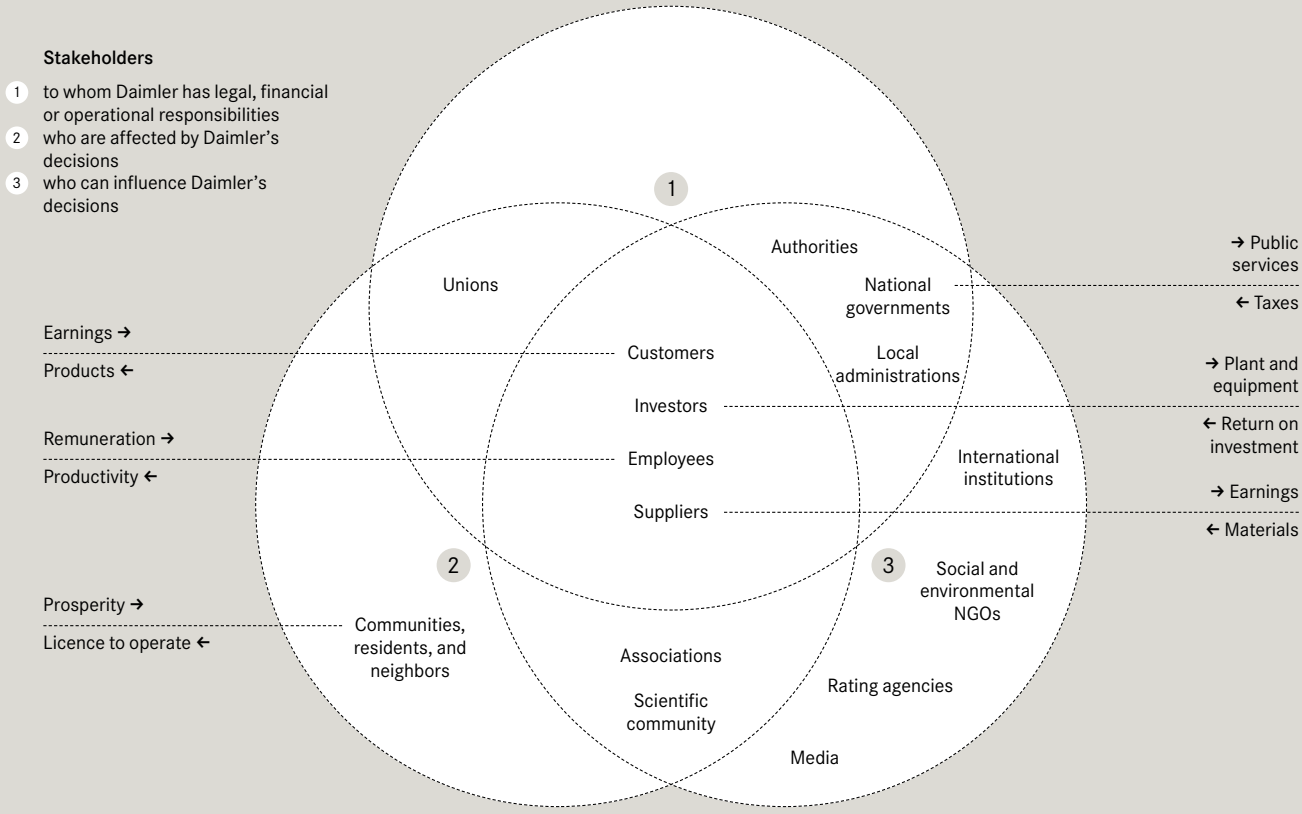
B
More about the Daimler "Sustainability Dialogue":
Page 37

C
Selection of important member organizations and interest groups:
Online 207

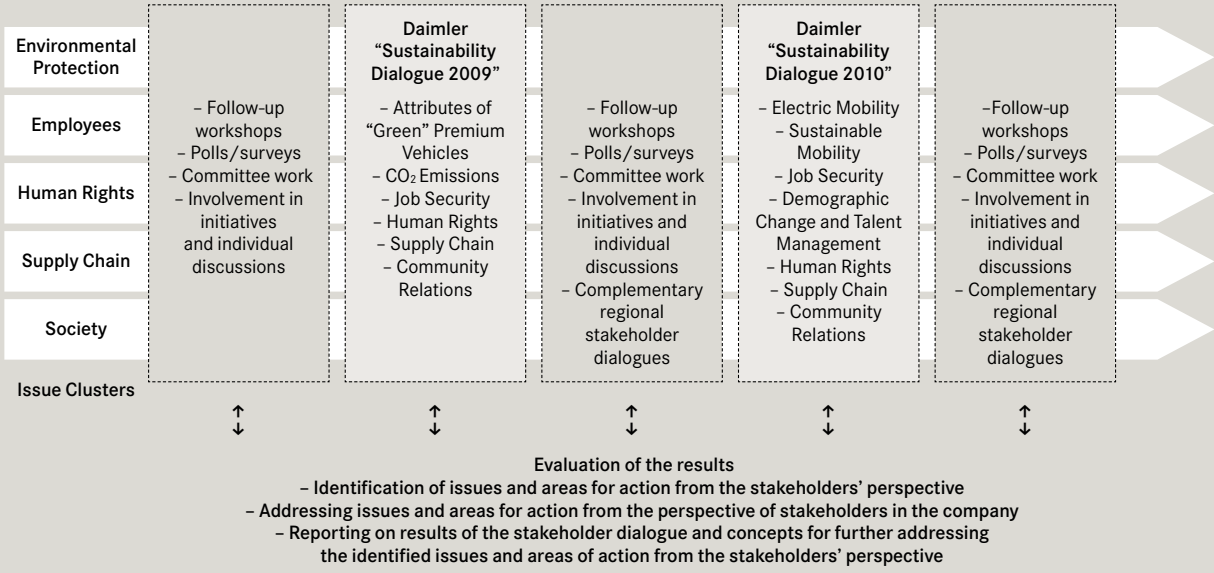
D
More about the stakeholder dialogue at our locations:
Online 208

For further information, please enter the corresponding number into the search field at
http://sustainability.daimler.com

12 Stakeholder groups



13 Stakeholder dialogue at Daimler



car2go (already in operation) and car2gether (currently being tested) mobility services, while also analyzing their environmental impact. Other topics addressed in individual discussions with environmental stakeholders outside the central dialogue forum included climate protection, air quality, and noise abatement.

Employees. The working group discussed the implications of viewing integrity as a core issue in the area of human resources. Participants of the discussion on "Crisis and Job Security" agreed that flexibility is one of the keys to overcoming potential crisis situations in the future as well. In this sense, it is crucial that flexible instruments be further developed in cooperation with labor representatives, the German Federal Employment Agency, and universities. The participants also jointly defined a "PRE SAFE MODE" and a "flexibility toolbox" that will enable us to implement a more rapid response to crisis situations.

Stakeholders addressing the topic of "Demographic Change" backed the company's plan to expand the scope of the HR Management project that was presented at the event. Other locations are now to introduce the project, which has been implemented at the Bremen plant. Participants of the "Diversity and Talent Management" discussion praised our current corporate programs, some of which are quite ambitious. This motivates us to continue promoting a corporate culture that appreciates diversity and to communicate this attitude to the general public as well.

Human Rights. Daimler has reiterated its commitment to human rights as laid out in the UN Global Compact, and in particular in accordance with the "Protect, Respect and Remedy" concept formulated by Prof. John Ruggie. This concept is now being discussed at many levels of the company as a suitable approach for improving compliance with human rights. On this basis the participants reviewed the commitment to human rights in critical markets as well as possible investment and divestment strategies.

Internal and external participants agreed that Daimler should take on a leading role with regard to human rights and the dialogue with relevant institutions. The Group's Egyptian subsidiary was used as an example of how our company can influence human rights issues. Important human rights topics were identified and possible initiatives were discussed.

Supply Chain. The Supply Chain working group brought together suppliers, NGOs, and Daimler procurement managers for a discussion of suitable measures for supporting and monitoring business partners. They also addressed various options for taking action when sustainability principles are violated. Participants cited as key success factors close cooperation, the greatest possible transparency, and direct communication between Daimler, suppliers, and NGOs.

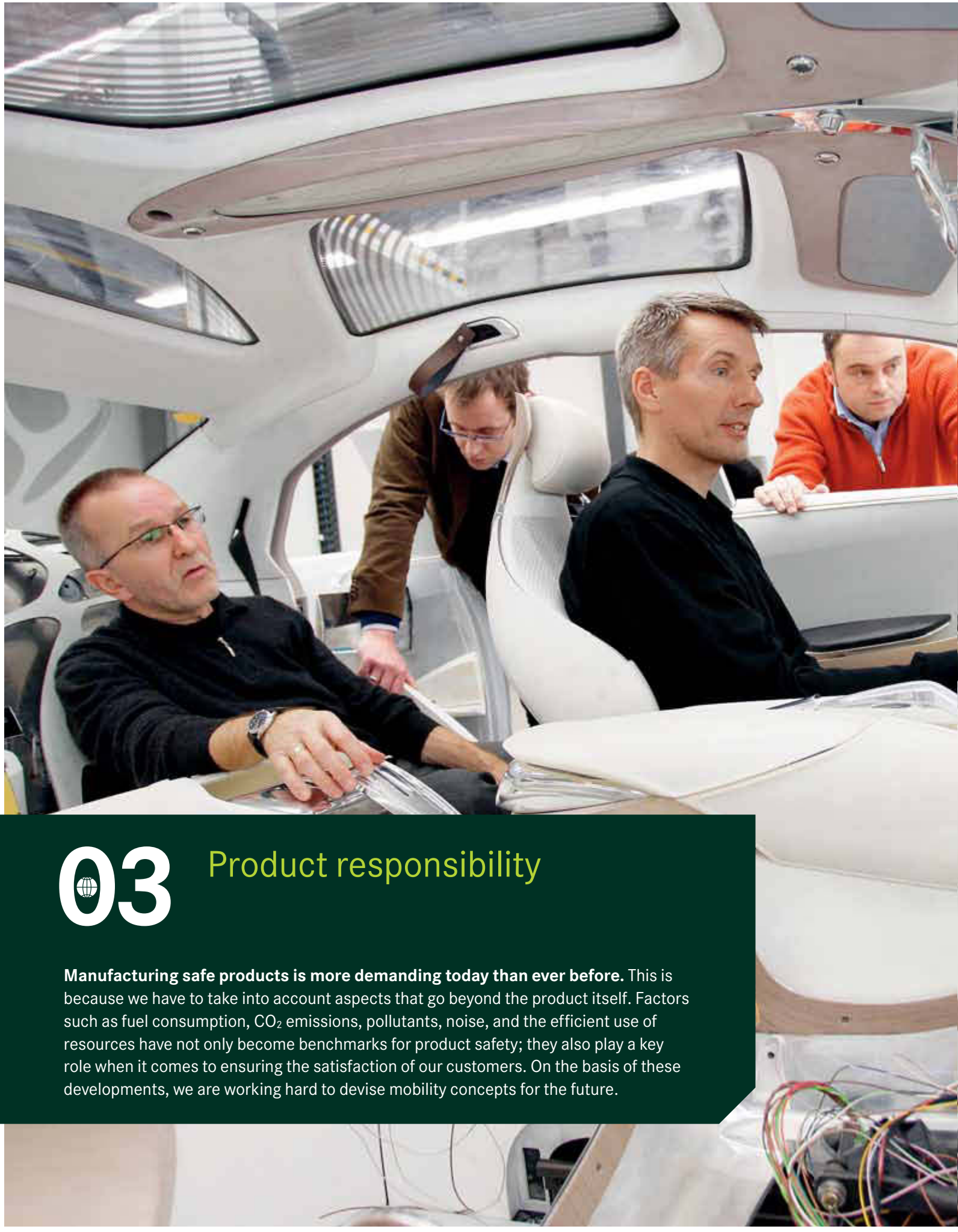
The group also agreed that uniform industry standards and instruments urgently need to be developed and implemented. Other key aspects included the idea that while sustainability standards need to be globally valid, cultural and country-specific conditions nevertheless have to be taken into account when they are implemented so as to ensure permanent adherence and internalization.

Community Relations. Our objective for Community Relations is to promote Group-wide employee involvement in charitable causes through a corporate volunteering program that will become a firm component of our sustainability strategy.

The workshop results will be incorporated into a concept development process. The working group participants agreed with us that our corporate volunteering program should focus on the following areas: transferring knowledge between our company and the social institutions and facilities where we operate; creating opportunities to achieve a change in points of view through the sharing of ideas; promoting a culture that recognizes the volunteer work of our employees; and ensuring that we act as a good neighbor at all of our locations.

Over 130

internal and external experts at the "Sustainability Dialogue" in 2010



03 Product responsibility

Manufacturing safe products is more demanding today than ever before. This is because we have to take into account aspects that go beyond the product itself. Factors such as fuel consumption, CO_2 emissions, pollutants, noise, and the efficient use of resources have not only become benchmarks for product safety; they also play a key role when it comes to ensuring the satisfaction of our customers. On the basis of these developments, we are working hard to devise mobility concepts for the future.

Product responsibility

1.0 Our objective 43

2.0 Drive technologies 43
2.1 Our strategy for achieving sustainable mobility 43
2.2 Element 1: Optimization of the combustion engine 43
2.3 Element 2: Hybridization 43
2.4 Element 3: Emission-free driving 44

3.0 Fuels of the future 45
3.1 Our fuel road map 45

4.0 Product use 46
4.1 Fuel consumption and CO_2 emissions 46
4.2 Airborne emissions 48
4.3 Noise 49

5.0 Vehicle and road safety 49
5.1 Our Road to Accident-free Driving 49
5.2 New vehicle safety systems 49
5.3 Road safety 50

6.0 Mobility concepts and services 52

7.0 Environmentally responsible product development 52

8.0 Recycling 53

9.0 Customer focus and consumer protection 53

Our targets 42
Interview with Prof. Herbert Kohler 50
Interview with Dr. Joachim Schmidt 55

You can find all of the key figures as well as more in-depth information on this chapter in our interactive online report.
http://sustainability.daimler.com

Our targets

Target achieved | Partial target achieved | New target

Fuel consumption and CO_2 emissions

Target CO_2 emissions from passenger cars. Reduction of CO_2 emissions (NEDC) generated by the new-vehicle fleet in Europe to less than 140 g CO_2/km by 2012 and to 125 g CO_2/km by 2016. This represents a 21 percent reduction in CO_2 emissions over the five-year period 2007 to 2012 and a reduction of around 30 percent between 2007 and 2016. We will make further substantial reductions to CO_2 emissions by 2020. We will not be able to give concrete targets for this period until various unresolved regulatory and political issues (e.g. framework conditions for e-mobility, test cycle) have been clarified.
Achievements The average emissions of the total MBC fleet in Europe in 2010 amounted to 158 g CO_2/km.
Target horizon end of 2012 // 2016 p. 46-47

Target CO_2 emissions from light commercial vehicles. Reduction of the CO_2 emissions generated by the new-vehicle fleet in Europe by 10 percent by 2014 as compared to the 2010 level.
Achievements New target
Target horizon end of 2014 p. 46-47

Target Reduction of fuel consumption by heavy-duty commercial vehicles. Reduction of the fuel consumption of N3 trucks in Europe by an average 20 percent per ton-kilometer by 2020 compared to the base year of 2005 (Euro III vehicles).
Achievements A reduction of approximately 8 percent for long-distance trucks compared to the base year was achieved by 2010.
Target horizon end of 2020 p. 47-48

Pollutant emissions

Target The Euro 6 standard for passenger 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.
Achievements A total of 0.6 percent of the Mercedes-Benz passenger cars sold in Europe in 2010 already complied with the Euro 6 standard. More than 87 percent of the cars sold in Europe in 2010 complied with the Euro 5 standard that went into force for all new vehicles on January 1, 2011.
Target horizon end of 2014 p. 48-49

Target EEV engines for light commercial vehicles. Introduction of EEV engines (parallel to Euro 5) 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, provided there is sufficient market demand.
Achievements New target
Target horizon from 2013 p. 49

Target 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.
Achievements New target
Target horizon end of 2011 p. 49

Target Euro VI for heavy-duty commercial vehicle. Euro VI type approval for 30 percent of Daimler commercial vehicles (buses, trucks, and semitrailers) in Europe by the end of 2013, on the condition that this plan is supported by the relevant political decisions.
Achievements New target
Target horizon end of 2013 p. 49

Product safety

Target Safety for passenger cars. Achieving a five-star rating for each new production series even after the Euro NCAP requirements become much stricter, starting with Phase 3 in 2012.
Achievements New target
Target horizon from 2012 p. 49-50

Target Assistance systems for heavy-duty commercial vehicles. Successive increases of the proportion of heavy-duty commercial vehicles equipped with assistance systems. For example, in 2009 approximately 10 percent of vehicles were equipped with Active Brake Assist; we would like to double that figure by October 2015.
Achievements Introduction of Active Brake Assist 2 in 2010. // About one third of all Actros long-haul trucks are equipped with Active Brake Assist.
Target horizon end of 2015 p. 49-50

Conservation of resources

Target Conservation of resources. Increasing the total volume of all parts and components of Mercedes-Benz passenger car production series that have been approved for the use of renewable or recycled raw materials by 25 percent respectively by 2015, compared to the volume for 2010.
Achievements New target
Target horizon end of 2015 Online 320

Interior emissions

Target Interior emissions. Continual improvement of the air quality in vehicle interiors.
Achievements New target
Target horizon end of 2012

Design for Environment (DfE)

Target Product development. Systematic integration of environmental aspects into Mercedes-Benz product development in line with ISO TR 14062 – Design for Environment.
Achievements New target
Target horizon end of 2011 p. 52-53

Customers satisfaction

Target Mercedes-Benz Cars. Long-term maintaining Mercedes-Benz' status as the brand with the highest level of customer satisfaction in the premium segment.
Achievements New target
Target horizon end of 2011 p. 53 ff.

Target Quality of services and parts. Maintaining and increasing service quality for the customers of the Mercedes-Benz sales network, especially in the growing market for older vehicles. Retention of the brand's top position for passenger cars and commercial vehicles, also with regard to distinctions such as the „Kfz-Betrieb" (Vehicle Operations) Service Award in Germany.
Achievements New target
Target horizon end of 2011 p. 53 ff.

You can find further information on partial targets and specific measures: **Online 300**: **http://sustainability.daimler.com**

1.0 Our objective

Consumer demand for individual mobility is growing worldwide. Daimler wants to continue to satisfy this demand as optimally as possible in the future, and this is only possible with concepts and products for sustainable mobility. Above all, this includes safe, fuel-efficient, and low-emission vehicles. One of our goals is to minimize our products' impact on the climate and the environment – from production and operation all the way to end-of-life vehicle recycling. On the "Road to Emission-free Mobility," our focus is on innovative drive concepts supplemented by improved and alternative fuels. During the development phase, we optimize consumption of primary energy, the use of raw materials, and recyclability. In addition, concepts such as car2go point the way to a sustainable future for urban mobility. Besides these factors, our product strategy also focuses on vehicle safety. We are therefore em-ploying a range of different safety technologies as we progress along the "Road to Accident-free Driving." A key role is played here by innovative assistance systems, which can prevent accidents. They are very effective in protecting the life and health of vehicle occupants and other road users.

2.0 Drive technologies

2.1 Our strategy for achieving sustainable mobility. The automobile is entering a new era. Oil reserves are limited, and the use of oil is contributing to climate change. Meanwhile, the need for mobility is growing worldwide and individual transport is steadily increasing, together with its effects on the climate and the environment in general. Our aim is therefore to substantially reduce fuel consumption and to minimize 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. A

As part of our "Road to Emission-free Mobility" strategy, we are concentrating on three main areas or elements:

- The optimization of vehicles with state-of-the-art internal combustion engines
- Increased efficiency with hybridization – i.e. the combination of a combustion engine with an electric motor
- Emission-free driving with electric vehicles powered by the fuel cell or the battery B 14 15

2.2 Element 1: Optimization of the combustion engine. Our first element for sustainable mobility comprises energy-efficient vehicles with high-tech combustion engines – optimized for much lower fuel consumption and emissions. The new generation of the BlueDIRECT V6 and V8 engines shows how much potential still remains to be realized in this area. C

We are achieving further savings by means of the improved seven-speed 7G-TRONIC PLUS automatic transmission with optimized efficiency, which will be initially used in the S-Class and the CLS starting in 2010 and then gradually introduced in all production series.

Finally, in our BlueEFFICIENCY package we combine efficient engines, drive systems, and transmissions with improved aerodynamics and energy management. All these factors together make fuel consumption reductions of up to 30 percent possible. At the end of 2010, 117 BlueEFFICIENCY models (Mercedes-Benz passenger vehicles and vans) were available on the market. D

Natural gas drives – an alternative for city driving. With an eye to ecological and economic considerations, the natural gas drive (Natural Gas Technology, NGT) is an alternative to conventional drive systems. Compared to conventional gasoline and diesel fuel, natural gas has the advantages of containing less carbon and producing less pollutant emissions during combustion. The disadvantages are the complexity involved in storing the fuel in the vehicle and the limited fuel infrastructure. This is why our NGT passenger cars are equipped with a bivalent drive system that can run on either natural gas or premium-grade gasoline. The technology is currently available in the Mercedes-Benz B-Class and E-Class.

In terms of commercial vehicles, natural gas drives are showing what they can do, especially in cities and suburban areas. For these applications we offer the Mercedes-Benz Sprinter NGT in monovalent and bivalent versions. Our lineup of natural gas vehicles is rounded out by the Mercedes-Benz Citaro CNG, the Econic NGT, the Fuso Canter, the Fighter and Aero Star CNG, the Freightliner MT-45 walk-in vans, and the Saf T-Liner HDX CNG from Thomas Built Buses.

