DAIMLER

Sustainability Report 2016

Overview

Strategy and Management

Ethical Responsibility

Product Responsibility

Corporate Environmental Protection

Employees

Suppliers

Social Responsibility

Target Program

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

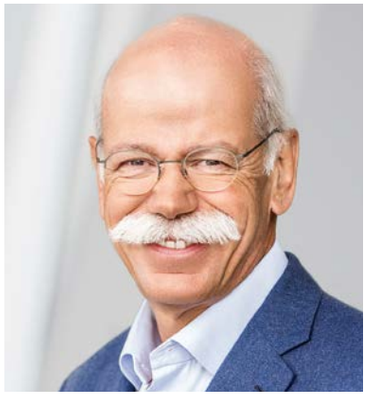
Biography

Renata Jungo Brüngger
Member of the Board of Management of Daimler AG, Integrity & Legal Affairs, Co-Chairman of the Daimler Sustainability Board

Biography

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

Biography



Dear readers,

You might be familiar with the following Chinese saying: “When the wind of change blows, some build protective walls, but others build windmills.” Today, the wind of change is rapidly picking up speed in our industry as well. In response, we’re not building any windmills – but we are building vehicles that operate with innovative drive concepts. In the period until 2025 we will launch the series production of ten new electric cars and invest approximately €10 billion to expand our fleet of electric vehicles.

But the electrification of the drivetrain is by no means the only change that is challenging and inspiring us at Daimler. We’re also focusing on digitization, autonomous driving, and new mobility concepts – especially concepts for urban areas. Taken together, these trends represent the biggest transformation of mobility in more than 130 years. Our aim is to shape these changes for the benefit of our customers, business partners, stakeholders, and employees. And in order to do that, we’re not building any protective walls – on the contrary. At our new CASE unit, we are addressing future-oriented topics holistically. Here we are using new and flexible forms of cooperation such as swarm organizations.

Changes create not only new opportunities but also new responsibilities, which we are emphatically taking on. In all of our activities, we behave with integrity and take the effects on society and the environment into account. Among the important guidelines for these activities are the principles laid down in the UN Global Compact, the Sustainable Development Goals of the United Nations, and the accords reached in the Paris Agreement.

As you read this report, you will find out where we stand today and what we plan to do in the future. Dear readers, please continue to support us through your constructive criticism as we move into the future. We are convinced that, thanks to our concerted efforts, the wind of change will become a following wind that takes all of us forward together.

Best regards,

Dr. Dieter Zetsche **Renata Jungo Brüngger** **Ola Källenius**

Contents

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

Home

Contents

Back

Forward

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

Reference to online information

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

Reference to a table or graphic

You can find the key figures for this report in our online key figures tool: www.daimler.com/sustainability/key-figures2016.html

GRI Reference to GRI G4 Materiality Disclosures

The Basis

04 Materiality analysis
126 Report profile
130 External assurance
131 UN Global Compact
133 Imprint and contact

07 Strategy and Management

08 Our strategic approach
09 Main fields of action
09 Sustainable management
13 Sustainability ratings
13 Stakeholder dialog
17 Risk management

19 Ethical Responsibility

20 A culture of integrity
22 Human rights
23 Compliance programs
26 Legal responsibility
26 Data protection

28 Product Responsibility

34 Environmentally responsible product development
35 Climate protection
36 Innovative vehicle and powertrain technologies
39 Fuel consumption and CO_2 emissions
46 Fuels
48 Product safety
48 Pollutant emissions
50 Interior emissions
50 Noise
50 Vehicle safety
52 Conservation of resources
55 Mobility concepts and services
56 Customers

60 Corporate Environmental Protection

63 Energy efficiency and low-CO_2 production
68 Air purification
69 Waste and resource management
70 Water pollution control
70 Logistics and employee transport
72 Nature conservation, land use, and biodiversity

73 Employees

77 Employer of choice
79 Diversity management
83 Development and advancement
87 Health management and occupational safety

92 Suppliers

93 Our Sustainability Standards
96 Prevention and risk management

97 Social Responsibility

99 Promoting science
99 Education
100 Traffic safety
100 Nature conservation
101 Art and culture
102 Community and charitable commitment
103 Dialog and understanding
104 Corporate volunteering

106 Target Program

Materiality analysis

Our sustainability strategy also takes the expectations of our stakeholders into account. We use a multi-step materiality analysis to identify the fields of action that are relevant to us and to our stakeholders.