2.3 Element 2: Hybridization. Our second element on the Road to Sustainable Mobility is need-based hybridization of the drive system. To this end, we have developed a modular hybrid system that can be expanded in a variety of ways in terms of its performance and range of applications. The introduction of the S 400 HYBRID and the ML 450 HYBRID in 2009 will be followed in 2011 / 12 for the first time by a diesel hybrid, the E 300 BlueTEC HYBRID. Thanks to its dual drive system, the vehicle will consume an average of only 4.1 liters of fuel per 100 kilometers.

Commercial vehicles with hybrid drives are most economical in city driving, for instance in the case of urban buses and delivery trucks. Their combustion engines

A
More information on climate protection and CO_2 emissions:
Online 301

B
Our scenarios for tomorrow's mobility:
Online 302

C
More information on the V6 and V8 engines:
Page 45

D
More information on BlueEFFICIENCY:
Online 303

For further information, please enter the corresponding number into the search field at
http://sustainability.daimler.com

117

BlueEFFICIENCY models available in late 2010

14 Our road map for sustainable mobility

Drive technologies		
Optimization of our vehicles with state-of-the-art internal combustion engines BlueEFFICIENCY, BlueDIRECT, BlueTEC, NGT	Increased efficiency with hybridization HYBRID, BlueTEC HYBRID, Plug-in HYBRID	Emission-free driving with eletric vehicles 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

15 Drive technologies from Daimler

Share in percent	Gasoline-powered vehicles	Diesel-powered vehicles	Natural gas drive vehicles[1]	Hybrid drive vehicles[2]	Electric drive vehicles[3]
Europe	32.7	67.3	0.2	0.1	0.05
NAFTA	64.1	35.9			
Japan	51.8	48.2			

[1] 0.2 percent of the vehicles produced in 2010 were manufactured as natural gas variants.
[2] With more than 5,000 commercial vehicles with hybrid drive systems currently in operation worldwide (including buses), Daimler is the market leader in this area.
[3] Daimler has the largest fleet of fuel cell vehicles (passenger cars, vans, and buses) of any manufacturer in the world. The smart 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.

and electric motors are arranged differently, depending on the type of vehicle and the driving situations in which it will be used. Vehicles with serial hybrid systems are driven only by the electric motor, while in parallel hybrid systems the combustion engine and the electric motor can power the vehicle separately or in combination.

The architecture of the parallel hybrid drive, as used in the Atego BlueTec Hybrid for example, makes it possible to start solely on electric power, recover braking energy, and obtain a boost from the electric motor. In urban buses we use a serial system, due to the different traffic conditions and style of driving. Here the combustion engine drives a generator, which in turn supplies power to the electric drive motor. At the end of 2010 there were over 5,000 hybrid trucks and buses from Daimler in use worldwide. A

2.4 Element 3: Emission-free driving. The third element of our drive system strategy is zero-emission driving with electric vehicles that are powered by batteries or fuel cells. B

Fuel cell-powered passenger cars and buses. In 2010 we began delivery of the first 200 B-Class F-CELL vehicles to customers. The components of the fuel cell drive in 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. This third generation of Mercedes-Benz fuel cell buses is the result of the experience we gained with the first two generations and the diesel-electric Citaro G BlueTec Hybrid. We succeeded in reducing the hydrogen consumption of the Citaro FuelCELL Hybrid by half compared to that of its predecessors from the second generation. This was achieved by means of hybridization of the drive system, efficient energy management, and improvements in the fuel cell system. The vehicle is being built in a small-batch production of 30 buses and will be initially tested in Hamburg starting in 2011.

Electric cars and vans with battery power. The second-generation smart fortwo electric drive can be seen on the road today in a number of cities in Europe, in cities in the UK's Midlands region, and in major cities in North America. The car is being driven in testing programs in these cities. In the fall of 2010 we increased the production volume to over 1,500 vehicles in response to strong demand. Starting in 2012, the smart fortwo electric drive will be in showrooms in almost 40 smart markets. And since the fall of 2010 we produce a total of 500 A-Class E-CELLs. The vehicles are being delivered to selected customers in several European countries for use as full-service rental cars.

Many short trips, frequent stop-and-go driving, and covering the same total distance on a daily basis make delivery transport the ideal field of application for electric vehicles. The Vito E-CELL is the first series-produced commercial vehicle in its class to be powered solely by an electric drive. The van has been rolling off series-production assembly lines since December 2010. As part of a fleet trial, 50 vehicles are on the move in Berlin and 50 in Stuttgart. Production of a total of 2,000 vehicles is scheduled to begin in 2011.

H2 Mobility — Initiative to establish a hydrogen infrastructure. An extensive infrastructure of filling and charging stations is essential for widespread acceptance of electric vehicles by customers and for a rapid increase in their use. This is why Daimler is committed to ensuring the availability of battery-charging stations and hydrogen filling stations. With this aim in mind, the company is working with the German Federal Transport Ministry and partners from the energy industry on the "H2 Mobility" initiative for the establishment of a hydrogen infrastructure in Germany.

e-mobility Baden-Württemberg — Infrastructure solutions for electric vehicles. In June 2010 Daimler and the energy supplier EnBW (Energie Baden-Württemberg AG) launched the joint initiative "e-mobility Baden-Württemberg." The aim is to make the German state of Baden-Württemberg an exemplary region for locally emission-free electric mobility. The initiative's starting point is Stuttgart, and the city of Karlsruhe will be a further regional center. About 200 smart and Mercedes-Benz vehicles equipped with either battery-electric or fuel cell drive systems, depending on the specific models, are being tested as part of e-mobility Baden-Württemberg.

OPTIRESOURCE — Online tool for determining energy efficiency. We have developed the OPTIRESOURCE online tool for calculating the energy efficiency of different drive technologies, fuels, and energy sources. The tool makes it possible to take a look at a vehicle's overall efficiency, from the energy source to the driven wheel ("well-to-wheel"). C

3.0 Fuels of the future

3.1 Our fuel road map. In addition to the refinement of drive systems, improved fossil fuels and high-quality alternative fuels are contributing to an optimal environmental performance of the entire drive system. They are therefore an important component of our road map toward sustainable mobility: Our route to the fuel of the future leads from clean conventional fuels via biofuels to hydrogen and electricity that are generated from renewable energy sources. We are trying out new types of fuel in our vehicles and working with partners from politics,

V6 and V8 engines — lots of power and modest fuel consumption

Much lower fuel consumption but a big boost in power — that was the aim of the Mercedes-Benz engineers who worked on the new generation of V engines. The results are found today in vehicles — and they show that vehicles can have powerful engines and be more environmentally friendly at the same time. Despite a considerable increase in power, the new six-cylinder and eight-cylinder gasoline engines achieve a tremendous reduction of fuel consumption. Compared to its predecessor, the V8 burns up to 22 percent less fuel, and the new V6 engine is almost 24 percent more fuel-efficient than its predecessor.

The new engines confirm what all the experts agree on: With consistent further development, the currently existing potential of the combustion engine will also be fully exploited. Optimized combustion engines continue to offer clear advantages by comparison to other drive systems — in terms of cruising range, refueling time, and costs. Above all, however, they can quickly achieve significant fuel consumption reductions under everyday operating conditions. Despite the importance of the much-discussed alternative drive systems, particularly with an eye to the future, the potential of combustion engines must be exploited as fully as possible.

With the new V engines Mercedes-Benz has solved the dilemma of how to satisfy customers' wishes for power and engine displacement while also helping to protect the climate. The engineers who developed the engines used a package of innovations to achieve this impressive gain in efficiency. The most important ones were the start-stop function as standard, an improved water pump, a demand-controlled oil pump, a new camshaft adjuster, and newly developed gasoline direct injection with spray-guided combustion, multiple injection, and multi-spark ignition. The new family of engines is fully equipped for the future thanks to its modular design, which allows the engines to be combined with future technologies such as a hybrid module, for example.

A
More information on hybridization in all model series:
Online 304

B
More information on electric drives with fuel cells or batteries:
Online 305

C
More information on OPTIRESOURCE:
Online 306

For further information, please enter the corresponding number into the search field at
http://sustainability.daimler.com

research institutes, and business to ensure the use of more alternative fuels and fuels that produce less CO_2. That's why we need to forge ahead with the respective manufacturing technologies and the creation of an appropriate infrastructure. A

High-quality biofuels reduce dependence on fossil energy sources and make a huge contribution to emission reduction. Bioethanol and biodiesel are first-generation biofuels that are especially suited for use as admixtures in conventional fuels.

Jatropha — A success story continues. High-quality biodiesel fuel can be manufactured from the seeds of the jatropha plant. Jatropha-based diesel fuel has a positive CO_2 balance and offers clear environmental advantages compared to fossil-based diesel fuel, especially if the location-related advantages of the plant are taken into account. For example, jatropha can be cultivated on barren, eroded land where food plants cannot grow. Daimler launched a new jatropha project in southern India in early 2010. Farmers from the local villages are cultivating jatropha plants there and harvesting the nuts for the production of diesel fuel — and the project is extremely promising: The Indian government has declared that 20 percent of all fuels must consist of biofuels, relying primarily on those derived from the jatropha plant, by 2017.

Palm oil — An alternative with limitations. In a pilot project, Daimler is currently testing the use of the NExBTL diesel fuel in cooperation with Deutsche Post DHL, the energy company OMV, Stuttgarter Straßenbahnen AG, and the Finnish oil company Neste Oil. The aim of the field tests, which involve ten Mercedes-Benz trucks and four Mercedes-Benz Citaro urban buses, is to investigate to what degree this biofuel, which is made from hydrated vegetable oils (HVO), can be used in series-production vehicles and how great the resulting emissions reduction would be under the conditions of everyday use. It has already been determined that the combustion of NExBTL in the engines produces far fewer pollutant emissions. Compared with fossil fuels, the nitrogen emissions from the use of the biofuel are up to 15 percent lower, and the CO_2 emissions are reduced by more than 60 percent throughout the entire process — from the cultivation of the raw material to the use of the fuel in the vehicle. However, in order to achieve these results the palm oil that is used as a raw material must be sustainably cultivated and harvested without cutting down rain forest area or turning land used for growing food into fields for growing energy plants. To ensure that this is the case, Neste Oil has specified strict rules for the production of the raw materials used for NExBTL. The oil company confirms that the suppliers are contractually obligated to use sustainable production methods and assures its customers that the fuel is produced 100 percent sustainably.

For Daimler, making progress on the road to having an effective, sustainable biofuel also means always taking the production of the base material into account. For example, the reduction of CO_2 emissions does not justify the clearing of tropical rain forests for palm oil cultivation or expanding jatropha cultivation onto land used for growing food crops. In the longer term, therefore, synthetic fuels that are made from biogenic waste and are not in conflict with the production of food crops and animal feed are the better alternative.

4.0 Product use

4.1 Fuel consumption and CO_2 emissions. Over a passenger car's life cycle, about 80 percent of the primary energy consumption and CO_2 emissions are associated with the vehicle utilization phase. The rollout of additional BlueEFFICIENCY models during the year under review once again enabled us to reduce the emissions of our new vehicle fleet across all passenger car model series. The average emissions of the Mercedes-Benz Cars fleet in Europe were 158 grams of CO_2 per kilometer in 2010. This means that since 1995 we have achieved a total emission reduction of over 30 percent. B 16

The total reduction was, however, lower than expected due to the — now eliminated — bottlenecks in delivery of the low-consumption OM 651 four-cylinder diesel engines. In addition, the V6 and V8 BlueDIRECT gasoline engines, which weren't introduced until the fall of 2010, and the new seven-speed 7G-TRONIC PLUS automatic transmission could not yet contribute to the reduction of average CO_2 emissions in the year under review. However, we expect that the wide-scale introduction of these components and the further implementation of our measures and technologies for achieving emission-free mobility will lead to a substantial reduction of the CO_2 emissions of our passenger vehicles this year. C D E

Our goal is to reduce the CO_2 emissions of our fleet of new vehicles in Europe to less than 140 grams per kilometer by 2012, which would amount to a reduction of nearly 40 percent since 1995. Our product planning is also designed to ensure that we will meet the corresponding EU targets by 2015. F

In the U.S., the Corporate Average Fuel Economy (CAFE) standards set the legal framework for improving energy efficiency. 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 U.S.$5.50 for each vehicle sold. Our measures to improve fuel economy enabled us to reduce

A
More information on the fuel road map:
Online 307

B
More information on BlueEFFICIENCY:
Page 43

C
Data on the company's passenger car models:
Online 308

D
More information on the V6 and V8 engines:
Page 45

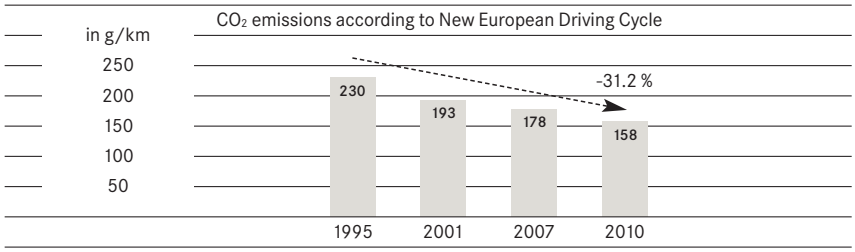
E
More information on zero-emission mobility:
Page 44

F
More information on European CO_2 legislation:
Online 309

G
More information on the CAFE standards:
Online 310

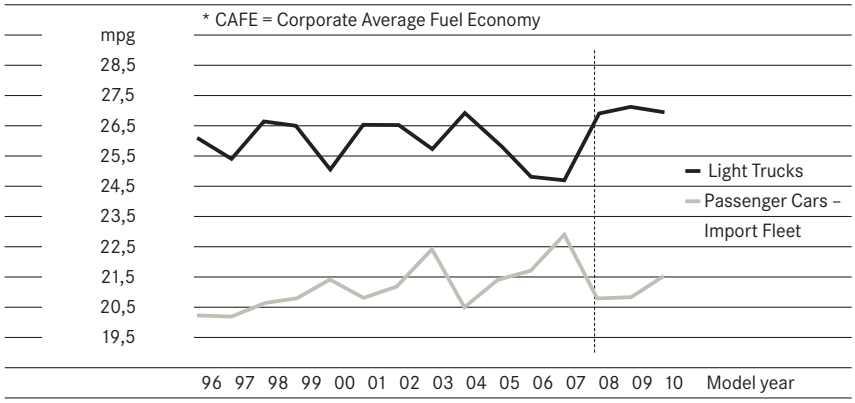
For further information, please enter the corresponding number into the search field at
http://sustainability.daimler.com

16 Development of CO_2 emissions for the Mercedes-Benz Cars passenger cars fleet in Europe (EU 27) 1995 - 2010



1995 including vans registered as M1 vehicles

17 Daimler CAFE* values for passenger cars and light trucks in the U.S. 1996 - 2010



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 fleet of light-duty commercial vehicles also included Chrysler LLC vehicles not belonging to the SUV segment.

[1] Figures corrected after printing of this report due to U.S. market developments

this penalty to U.S.$2.9 million for model year 2009. Due to favorable overproportional sales development in the premium segment we are expecting an increase in the CAFE penalty for model year 2010.[1] 17

In 2009 the U.S. government decided to introduce even stricter fuel economy standards. In order to adopt to the requirements that have already gone into effect for upcoming model years, we will need to introduce highly advanced drive system and vehicle technologies and implement additional CO_2 reduction measures. G

In Japan, the "Top Runner" concept has fixed target standards for the fuel efficiency of passenger cars. Target standards are determined by focusing on the most fuel-efficient vehicle in defined classes, in consideration of future prospects of technological development, etc. The targets for 2010 have been achieved in three out of six weight classes for gasoline vehicles and in two out of two weight classes for passenger cars. Our product planning activities are geared toward achieving all set targets in all weight classes, both for the target values for 2010 and 2015 as well as the currently discussed target values for 2020.

More economical commercial vehicles. New technologies are also reducing the fuel consumption of vans. For example, the Mercedes-Benz Vito BlueEFFICIENCY van is now as much as 15 percent more fuel-efficient than its predecessor, thanks to more efficient diesel engines, a new six-speed manual transmission, the ECO start-stop feature, and low rolling-resistance tires. The European Parliament in early 2011 adopted a regulation governing CO_2 reductions for light-duty commercial vehicles that is analogous to the EU directive for passenger cars. This regulation stipulates that the average fleet emissions in Europe of new delivery vehicles and light delivery vehicles based on passenger cars (all under 3.5 tonnes GVW) must decline to 147 grams of carbon dioxide per kilometer by 2020. It also sets an interim target of 175 grams of CO_2 per kilometer, which must be achieved by 2017. F

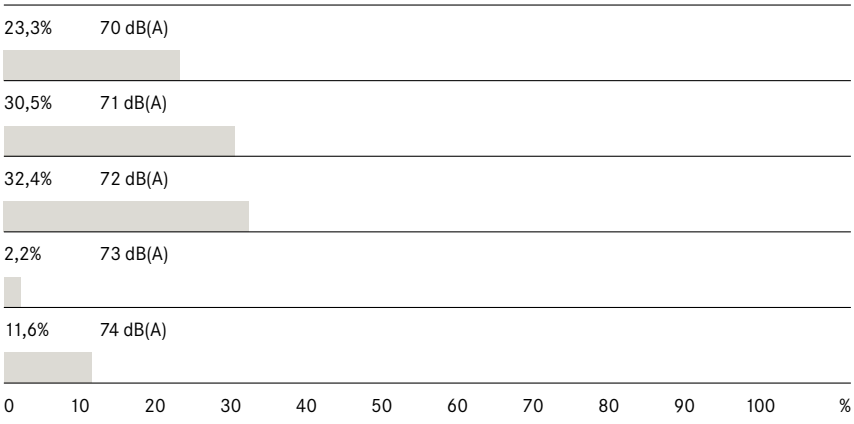
Daimler has also continually reduced the fuel consumption of its heavy-duty commercial vehicles over the past few years. This was achieved through more efficient engines, improved tires and aerodynamics, final drive ratios in line with specific requirements, and the introduction of BLUETEC technology. Our success here is illustrated by a test drive we conducted from Stuttgart to Milan in 2010 that compared the performance of a Mercedes-Benz LP 1620 from 1964 with the current Mercedes-Benz Actros 1844. Whereas the Actros consumed only 1.27 liters of fuel per 100 kilometers and tonne of payload, the LP 1620 required 2.34 liters. We continue to work intensively on the development of technological innovations that will enable us to achieve our goal of reducing the fuel consumption of our trucks

18 Percentage of Mercedes-Benz and smart passenger cars sold in Europe in 2010 that meet current and planned emissions standards

	HC + NO_x in g/km	NO_x in g/km		Particulates in g/km		Percentage share of Mercedes-Benz and smart passenger cars that meet the respective limit values
	Diesel	Gasoline	Diesel	Gasoline	Diesel	
Euro 4	0.30	0.08	0.25	–	0.025	12.3%
Euro 5[1]	0.23	0.06	0.18	0.005	0.005	87.1%
Euro 6[2]	0.17	0.06	0.08	0.005	0.005	0.6%[3]

[1] The Euro 5 limits are binding for all new vehicles from January 1, 2011.
[2] The Euro 6 limits are binding for all new vehicles from January 1, 2015.
[3] The proportion of Euro 6 models (4 percent) is significantly higher than the market share.

19 Pass-by noise passenger cars — distribution over the number of Mercedes-Benz and smart passenger cars sold in Europe in 2010



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 halving of the acoustic power.

20 The Road to Accident-free Driving

Integrated safety			
Prevention	Reaction	Protection	Saving lives
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 post-accident consequences and providing rapid assistance

(N3) in Europe by an average 20 percent per tonne-kilometer by 2020. A

Economical driving enhances fuel economy. Fuel efficiency gains achieved through vehicle improvements can be enhanced by an economical and anticipatory driving style that can further reduce fuel consumption by as much as 10 percent. The Mercedes-Benz Eco Training programs that we offer to drivers of passenger cars and commercial vehicles alike demonstrate how such reductions can be achieved in practice. Drivers receive additional support via recommendations regarding gear shifting and a display of current fuel consumption in the instrument cluster. B C

BlueTecEco — Service package for efficiency and environmental protection. The BlueTecEco label brings together all the measures at Mercedes-Benz Trucks that are designed to ensure improvements in efficiency and environmental protection in the transportation sector. Along with state-of-the-art vehicle technology and customized vehicle configurations, the BlueTecEco package also includes consulting, analyses, application-based training, and services such as FleetBoard. Companies can thus learn both the theoretical basis and the practical applications that will enable them to optimally exploit the savings potential of their vehicles.

4.2 Airborne emissions. In recent years Daimler has significantly reduced various types of emissions across its entire vehicle range with the help of improved engines and highly efficient exhaust gas treatment systems. Since 1995, for example, the NO_x emissions of our diesel passenger cars have been cut by more than 75 percent (with BLUETEC that figure is over 90 percent), while particulate emissions have declined by more than 95 percent.

Improved management of the combustion processes in our engines, as well as optimized fuel-air mixture preparation, have also enabled us to reduce the emissions of nitrogen oxides and particulates in our commercial vehicles by more than 70 and 85 percent, respectively, over the last ten years. 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 as far in advance as possible. D

Building for tomorrow today: Low-emission Euro 6 passenger cars. The Euro 6 emission standard will go into effect for new models on September 1, 2014, and for all new vehicles in September 2015. The BLUETEC variants of our R-, ML-, and GL-Class vehicles already comply with these limits, as do the E 350 BlueTEC and the S 350 BlueTEC. The R-, ML-, and GL-Class are also the first diesel SUVs to meet the stringent emission requirements of all 50 U.S. states. E 18

Daimler commercial vehicles – worldwide BLUETEC rollout, extensive range of Enhanced Environmentally Friendly Vehicles (EEVs). Thanks to BLUETEC, we were able to comply with the Euro V emission standard for commercial vehicles at an early stage and at an acceptable cost. We also launched BLUETEC in North America at the beginning of 2010 by introducing the technology in engines built by Detroit Diesel that have been installed in Freightliner trucks and school buses from Thomas Built Buses.

These vehicles meet the EPA 10 emission standards and also have better fuel efficiency and handling properties. BLUETEC and further adjustments to engines and exhaust systems (e.g. closed particulate filters) also allow us to comply with the stringent JP 09 emission standards in Japan, and additional technical measures will ensure that we meet the Euro VI limits that will apply in the future. Approximately 350,000 trucks and more than 30,000 buses equipped with BLUETEC technology were on the road worldwide at the end of 2010.

The Enhanced Environmentally Friendly Vehicle (EEV) standard is the most demanding emission norm for trucks and buses in Europe at the moment. The EEV standard requires particulate emissions to be about one- third lower than the Euro V limits. Daimler Trucks has been gradually introducing EEV-compliant models in specific output classes of Mercedes-Benz trucks and buses, as well as Setra buses. At the beginning of 2010 we began offering EEV as an expanded option for Econic models, while the Mitsubishi Canter is now EEV-compliant as standard. F

4.3 Noise. Fruitful cooperation between aero-acoustic specialists and body and engine developers has enabled Daimler to reduce the noise emissions of its passenger cars and trucks by around 90 percent since 1970. This was achieved primarily through technical measures such as the lowering of engine speeds, the optimization of fuel injection and combustion processes, and the encapsulation of the engine and transmission. 19

Traffic noise cannot be reduced through such vehicle-related measures alone, however. Other factors such as traffic density, construction near roadways, driving habits, road surfaces and conditions, and tire properties also influence noise levels. In general, the main factors contributing to commercial vehicle noise are 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.

5.0 Vehicle and road safety

5.1 Our Road to Accident-free Driving. Vehicle safety is one of our core areas of expertise, as well as a central component of our product strategy. No other manufacturer in the world invests more in the development of life-saving safety systems than we do. For more than 60 years, the developments at Daimler have led the way worldwide in safety for passenger cars, trucks, vans, and buses. We regard our commitment to enhancing road safety as an expression of our sense of responsibility toward society that is in the interest of all road users. That's why we are transforming our "Road to Accident-free Driving" into reality step by step. For example, the independent European safety association Euro NCAP recognized the Mercedes-Benz brand with two Euro NCAP Advanced Rewards for its PRE-SAFE® occupant protection system and PRE-SAFE® brake assistance system in 2010.

Mercedes-Benz Cars' integral safety philosophy defines safety as a holistic goal that involves much more than meeting legal requirements and successfully completing standardized crash tests. This philosophy focuses on four safety-critical phases:

1. Prevention: Safe driving, timely warnings and assistance.
2. Response: In case of danger, response with PRE-SAFE®
3. Protection: In case of accidents, appropriate protection.
4. Rescue: After an accident, mitigation of consequences and swift assistance. G 20

5.2 New vehicle safety systems. For years, Daimler has been helping to enhance road safety through the continual development of new vehicle safety systems. The most important goal of our safety approach is to prevent accidents – through the use of active safety systems such as ESP® and Brake Assist, for example. H

Active Blind Spot Assist. This system warns drivers when it registers the danger of a collision during a lane change. The short-range radar sensors mounted on both sides of the rear bumper can identify vehicles in the driver's blind spots. The system issues a visual signal, and if necessary an acoustic alarm as well, if a driver tries to change lanes in a potentially dangerous situation. If the driver fails to heed the warnings, the system brakes the wheels on the opposite side of the vehicle to counteract the collision course. Blind Spot Assist then intuitively deactivates as soon as the driver steers against this braking intervention or accelerates the vehicle.

A
More information on the savings potential of our commercial vehicles:
Online 311

B
More information on our Eco training courses:
Online 312

C
Our tips for saving fuel:
Online 313

D
More information on BLUETEC:
Online 314

E
Passenger car emission limits worldwide:
Online 315

F
Emission limits for heavy-duty commercial vehicles:
Online 316

G
Rescue information for our passenger cars, trucks, vans, and buses:
Online 317

H
More information on the development of new safety technologies:
Online 318

For further information, please enter the corresponding number into the search field at
http://sustainability.daimler.com

Active Lane Keeping Assist. Over the last few years, approximately one out of every seven accidents leading to injuries in Germany has been caused by a vehicle veering out of its lane. Active Lane Keeping Assist can help prevent such accidents. The system uses a camera mounted on the inside of the windshield to register lane markings. If the vehicle leaves the lane it's traveling in, the system compares the data generated by this camera with radar signals from the vehicle's surroundings. Depending on the situation at hand, Active Lane Keeping Assist can thus determine whether the driver is leaving the lane intentionally or unintentionally. If it concludes the latter, the system will warn the driver by generating vibrations in the steering wheel and, if necessary, intervene in the braking system in the same way as Blind Spot Assist.

High-performance LED headlights. These new headlights are designed to accommodate diverse situations and light conditions. They generate light for all the functions performed by the Intelligent Light System – i.e. country mode, highway mode, extended fog lights, active light, and cornering light. In a new feature, the LED headlights closely take on the color temperature of natural daylight. This reduces strain on the driver's eyes and ensures better illumination of the road at night.

Study demonstrates the effectiveness of Brake Assist PLUS. Equipping all passenger cars in Germany with a safety system like Mercedes-Benz's Brake Assist PLUS would prevent 20 percent of all rear-end collisions in the country. The system could also greatly reduce the severity of 25 percent of the accidents that do occur. These are the results of a recent study that analyzed data from official accident statistics and approximately 16,000 actual accidents. The goal must therefore be to equip all passenger cars with similar safety systems in the future.

Active Brake Assist 2. Active Brake Assist 2, which was presented in 2010, can reduce both the number of rear-end truck collisions and the severity of those accidents that nevertheless occur. It does this by registering slow-moving or stationary objects ahead and then autonomously initiating a braking maneuver if necessary. The radar system in Active Brake Assist 2 scans the area up to 150 meters (500 feet) in the lane ahead of the truck and continuously calculates the speed difference between its own vehicle and objects ahead. If an accident is determined to be unavoidable under the given conditions, the system will initially warn the driver with a visual signal, after which it will sound an alarm. If the situation becomes more critical, the system initiates braking.

5.3 Road safety. The risk of accidents cannot be eliminated through technically improved vehicles alone. That's why Daimler participates in various road safety

"The path to electric mobility will not be taken in one great leap but instead in many small steps."

Interview with Prof. Dr. Herbert Kohler

Head of "e-drive & Future Mobility," Chief Environmental Officer, Daimler AG

Prof. Dr. Kohler, the automobile will turn 125 this year. Does this anniversary also mark the beginning of a new era in automotive technology?
Prof. Dr. Herbert Kohler: We are definitely experiencing far-reaching changes. At the end of 2009, for example, the Mercedes-Benz B-Class F-CELL and the smart fortwo electric drive became the first locally emission-free vehicles manufactured under series production conditions at Daimler. By the end of 2011, we will have leased a total of 1,500 smart electric drive cars to selected customers in Berlin and other major European and U.S. cities. Half of these cars had already been delivered by the end of last year.

The results of the fleet tests are very important for the current series development of the smart electric drive, of which we plan to sell more than 10,000 units, beginning in 2012. We are now manufacturing 200 Mercedes-Benz B-Class F-CELLs with fuel-cell drives in small-batch production; these vehicles will be delivered to selected customers in Germany and the U.S. for use in normal operations between now and 2012. In addition, the third electric car from Mercedes-Benz, the A-Class E-CELL went into production at the Rastatt plant in September 2010. And finally, the first series-produced all-electric commercial vehicle in its class, the Vito E-CELL, has been rolling off the production lines since December 2010. As part of a fleet trial, 50 vehicles will initially be on the move in Berlin and 50 in Stuttgart. We plan to produce a total of 2,000 Vito E-CELLs, beginning this year. These advances are all very impressive. However, we initiated them quite a while ago, which is why it would be better to call these changes evolutionary rather than revolutionary.

Since you are working on series development, does this mean that we will soon be driving only electric automobiles?
Kohler: In the 125 years that automobiles have existed, the vehicles have been powered almost exclusively by combustion engines. This also means 125 years of painstaking efforts to optimize quality, reliability, everyday utility, costs, and, last but not least, infrastructure. Electric drive systems therefore have to be successful by comparison with the internal combustion engine, which is not only technologically advanced but also has the benefit of a well-developed infrastructure. The path to electric mobility will not be taken in one great leap but instead in many small steps. That's why even ten years from now electric cars will still probably account for less than ten percent of all the vehicles on the road, of which there are currently about 850 million worldwide.

However, it's also true that electric mobility is inevitable over the long term – not only due to climate change, but because oil deposits are finite. What all this means is that neither "electric euphoria" nor fundamental "electric skepticism" are justified. Instead, we need a differentiated approach, and here Daimler is focusing on a broad range of different technologies. We are not only optimizing fuel efficiency in conventional vehicles but also developing hybrids – especially for larger models. And we are working on all-electric drive systems that use batteries and fuel cells. I'm convinced that the electrification of the powertrain will become commonplace over the next few years, including systems for hybrid vehicles. It will take a while, however, before all-electric vehicles powered by batteries or fuel cells become an everyday sight on our roads.

> "If Germany, for example, can spend tens of billions of euros to subsidize the generation of electricity from renewable sources of energy, it should also be able to create a new transportation sector infrastructure at a substantially lower cost."

You mentioned costs and infrastructures as the key challenges for electric vehicles. How do you think we are progressing in these areas?
Kohler: There's no doubt that we've already made great progress with regard to costs. Luckily, the times are long gone in which we had to expect an A- or B-Class-sized battery or fuel cell-powered electric vehicle to cost as much as a Maybach. However, a lot of work still needs to be done before the vehicles can be series-produced at competitive costs.

That's also the reason why we and the automotive industry as a whole emphasize that supplemental government measures will be required to establish electric vehicles on the market. Other European countries have recognized this fact and set up appropriate programs in response. The situation is similar in the U.S., Japan, and China, while people in Germany are still discussing the issue. Even though politicians are also demanding that we become the "leading market for electric mobility," we won't be able to achieve the aim of having one million electric vehicles on Germany's roads by 2020 unless appropriate framework conditions are created.

And what about the infrastructure? The challenges here don't seem to be any smaller.
Kohler: That's certainly the case, because you can't expect the hydrogen infrastructure for fuel cells or the charging network for battery-powered vehicles to simply appear on their own. Although Daimler is promoting the development of these systems on a number of levels, we are an automaker, not an infrastructure operator. We think that the creation of these infrastructures will primarily be the task of other stakeholders as well as of governments. If Germany, for example, can spend tens of billions of euros to subsidize the generation of electricity from renewable sources of energy, it should also be able to create a new transportation sector infrastructure at a substantially lower cost, provided it has the political will to do so.

initiatives that range from road safety training for young people and the provision of information for rescue workers to preventive safety measures for all road users. For example, we support the European Road Assessment Programme (EuroRAP), an initiative that seeks to make streets and roads safer by identifying danger spots and then implementing corrective measures. We also offer scientifically based programs that teach children to remain alert and safe on the streets and also increase parents' awareness of potential risks. In addition, we participate in various safety information campaigns.

RoadSense —Road safety instruction for eighth graders. In 2010 we launched the RoadSense road safety training program for eighth graders in Stuttgart in cooperation with the German Association of Driving School Instructors. The goal of this program is to make young people more aware of the dangers on streets and roads and offer them practical tips to keep them safe.

Participants are actually allowed to get behind the wheel and take vehicles out on a special track with a driving teacher who guides them through typical situations. They then switch places, and the students get to experience the same situations as passengers. This practical segment is followed by a discussion of how to deal with risks resulting from misjudged situations, peer pressure, or an exaggerated sense of one's own skills, whereby participants also examine ways that front-seat passengers can correct such errors. After a successful start in Stuttgart, the program is now being offered in Berlin, Bremen, and Amsterdam. A

6.0 Mobility concepts and services

Growing cities, more traffic, and increasing strain on the environment — the existing infrastructure and transportation systems are increasingly reaching their limits, especially when it comes to fulfilling the desire for fast and comfortable transport in metropolitan areas. But these very conditions also offer great opportunities for new, innovative, and sustainable mobility concepts such as car2go, car2gether, 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 of a municipality that is covered by the project. The car2go pilot projects began in 2008 in Ulm and 2009 in Austin, Texas, and they are now operating on a per-manent basis. car2go GmbH, which was founded in early 2010, will also offer this mobility concept in other cities starting in 2011. Operations will begin in the first quarter in the city of Hamburg, initially with 300 smart fortwo cars of the new smart car2go edition.

car2gether. The Web-based ride-sharing community car2gether began in the fall of 2010 with two pilot projects in the Ulm and Aachen regions. car2gether makes it possible to use computers or smartphones to offer and request ride-sharing opportunities. The system quickly and easily connects possible passengers and drivers for short trips, and it can also be used when participants are on the go, thanks to the mobile Internet.

Bus Rapid Transit. Daimler is relying on Bus Rapid Transit (BRT) solutions to meet the growing transportation needs of large cities and regions undergoing rapid population growth. BRT systems consist 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. Separate bus lanes with their own traffic light settings enable the vehicles to make quick progress even during rush hours. In addition, the system is easily adaptable to each city's specific conditions. Daimler Buses has a team of experts who provide support with the planning, implementation, and enhancement of customized concepts for BRT systems. BRT is already being successfully used in cities including Nantes, Istanbul, Bogotá, and Mexico City.

7.0 Environmentally responsible product development

A product'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 effectively it can help minimize the impact on the environment. By contrast, later corrections of the product design are only possible at great cost and effort. 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 all new component and vehicle concepts as part of a comprehensive assessment.

Comprehensive life cycle assessment. To make a vehicle more environmentally friendly, its emissions and resource consumption must be reduced throughout its entire life cycle. Environmentally responsible product development therefore begins with the selection of suitable raw materials and ends with recycling-compatible design and production processes. These make it possible to reuse or recycle used components at a later stage. Particular attention is paid to the use of strategic raw materials such as rhodium, lithium, and rare earth elements. Our DfE experts analyze the functions of these raw materials and the quantities in which they are

used for each production series in order to identify and exploit potential for reductions. B

Environmentally responsible car development. The requirements of ecologically oriented product development are specified in the ISO 14062 standard. In 2005 the Mercedes-Benz S-Class became the world's first automobile to receive a TÜV environmental certificate for fulfilling this standard. Since then, almost all Mercedes-Benz production series have been awarded the environmental certificate, most recently the Mercedes-Benz CLS in 2010. Each certificate documents the progress that has been achieved by comparison with the predecessor model. C

8.0 Recycling

During the development process a high priority is placed on incorporating environmental protection and recycling-capability aspects into our vehicle designs. The recycling concept is created in parallel with the vehicle's development, with analysis of the individual components and materials at each stage of the process.

Our regulations for disposing of end-of-life vehicles are based on the EU directive for end-of-life vehicles and include:

- Free take back of all end-of-life vehicles
- An effective vehicle take-back and recycling network
- Prohibition of lead, hexavalent chromium, mercury, and cadmium, taking into account the execptions in Annex II of the directive
- Detailed disassembly information that is available to vehicle recycling companies online via the automotive industry's electronic International Dismantling Information System (IDIS).

The Mercedes-Benz Used Parts Center makes an important contribution to our recycling approach through its purchase of tested and certified used components and reconditioning of remanufactured engines. D E F

LiBRi – Battery recycling for electric mobility. Because electric vehicles have not yet been introduced on the market on a wide scale, there are still hardly any empirical values concerning concepts for the return, collection, and recycling of lithium-ion batteries. Given this situation, the materials technology company Umicore, Daimler, the Clausthal University of Technology, and the Institute for Applied Ecology (Öko-Institut) have joined forces in the LiBRi (Lithium Battery Recycling Initiative) project with the aim of developing an industrial process for the efficient and environmentally friendly recycling of batteries for hybrid and electric vehicles.

MeRSy conserves resources. With the help of our MeRSy recycling management system we are reducing waste through the collection and, where appropriate, recycling of packaging materials, workshop waste, end-of-life parts, vehicle components returned on warranty, and liquids at our service centers. Daimler also goes beyond the legal requirements by voluntarily assuming the costs of the disposal of a portion of the waste it collects, whereby it reserves the right to discontinue this practice at any time. In 2010 MeRSy collected a total of 33,588 tonnes of end-of-life parts and materials for recycling. Some 1,067,000 liters of coolant and 788,000 liters of brake fluid were also recycled.

9.0 Customer focus and consumer protection

The Mercedes-Benz brand is one of the Group's most valuable intangible assets – and according to the market consulting firm Interbrand, it is the most valuable premium automobile brand in the world. We want to maintain and increase this brand value. And everything we can do to achieve that goal happens in the context of our relationship with our customers – because it is they who give our brand its importance and value, every time they choose a Mercedes-Benz. G

In 2010 we painstakingly refined our brand image in order to place even greater emphasis on the claim to leadership that it embodies. This claim to leadership is expressed in the three brand values of fascination, perfection, and responsibility. We want our customers to experience these values through the quality of our vehicles and services and in every contact they have with Mercedes-Benz. And this serves as a guideline for the daily behavior of our employees – regardless of whether they work in research and development, procurement, production, sales, or the service and parts departments.

The brand value "responsibility." We invented the automobile and we've been shaping the industry with our groundbreaking innovations for 125 years now. Today our task is to use this power of innovation to tackle the challenges to be faced on the road to sustainable mobility. We are investing in the entire spectrum of environmentally friendly drive systems and striving to be the innovation leader in green technologies. In addition, the safety of vehicle occupants and road users is an important focal point of our development activities. Our claim to leadership in these fields is embodied especially by our brand value of responsibility. We aim to apply this value in all areas that concern our customer relations: in our lineup of products, which we are continually improving in terms of environmental compatibility and safety; in our efforts to provide outstanding advice and transparent, clearly understandable product information; and in our responsible handling of customer data. H I

A
More information on our safety training courses and driver training programs:
Online 319

B
Environmental profile of the Mercedes-Benz CLS:
Online 320

C
Mercedes-Benz models with an environmental certificate:
Online 321

D
More information on our network for returning end-of-life vehicles:
Online 322

E
More information on the Used Parts Center:
Online 323

F
More information on the Remanufactured Engines Center:
Online 324

G
In this chapter we concentrate on our premium brand Mercedes-Benz. Information on our other divisions:
Online 325

H
Environmentally friendly drive concepts:
Page 43f.

I
More information on vehicle and road safety:
Page 49f.

For further information, please enter the corresponding number into the search field at
http://sustainability.daimler.com

In our marketing activities we also emphasize the efficiency of our products and our strategy as we move forward into a zero-emission future. For example, the BlueEFFICIENCY campaign, which was launched worldwide in 2010, highlights our pioneering technologies in the areas of diesel, gasoline, electric, and fuel cell drives.

Measures for improving customer satisfaction. In 2006 Mercedes-Benz launched the CSI No. 1 offensive to improve customer satisfaction. By 2010 we had surveyed over 1.5 million service and new vehicle customers on the quality of the brand's products, sales, and service. Since the start of the customer satisfaction initiative in 2006 we have documented significant improvements in the areas of sales and service in all markets. This is a result of factors including our comprehensive training concept. More than 250,000 employees who have contact with customers (sales and service) at the 5,500 Mercedes-Benz car dealerships worldwide have been taking part in CSI No. 1 since 2006. Clear guidelines help the sales staff and service employees to live up to our claim of valuing our customers and being focused on their needs. In 2010 we succeeded in making CSI No. 1 even more efficient and intensified the sharing of best practices among our sales companies. The long-term impact of the initiative is assured by many small but effective measures.

Market research for product development. Every year we conduct market research studies in up to 75 countries. The results of these studies flow into our product development processes. The studies show, among other things, that being able to individually configure a vehicle plays a key role in the customers' decisions when they are choosing a product. Customers want cars that offer driving enjoyment while also being economical, environmentally friendly, and safe. What's more, after every vehicle launch we survey about 12,000 customers a year regarding their experiences with their vehicle and their evaluation of it.

The findings from these studies were a major factor in Mercedes' achievement of the top rating, ahead of all of its competitors, in the Initial Quality Study that was conducted in 2010 by the renowned market research institute J. D. Power and Associates. This study is particularly relevant to the U.S. market. In addition to the overall best ranking, the C-Class took first place in the premium entry-level segment, and further awards were bestowed on the S-Class and the E-Class coupe. The Mercedes-Benz assembly plant in East London, South Africa, received the J. D. Power Platinum Award for production facilities – thus gaining the top spots in the country category Europe/Africa and also worldwide. Also among the top three in the market study conducted by the U.S. firm in 2010 were the Mercedes-Benz plant in Sindelfingen, the largest in the world, which was honored with the J. D. Power Bronze Quality Award.

Workshops and customer service. With the Workshop Process 2010 (WP2010) we 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. WP2010 consultants support the workshops in their implementation of this successful model with the help of examples of best practice. By the end of 2010 a total of 1,100 workshops in more than 70 countries had received these consulting services.