This report is oriented toward the G4 guidelines of the Global Reporting Initiative (GRI) and thus takes the materiality principle into account as well. We consider fields of action to be "material" if they are important for the company as well as for our stakeholders. We use a multi-step materiality analysis to help us determine what the different assessments, which do not always coincide, have in common.

Specifying fields of action. We evaluate a variety of sources in order to obtain as precise a picture of our stakeholders' concerns as possible. This involves evaluating readers' feedback regarding this report; surveys of customers, employees, and interest groups; workshops in the specialist units; dialogs with individual stakeholder groups; and events such as the "Daimler Sustainability Dialogue." We also conduct symposia in order to gather input from our stakeholders, and we take into account the analyses of our News and Issues Management team and our Society and Technology Research Group. In this way, we identify fields of action that influence our company and that we can, in turn, influence ourselves.

Stakeholder surveys. To enable a priority ranking of the identified fields of action, we conduct an international open stakeholder survey every two years. The target groups are not preselected in advance. For more than one month, all interested parties can take part in the survey on our Website at www.daimler.com, and name and evaluate topics that are important to them. In our assessment of the results, we give special consideration to the great significance of our primary stakeholder groups (shareholders and investors, customers, suppliers, and employees) as well as to non-governmental organizations. We had received more than 700 replies by the end of the last survey in the summer of 2015. The next survey will be held in 2017.

Determining materiality. With the help of a materiality analysis, we compare the results of the online survey – which in the year under review was supplemented with about 60 in-depth interviews with sustainability experts from Germany and abroad – with those of an internal survey of the members of our company's sustainability bodies and of the entire Board of Management of Daimler AG. These internal bodies discuss which topics have material effects on our company from a social, ecological, ethical, human-rights, and economic perspective.

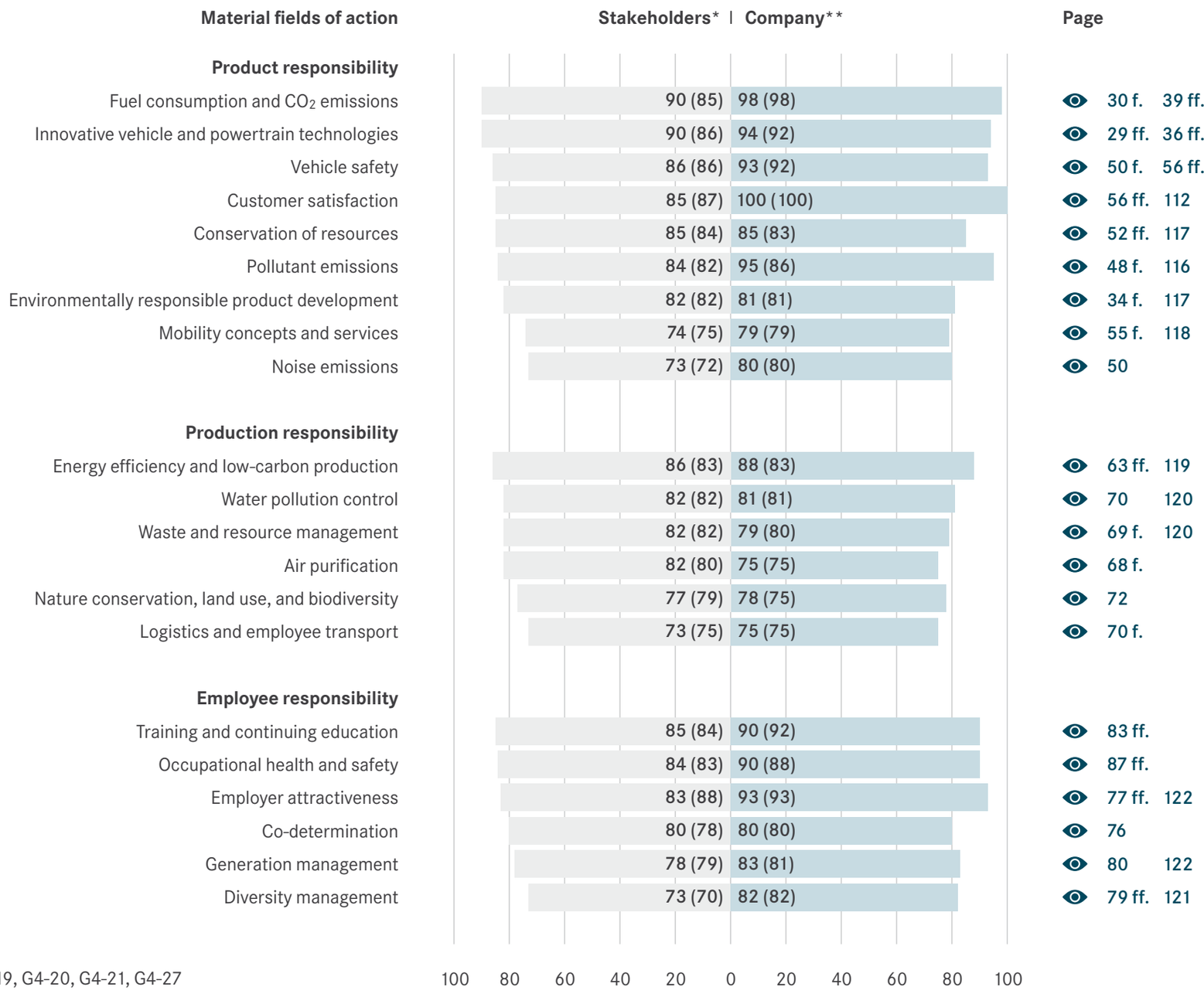
Consistent action. The materiality analysis shows us the areas to which we have to pay particular attention. As a result, we further intensified our sustainability management activities in 2016, focusing particularly on the key topics of the materiality analysis, which we also took into account when selecting topics for our annual "Daimler Sustainability Dialogue." In the year under review, we began to orient our sustainability strategy even more strongly toward clearly defined focus themes based on the main future-oriented topics of the materiality analysis. We will systematically continue this process in the year ahead. The tables on the following pages depict the fields of action that were evaluated in our last assessment in 2015. The fields are clustered by topic and arranged in descending order according to stakeholder priorities.

More on the stakeholder dialog: pp. 13 ff.

GRI G4-18, G4-22, G4-23, G4-24, G4-25, G4-26, G4-27

01a

Materiality analysis 2016



The material fields of action of sustainability management in 2015/2016 (2014) were rated between 0 (=immaterial) and 100 (=very material).

*The evaluation of issues of particular relevance for the stakeholder dimension reflects the results of the open stakeholder survey.

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

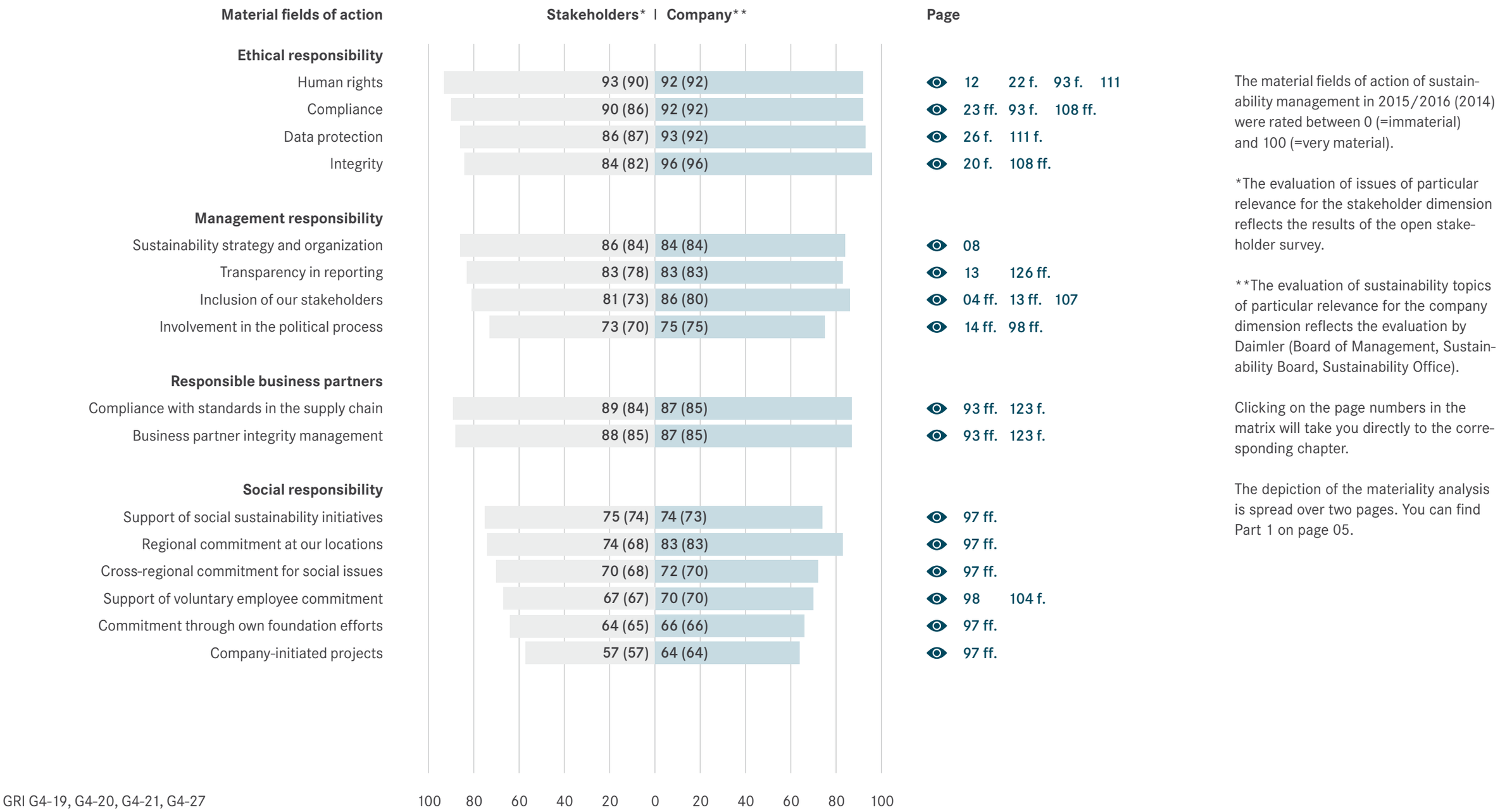
Clicking on the page numbers in the matrix will take you directly to the corresponding chapter.

The depiction of the materiality analysis is spread over two pages. You can find Part 2 on page 06.

GRI G4-19, G4-20, G4-21, G4-27

01b

Materiality analysis 2016



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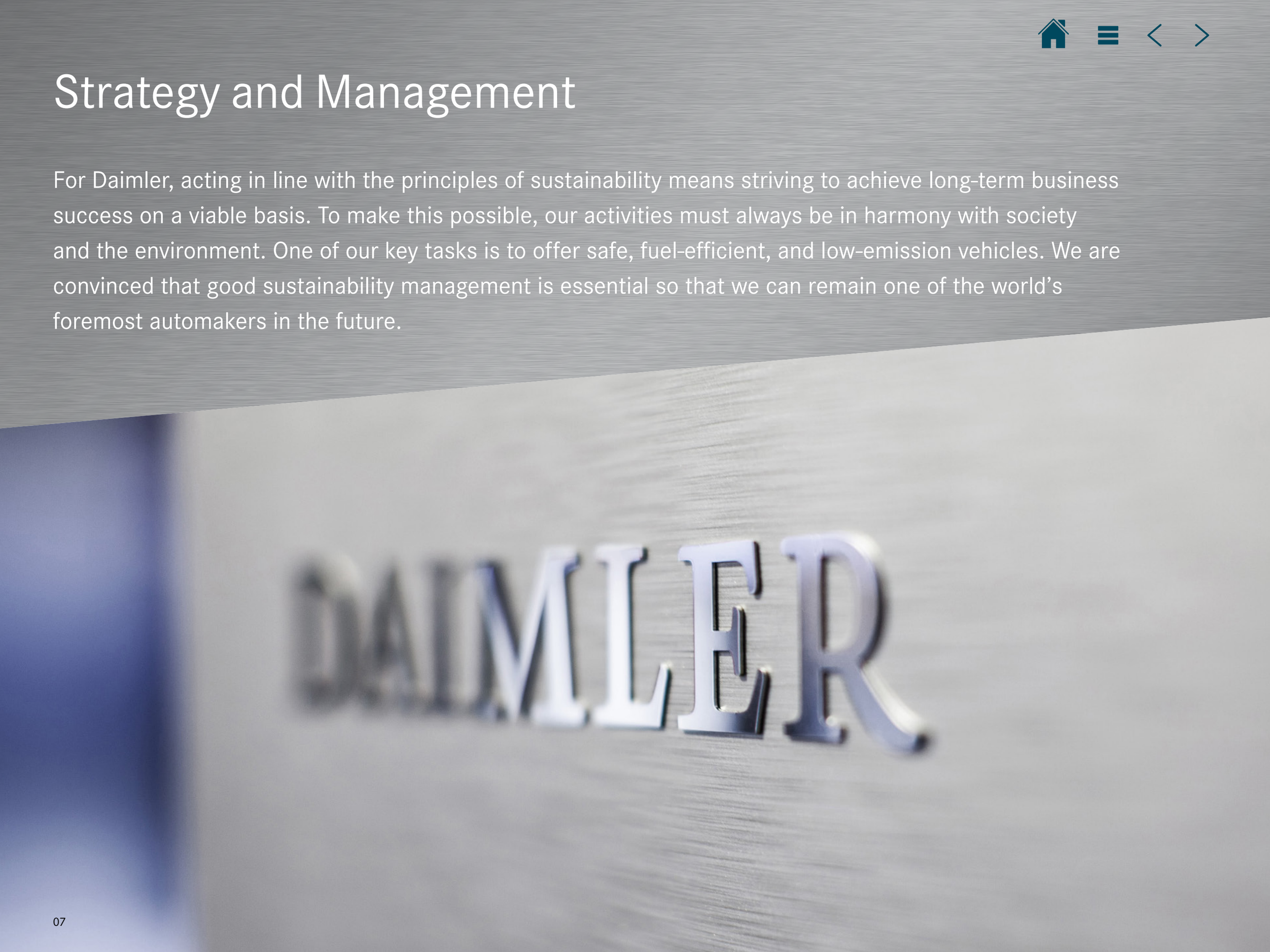
GRI G4-19, G4-20, G4-21, G4-27