The Mercedes-Benz Customer Assistance Center (CAC) in Maastricht in the Netherlands is our central point of contact for customers and other interested parties in Western Europe. Around 600 employees here 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 Service24h (emergency breakdown assistance) and the processing of customers' inquiries and complaints. A

Vehicles for cost-conscious customers. In 2010, following great success in Germany, we further expanded our offerings of attractive used vehicles in many markets, including the U.S. Low-mileage used vehicles that were previously driven by Daimler managers and are in excellent, quality-tested condition offer price-conscious customers a popular entry to the Mercedes-Benz model range. What's more, the consumption-optimized BlueEFFICIENCY vehicles are particularly attractive for fleet customers in many markets due to tax advantages and advantageous TCO (total cost of ownership or "cost per kilometer") figures. B

Offers for customers with restricted physical mobility. Since the start of 2010 customers with restricted physical mobility have been finding that Mercedes-Benz has exactly the solutions they need. They can choose from 15 types of adaptive equipment and a selection of seat modifications. The new vehicles with the individualized equipment and features these customers require are available ex works. The factory-installed adaptive equipment is offered by all Mercedes-Benz dealerships to help ensure that this target group enjoys greater independence when it comes to mobility. C

Safeguarding customer data. We have instituted a worldwide corporate policy to protect the data of our customers and partners. When we acquire data from the Internet we state our obligation to comply with data protection declarations; this statement can be called up on our websites. Afterward we ask interested parties and customers whether they would like to be contacted in the future and, if so, by means of which communication channels. Our complaint management measures ensure that data protection-related complaints are handled promptly and correctly. D E

A
Awards Daimler has received for customer satisfaction and service:
Online 326

B
Environmental and cost benefits through the use of Mercedes-Benz genuine replacement parts and used parts:
Online 327

C
More information on our adaptive equipment and seat modifications:
Online 328

D
Legally required information about products and services:
Online 329

E
Our corporate policy "Data protection for customer and partner data":
Online 330

For further information, please enter the corresponding number into the search field at
http://sustainability.daimler.com

"Customer satisfaction is a key factor that helps determine which automotive companies will survive in the future."

Interview with Dr. Joachim Schmidt

Head of Sales and Marketing,
Mercedes-Benz Cars

Dr. Schmidt, In your ads you promise your customers "The best or nothing"...
Dr. Joachim Schmidt: "The best or nothing" was Gottlieb Daimler's motto, and it still guides our actions today. Our track record alone is enough to make customers always expect a little more from Mercedes-Benz. That's why our brand now focuses more than ever on its claim to leadership – after all, we want to deliver nothing but the best to our customers in every respect.

Does the claim also apply to the sustainability of your products?
Schmidt: Yes, definitely. It's no coincidence that we have firmly established responsibility as the third Mercedes-Benz brand value, along with fascination and perfection. That's why we now offer 85 fuel economy-optimized BlueEFFICIENCY variants for our combustion engine models. Our range of engines is virtually all-new, and we have also equipped nearly all of our core model series with a standard fuel efficiency-optimized seven-speed transmission featuring a start-stop function.

In 2011 we will also begin launching the successor models of the A- and B-Class for the compact segment. We sent a clear signal regarding local zero-emission driving in 2010 by increasing the production volume for our electric smart to 1,500 units. This move came in response to the great demand for that model, which has been manufactured under series production conditions since the end of 2009. We've already delivered over half of the new production volume to customers. We have also launched production of the Mercedes-Benz A-Class E-CELL and delivered the first Mercedes-Benz B-Class F-CELL and Vito E-CELL vehicles to customers.

Your customer service departments have received solid ratings. How important is customer service to you?
Schmidt: We try to thrill our customers not only with groundbreaking technologies and fascinating products and services but also with our outstanding customer care. Customer satisfaction is a key factor that helps determine which automotive companies will survive in the future. Customer satisfaction and loyalty decide whether customers choose to purchase another one of our vehicles, whether they decide to buy, finance, or lease our cars, and whether they come to us for maintenance and service. Most importantly, these factors also determine how many times customers will return to our company. The fact that we're on the right track here is demonstrated by numerous external surveys of dealership and workshop performance and the significant gains we've made in the Customer Satisfaction Index in practically all markets.

So there's always room for improvement somewhere...
Schmidt: That's correct. The important thing here is that we don't regard our goal of achieving outstanding customer care as a temporary project. Instead, we have firmly established the associated attitude as a shared state of mind at sales and service departments around the world. In the end, we also try to continually exceed our customers' expectations because only enthusiastic customers will become loyal customers who will choose a Mercedes-Benz the next time around as well. Evidence of our success here is provided by the high degree of loyalty – the highest in the premium segment, in fact – that is displayed by Mercedes-Benz customers. Nevertheless, we continue to work on developing new customized service products that will help bind our customers to us even after the sale.

Mercedes-Benz is introducing additional new vehicle technologies for sustainable mobility. What can you do to help make them successful?
Schmidt: Even 125 years after the invention of the automobile, we still try to find solutions for the mobility of tomorrow by exploiting our passion for innovation. However, our efforts can only bear fruit if we succeed in getting our customers to accept the new technologies. We already do that by employing proactive marketing campaigns to accompany the launch of new vehicle technologies. We also participate in research projects – within the framework of our e-mobility activities, for example – in order to gain a better understanding of how our customers use their cars.

04 Operations-related environmental protection

The automobile of the future must be created under sustainable conditions. Our production sites therefore reflect the values that are the hallmarks of our products. The primary concern of all of our plants worldwide is to protect people and the environment. We therefore make sure that energy and resources are used efficiently and develop strategies for further reducing emissions during production.

Operations-related environmental protection

1.0	**Our objective**	58
2.0	**Energy management and climate protection**	58
3.0	**Air pollution prevention**	60
4.0	**Waste management**	60
5.0	**Water management**	60
6.0	**Transport and logistics**	60
7.0	**Noise abatement**	62
8.0	**Nature conservation, land use, and biodiversity**	62
9.0	**Use of resources and material**	62
10.0	**Sales operations**	62

Our targets	58
External statement	63

You can find all of the key figures as well as more in-depth information on this chapter in our interactive online report.
http://sustainability.daimler.com

Our targets

- Target achieved
- Partial target achieved
- New target

Energy efficiency

Target Production-related CO_2 emissions. Continual reduction of specific CO_2 emissions from production operations, resulting in 20 percent lower emissions in 2015 as compared to 2007.
Achievements Percentage of change in specific CO_2 emissions compared to 2007: Daimler Buses -20 percent, Mercedes-Benz Cars -6.5 percent, Mercedes-Benz Vans +2.8 percent, Daimler Trucks +9.7 percent (calculated as comparison with 2007, excluding fuels and Atlantis Foundry) Vans and Trucks have a worse energy efficiency than in 2007 because their production figures are still substantially lower. Compared to 2009, specific CO_2 emissions declined substantially at all divisions (Daimler Buses -19 percent, Mercedes-Benz Cars -9 percent, Mercedes-Benz Vans -20 percent, Daimler Trucks -24 percent).
Target horizon end of 2015 p. 58 ff.

Biodiversity

Target Biodiversity. Development of a concept by 2013 for assessing an automotive location's impact on biodiversity.
Achievements New target
Target horizon end of 2013 p. 62

Air quality, resource efficiency, environmental management

Target Environmental performance indicators. Development of a comprehensive system of environmental performance indicators by 2013 for managing target setting and target achievement at all locations.
Achievements Indicators and reporting systems are already used in a pilot program at Trucks and Buses.
Target horizon end of 2013 p. 58

You can find further information on partial targets and specific measures:
Online 400 http://sustainability.daimler.com

1.0 Our objective

We want to make all stages of vehicle production as environmentally compatible as possible. We have therefore committed ourselves to this goal in our third environmental guideline, which is an integral part of our environmental strategy. We aim to set standards for environmentally compatible production and processing techniques and to improve our operations-related environmental protection. Our focus here is on using and enhancing techniques for saving energy and water and for reducing waste and emissions. A

The main areas in which we are acting on our sense of responsibility for production processes are climate protection, air pollution prevention, and resource conservation.

We are striving to:
- reduce direct and indirect CO_2 emissions;
- reduce solvent emissions;
- increase resource efficiency and avoid the production of waste materials.

Multi-location structures. We are currently adding multi-location structures to our management system so that we can more rigorously pursue Group-wide environmental protection targets. This approach is based on a graded system of key figures that formulates specific targets for the individual divisions on the basis of Group-wide objectives. This makes it easier to quantitatively monitor how well the targets are being met at all of the organizational levels of a plant, a division, and the Group as a whole, and to coordinate unit-specific strategies more efficiently.

Certified management systems at production locations. Daimler has developed control processes that are embedded in the certified environmental management systems at its production plants. All of the company locations that have been certified according to the European EMAS system for environmental auditing publish certified annual environmental reports concerning their environmental policies, targets, implementation measures, and environmental data. B C D

2.0 Energy management and climate protection

Climate protection is the environmental goal that is given top priority in our production process. Our Group-wide target is to reduce the CO_2 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 that use energy

efficiently and make sure that electricity and heat are supplied in a way that is as environmentally friendly as possible. Alongside technical measures aimed at reducing our energy consumption, energy management systems can help reduce production-related CO_2 emissions. Against this background and in order to gain experience in the use of appropriate energy management systems we created the conditions necessary for introducing a certified energy management system according to DIN/EN 16001 at our production facility for Formula 1 engines in Brixworth in 2010. Certification was achieved in the first quarter of 2011. E

In 2010 Daimler consumed a total of 10.3 million megawatt-hours of energy worldwide (2009: 8.9 million), or 15 percent more than in the previous year. Due to a substantial increase in production output compared with the prior year, energy consumption and the associated CO_2 emissions rose at all divisions. However, energy consumption per vehicle dropped substantially at all divisions. F

Resource-conserving heating systems. For many years now, we have been using low-carbon natural gas to fuel the heating systems of our plants. We use district heating wherever feasible, and we also try in other ways to ensure that heat is generated in a way that conserves resources and protects the climate as much as possible. Many production plants use highly efficient cogeneration plants operated either by Daimler or by regional power companies. At one plant, shredded waste wood is used to generate CO_2-neutral heat. We are steadily reducing the use of fossil fuels that lead to high CO_2 emissions. For example, coke is used only for smelting cast iron, since there is no technological alternative to it.

Renewable sources of energy. For our new construction, expansion, and modernization projects we implement innovative low-CO_2 energy supply concepts and use electricity generated from renewable sources. At the Rastatt plant, for example, we put a geothermal facility into operation in 2010 to supply heat to a new body shop. The facility saves 5,000 megawatt-hours of energy and reduces CO_2 emissions by around 800 tonnes. Over the past few years, we have put new photovoltaic systems into operation on a number of plant roofs. The most recent of these were three facilities at our plants in High Point and Cleveland in the U.S. and Mississauga in Canada, which account for a total of 792 kilowatts of peak performance. Taken together, the facilities have a combined photovoltaic surface of 44,760 square meters (481,800 square feet). These systems enabled us to generate 4,180 megawatt-hours of climate-friendly electricity in 2010.

Optimization of existing facilities. We also continuously optimize existing production processes in order to save energy and conserve resources. For example, an in-depth analysis of the Untertürkheim plant revealed that the maximum processing temperature of the cooling lubricants used at the facility could be raised from 22 degrees Celsius to 28 degrees without hampering the manufacturing processes. “Free cooling” at outdoor temperatures thus suffices, except on very hot days. Because the refrigeration machines can remain switched off most of the time, we can save almost 21,000 megawatt-hours of electricity per year at the plant.

Through the use of smart stand-by circuits, our process development team has managed time and again to exploit further savings potential. As a result, motors that would otherwise operate continuously to run pumps, conveyor systems, or cooling facilities are only turned on when they are needed. Sensors trigger the signals for switching on the motors. The associated control software is gradually being installed or is taken into account when new systems are ordered. Since 2009 we have been requiring manufacturers to fill out an energy check list before we purchase new production machines. This allows us to more precisely calculate the energy costs of the machine during its entire service life and to take this factor into account when placing orders.

New painting technologies. Substantial energy savings are being made possible by an innovative exhaust air treatment system that is being used for the first time in our new plant in Kecskemét, Hungary. The plant’s paint shop uses an all-new dry deposition system. In conventional painting facilities that use a wet deposition system, most of the energy is currently consumed in preparing fresh air for the paint booth. The use of dry deposition means that a large proportion of the air in the booth can be reused, enabling us to save around 150 kilowatt-hours of energy per vehicle and substantially reduce CO_2 emissions. In addition, the facility generates fewer particulates, no longer requires any fresh water, and is much quieter than conventional systems.

GreenIT. There are hardly any work processes today that can do without IT support. As a result, the operation of computers and servers accounts for a considerable share of our company’s total energy use. We are therefore implementing sophisticated measures to increase efficiency and improve resource conservation in the area of IT. Our GreenIT@Daimler project consolidates existing activities, initiates new measures, and establishes links to other resource-optimization projects. We are communicating the resulting insights and approaches to the entire Group in order to generate synergies in environmental protection.

According to our calculations, GreenIT measures have cut electricity consumption by more than 55,000 megawatt-hours per year throughout the Group. That corresponds to the needs of about 12,000 four-person households. These savings have reduced our CO_2 emis-

A
Our environmental guideline:
Online 401

B
Information on the environmental statements of the plants:
Online 402

C
Information on data acquisition:
Online 403

D
More information on certified management systems:
Page 32

E
More about how we calculate our CO_2 emissions:
Online 404

F
More information on our CO_2 emissions and more key figures:
Online 405

For further information, please enter the corresponding number into the search field at
http://sustainability.daimler.com

Over 55,000 MWh

less electricity consumption Group-wide through Green IT

sions by a total of 33,000 tonnes and cut our costs by over €5.5 million. The results have far exceeded our original goal of reducing consumption by 40,000 megawatt-hours, which we set when the project began. A

3.0 Air pollution prevention

The production of vehicles at Daimler plants creates several air pollutants, most notably in the form of solvents (volatile organic carbon compounds, or VOCs) that are released in the paint shops. Other pollutants, such as sulfur dioxide (SO_2), 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 maintain the low level of emissions achieved to date and to reduce emissions even further wherever possible. B

Painting technology for passenger cars has already reached a very high standard that makes it possible to achieve only minor additional reductions in emissions. The introduction of water-based paints in the 1990s enabled us to reduce solvent emissions by some 70 percent at the passenger car plants. We are also striving to significantly cut solvent emissions in the Commercial Vehicles division. Examples of progress in this area i nclude the UV painting area for truck axles in the Gaggenau plant and the new paint shop at EvoBus in Ulm.

In 2009 an especially innovative system was put into operation at the paint shop of the Gaggenau plant, where it substantially reduces solvent emissions, energy consumption, and CO_2 emissions. The innovative paint shop uses special paints that dry within just 90 seconds under ultraviolet light. By contrast, normal paints take 30 minutes to dry at a temperature of 80 degrees Celsius. We were able to further optimize this solvent-free technology under production conditions last year. The experience gained in this way will benefit the development of future painting applications. C

4.0 Waste management

When it comes to waste management, we believe that prevention and recycling are better than disposal. Accordingly, the reconditioning and reuse of raw, process, and operating materials has been standard practice at the Group for many years now. Moreover, in order to avoid the creation of waste from the outset, we use innovative technologies and eco-friendly production planning processes. Because we remain responsible for our waste even after it has left our plants, we use a standard process to regularly evaluate the companies charged with disposing the waste of our German production facilities. None of the waste is exported to other countries. Successful waste management requires clear and efficient processes. At our bus plant in Istanbul, for example, we have introduced a new decentralized waste logistics system that requires fewer transport shipments within the plant than was previously the case and also saves space at the central waste collection site.

An example of the successful prevention of waste is the introduction of circulating, reusable transport boxes instead of disposable wood packaging for deliveries between the plants in East London, South Africa, and Wörth, Germany. Because the reusable wooden boxes can be disassembled for compact storage, 120 of these boxes fit into a single container that is shipped back. This approach allows us to save up to 150 tonnes of waste wood per month. This project serves as a model for the low-waste packaging of various prefabricated parts and components that are transported to CKD assembly plants all over the world.

5.0 Water management

Daimler's aim in terms of water protection is to use this precious commodity as sparingly as possible and to avoid contaminating water resources. That applies particularly in countries with dry climates. Our bus plant in Monterrey, Mexico, demonstrates that even minor improvements in sanitary facilities can pay off in locations where water is scarce. Here we have installed state-of-the-art electronically regulated faucets and waterless urinals, which together can save more than 2,200 cubic meters of water per year.

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 reports of the EMAS-certified plants. D

6.0 Transport and logistics

Vehicles that transport deliveries to and from our production plants also have an environmental impact. Daimler's goal in this area is to minimize the emissions they produce by optimizing the logistics systems involved and by using rail and ship transport. In 2010 approximately 3.7 million tonnes of commodities related to production in our German car and commercial vehicle plants and at the Group's facility in Vitoria, Spain, were transported by trucks over a total of 135 million kilometers (83,885,111 miles)(not counting door-to-door deliv-

A
More information on Green IT:
Online 406

B
More information on our solvent emissions as well as more key figures:
Online 407

C
More information on UV painting in Gaggenau:
Online 408

D
More information on the combined waste water emissions of the 11 directly discharging production facilities as well as the environmental statements of the plants:
Online 409

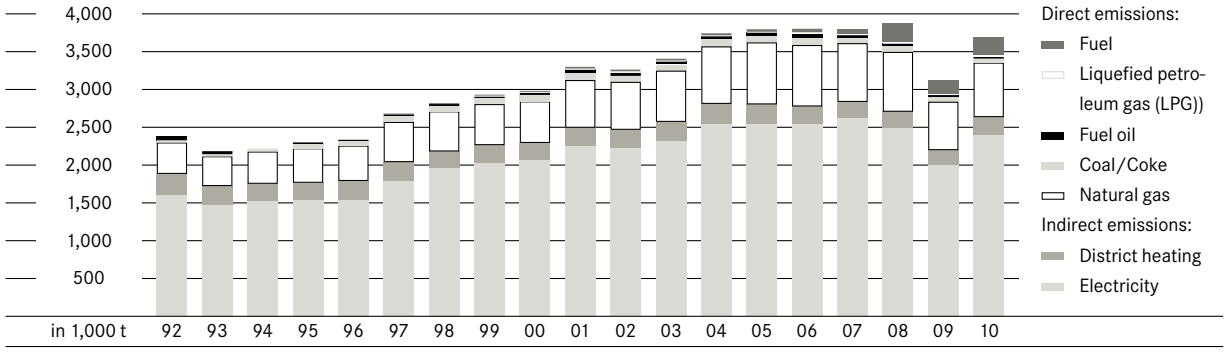
For further information, please enter the corresponding number into the search field at
http://sustainability.daimler.com

21 Group-wide data on production-related environmental protection

		Unit	2008	2009	2010*	Change in percent 2008/2010	Change in percent 2009/2010
Energy consumption	Total	GWh	10,972	8,937	10,328	-5.9%	15.6%
	thereof electricity	GWh	4,694	3,750	4,442	-5.4%	18.5%
	thereof natural gas	GWh	4,380	3,487	3,986	-9.0%	14.3%
	thereof district heating	GWh	1,019	929	1,063	4.3%	14.4%
	thereof fuel oil	GWh	142	120	81	-43.0%	-32.5%
	thereof liquefied petroleum gas (LPG)	GWh	104	122	96	-7.7%	-21.3%
	thereof coal	GWh	197	144	173	-12.2%	20.1%
	thereof fuel	GWh	436	385	487	11.7%	26.5%
CO_2 emissions	Total	1,000 t	3,879	3,135	3,699	-4.6%	18.0%
	thereof direct (Scope 1)	1,000 t	1,173	937	1,064	-9.3%	13.6%
	thereof indirect (Scope 2)	1,000 t	2,706	2,198	2,635	-2.6%	19.9%
Emissions into the atmosphere	Solvents (VOC)	t	6,433	4,140	5,386	-16.3%	30.1%
	Sulfur dioxide (SO_2)	t	37	34	40	8.1%	17.6%
	Carbon monoxide (CO)	t	2,657	2,157	2,188	-17.7%	1.4%
	Nitrogen oxides (NO_X)	t	938	802	984	4.9%	22.7%
	Particulates (total)	t	246	189	197	-19.9%	4.2%
Waste volumes	Waste for disposal	1,000 t	69	43	64	-7.2%	48.8%
	Waste for reuse (without scrap metal)	1,000 t	231	149	286	23.8%	91.9%
	Scrap metal for reuse	1,000 t	751	544	583	-22.4%	7.2%
	Hazardous waste for disposal	1,000 t	19	25	32	68.4%	28.0%
	Hazardous waste for reuse	1,000 t	60	44	57	-5.0%	29.5%
Water consumption	Drinking water (externally supplied)	million m^3	9.52	7.16	8.47	-11.0%	18.3%
	Well water (drawn on site)	million m^3	5.31	4.12	4.81	-9.4%	16.7%
	Surface water	million m^3	0.82	0.58	0.77	-6.1%	32.8%
Area	Plant area	km^2			40	(Data collected since 2010)	
	Percentage covered by buildings or roads	%			55	(Data collected since 2010)	
Costs related to environmental protection	Investments	million €	74	50	45	-39.2%	-10.0%
	Current expenditure	million €	481	372	378	**-21.4%**	1.6%
	R&D expenditure	million €	1,799	1,721	1,876	**4.3%**	9.0%

Due to the extremely low production output in 2009, the year under review (2010) is more comparable with 2008. The disposal of circulation fluids in the course of the changeover in processes at a plant increased the amount of hazardous waste for disposal. Thanks to a new wastewater treatment facility that was introduced in early 2011, this hazardous waste is now no longer being created. Daimler began recording the figures for all plant areas throughout the Group in 2010. (* 2010 figures are provisional)

22 Direct and indirect CO_2 emissions from production



After the recession had caused absolute CO_2 emissions to drop in 2009, these emissions increased once again in 2010. However, increases in energy efficiency made it possible to produce far lower emissions than in 2008 despite contrary developments in 2010 (higher demand for heating energy, more locations, higher balance sheet limits for covering fuels).

eries). Based on the current handbook on emission factors for road traffic (HBEFA 3.1), this amounts to approximately 100,650 tonnes (2009: 83,070) of CO_2 emitted into the atmosphere, which corresponds to around four percent of the total CO_2 emissions generated through our production activities at all the plants receiving these deliveries. The environment is also indirectly impacted by business trips and employees' daily commutes. Business trips from German locations resulted in the emission of 740 tonnes of CO_2 from trains and 15,000 tons of CO_2 from planes. Whenever feasible, we therefore replace 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.