Strategy and Management

For Daimler, acting in line with the principles of sustainability means striving to achieve long-term business success on a viable basis. To make this possible, our activities must always be in harmony with society and the environment. One of our key tasks is to offer safe, fuel-efficient, and low-emission vehicles. We are convinced that good sustainability management is essential so that we can remain one of the world's foremost automakers in the future.



08 Our strategic approach
09 Main fields of action
09 Sustainable management
13 Sustainability ratings
13 Stakeholder dialog
17 Risk management

Sustainability is a basic principle of our corporate strategy and a benchmark for our business success. Our sustainability strategy aims to be the best in the industry – and we will achieve this goal by implementing our Target Program. We are continuously enhancing this strategy in order to ensure that we can deal systematically with the fields of action that are also considered important by our stakeholders.

Our strategic approach

As a globally operating automobile manufacturer, we face industry-specific challenges whose associated opportunities need to be exploited and whose risks need to be minimized:

- We are committed to legal and ethical standards and strive to ensure that they are observed within the Group worldwide as well as by our business partners and suppliers.
- Road traffic contributes to the generation of CO_2 and pollutant emissions, which can endanger the health of pedestrians and people on the road. We therefore use our power of innovation to create environmentally friendly and safe vehicles that conserve resources to the greatest extent possible. We also develop sustainable mobility solutions and promote their profitable implementation.
- Our operational processes, particularly in vehicle production, are also associated with environmental effects, which we keep as low as possible through a system of effective environmental management.
- As an employer, we bear responsibility for providing fair and attractive working conditions for our 282,488 employees worldwide.
- As a good corporate citizen, we want to contribute to the common good beyond the scope of our business operations and to make use of our special competencies as we do so.

02

Our understanding of sustainability

1. At Daimler, we define sustainability as **responsible corporate behavior** that leads to long-term business success and strives to achieve harmony with society and the environment.
2. We are achieving our targets by **making sustainability a central benchmark of our operations**. This is what we require as a mandatory state of mind from all managers and employees at Daimler and we also promote a strong sense of responsibility in this regard among our staff.
3. **We maintain a continual dialog with our stakeholders** in order to take their points of view into account.
4. **Our business partners** are also expected to meet our requirements as regards responsibility for sustainable operations.
5. Our management structures, processes, and systems are designed in accordance with the principles of sustainability as well. **All of our behavior is based on legality and integrity**.
6. As one of the world's leading automobile manufacturers, we also seek to be a **leader when it comes to sustainability**.

08 **Our strategic approach**
09 **Main fields of action**
09 **Sustainable management**
13 Sustainability ratings
13 Stakeholder dialog
17 Risk management

To adequately meet all of these requirements, we have developed a Group-wide sustainability strategy, which is integrated into our corporate strategy and makes sustainability a fundamental principle at the implementation level. This strategy relates to six main areas in which we assume responsibility: product, production, employees, ethics, society, and business partners. In each of these areas, we focus on fields of action that both we and our stakeholders believe are of essential importance. We set targets, and define target indicators, for each field of action. Taken together, all of these targets form our medium- to long-term target program. GRI G4-18

Controlling with a sustainability scorecard. We utilize a sustainability scorecard as an instrument for controlling the key sustainability targets. The scorecard uses a color-coded “traffic-light” system to signal needs for action and successes based on quantitative and qualitative indicators. GRI G4-18

Main fields of action

We regularly conduct a multi-stage materiality analysis to prioritize the fields of action. This analysis combines our assessment with those of our stakeholders, who include our employees, customers, shareholders, and suppliers, as well as governments, environmental and human rights organizations, and other interest groups from civil society. Their opinions are also requested whenever we decide on measures for expanding or adjusting our sustainability strategy. GRI G4-18, G4-24

Materiality analysis: pp. 04 ff.
Stakeholder dialog: pp. 13 ff.

03

Main fields of action GRI G4-18, G4-20

Product	Production	Employees
We make available safe, economical, and low-emission vehicles for sustainable mobility.	We are investing in eco-friendly production and process technology based on our operational environmental management system.	We value and promote our employees through attractive working conditions.
Ethical behavior	**Society**	**Business partners**
We adhere to legal and ethical standards and design our business operations to be sustainable. We thus achieve success in an ethical manner.	We make positive contributions to our social environment that extend beyond our business activity.	We also expect our business partners and suppliers to comply with legal and ethical standards and we support them in this regard to the greatest extent possible.