7.0 Noise abatement

Daimler is committed to minimizing the noise levels to which its employees and the neighbors of its production locations are subjected. When planning new facilities, the Group's noise abatement concepts ensure that noise is prevented to the greatest extent possible. Sources of noise at Group production sites are also closely monitored and the noise levels reduced where possible by the installation of sound-absorbing elements and noise abatement walls, for example.

8.0 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.

Protection of soil and groundwater. Technical equipment such as catchment trays, double-walled containers, special sealed floor coverings, and leakage warning systems helps to prevent water-polluting fluids from leaking into the ground. Since legal stipulations vary greatly worldwide, the Group has set internal guidelines that establish minimum standards for soil and groundwater protection at all of its facilities around the globe.

Land use. Our production facilities cover a total area of about 4,000 hectares (2.47 acres), 55 percent of which is covered by buildings, roads, or parking areas. Because land is a limited public asset, we use these surfaces as intensively as possible – for example, through multi-story buildings and high-density construction. Such industrial architecture can also provide habitat for threatened animal species. One example of this can be seen at the Wörth plant, 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. A

9.0 Use of resources and material

As an automaker, we are part of an industrial sector that consumes large volumes of material. It is therefore essential that the necessary raw materials be used efficiently in the production process so that we can work with our finite resources in a responsible manner.

Ferrous and non-ferrous metals are essential raw materials for the production of vehicle bodies and major components. Because we obtain these metals from suppliers, their environmental impact is not reflected in our own environmental performance. However, they are taken into account when we make holistic environmental assessments during product development and when we select materials. B

Some metals that are needed for the production of catalytic converters and will increasingly be required for batteries and electric drive systems in the future are extremely scarce worldwide. Our strategic goal is to 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.

10.0 Sales operations

Daimler's Environmental Guidelines also serve as a strategic framework for the environmental protection activities associated with the sale of our products worldwide. They play a crucial role in the design and the operation of our dealerships and service centers. In Germany these guidelines serve as the basis for the environmental management of the German Mercedes-Benz Sales Organization (MBVD), which encompasses dealerships and Group-owned sales and service outlets. The environmental management's matrix certification in accordance with the European Eco-Management and Audit Scheme (EMAS) is valid for 45 company-owned sales and service outlets and is thus the most extensive in the German automotive sales industry. The Mercedes-Benz Commercial Vehicle Center in Berlin is the first dealership in Germany to have received German Sustainable Building Certification. The building is supplied with CO_2-neutral energy from a biomass power unit, while a low-temperature heating system reduces energy consumption. The facility is also equipped with a biological water treatment system.

A
More information on nature conservation and nature reserves:
Online 410

B
Further information:
Page 52

For further information, please enter the corresponding number into the search field at
http://sustainability.daimler.com

"Set specific targets, spearhead developments – as you have already done with exhaust gas emission reductions."

External statement

No Alternative – German linguists have crowned "alternativlos" (without alternatives) the "Ugliest Word of 2010." In the opinion of the panel that selected it, "the word suggests that a decision-making process is marked from the outset by an absence of alternatives and that discussion and arguments are therefore unnecessary." The word stifles all political discussion, the panel added.

Interestingly, the situation is different when it comes to climate protection. From Rio to Kyoto and Cancun, the topic has remained politically controversial at all climate summits, despite the fact that "without alternatives" accurately describes the situation: there is no alternative to climate protection. Greenhouse gas emissions need to be cut sharply over the next few decades if we are to meet the long-term demands associated with climate protection. In order to limit the rise in global temperature to a maximum of two degrees Celsius, the industrialized nations will have to reduce their greenhouse gas emissions by 40 percent as compared to 1990 levels by 2020, and by 80 to 95 percent by 2050.

Automakers, too, have no alternative but to promote climate protection. Daimler has already taken up this challenge in the past, and it also formulated an ambitious goal for its fleet of new passenger cars for 2012. The new fuel-efficient models, and others still to come, should enable the company to achieve its goal. But what about the time beyond 2012? What needs to be done then? Those who wish to demonstrate their sustained commitment to climate protection need to set clear, ambitious goals for the time until 2020. Daimler has taken a first important step in this direction: The CO_2 emissions of its passenger cars are to be limited to no more than 125 grams per kilometer by 2016. However, Daimler also needs ambitious medium-term CO_2 targets for 2020 if it wants to develop technologically innovative and fuel-efficient vehicles over the long run. This would also give Daimler planning security for its business operations, which companies repeatedly demand during discussions on CO_2 limits for passenger cars in the EU. As far as effective climate protection is concerned, there is also no alternative to CO_2 targets for light-duty commercial vehicles. It's therefore very encouraging that Daimler, which has done more to shape this sector than practically any other automaker, currently has a target for 2014 for such vehicles. There is no time to lose, however: Daimler also needs to formulate concrete, long-term targets for this vehicle segment as well.

In 2012, Daimler will launch its first series-produced electric vehicle on the market – the smart electronic drive. The company needs to encourage its customers – and possibly even directly help them – to obtain the electricity for these vehicles from renewable sources exploited specifically for this purpose. This is the only way electric cars can present a true alternative for climate protection. In this regard, it makes sense for Daimler to utilize renewable energy in its production operations so as to set an example for its customers. Such an approach would improve both the greenhouse gas balance and the company's reputation. "Made in Germany" and "Manufactured with Power from Wind, Sun, and Water" is a combination that has no alternative and promises great success.

With its car2go and car2gether programs, Daimler is also helping to shape another trend at the moment: use instead of ownership. Perhaps the initial concerns voiced by environmental organizations that these innovative pilot projects might only have a niche-like existence will be allayed in the spring of 2011, when car2go is launched in Hamburg. The success of these mobility concepts shows that there are alternatives to owning one's own car. Such concepts are also just waiting to be expanded to Asia, where the need for "space-saving," environmentally friendly mobility is becoming increasingly important.

Öko-Institut believes that it is vital for Daimler to continue with its efforts to achieve effective climate protection. Set specific targets, spearhead developments – as you have already done with exhaust gas emission reductions – and show the world you are truly convinced that there is "no alternative" to climate protection.

Martin Schmied
Deputy Head of Division Infrastructure & Enterprises, Öko-Institut e.V., Berlin, March 2011

Öko-Institut e.V.
Institut für angewandte Ökologie
Institute for Applied Ecology

Öko-Institut is one of Europe's leading independent research and consultancy institutes for a sustainable future.

Further information is available at:
www.oeko.de

05 Our employees

The ideas and dedication of our employees are an important factor for our business success. We utilize this valuable asset through the application of a consistent human resources development program that supports diversity and equal opportunity, improves occupational health and safety, and helps our employees to realize their full potential. These investments pay off – they keep our labor costs competitive and make us a more attractive employer.

Our employees

1.0 Our objective 67

2.0 Employment 67
2.1 Development 67
2.2 Fluctuation 67
2.3 Demographic change 67

3.0 Performance and remuneration 68
3.1 Competitive remuneration 68
3.2 Retirement provisions 68

4.0 Employer attractiveness 69
4.1 Programs for recruiting and retaining talented individuals and young skilled employees 69
4.2 Balancing a career and private life 69
4.3 Employee satisfaction 69

5.0 Diversity 69
5.1 Diversity strategy and organization 69
5.2 Measures, programs, and initiatives 72

6.0 Human resources development and support 72
6.1 Training 72
6.2 Further qualification 73
6.3 Promotion and development of young talents 74

7.0 Occupational health and safety 74
7.1 Health management 74
7.2 Occupational safety 74

Our targets 66
Interview with Wilfried Porth 70
External statement 75

We have combined all of the key figures and additional information related to this chapter into an interactive online report for you.
http://sustainability.daimler.com

Our targets

Target achieved | Partial target achieved | New target

Employer attractiveness

Target Employee commitment. Increasing employee satisfaction and identification with the company as a result of measures implemented in response to employee surveys.
Achievements The Employee Commitment Index (ECI) value in the 2010 employee survey was 10 percent higher than in 2008 (increase from 58 points to 64 points). // Planned measures were implemented. // Decision was made to conduct full surveys and sample polls in alternate years.
Target horizon end of 2015 p. 69

Target HR marketing. Strengthening our position as an attractive employer by focusing our HR marketing on the strategic future-oriented fields of "Green Recruiting" and "Emerging Markets".
Achievements Daimler "Employer Branding" focused on "Green Recruiting" in Germany and China.
Target horizon end of 2012 p. 69

Competitive labor costs

Target 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.
Achievements A) Daimler Executive Bonus: The bonus is paid in proportion to the company's performance (time period: 1 year). // Globally uniform, transparent system. // B) Payment of a share-based remuneration in line with the company's performance (time period: 4 years). Obligation to keep shares over the long term.
Target horizon end of 2012 p. 68

Diversity

Target Diversity management. In the area of diversity management, Daimler aims to be one of the leading companies in the German automotive industry and to remain on top. Diversity is therefore to be embedded in human resources processes and the corporate culture.
Achievements Around 4,400 managers had taken part in diversity workshops by the end of 2010.
Target horizon end of 2020 p. 69

Target Increasing the proportion of women in the workforce. A) The Daimler Group plans to increase the proportion of women in senior management positions to 20 percent worldwide by 2020. B) Daimler AG plans to increase the share of women in Level 4 management positions to between 14 and 18 percent by 2015. C) The Daimler Group plans for 35 percent of the people hired via CAReer to be women (by the end of 2011). D) Daimler AG plans to increase women's share of the workforce to between 12.5 and 15 percent by 2015, while also increasing the proportion of women trainees to between 22 and 26 percent, and of women trainees for commercial-technical professions to between 13 and 16 percent.
Achievements A) At the Daimler Group, women fill 9.0 percent of the senior management positions worldwide. // Around 900 mentees and mentors have taken part in the Group-wide TANDEM monitoring program since 2007. // B) Women account for 12.4 percent of mid-level managers (Level 4) at Daimler AG. // C) Women account for 35 percent of the people recruited via CAReer. // D) Women's share of the workforce at Daimler AG increased to 13.5 percent in 2010. At Daimler AG, 20.6 percent of the trainees and 11.3 percent of the trainees for commercial-technical professions were women in 2010.
Target horizon end of A) 2020 B) 2015 C) 2011 D) 2015 p. 71

Target Generation management: Greater consideration of demographic issues in our corporate culture and leadership processes.
Achievements Further rollout of HR resource management at our location in Berlin and launch of a pilot program for the administrative units of the Wörth plant. // Integration of generation management into diversity workshops.
Target horizon from 2012 p. 69 ff.

Employee development and support

Target Securing highly qualified young talent. Ensuring that academically educated managers are recruited, supported, and properly qualified.
Achievements In 2010 around 500 college graduates and young people with initial work experience were recruited for the company through the CAReer trainee program. // In 2010 the Cooperative State University in Baden-Württemberg created a concept for a new course of study for business information systems. The course will be offered in cooperation with Daimler in October 2011 for the first time.
Target horizon end of 2011 p. 72

Target Green HR strategy. A strategic initiative for anticipating and handling human resources-related challenges brought on by the transformation of drive technologies.
Achievements Launch of the ELAB study. // A technology module for trainees was launched in fall 2010 as part of a real-life assignment. // A technology module for trainees was launched in fall 2010 as part of a real-life assignment. // Qualification of around 18,000 experts along the value chain as well as trainees. // "Green" Daimler Career Days.
Target horizon end of 2012 p. 72

Target Needs-based training. New prioritization, optimization, and expansion of the training programs on offer.
Achievements Share of the active workforce involved in training programs rose to 4.7 percent. In the passenger car plants, the share of trainee positions in the electrical and electromechanical professions rose to 50 percent in 2010.
Target horizon end of 2015 p. 72

Occupational health and safety

Target Ergonomics activities. Incorporation of ergonomics activities in planning and production processes.
Achievements Systematic assessment of ergonomics in future plans for new vehicle models at MBC and Trucks; e.g. plans for a new compact class and a new truck generation. Training of ergonomics officers from the MBC and Trucks divisions in the use of ergonomic analysis tools
Target horizon end of 2015 p. 74

Workforce

Target Workforce. Increasing human resources flexibility at Daimler AG through the use of temporary personnel.
Achievements The use of flexibly assignable temporary personnel and more flexible working hours enabled us to keep our permanent workforce.
Target horizon end of 2012 p. 67

Additional targets, further information on partial targets and specific measures: **Online 500** **http://sustainability.daimler.com**

1.0 Our objective

For Daimler, a corporate management system based on values and the principles of sustainability must also include social responsibility with regard to our workforce. For this reason, the concerns of our employees in Germany and around the world play a major role in our business decision-making processes. That's not only because we feel obligated to uphold values such as respect and fairness but also because we know that our business success is founded solely upon the expertise and dedication of our employees.

We therefore seek to create the best possible working conditions for our staff. Our approach here includes appropriate remuneration, high standards of occupational safety and health management, flexible working-time models, and extensive opportunities for education and training. Within the framework of our diversity management activities, we also strive to make diversity a value factor in our human resources processes and our cor-porate culture.

Our focus in 2010 was primarily on increasing the share of women in the workforce and managing demographic change – and we were quite successful in both areas. For example, the proportion of women in senior management positions at Daimler reached 9.0 percent in the year under review. With regard to demographic change, we launched a strategic initiative in 2010 and we have begun to implement it in pilot projects.

2.0 Employment

On December 31, 2010, the Daimler Group employed 260,100 men and women worldwide. This was 3,693 more employees than on the same date in 2009. The increase was due to two factors: Jobs were created at the consolidated Group – in particular at companies incorporated into Mercedes-Benz Cars and the sales organization. In addition, it was necessary to increase personnel numbers in order to meet rising demand. A

Collective bargaining agreements apply to more than 90 percent of the employees in Germany (Group). Some Group companies are not subject to collective bargaining agreements. In Germany, the Works Council Constitution Act (BetrVG) stipulates that works councils have considerable influence on decisions even on behalf of employees who are not covered by collective bargaining agreements – for example, regarding salaries and wages as well as issues related to company agreements. B

2.1 Development. The increase in demand and additions to the consolidated Group caused workforce numbers to increase slightly in 2010. On December 31, we employed 260,100 men and women worldwide, compared to 256,407 at the end of 2009. Workforce numbers rose to 164,026 (2009: 162,565) in Germany, while 18,295 (2009: 17,697) men and women were employed in the U.S., 13,484 (2009: 13,088) in Brazil, and 12,836 (2009: 14,152) in Japan. The number of trainees worldwide was 8,841 (2009: 9,151). At the end of 2010, Daimler employed a total of 145,796 people (2009: 147,052).

Employment increased at the Mercedes-Benz Cars (+3 percent) and Daimler Trucks (+1 percent) divisions. Whereas the number of employees also increased at the sales organization (+1 percent), it declined at the Mercedes-Benz Vans (-4 percent) and Daimler Financial Services (-1 percent) divisions. 23 C

2.2 Fluctuation. Compared to the prior year, the fluctuation rate at the Daimler Group declined worldwide by 4.8 percentage points to 4.9 percent. The rate in Germany was 2.8 percent (2009: 4.1 percent), while it was 14.1 percent in the U.S. (2009: 35.8 percent) and 7.2 percent in the rest of the world (2009: 15.0 percent). These percentages include early retirement, separation agreements, pre-retirement part-time work (in Germany), and layoff contracts (U.S.). Female employees had a global fluctuation rate of 5.4 percent (2009: 8.5 percent). D

2.3 Demographic change. Demographic changes are becoming more noticeable at Daimler as well. The average age of Daimler AG employees in Germany rose to 43 in the year under review (2009: 42.5). The uneven age structure at the company, as well as the new legal and collective bargaining framework – e.g. the increase in the retirement age and new regulations governing pre-retirement part-time work – demonstrate that this trend will continue. The average age of the Daimler workforce is expected to increase in the course of the next ten years by 4 years to 47 As a result, the share of employees over 50 will rise from 25 percent today to 50 percent in 2020. 25 E F

Back in 2007 we began studying the effects of demographic change on capacity within the framework of location-based projects carried out by our HR resource management team. In 2010 we conducted projects at the Berlin component plant and in Wörth, and the methodology employed in these projects has proved to be very successful. G

A
Flexible staff assignments:
Online 501

B
More information on the dialogue with employee representatives:
Online 502

C
More information on balancing interests in the event of operational changes:
Online 503

D
Professional separation management:
Online 504

E
More information on average age:
Online 505

F
Activities related to demographic change:
Online 506

G
More information on HR resource management:
Online 507

For further information, please enter the corresponding number into the search field at
http://sustainabliity.daimler.com

23 Total workforce by region and division

Year-end status	2009	2010
Africa	6,059	6,060
Asia	18,863	18,123
Australia	1,203	1,240
Europe	192,199	194,790
thereof in Germany	162,565	164,026
North America with Mexico	23,221	24,661
South and Central America	14,862	15,226

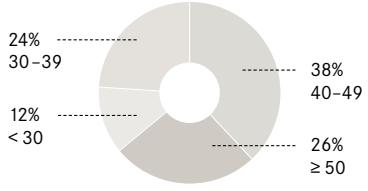
Year-end status	2009	2010
Mercedes-Benz Cars	93,572	96,281
Daimler Trucks	70,699	71,706
Daimler Financial Services	6,800	6,742
Mercedes-Benz Vans	15,226	14,557
Daimler Buses	17,188	17,134
Sales & Marketing	47,625	48,299
Other	5,297	680
Total workforce	**256,407**	**260,100**

24 Expenditure on pension provisions at the Daimler Group

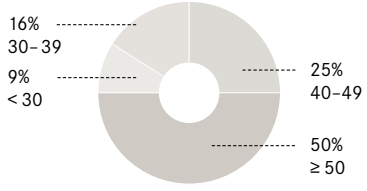
in billions of €	2008	2009	2010
Cash value of pension liabilities on Dec. 31[1]	15	16.5	17.7
Payments to retirees	0.8	0.8	0.8
Expenditure on government and external pension plans	1.0	1.0	1.2

You will find the figures and more detailed information on page 211 of our 2010 Annual Report.
[1] This cash value is heavily dependent on the balance sheet assessment parameters defined each year, in particular the discount rate.

25 Development of the age structure at Daimler AG (Germany) between 2009 and 2019



Age structure in 2009



Age structure in 2019

26 Percentage of women employees at Daimler AG

in %	As of Dec. 31, 2008	As of Dec. 31, 2009	As of Dec. 31, 2010	Target corridor (2006–2010)
Workforce	12.9	13.1	13.5	12.5–15
White-collar	24.1	24.2	24.3	–
Trainees	20.2	20.7	20.6	20–24
Commercial-technical vocational training	11.2	11.7	11.3	11–14
Level 4 management	11.2	11.7	12.4	10–14
Share of women in senior management positions	7.8	8.3	8.9	

3.0 Performance and remuneration

3.1 Competitive remuneration. We at Daimler believe in offering competitive remuneration that is both profitable and attractive in a system that is in tune with the times but doesn't blindly follow short-term trends. Our general remuneration concept utilizes the same system worldwide. The compensation package for our employees and managers consists of various short and long-term components and benefits.

Daimler Group companies pay wages and salaries in accordance with the relevant legal stipulations and any applicable collective bargaining agreements. Remuneration is basically in line with market levels, i.e. wages and salaries are comparable to those at other companies. The market-level wages at Group companies (vehicle manufacturing and vehicle import and sales) are higher than local minimum wages. Any assessment of wage levels has to take into account the fact that most Group companies also grant benefits which, taken together, far exceed the legal requirements. These benefits include voluntary insurance services and other supplementary retirement provisions.

Our performance and success-based remuneration system is founded upon a consistent management process that we use to coordinate, monitor, and evaluate performance requirements. For management Levels 1–4, we execute this process under globally standardized conditions within the framework of our goal agreement system. Sustainability criteria are taken into account not only in our evaluation instruments for managers but also in those for employees. These criteria fall under the headings of "Leadership" and "Behavior at Work." The performance assessment results obtained through our annual management process serve not only as the basis for remuneration but also as the point of departure for measures related to personnel development and the management of potential. A B

Because the variable component is linked to economic developments, the success of the year 2010 will be clearly reflected in the size of the variable remuneration component.

We also employ temporary workers in an effort to become more flexible and safeguard the jobs of our core workforce. The salary of such temporary employees in commercial positions corresponds to the entry-level pay for our normal workforce. C

3.2 Retirement provisions. Daimler offers its employees around the globe attractive retirement plans that correspond to the standards in their respective countries. Our aim here is to ensure that the benefits we offer

result in sufficient coverage during retirement, while also remaining plannable and feasible for the company and minimizing its risks. Our General Pension Policy is designed to ensure that these aims are met.

Daimler provides all of its employees with contribution-based benefit guarantees, but the Group also offers both performance and contribution-based country-specific retirement plans. Our company retirement programs are implemented either by external partners or directly by Daimler.

In the latter case, the capital for covering retirement liabilities is invested in separate outsourced funds. In addition to being legally protected against bankruptcy by the Pension Benefit Guarantee Association (PSVaG), the pension plans of Daimler employees are also protected by the Daimler Pension Trust. Along with the benefits financed by the company, we also offer employees various remuneration conversion models that allow them to take advantage of all available tax benefit opportunities. D

All permanent Daimler AG employees are eligible to participate in company pension plans. General information about the level of required contributions as a percentage of salary cannot be provided, as the scope and type of benefits varies greatly among the global markets in which we operate. 24 E

4.0 Employer attractiveness

4.1 Programs for recruiting and retaining talented individuals and young skilled employees. Daimler assigns a high priority to supporting talented individuals at an early stage of their development through attractive programs that also boost their enthusiasm about the company. One example of this approach is the Daimler Student Partnership Program (dsp), which was named the best college graduate program in 2010. And our efforts are paying off. This is demonstrated by the fact that the number of applications submitted by college graduates and entry-level staff job seekers with initial practical experience is continually rising.

For example, the number of applications for our Group-wide CAReer program for young talents increased by approximately 30 percent in 2010 as compared to the prior year (as of September 15, 2010).

In the future we will focus even more on direct dialogue with graduates and entry-level job seekers with initial practical experience, and we will increasingly utilize social media. We will also further enhance our attractiveness as an employer through implementation of the following measures:

- the introduction of Daimler Employer Branding 2011 targeted at "green recruiting" in additional emerging markets such as India;
- more intense target group-focused recruitment and retainment of top talents in the fields of engineering and IT in particular;
- continuation of image and recruiting formats such as Daimler CAReer Day and more extensive contact with colleges and universities.

4.2 Balancing a career and private life. Doing justice to the changing expectations of the current generation of workers requires us to redesign the relationship between employees and the company. This is the only way to ensure the long-term performance capability and commitment of our workforce.

Our goal is therefore 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. To this end, Daimler offers everything from flexible working hours to "sternchen" daycare centers. Beyond that, we are also participating in a pioneering research project that addresses the issue of balancing a career and private life. F G H

4.3 Employee satisfaction. Regular surveys of employee satisfaction are an important instrument for 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 affinity and identification with the company and on satisfaction with working conditions and management. The results of these surveys flow into the Employee Commitment Index (ECI). Employees' knowledge of our corporate values and compliance regulations are also evaluated.

In September 2010 we once again carried out a worldwide employee survey. The high response rate (72 percent) shows us that the survey is well accepted as an element of Daimler's feedback-focused culture. The ECI reached 64 points, an increase of ten percent from the last Group-wide survey in 2007. This value gives Daimler an above-average result in terms of external benchmarks. I

5.0 Diversity

5.1 Diversity strategy and organization. Promoting diversity, establishing good relationships, and designing an organization that is ready for future challenges – these are the principles that guide Daimler's approach to diversity management. For us, diversity management is an important factor for success in both a business and

A
More information on personnel development and management of potential:
Page 72 f.

B
More information on performance assessment and goal-driven management:
Online 508

C
More information on the remuneration of temporary personnel:
Online 509

D
Overview of company pension programs at Daimler AG:
Online 510

E
More information on retirement provision figures:
Annual Report 2010, page 211

F
More information on the research project:
Online 511

G
More information on flexible work schemes:
Online 512

H
More information on "sternchen" daycare centers:
Online 513

I
More results from the 2010 Employee Survey:
Online 514

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> "Just as important as financial incentives are interesting assignments, professional training, qualifications, and personal development opportunities."

The automotive industry is on the verge of a fundamental transformation. The future belongs to new and environmentally friendly drive system technologies. How are you preparing your employees for these changes?
Wilfried Porth: In 2010 we launched our "Green Qualification" initiative, through which our Corporate Academy offers employees and managers training programs and expert workshops that address the new technologies. The academy also puts on information events. Between now and 2013 we expect to provide professional training to around 32,000 employees throughout the Group in Germany and another 21,000 people worldwide. Together with the Works Council and renowned research institutes, we also started a project known as "ELAB." In this project we study the impact that drive system electrification will have on employment in the automotive industry. We expect the project to provide us with key information on the future challenges our employment and human resources policies will have to deal with.

Daimler is considered to be an attractive employer. However, the competition for skilled and capable staff is becoming more intense. Will you be able to attract the coming generation of workers?
Porth: Definitely. Daimler is represented in practically every country in the world and can therefore offer its employees interesting global assignments. We also provide our employees with training and continuing education opportunities throughout their entire career. We utilize several flexible work models, and our "sternchen" daycare centers will be able to accommodate 569 employee children throughout Germany by 2012. The purpose of these centers is to make it easier for women in particular to balance the requirements of a career and family commitments. At the moment, we're also conducting a research project with Heidelberg University that examines methods for improving the work-life balance of our employees. Our efforts to recruit and train the skilled workers we will need tomorrow are centered around our professional training programs, the CAReer program for young talents, and the Cooperative State University. More than 2,000 young men and women began a professional training program at Daimler in 2010, and more than 250 of them are enrolled in the Cooperative State University. We've also hired more than 500 young people as new employees. Our hiring activities are focusing more and more on growth markets and professions such as "mechatronics specialist" that will be in great demand in the future. In order to address the interests of the coming generation, we have created an outstanding program called "Genius" which is designed to get children and teenagers interested in the natural sciences and technology at an early age. To this end, we also cooperate closely with schools.

How do you ensure that new employees stay at the company?
Porth: The key aspect is our attractiveness as an employer, which in turn is influenced by a variety of factors. Competitive remuneration is obviously one such factor – but our employees also view the broad range of benefits we offer as very important. They include a viable and secure company pension program. Just as important as financial incentives are interesting assignments, professional training, qualifications, and personal development opportunities. As a large globally operating company, we have a huge array of options available to our people.

We should also keep in mind that we do everything we can to safeguard our employees' jobs even in difficult times. The recent crisis demonstrated our ability to avoid layoffs by employing instruments such as the depletion of working-time accounts, short-time work, and working-hour reductions, all of which ensured that we could immediately get people back to work and implement special shifts when the situation improved. Our regular employee surveys enable us to gauge our employees' identification with the company – and despite the crisis, our score on the Employee Commitment Index increased 6 points to 64 points.

The average age of your workforce is increasing. How are you dealing with this situation?
Porth: On the one hand, we take measures to boost the performance of our employees; on the other, we safeguard their expertise from the time they enter the company until they leave. Demographic change isn't just an issue for older employees, however; we also offer our trainees and younger staff members programs for improving their health and enhancing workplace ergonomics. We use our "HR Resource Management" project to plan today for the personnel requirements of tomorrow, and we have also established so-called employment paths along which our employees can develop their professional skills. Our goal is to strengthen our workforce and further improve its capability, while at the same time ensuring that every employee can apply his or her skills as effectively as possible.

Measures such as those you've described cost money. How do you ensure that your labor costs remain competitive?
Porth: All the measures I've referred to are designed to achieve two goals. The first is to make sure we remain an attractive employer so that we can recruit the best people – and this justifies the associated investments. Our activities must also pay off in a business sense, however. Ideally, we should be able to achieve both objectives – for example, through flexible working-time models that take into consideration the needs of both the workforce and the company. We keep a very close eye on these issues and also compare our approach with those of competitors.

I would also point out that labor costs play a key role in remuneration policy. Here, the introduction of the ERA collective bargaining agreement at the company has allowed us to carry out systematic controlling of the structure of job assignments at individual units, and ensure uniform standards.

"Our goal is to strengthen our workforce and further improve its capability."

Interview with Wilfried Porth

Member of the Board of Management of Daimler AG, Human Resources and Director of Labor Relations

a social sense. After all, a company can only develop a keen sense of the growth markets of the future if employees with a variety of talents and expertise are working within it. Diversity management also means addressing the varying conditions in the different countries where we operate in accordance with the motto "Think globally, act locally."

As early as 2005, Daimler established diversity management as a line responsibility and set up a diversity management organization in order to emphasize the strategic importance of this issue. This organization consists of the Global Diversity Council (GDC), the Global Diversity Office (GDO), and the diversity officers at the business units.

The GDC is made up of Board of Management members and high-ranking executives. This decision-making body utilizes the strategic approach that has been defined by the GDO to develop measures for the permanent establishment of a diversity management system. These measures are implemented in cooperation with managers, human resources units, and the diversity officers from the business units.

Objectives and scope of our diversity management. Our diversity management activities initially focused on promoting women to management positions (gender diversity). Our goal is to increase the proportion of women in senior management positions throughout the world to 20 percent by 2020. We are pursuing this ambitious objective within the framework of an evolutionary process that is based on various company agreements related to equal opportunity. Differences in pay between men and women do not exist at Daimler. The principle of "equal pay for equal work" is written into our Social Responsibility Guidelines and a special company-wide agreement.

We also address many other aspects of diversity, including topics such as generation management and internationality. In all of these areas, we apply a combination of measures that encompass not only special activities to promote opportunities for women but also initiatives for all managers and for the workforce as a whole.

Increasing the share of women in the workforce. A company agreement reached back in 2001 sets a target corridor for the proportion of women in all positions covered by collective bargaining agreements. Corporate management has also defined target corridors for increasing the share of women in senior management positions. 26 A

Employment quotas for the severely handicapped. The proportion of severely handicapped staff members employed by Daimler AG increased slightly in recent years, despite the decline in overall workforce numbers.

A
Proportion of women employees at the Daimler Group:
Online 515

For further information, please enter the corresponding number into the search field at
http://sustainability.daimler.com

Green technologies are setting the trend in training and further qualification

Green technologies are shaping advances in the automotive industry today. Daimler plans to actively participate in the transition to more environmentally friendly vehicles and to spearhead technological developments in this sector. This can only be done if we thoroughly prepare our employees for the new challenges.

Safeguarding green technology expertise is therefore our top priority. In order to create practical solutions, we analyze the consequences the development of green mobility will have and we use these studies to define the expertise our employees will need to obtain. As a result, we now plan to provide suitable training to around 32,000 employees in Germany and to a further 21,000 staff members around the globe between 2010 and 2013. Activities here focus on development specialists, trainees, and students at the Cooperative State University.

We make extensive resources available for training and qualification programs that provide our research and development staff with a high level of green technology expertise. In 2010 we successfully launched an expansion of our green technology research and development expertise by staging more than 40 events that attracted over 3,000 participants.

Training conditions vary greatly throughout the Group. In plants such as our facility in Sindelfingen, which builds the S 400 Hybrid, extensive expertise is already the norm in assembly operations that employ many highly skilled technicians. However, at other locations the transformation is only just beginning. This is why we have developed pragmatic, customized solutions to accelerate the process of acquiring green technology expertise.

For example, trainees can now supplement their normal qualifications with a program for "High-Voltage Systems in Automobiles." This is made possible by a standardized concept that was integrated into the Daimler Training System (DTS). We continue to refine this "professional training mix" at our various locations. In this context, the share of trainee positions in electrical and electrical-mechanical professions increased to almost 50 percent in 2010.

We also introduced a new flexible green-technology qualification concept within the framework of the DTS in 2010. The concept provides trainees with the technical and safety knowledge required for the production of new Mercedes drive systems. We are also gradually expanding the technical programs of study offered by the Cooperative State University by adding new modules and content – particularly in relation to alternative drive systems and vehicle electrification.

Expenditure resulting from business with sheltered workshops for people with disabilities and with similar facilities totaled €25.6 million. If the quota had been too low, only €4.2 million of this amount could have been taken into account. A

Diversity management as a performance indicator. The promotion of diversity management is one of the indicators used in our annual evaluation of manager performance and potential. Regular meetings between supervisors and staff support the establishment of diversity expertise across the board. Our objective here is to make diversity management part of our company's "genetic code" and a matter of course at Daimler.

Diversity Charter. In 2010 we once again stepped up our activities related to the Diversity Charter, which we drew up in December 2006 together with the German federal government, Deutsche Bank, Deutsche Telekom, and Deutsche BP. The creation of this charter underscored our commitment to diversity management and demonstrates our willingness to address the associated challenges and initiate a social discourse on this issue. The charter has since been signed by more than 600 companies, associations, local communities, and clubs.

5.2 Measures, programs, and initiatives. In the last few years we have pursued with great dedication our goal of becoming one of the most respected automotive companies in Germany with regard to diversity management by 2010. Various activities and initiatives – from diversity workshops and mentoring programs to employee networks – helped us to achieve this objective. B

6.0 Human resources development and support

6.1 Training. We regard an investment in training as an investment in the future of our company. That's why we will continue to expand the professions covered by our forward-looking training programs. We have also adjusted the number of trainees to our company's needs. At the end of 2010 Daimler had 8,841 trainees worldwide (2009: 9,151; 2008: 9,603; 2007: 9,300). In Germany we took on 2,034 trainees (2009: 2,341; 2008: 2,500; 2007: 2,600).

The Daimler Training System (DTS). The Daimler Training System (DTS) introduced in 2008 makes it possible for our employees to flexibly respond to future challenges as well. The goal of the DTS is to ensure continued high-quality and efficient training at Daimler plants in Germany and rapidly incorporate technological innovations into the training process. The DTS already covers all technical professions. At the moment we are expanding our system for commercial training at

Daimler plants and for the sales and financial services units at Daimler. The DTS also formed the basis for the creation of a database for international training – the Daimler Vocational Training System (DVTS). C

International training. Our international training system supports our training centers around the globe by providing them with materials, training methods, and qualification programs for the instructors. This work not only benefits our partners abroad and their customers; it also makes a valuable social contribution in countries such as China, Saudi Arabia, and Sri Lanka. D

6.2 Further qualification. Attaining further qualification is the key to success and professional development – whether for the company as a whole or for individual employees. Our extensive qualification programs take into account both the needs of the Group and the personal and career requirements of our staff.

Our company-wide agreement on further qualification is designed to promote and manage further education and training at the company. The focus here is on qualification measures for adapting, maintaining, and enhancing skills. The agreement enables us to provide targeted qualification programs even as cost pressures increase.

We accomplish this by dividing the professional and personal qualification measures for our employees into six topic areas, which are based on our production development and support processes:

- Vehicle development – responsible organization: Technical Academy Research & Development
- Production (production-related specialist qualifications and the qualification of managers at the level of master craftsmen) – responsible organizations: local training units at the production locations
- Sales and customer service – responsible organization: Global Training
- Developing management skills and professional expertise in the areas of finance, human resources, procurement, and IT – responsible organization: Daimler Corporate Academy (DCA)
- Lean management – responsible organizations: lean management training units of the plants and divisions
- Compliance – responsible organizations: Corporate Compliance Organization and Daimler Corporate Academy

The units and organizations listed above are linked through the Daimler Corporate Qualification Council, and they coordinate their areas of strategic focus with one another. This is the case, for example, with "green qualification," an area in which all business units provide their respective employee target groups with the required knowledge and expertise. E

27 Further qualification

	2008	2009	2010
Investment in millions of €	270	207	202
Qualification training days per employee/year	4.4	2.4	2.3

28 Key figures on occupational health and safety at Daimler

	2007	2008	2009	2010
Company health promotion programs				
Health training courses offered:				
– Shift workers	1,296	984	670	670
– Management staff	645	396	330	330
– Senior management staff	140	128	72	84
Offers for periods of preventive treatment:				
– Shift workers	250	263	111	111
– Management staff	200	166	89	89
– Senior management staff	50	15	0	0
Corporate medical service				
Office hours	31,015	31,408	24,769	27,792
Preventive medical checkups	44,043	43,277	36,195	35,037
Vaccinations and medical consulting for travel assignments	18,294	18,850	16,609	16,314
Major checkups for senior managers	233	222	765	268
Minor checkups	2,785	2,881	765	713
Corporate social counseling				
Number of counseled clients	4,600	4,770	4,499	4,967
Other figures				
BKK members	158,400	164,556	167,581	171,404
SG Stern members	33,000	34,540	35,300	36,372

A
Employment quotas for the severely handicapped:
Online 516

B
More information on diversity activities:
Online 517

C
More information on the DTS:
Online 518

D
International training projects:
Online 519

E
More information on qualification measures:
Online 520

For further information, please enter the corresponding number into the search field at
http://sustainability.daimler.com

6.3 Promotion and development of young talents. In 2010 we once again employed a wide range of programs and initiatives to recruit young qualified individuals from outside the company and to support and further develop those we already employ. The following are the most important measures we use to recruit external talent and to support talented individuals within our company:

- activities that attract students and college graduates to the company;
- Talent Meets the Star: Campaign for highlighting professional training at Mercedes-Benz;
- Cooperative State University: Alternating study and practical training;
- Daimler Student Partnership: Support program for college students;
- CAReer – The Talent Program: Trainee program for college graduates and entry-level staff with initial practical experience;
- Daimler Academic Programs: Support for outstanding employees. A

7.0 Occupational health and safety

Daimler management and the World Employee Committee have developed standardized principles for preventive occupational health and safety at all Group locations worldwide. These principles are based on legislation in each country and on the International Labor Organization's (ILO) guidelines for occupational safety and health management (ILO/OSHMS 2001).

Ensuring proper implementation of the guidelines is the responsibility of the Group-wide Health & Safety unit, which addresses all issues related to promoting and maintaining good employee health: occupational medicine, occupational safety, workplace health improvement, ergonomics, social counseling, and integration management. 28 B

7.1 Health management. Occupational medicine at Daimler focuses on achieving the goal of the "healthy employee at a healthy company." Our health management system guarantees that every employee can receive on-site medical care by highly qualified personnel when it is needed. Health problems related to an employee's workplace or workstation are handled by staff members from the plant medical service. Among other things, these facilities offer special medical examinations to employees who under certain conditions work with hazardous materials or carry out specific specialized tasks. C

In addition, the various ergonomic measures we employ throughout the entire product creation process, as well as our application of scientifically based evaluation techniques, help prevent heightened physical stress levels and the health risks they can lead to. D

The increase in psychosomatic illnesses and disorders in society as a whole can also be observed among Daimler employees. Health & Safety responded to this situation in 2010 by developing an integrated healthcare concept that provides prompt therapeutic support and is offered in cooperation with our social counseling staff and external experts. E

A major contribution to maintaining employee health is also made by our integration management approach, which focuses on reintegrating into the company staff members whose ability to work is limited. Our goal here is to promote a holistic integration management system and use it as a basis for establishing appropriate standards.

With its "12 Principles for Handling Health Care Data in Integration and Absentee Management Operations," which was agreed on in 2010, Daimler has succeeded in introducing binding regulations and guidelines that will ensure responsible and successful management of this issue. F

An important element of our efforts to promote employee health at the company is our system for providing rapid on-site health care when it is needed and offering preventive, treatment, and rehabilitation measures. In this connection, we developed and opened internal healthcare centers at additional German locations in 2010 that offer all the relevant programs and measures for promoting better health. These centers make Daimler a pioneer and a benchmark in the industry. G

Occupational health and safety programs are also offered at Daimler's international locations, and these programs are being continually expanded. For example, a comprehensive workplace program against HIV/AIDS continues to play a major role in South Africa. H

7.2 Occupational safety. The Occupational Safety department is responsible for managing and coordinating the exchange of information on workplace safety and cooperation activities related to this issue. The department acts as a direct consultant for plant management, executives, and employees, and also helps plant management teams meet their occupational safety obligations. I

A
More information on support for young talent and entry-level staff:
Online 521

B
Additional health management figures:
Online 522

C
More information on occupational medicine:
Online 523

D
More information on ergonomics:
Online 524

E
More information on social counseling:
Online 525

F
More information on integration management:
Online 526

G
More information on company programs to promote better health:
Online 527

H
More information on international health management:
Online 528

I
More information on occupational safety:
Online 529

For further information, please enter the corresponding number into the search field at
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"Daimler uses temporary work as a flexible buffer for dealing with such economic swings."

External statement

The year 2010 at Daimler was marked by an economic turnaround whose pace and powerful impact no one could have predicted. Many business units experienced an almost direct transition from the severe crisis of 2009 to full-capacity working conditions at the start of the second quarter of 2010. Daimler was able to discontinue short-time work and the reduction in working hours more quickly than expected, and employees will now receive a substantial profit-sharing payout and raises ahead of schedule. The response to the crisis was characterized by constructive cooperation between executive management and the General Works Council. Daimler's crisis management system, which includes flexible working-time accounts, short-time work, and working-hour reductions, is a very successful example of a sustainable human resources policy. In fact, Daimler was able to retain most of its core workforce despite a very sharp decline in revenues in 2009.

In contrast, temporary work was reduced to a minimum at the beginning of the crisis. However, during the sharp upturn in 2010 it was significantly expanded again. Daimler uses temporary work as a flexible buffer for dealing with such economic swings. No more than 8 percent of the production staff may be temporary workers, and they receive the same pay as new entry-level employees – though not the same supplements and bonuses. No such regulation exists for non-production temps. For job orders in areas such as research and development, IT, logistics, and cleaning, the company should make sure the contractors also comply with the CSR principles. In addition to clearly meeting qualitative criteria, quantitative limits ought to be applied as well.

Training programs have a high priority at Daimler. Nonetheless, the number of trainees at Daimler reached a low point in 2010, when trainee positions were reduced by around 20 percent. A sustainable human resources policy must also address the challenges of demographic change and long-term technological transformation. The HR Resource Management system provides a good approach to strategic personnel measures. Because of its unique age structure, the Bremen plant developed intelligent concepts for its aging workforce, especially in assembly units and jobs involving high levels of physical stress. The focus at the Berlin plant was on green technologies, an issue that human resources development departments throughout the Group need to address extensively.

The key future issues of green technologies and CO_2 reduction should be viewed not only in terms of ecological sustainability but also with regard to social sustainability. There are many indications that value creation, work volume, and job profiles in the automotive industry are set to undergo long-term changes. The effects the technological transformation will have on employment are being examined in the ELAB research project, an initiative of the Daimler General Works Council, the Hans Böckler Foundation, and the IG Metall trade union. This project is being extensively supported and assisted by Daimler management and the General Works Council. In 2010 these two groups also launched a "Green Technology Working Group," which is examining ways to exploit the opportunities created by technological transformation for the benefit of the workforce. In the case of future-oriented technologies, the long-term employment impact of location and make-or-buy decisions should not be underestimated at individual plants, despite the fact that such decisions still only affect a relatively small amount of the work performed.

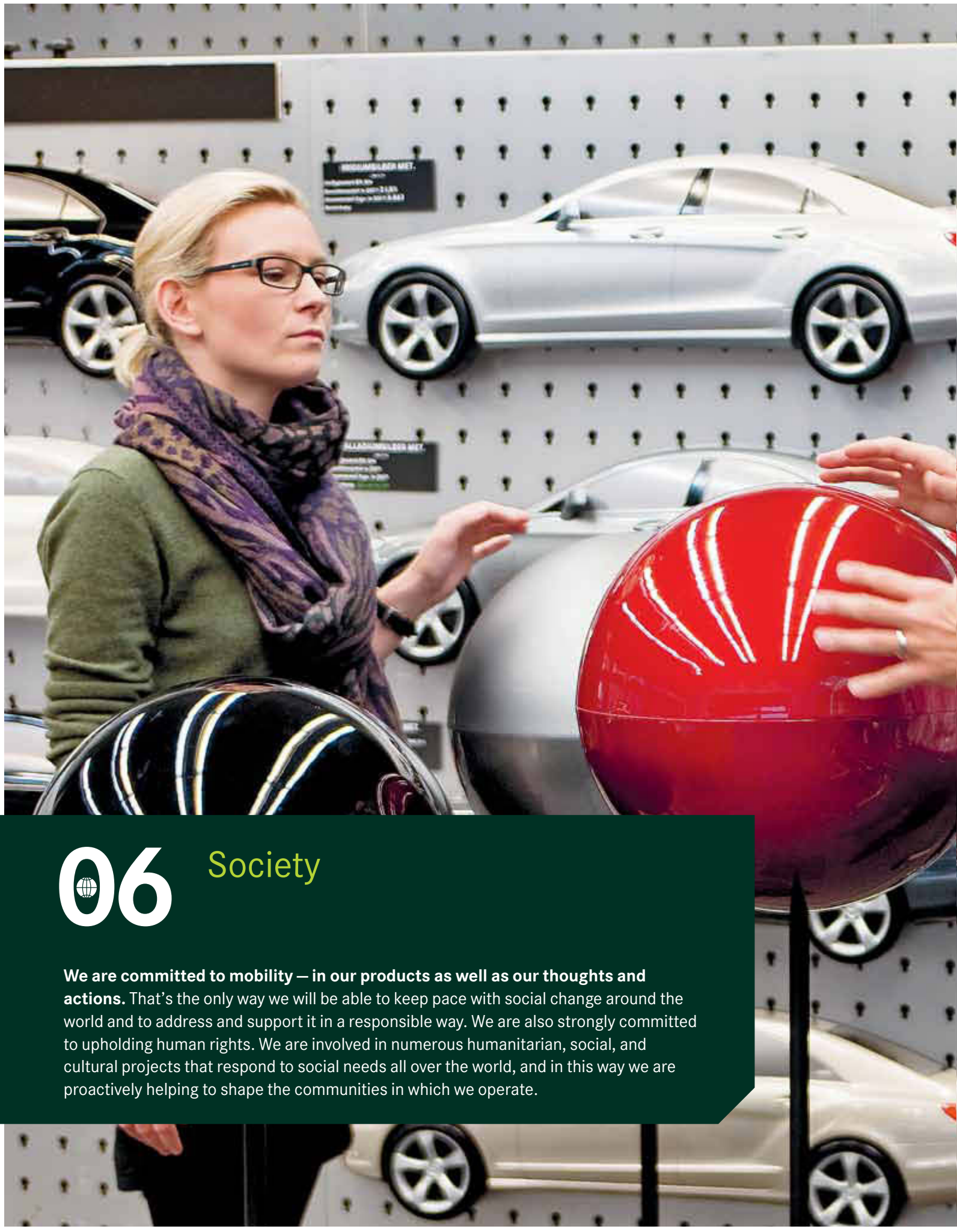
Many other aspects of Daimler's approach to social sustainability also deserve mention. One example is the controversial restructuring plan for Daimler Financial Services. The planned closure of certain offices and a transfer of functions would have resulted in the relocation of more than half of the division's workforce to other regions. In view of their family situations, many employees would have found moving difficult, which would have detrimentally affected the company's sustainable human resources policy. The fact that the company management and the employee representatives were able to agree on acceptable compromises here should be viewed very positively.

Dr. Jürgen Dispan
Researcher and project coordinator at the IMU Institute, Stuttgart, March 2011

IMU Institut

The IMU Institute is an independent research and consulting facility. Social and business analyses, assessments, and concepts are provided by the approximately 30 employees who work there.

More information is available at:
www.imu-institut.de



06 Society

We are committed to mobility – in our products as well as our thoughts and actions. That's the only way we will be able to keep pace with social change around the world and to address and support it in a responsible way. We are also strongly committed to upholding human rights. We are involved in numerous humanitarian, social, and cultural projects that respond to social needs all over the world, and in this way we are proactively helping to shape the communities in which we operate.

Society

1.0 Our objective 79

2.0 Social commitment 79
2.1 Principles regarding donations and sponsorship 80
2.2 Donations 80
2.3 Sponsorship 80
2.4 Corporate volunteering and other activities for the common good 80
2.5 Foundations 80
2.6 Community relations 80

3.0 Human rights 83

Our Targets 78
Interview with Martin Jäger 82

All of the information, downloads, and figures in this report are also available online. There you can also find an archive of reports from previous years.

http://sustainability.daimler.com

Our targets

Target achieved | Partial target achieved | New target

Human rights

Target Risk management. Worldwide expansion of risk management at Daimler's 18 production locations in line with UN requirements so that possible human rights violations can be detected early on.
Achievements New target
Target horizon end of 2013 S. 83

Social commitment

Target Traffic safety instruction. Expansion of traffic safety instruction measures for primary school children in Germany.
Achievements Expansion of our almost ten-year involvement in traffic safety instruction for children through the creation of a MobileKids website, including a magazine section for adults. // Installation of the MobileKids Safety Map, an online application based on Google Maps that allows users to indicate critical and safe traffic areas. // Pilot project (Baden-Württemberg) for the MobileKids School Days at 200 schools with a total of 5,000 children.
Target horizon end of 2012 S. 79

Target Art and culture. Expansion of regional, location-specific efforts to promote art in line with our good corporate citizen philosophy.
Achievements "Free Admission" initiative, evening academies, and guided tours (approx. 1,000 employees) in cooperation with the Stuttgart State Gallery and the Domnick Foundation. // Exhibitions of the Daimler "ARS" art collection, Museum Albertina in Vienna Ampersand Museum. / Cooperation with the Fondation Beyeler in Basel.
Target horizon end of 2012 S. 80

Target Promoting education. Expansion and consolidation of educational activities for children and teenagers in Germany through the Genius initiative
Achievements Genius was established at Daimler in 2010 as an umbrella brand for company-wide educational activities for children and teenagers. // A well-established partnership with the Baden-Württemberg Ministry of Culture and Klett MINT. // Instructional modules have been drawn up for science and technology classes and are published on the state's school server. Website is online. // Genius Campus at MBMUS is open. // Genius kickoff meeting and press conference have taken place. // First Genius teachers' congress (approx. 300 science and technology teachers participated) has been held.
Target horizon end of 2012 S. 81

Target Corporate volunteering strategy. Implementation of a company-supported volunteering program at Daimler AG .
Achievements With a view to the planned introduction of a company-supported volunteering program at Daimler AG for charitable purposes, we discussed possible action areas and social needs for employee volunteering at the Sustainability Dialogue 2010. // In 2010 we continued the process of restructuring our corporate volunteering strategy, which we had begun in 2008. We evaluated the activities at additional locations worldwide and defined areas of action.
Target horizon end of 2013 S. 80

Target Corporate volunteering initiatives. Expansion of existing corporate volunteering projects and implementation of a company-supported volunteering program at Daimler AG.
Achievements Day of Caring projects in 13 countries. In 2010, such projects were held for the first time in Croatia, Spain, Czech Republic/Slovakia, France, Argentina, and China. Of the 2,000 volunteers who took part in the projects, 800 were based in the seven new countries. // First Day of Caring partnership with SOS Children's Villages in Spain, Croatia, and Czech Republic/Slovakia. "Give a Smile" employee project – distribution of 1,000 Christmas packages to children from socially disadvantaged families through Tafel e.V. in Stuttgart and Berlin. // Creation of the concept for the employee project "We move it! – 125 employee projects for sustainability," launched to mark the 125th anniversary of the automobile in 2011.
Target horizon end of 2012 S. 80

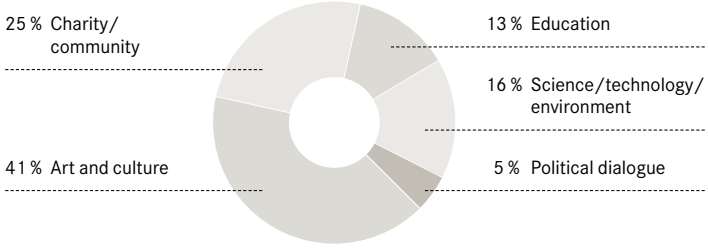
Target International empowerment activities: Expansion of the existing empowerment initiatives of Daimler Financial Services in Ethiopia and South Africa.
Achievements Ethiopia: Since January 2009, Mercedes-Benz Bank has been supporting the creation of a microcredit program in the Midda region. Around 1,200 women have taken part in the basic training course to date and initial successes have been posted. // South Africa: In cooperation with CARE, we have developed and implemented a comprehensive training program that focuses on how to secure a livelihood. In addition, we conducted healthcare training courses that focused especially on how to live with AIDS and associated diseases such as tuberculosis. These courses were supplemented by accounting classes for the associated microcredit program.
Target horizon end of 2012 p. 79

You can find further information on partial targets and specific measures: **Online 600** **http://sustainability.daimler.com**

29 A selection of our worldwide nonprofit and socially beneficial projects in 2010

Theme area	Institution /project	Country
Education	CYYD / Each girl is a star	Turkey
	MobileKids / Traffic education	worldwide
	Juan Manuel Fangio Foundation / Technical School	Argentina
	Children's Academy / Financial training for young people	Germany
	St Anthony's Education Centre / Education Centre for Skills Development	South Africa
Art and culture	Staatsgalerie Stuttgart / Free admission, employee projects	Germany
	Art Beijing / Art fair	China
	Art Scope / Scholarships	Japan
	Tomie Ohtake Institute / Exhibition series	Brazil
	Villa Romana / Art scholarships	Germany
	Deutscher Musikrat / Support for young musicians	Germany
Charity/ community	Laureus Foundation / Children's and youth projects	worldwide
	Ekukhanyeni / Home of Light and Hope / Youth project	South Africa
	Doctors of the World / Project support	worldwide
	Deutsche Cleft-Kinderhilfe / Creation of a center in Mumbai	India
	SABCOHA / Trucking Wellness / AIDS prevention	South Africa
	CARE / Microloans	worldwide
	Day of Caring / Creating centers for children and teens	worldwide
Science/ technology/ environment	World Expo Shanghai 2010 / Urban Planet	China
	The Conservation Fund / Support for "green" entrepreneurs	U.S.
	Global Nature Fund / Lake network, Living Lakes	worldwide
	Daimler Foundation / Allocation for project promotion	Germany
	Stifterverband für die Deutsche Wissenschaft / Program activities	Germany
Disaster relief	Clinton Foundation / Aid to earthquake victims in Haiti	Haiti
	CARE / Aid to earthquake victims in Haiti	Haiti
	German Red Cross / Aid to flood victims in Pakistan	Pakistan

30 Donations and sponsorship in 2010



Not including the addition of €88 million to the capital of the Daimler and Benz Foundation

1.0 Our objective

We can only be successful in the long run if we create value for all of our stakeholders. We therefore regard our social involvement as a key component of our business activities, and we apply stringent quality standards to it. For example, we have formulated clear criteria for our support of social causes, and we regularly monitor their success and the effect of the initiatives in which we participate. A special committee for donations and sponsorship assesses all of our larger projects, and transparency is ensured by a Group-wide database in which we continuously document our social involvement.

Our donation activities focus on the promotion of science and education, support for charitable projects, and disaster relief. Through our sponsorship we support sustainable development in the areas of education, environmental protection, art, and culture in the places where we do business. We also actively foster well-functioning communities – for example through corporate volunteering and dialogue with governments. And we have established a number of foundations that dispense financial assistance over the long term to promote certain objectives.

As a company, we have a particular social responsibility to uphold human rights. In this area, we focus on employee rights, the right to assemble, the right to engage in wage negotiations, the right to equal opportunity, and the right to receive equal pay for equal work. We oppose forced labor and we support measures to effectively eliminate exploitative child labor.

2.0 Social commitment

We believe that entrepreneurship and social responsibility go together, wherever we conduct business. As a global corporate group, we operate production facilities and sales and service outlets in many countries. As an employer and a client, we interact in many ways with the communities and regions in which we operate. This presents us with the challenge and the responsibility of actively helping to shape these communities and fostering dialogue between different cultures.

We aim to create value for all of our stakeholders and boost the competitiveness of the regions where we operate. We consolidate our broad spectrum of social involvement into five areas: donations, sponsorship, funding through our foundations, corporate volunteering, and other activities aimed at the common good, as well as community relations.

With regard to the issues we address, we distinguish between our promotion of culture, education, science, sports, and health; our support of charitable projects; and disaster relief. In all of our activities, we engage in close cooperation with the local communities and social institutions, and we take into account the existing infrastructure as well as overall social needs. A

In 2010 Daimler spent €51.1 million to support nonprofit organizations and socially beneficial projects (this refers only to project funding). In addition, we added €88 million to the capital of the Daimler and Benz Foundation.

2.1 Principles regarding donations and sponsorship. We want to bring about significant benefits to society and continuously refine the nature of our involvement. That's why we have defined clear focus areas for our social involvement and have created transparent structures and clear lines of responsibility for our distribution of financial aid.

A committee for donations and sponsorship within the Board of Management coordinates all Group activities in this area. In close cooperation with individual production facilities and plant management, it defines, and is responsible for, our areas of activity in terms of our national and regional policies. It evaluates and makes the decisions concerning all of our major projects and funding plans.

We take steps to ensure maximum transparency when we grant funding and make donations. In 2009 we established sponsorship guidelines that define understandable criteria for our awarding of funds and ensure compliance 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.

When it comes to making contributions to political parties, Daimler maintains strict compliance with legislation and with the Group's internal guideline on political contributions, which was introduced in 2006. This guideline stipulates that donations to parties are permitted only if they are expressly authorized by the Board of Management. B

2.2 Donations. Through our donations we help people meet social challenges and improve their precarious living conditions. Our aim is to help people to help themselves over the long term.

Our donation activities focus on the promotion of science and education, support for charitable projects, and disaster relief. Since 2008, instead of offering gifts to guests at our vehicle presentations around the world, we have been donating the money we usually spend on such presents to nonprofit organizations. In 2010 this donation went to the aid organization Doctors of the World for charitable projects in Spain, Germany, the U.S., France, Italy, and Austria.

Because disaster relief has to be quick and effective, we established a special process for it in 2009. This process enabled us to react quickly to the earthquake in Haiti in January and the floods in Pakistan in July and August 2010, and to select robust assistance projects to get involved in.

In 2010, Daimler made donations to political parties exclusively in Germany in order to support democratic structures. As in 2009, donations totaling €425,000 were authorized. Of this total, the CDU and SPD parties each received €150,000, the FDP received €45,000, and the CSU and BÜNDNIS 90/DIE GRÜNEN each received €40,000.

2.3 Sponsorship. Through our sponsorship activities we aim to promote sustainable development in the core areas of social responsibility – especially in the fields of education, environmental protection, art, and culture in the places where we do business. For example, for many years we have been a sponsor of the Staatsgalerie Stuttgart art museum, thus creating cultural and educational opportunities for Daimler employees and their families, as well as others.

2.4 Corporate volunteering and other activities for the common good. We want to be a good neighbor in the places where we do business, and that's why we support well-functioning communities. This also benefits our employees and the Group as a whole. We promote education and training, and we are expanding the childcare centers located in or near our production facilities. In addition, many of our employees participate in neighborhood projects and work as volunteers in socially beneficial initiatives. In 2010 we established "Genius – Daimler's Young Knowledge Community" in order to get more children and young people enthusiastic about technology and the natural sciences.

2.5 Foundations. Daimler has established a number of foundations that enable it to distribute funding in a targeted way over the long term. These foundations support diverse activities ranging from research and education to the promotion of culture, health, and international understanding. In some areas we also consolidate our various social activities in foundations.

At the end of 2010 the Board of Management decided to increase the capital of the Daimler and Benz Foundation to a total of €125 million in honor of the 125th anniversary of the automobile. C

2.6 Community relations. In our role as an employer and a client, we are responsible for the development of

A
More information on our projects:
Online 601

B
More information on donations to political parties in the U.S.:
Online 602

C
An overview of our foundations:
Online 603

D
More information on Genius:
Online 604

E
More information on the Laureus Sport for Good Foundation:
Online 605

For further information, please enter the corresponding number into the search field at
http://sustainability.daimler.com

Our social involvement has many facets. Here's a small selection of our current projects:

DFB Integration Award. Out on the sports field, the language you speak and the culture you're part of are not important. This powerful bond is being used by many schools and associations to initiate and support socially beneficial projects. The German Soccer Association (DFB) and Mercedes-Benz would like to support this involvement, which is why they have been presenting an annual Integration Award since 2007.

In line with the slogan "Soccer: Many Cultures – One Passion," this award honors associations, schools, and other institutions that have successfully implemented soccer initiatives for children and adolescents, especially girls. Offering material and financial support with a total value of €150,000, the Integration Award is one of the largest financial awards in Germany in the area of social commitment.

In February 2010 the soccer team BV Altenessen 06, a club from a neighborhood in Essen, Germany, was awarded a prize in the "Clubs" category. In cooperation with five primary schools, three high schools, and a mosque, the club promotes girls' soccer in particular. It has succeeded in doubling its membership within three years. The winner in the Schools category was the Fridtjof Nansen primary school in Hanover. In cooperation with the Borussia Hannover soccer club, the school, which is located in a socially disadvantaged neighborhood, offers several soccer working groups for girls. Girls from Muslim families in particular are encouraged to go in for advanced training as assistant sports trainers in schools, referees or training directors. It's a successful model project of the DFB.

Genius – Daimler's Young Knowledge Community. There is already a shortage of engineers in Germany today. In 2010 we established "Genius – Daimler's Young Knowledge Community" in order to get more children and young people enthusiastic about technology and the natural sciences. This online platform gives schoolchildren insights into the technologies of tomorrow and presents profiles of various professions in the automotive industry. Teachers can also go to the Genius platform to find out about state-of-the-art mobility concepts, advanced training courses, and instructional materials. The thematic focus of Genius is on future mobility. That's why the platform presents the broad spectrum of resource-saving drive technologies on which we base our claim to leadership in the field of green technology. D

Young Arab Leaders at Daimler. Dialogue and knowledge sharing are the objectives of Daimler's cooperation with the Young Arab Leaders (YAL) organization. This program has been bringing together Arab students and European managers and skilled employees since 2007. A total of 73 talented young individuals from Arabic-speaking countries have received the opportunity to do an internship at a Daimler business location in Germany. The focus here is on sharing knowledge in the areas of entrepreneurship, management training, and education. The program participants benefit greatly from the work they do in a different cultural environment and from the networks they establish there. In the process they are also supported in their efforts to further develop their respective economies.

Laureus Sport for Good Foundation. "Sport has the power to change the world" (Nelson Mandela, 2000). This is why Daimler joined up with Richemont to establish the Laureus Sport for Good Foundation. The foundation aims to use the resources of sports to promote social change. It currently supports more than 80 socially oriented sports projects all over the world that benefit disadvantaged children and adolescents. Members of the Laureus World Sports Academy – 46 of the most successful athletes of all time – and other prominent public figures donate their time to act as ambassadors of the various projects. The foundation has already distributed donations totaling more than €40 million since it was established in 2000. E

In view of the many countries and regions in which Daimler operates, how does the company define where responsibility lies with regard to the protection of human rights?
Martin Jäger: Human rights have universal validity. So we have to view them globally. The standards that we lay out are applied worldwide. Every vehicle that we sell has behind it a long journey through the value-added chain. Each step in that chain must be completed without any ethical objections, no matter where it is carried out in the world.

What are the main elements of this responsibility? And where does it end?
Jäger: The protection of human rights is the responsibility of governments. But whether they are respected and observed is something that concerns everyone. And this is where we believe we have obligations. In order to fulfill our corporate responsibility with regard to the new requirements we face, we are engaging in a dialogue with policymakers and human rights organizations. In this respect, we are relying on the solid groundwork laid down by others, such as the Protect, Respect and Remedy framework of the UN Special Representative for human rights and transnational corporations, John Ruggie.

And as a signatory to the Global Compact and a member of its LEAD group, which was introduced in January 2010 in Davos, we are making a clear commitment in the area of human rights. The key issue is always the impact that we have as a corporation. However, we don't want to hold ourselves responsible for shortcomings over which we ultimately have no influence.

What concrete internal rules and measures does Daimler use to ensure that its business operations don't allow human rights violations, and that they don't directly or indirectly encourage such violations?
Jäger: The Daimler Integrity Code and our Principles of Social Responsibility form the framework that gives employees new and reliable orientation. We also address the subject of human rights in our compliance training courses, emphasizing that they have to be adhered to without ifs or buts. The Sustainability Guideline does the same for the suppliers. But we won't reach our objective with monitoring alone. Ultimately, it's essential that our employees do the right thing out of conviction. All of these efforts have to be implemented in a smart and comprehensive fashion and become evident to those on the outside. With our new Board of Management position for Integrity and Legal, we're sending a clear signal in this regard.

What operational steps does Daimler take to stop human rights violations, if necessary, or to prevent direct or indirect participation in them?
Jäger: First, of course, we try to prevent possible sources of human rights violations from arising in the first place – for example, through the planning we do when establishing a human rights impact assessment, or through increased training for our partners. In cases where we see no other alternative based on our standards of responsible corporate management, we draw the logical operational conclusion and terminate the business relationship. For example, the president of Zimbabwe hasn't received any more vehicles from us for years.

How does Daimler work with political institutions and non-governmental organizations to strengthen respect for human rights and promote democratic structures?
Jäger: We are in a constant dialogue with stakeholders in politics and civil society, be it as part of our "Sustainability Dialogue" in Stuttgart or internationally – for example, with our partners in China. We invite discussion of our human rights initiatives and get feedback from experts. At the event in 2010, there was agreement that withdrawing from critical countries should be only the last resort for a company. First, every opportunity should be taken, by means of investments and local involvement, to increase prosperity and contribute to a climate of respect for the rule of law. And for that reason, we will not cease to carry on this dialogue.

"The protection of human rights is the responsibility of governments. But whether they are respected and observed is something that concerns everyone."

Interview with Martin Jäger

Head of Global External Affairs and Public Policy

the regions in which we operate – not only in economic terms but also in the development of regulatory and political frameworks. Accordingly, we help to shape our surroundings by strengthening the respective regions' competitiveness and helping the inhabitants to meet social, environmental, and educational challenges.

As we go about these activities, we take into account the expectations of the stakeholders in our corporate environment and also the specific challenges and structures of each region. For example, in Germany our immediate contacts are the governments of the individual states, as well as the districts and municipalities in which our production plants are located, and we stay in close touch with them. With regard to larger issues, we turn to the corresponding federal institutions. We also maintain an equally intense dialogue with numerous local and regional social institutions and environmental initiatives, as well as the inhabitants of the cities and towns where we do business.

In addition, representatives of our company work in various regional committees, associations, and initiatives, such as Chambers of Industry and Commerce, statewide industrial associations, and organizations that support universities, technical colleges, and cultural institutions. Local initiatives in which we play an active role include the Metropolregion Rhein-Neckar, the Forum Region Stuttgart, and the Forum der Kulturen Stuttgart. Through these activities we can communicate our ideas about issues such as the transportation infrastructure, new mobility concepts, electric mobility or lightweight engineering to the responsible decision-makers and thus promote the sustained growth of the places where we have business locations. Our top priorities here are to safeguard a framework that makes successful business operations possible and to have a holistic, socially responsible and environmentally friendly impact on the communities we are a part of.

3.0 Human rights

We are committed to upholding human rights, and we actively support their implementation in our area of influence. Our policy is based on the UN's Universal Declaration of Human Rights, the ILO's International Labor Standards, the OECD Guidelines for Multinational Enterprises, and the human rights principles of the UN Global Compact, as well as the current version of the Protect, Respect and Remedy framework report of Prof. John Ruggie. We are also an active member of the LEAD group that was presented in Davos in January 2010. Our basic corporate principles, such as our Integrity Code, CSR principles, company agreements, and sustainability guidelines for suppliers have all been derived from these basic documents. We believe that all human rights are important, but for us as an automaker the main focus is on employee rights, such as the right to assemble, the right to engage in wage negotiations, the right to equal opportunity, and the right to receive equal pay for equal work. We oppose forced labor and we support measures to effectively eliminate exploitative child labor. In order to ensure that human rights are upheld in our business operations all over the world, we are working on an even better definition of areas of responsibility and communication structures. A central role is played in human rights issues as well by our Business Practices Office (BPO), which receives tips – including anonymous ones – concerning violations of laws and regulations. In cases of suspicious behavior, for example in the supply chain, we can rely on our long-standing cooperation with our World Employee Committee (WBC).

Responsibility and dialogue. In the "Sustainability Dialogue" of 2009 we promised to increase our involvement in two areas. In order to define more precisely our special corporate responsibility with regard to human rights and to delineate as clearly as possible the respective areas of responsibility of political and economic actors, we engage in dialogue with governmental and nongovernmental institutions. On this basis we raise human rights issues in the organizations of which we are a member (the VDA, for example) and promote joint initiatives by the industry. In addition, we have committed ourselves to strengthening awareness of human rights within our company and to embedding this awareness in key processes. For example, last year we expanded the Web-based Code of Conduct training program that is obligatory for all of our administrative employees throughout the world by adding a human rights module that was developed in cooperation with a human rights organization. The latter was developed in cooperation with a human rights organization. In addition, the face-to-face anti-corruption training courses which we conducted all over the world in 2010 included the topic of human rights. The training courses on compliance for newly appointed managers and all participants of the Daimler trainee program also deal with human rights issues. A

Human rights impact assessment. In the course of the "Sustainability Dialogue" in 2010 we were also able to work out the concrete details of our plans for a human rights compliance impact assessment. We discussed our plan, using an actual country as an example, with the person in charge of our national subsidiary in the country and with internationally recognized human rights experts. In this connection, in 2011 we aim to develop a preventive risk management procedure with regard to human rights issues. This procedure will include the systematic evaluation of our business locations from the standpoint of human rights. We also aim to involve the areas of procurement and sales more intensely as we move toward an integrated approach to human rights issues along our entire value chain. B C D

A
More information on compliance:
Page 30 ff.

B
Our Code of Ethics, our Integrity Code, our principles of social responsibility, and our sustainability guidelines for suppliers:
Online 606

C
An overview of the context of our human rights principles:
Online 607

D
More information on our "Sustainability Dialogue":
Page 37 ff.

For further information, please enter the corresponding number into the search field at
http://sustainability.daimler.com

GRI Index

Both the printed and the interactive online versions of *360 DEGREES – Facts on Sustainability 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 2004 (G3) serve as the basic framework for Daimler's sustainability reporting.

Statement of GRI Application Level Check: Online 002

http://sustainability.daimler.com **You will find the full version of the GRI Index** in the interactive online report. To directly access the GRI Index there, simply enter the number 701 into the search field.

	Indicator		Status	Link
1.	**Strategy and Analysis**			
1.1	Statement from the most senior decision-maker	1.1	Complete	SR 5
1.2	Key impacts, risks and opportunities	1.2	Complete	SR 9
2.	**Organizational Profile**			
2.1	Name of the organization	2.1	Complete	SR 19
2.2	Brands, products and/or services	2.2	Complete	SR 19
2.3	Operational structure	2.3	Complete	SR 19
2.4	Headquarter location	2.4	Complete	SR 19
2.5	Countries in operation	2.5	Complete	SR 22-23 106
2.6	Nature of ownership	2.6	Complete	SR 25
2.7	Markets served	2.7	Complete	SR 19
2.8	Scale of the organization	2.8	Complete	SR 19 ff., 67-74
2.9	Significant changes regarding size, structure, or ownership	2.9	Complete	SR 24 GB 63, 67
2.10	Awards received	2.10	Complete	SR 2
3.	**Report Parameters**			
3.1	Reporting period	3.1	Complete	SR 8
3.2	Date of most recent previous report	3.2	Complete	SR 8
3.3	Reporting cycle	3.3	Complete	SR 8
3.4	Contact point for questions	3.4	Complete	SR 87
3.5	Process for defining report content	3.5	Complete	SR 8-15, 37-39
3.6	Boundary of the report	3.6	Complete	SR 8 002
3.7	Limitations on the scope or boundary of the report	3.7	Complete	SR 8
3.8	Joint ventures, subsidiaries, and outsourced operations	3.8	Complete	SR 8 AR 63, 67
3.9	Data measurement techniques	3.9	Complete	SR 8 002
3.10	Effects of re-statement of information provided in earlier reports	3.10	Complete	SR 8
3.11	Significant changes in the scope, boundary, or measurement methods	3.11	Complete	SR 8 002
3.12	GRI Content Index	3.12	Complete	SR 8, 84 701
3.13	External assurance	3.13	Complete	SR 8, 63, 75, 86 001
4.	**Governance, Commitments, and Engagement**			
4.1	Governance structure	4.1	Complete	AR148 ff.
4.2	Indication whether chairperson is also executive officer	4.2	Complete	AR 162
4.3	Independent members at the board	4.3	Immartial	
4.4	Mechanisms for shareholders and employees to provide recommendations to the board	4.4	Complete	AR 161
4.5	Linkage between executive compensation and organization's performance	4.5	Complete	SR 35, 68 AR 152 ff.
4.6	Processes to avoid conflicts of interest at the board	4.6	Complete	
4.7	Expertise of board members on sustainability topics	4.7	Complete	
4.8	Statements of mission, codes of conduct, and principles	4.8	Complete	SR 22 AR 165
4.9	Procedures for board governance on management of sustainability performance	4.9	Complete	SR 22, 29-39, 79-83 101, 102, 103, 104, 105
4.10	Processes for evaluation of the board's sustainability performance	4.10	Complete	SR 22, 29-39 101, 102, 103, 104, 105
4.11	Precautionary approach	4.11	Complete	SR 22, 29-39
4.12	External charters, principles, or other initiatives	4.12	Complete	SR 5, 22 79-83
4.13	Memberships in associations	4.13	Complete	SR 79-83 207
4.14	Stakeholder groups	4.14	Complete	SR 37-39, 79-83 206, 207, 208
4.15	Stakeholder identification and selection	4.15	Complete	SR 10-11, 37-39 206, 207, 208
4.16	Approaches to stakeholder engagement	4.16	Complete	SR 10-11, 37-39 206, 207, 208
4.17	Topics and concerns raised by stakeholders	4.17	Complete	SR 37-39 206, 207, 208
	Economic Performance Indicators			
MA	Management Approach	MA	Complete	SR 18
EC1	Direct economic value generated and distributed	EC1	Complete	AR 74-88
EC2	Financial implications due to climate change	EC2	Partial	AR 104-113
EC3	Coverage of the organization's defined benefit plan	EC3	Complete	SR 68-69 510
EC4	Financial government assistance	EC4	Partial	AR 127
EC5	Entry level wage compared to local minimum wage	EC5	Partial	SR 68
EC6	Locally-based suppliers	EC6	Partial	
EC7	Local hiring	EC7	Partial	SR 69-72 517
EC8	Infrastructure investment and services for public benefit	EC8	Partial	SR 79-81 AR 146-147
EC9	Indirect economic impacts	EC9	Partial	SR 18-25 AR 138-147

	Indicator
	Environmental protection
MA	Management Approach
N1	Volume of materials used
EN2	Recycled materials
EN3	Direct primary energy consumption
EN4	Indirect primary energy consumption
EN5	Energy conservation
EN6	Initiatives for energy-efficiency and renewable energy
EN7	Initiatives for reducing indirect energy consumption
EN8	Total water withdrawal
EN9	Effect of water withdrawal
EN10	Water recycled and reused
EN11	Land assets in or adjacent to protected areas
EN12	Impacts on biodiversity
EN13	Habitats protected or restored
EN14	Strategies for biodiversity
EN15	Endangered species
EN16	Greenhouse gas emissions
EN17	Other greenhouse gas emissions
EN18	Initiatives to reduce greenhouse gas emissions
EN19	Emissions of ozone-depleting substances
EN20	NO_X, SO_X, and other air emissions
EN21	Water discharge
EN22	Waste by type and disposal method
EN23	Significant spills
EN24	Waste deemed hazardous under the terms of the Basel Convention
EN25	Impacts of discharges and runoff on biodiversity
EN26	Initiatives to mitigate environmental impacts
EN27	Packaging materials
EN28	Sanctions for noncompliance with environmental regulations
EN29	Environmental impacts of transport
EN30	Environmental protection expenditures
	Employees
MA	Management Approach
LA1	Workforce by employment type and region
LA2	Employee turnover
LA3	Benefits to full-time employees
LA4	Employees with collective bargaining agreements
LA5	Minimum notice period(s) regarding operational changes
LA6	Workforce represented in joint health and safety committees
LA7	Occupational diseases, lost days, and number of fatalities
LA8	Training on serious diseases
LA9	Trade union agreements on health and safety
LA10	Training per employee
LA11	Programs for lifelong learning
LA12	Regular performance and career development reviews
LA13	Composition of governance bodies
LA14	Gender pay disparity
	Human rights
MA	Management Approach
HR1	Investment agreements
HR2	Supplier screening on human rights
HR3	Training on human rights
HR4	Incidents of discrimination
HR5	Freedom of association and collective bargaining
HR6	Child labor
HR7	Forced labor
HR8	Training for security personnel
HR9	Violations of rights of indigenous people

- NB: Link to page numbers in the current sustainability report
- GB: Link to page numbers in the *Annual Report 2010*
- Link to a text in the interactive online report *360 DEGREES Facts on Sustainability 2011*

	Status	Link
MA	Complete	SR 32-34, 58 AR 83 203, 401, 402
EN1	Partial	SR 62
EN2	Partial	SR 42 320, 321
EN3	Complete	SR 58-59, 61 AR 85 405
EN4	Complete	SR 58-59,61 AR 85 405
EN5	Complete	SR 58-59
EN6	Complete	SR 42-48 AR 84, 140-143
EN7	Complete	SR 58-59 406, 408
EN8	Complete	SR 60, 61 405
EN9	Complete	
EN10	Partial	
EN11	Partial	410
EN12	Complete	
EN13	Complete	
EN14	Complete	SR 61, 62
EN15	Complete	
EN16	Complete	SR 58-59, 61 AR 85 404, 405
EN17	Partial	SR 62
EN18	Complete	SR 58-59, 61
EN19	Partial	
EN20	Complete	SR 60, 61 405, 407
EN21	Complete	SR 60 405, 409
EN22	Complete	SR 60, 61 AR 85 405
EN23	Complete	
EN24	Complete	
EN25	Complete	
EN26	Complete	SR 42-49, 52-53 AR 84, 140-143
EN27	Complete	
EN28	Complete	SR 46
EN29	Partial	SR 60
EN30	Complete	SR 61 AR 85 405

MA	Complete	SR 67-68 204
LA1	Complete	SR 67-68
LA2	Partial	SR 67-68 505
LA3	Partial	SR 68 508
LA4	Complete	502
LA5	Complete	502
LA6	Complete	SR 74 522, 529
LA7	Partial	SR 74 522
LA8	Complete	SR 73, 74
LA9	Complete	SR 74 522, 529
LA10	Complete	SR 73 520
LA11	Complete	521
LA12	Complete	SR 68 508
LA13	Complete	SR 67-73 AR 13, 86, 87, 145, 146 504, 505, 514, 516, 517
LA14	Complete	SR 71

MA	Complete	SR 8, 22, 31, 37-39, 83 102, 103, 104, 105, 205, 606, 607
HR1	Complete	SR 35-38 206
HR2	Partial	SR 35-38 206
HR3	Complete	SR 31 AR 159
HR4	Complete	201
HR5	Complete	SR 35-38 206
HR6	Complete	SR 35-38 206
HR7	Complete	SR 35-38
HR8	Partial	SR 31 AR 159
HR9	Complete	

	Indicator	Status	Link
	Society		
MA	Management Approach	MA	Complete	SR 29-39, 79-81
SO1	Impacts on communities	SO1	Complete	SR 37-39, 79-83
SO2	Corruption risks	SO2	Complete	SR 30 AR 158
SO3	Anti-corruption training	SO3	Complete	SR 31 AR 159
SO4	Actions taken in response to incidents of corruption	SO4	Complete	SR 30-31 AR 158-159
SO5	Lobbying	SO5	Complete	SR 80-83 205
SO6	Donations to political parties and politicians	SO6	Complete	SR 80 602
SO7	Legal actions for anticompetitive behavior	SO7	Complete	AR 68, 113, Consolidated Financial Statements Note 28
SO8	Sanctions for non-compliance with laws and regulations	SO8	Complete	AR 68, 113, Consolidated Financial Statements Note 28
	Product Responsibility		
MA	Management Approach	MA	Complete	SR 43 ff.
PR1	Health and safety impacts along product life cycle	PR1	Complete	SR 49-50, 52-53
PR2	Non-compliance with health and safety standards	PR2	Complete	
PR3	Product information	PR3	Complete	
PR4	Non-compliance with product information standards	PR4	Complete	
PR5	Customer satisfaction	PR5	Complete	SR 53 326, 329, 330
PR6	Marketing communication standards	PR6	Partial	
PR7	Non-compliance with marketing communication standards	PR7	Complete	
PR8	Complaints regarding customer privacy	PR8	Complete	SR 31, 54 330
PR9	Sanctions for non-compliance with product and service related regulations	PR9	Complete	
	Sector Supplement		
A1	Specify stipulated work hours per week and average hours worked overtime in production	A1	Partial	
A2	Percentage of employees not managed on an hourly basis with overtime compensation schemes	A2	Immartial	
A3	Percentage of major first-tier supplier facilities with independent trade union organisations	A3	Partial	SR 35-38 206
A4	Numbers of vehicles sold, broken down by type, fuels, power train technologies, and region	A4	Complete	SR 43-45 304, 305
A5	Breakdown by region/country of the compliance of vehicles sold with the respective existing and next defined emissions standards	A5	Partial	SR 48-49
A6	Average fuel economy by type of vehicle broken down by region, as applicable	A6	Partial	SR 46-48
A7	Average carbon dioxide emissions by type of vehicle* broken down by region, as applicable	A7	Partial	SR 46-48 AR 84, 140
A8	Breakdown by region/country of compliance of vehicles sold with the respective existing and next defined noise standard	A8	Partial	SR 48-49
A9	("EN29. Significant environmental impacts of transportation used for logistical purposes")		
A10	Weight of vehicle and percentage breakdown of generic, recyclate, and renewable material of a best-selling vehicle	A10	Complete	320

	Global Compact		Reference
	Global Compact Principles		
P1	Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence	P1	SR 5, 8, 22, 26-39, 82-83
P2	Businesses should make sure they are not complicit in human rights abuses	P2	SR 5, 8, 22, 26-39, 82-83
P3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	P3	SR 5, 8, 22, 26-39, 64-75, 82-83
P4	Businesses should uphold the elimination of all forms of forced and compulsory labour	P4	SR 5, 8, 22, 26-39, 64-75, 82-83
P5	Businesses should uphold the effective abolition of child labour	P5	SR 5, 8, 22, 26-39, 64-75, 82-83
P6	Businesses should uphold the elimination of discrimination in respect of employment and occupation	P6	SR 5, 8, 22, 26-39, 64-75, 82-83
P7	Businesses should support a precautionary approach to environmental challenges	P7	SR 5, 8, 22, 26-39, 56-63
P8	Businesses should undertake initiatives to promote greater environmental responsibility	P8	SR 5, 8, 22, 26-39, 56-63
P9	Businesses should encourage the development and diffusion of environmentally friendly technologies	P9	SR 5, 8, 22, 26-39, 56-63
P10	Businesses should work against corruption in all its forms, including extortion and bribery	P10	SR 5, 8, 22, 26-39

PRICEWATERHOUSECOOPERS

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, 2010 on the following aspects:

- The application on the group-level of the Daimler internal guidelines for the environmental and human resources data reporting and disclosure of information related to human rights activities in the Sustainability Report;
- 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; and
- The consolidated data in connection with the group key performance indicators: production-related energy consumption and CO_2 emissions on page 61, CO_2 emissions for the European Mercedes-Benz car fleet on pages 46/47, proportion of women employees on pages 67 to 69 and 71/72 and the information on human rights on pages 30/31 and 83 of the Sustainability Report 2011.

Criteria

- The Daimler internal environmental and human resources reporting guidelines as well as the guidelines for the disclosure of activities in relation to human rights.
- GRI G3 Sustainability Reporting Guidelines, October 2006; and
- The defined procedures by which the sustainability data are gathered, collated and aggregated internally and the principles summarized on pages 8/9 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 environment data, human resources data and human rights activities disclosure;
- **Review procedures on group-level**
  Interviews with group-functions in the areas of Environmental Protection, Global Diversity Office, Human Resources and External Affairs and Public Policy. 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, proportion of women employees, information on human rights activities) as disclosed in the Sustainability Report 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 and human resources data reporting and disclosure of information related to human rights activities are being applied properly;
- The GRI G3 Sustainability Reporting Guidelines are being applied properly; and
- The internal reporting system and procedures to collect and aggregate group environmental and human resources data and information related to human rights 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 25, 2011

PricewaterhouseCoopers AG

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