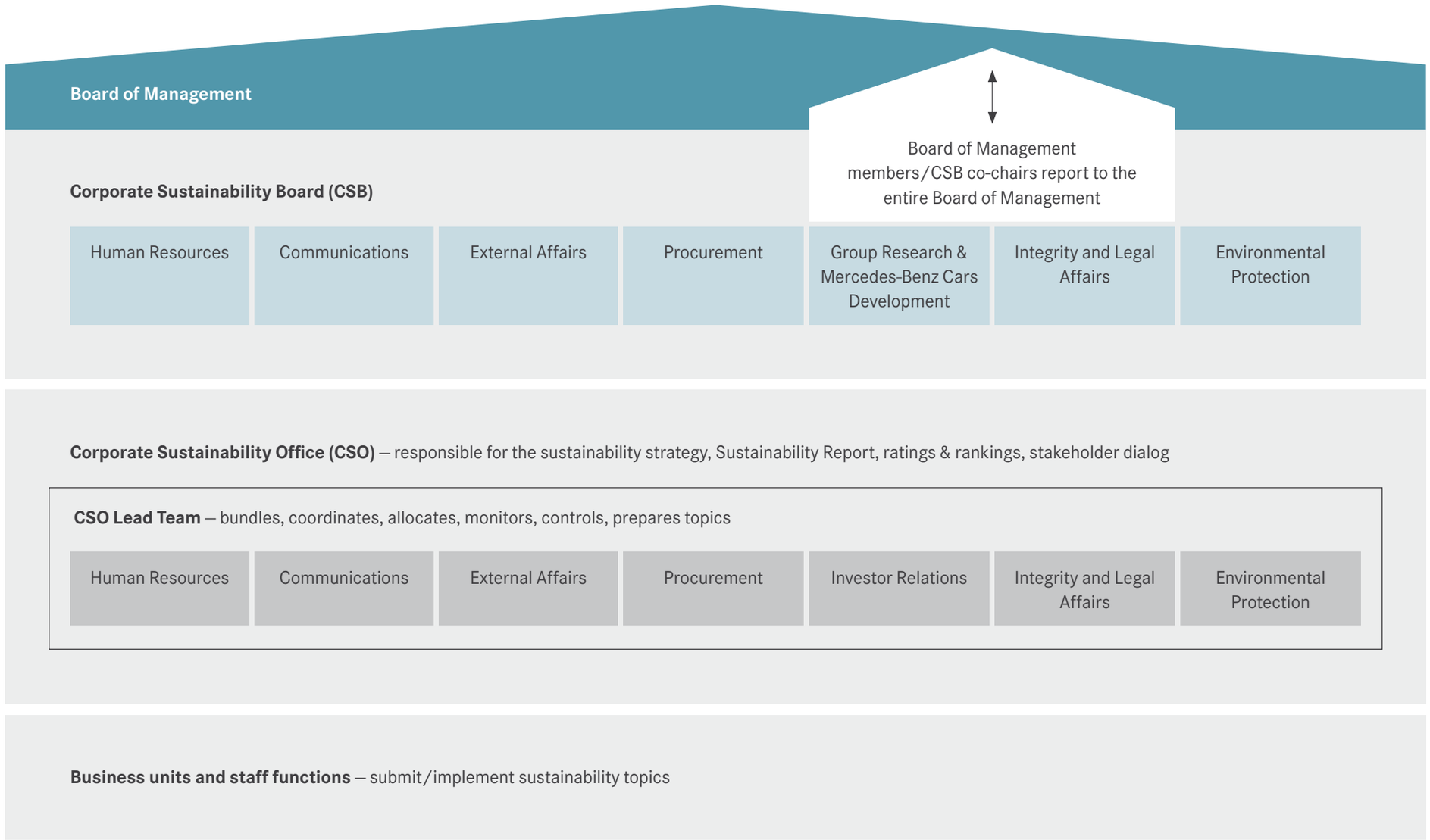
Sustainable management

Within the framework of our sustainability management system, we steer our sustainability program in a manner that enables us to verify the implementation of its objectives and thus ensure continuous improvement. Our management and organizational structures support this process by establishing clear lines of responsibility in all business divisions. Our sustainability objectives and their management are key components of our corporate governance system and are also incorporated into the target agreements between employees and managers.

08 Our strategic approach
09 Main fields of action
09 Sustainable management
13 Sustainability ratings
13 Stakeholder dialog
17 Risk management

04

The sustainability organization at Daimler



08 Our strategic approach
09 Main fields of action
09 **Sustainable management**
13 Sustainability ratings
13 Stakeholder dialog
17 Risk management

Our central management committee for sustainability is the Corporate Sustainability Board (CSB), which is headed by Renata Jungo Brüngger (Member of the Board of Management, Integrity and Legal Affairs) and Ola Källenius (Member of the Board of Management, Group Research & Mercedes-Benz Cars Development). The CSB is managed by Anke Kleinschmit (Head of Group Research and Sustainability and Chief Environmental Officer). The operational work is done by the Corporate Sustainability Office (CSO), which consists of representatives of the specialist units and the business divisions.

Integrity, compliance, and legal responsibility are cornerstones of our sustainable management approach and serve as the basis of all our actions. In order to emphasize their strategic significance, we have combined the responsibilities for integrity, compliance, data protection, corporate responsibility, and legal affairs within a division headed by a member of the Board of Management. This division helps the corporate units to incorporate these topics on a sustained basis. As integral parts of our corporate culture, integrity and compliance contribute to the long-term success of our company and will provide us with an even greater competitive edge in the future. They are already a natural part of our daily business. The basis for this is our Integrity Code, which lays down the principles of our daily conduct, offers our employees orientation, and helps them make the right decisions even in difficult business situations. The Integrity Code is supplemented by other in-house principles and policies.

More about our ethical responsibility: pp. 19 ff.

The basic guidance for our business activity is provided by the 10 principles of the UN Global Compact, with which we have a special affiliation as a founding participant and part of its LEAD Group. Our internal principles and guidelines are founded on this international frame of reference and other international principles.

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

Basic principles and guidelines for our sustainability management: Chart 05, p. 12

The principles and policies (full text):

Integrity Code (PDF)
Our Environmental and Energy Guidelines in detail (PDF)
Supplier Sustainability Standards (PDF)

Governance structures. As a stock corporation founded under German law, the Daimler Group has a two-tier management structure that consists of a Board of Management and a Supervisory Board. Both of these bodies work closely together in line with the recommendations of the German Corporate Governance Code. The requirement for sustainable corporate management is also firmly established at this top management level, as Board of Management remuneration is also linked to non-financial targets, such as those related to integrity.

08 Our strategic approach
09 Main fields of action
09 Sustainable management
13 Sustainability ratings
13 Stakeholder dialog
17 Risk management

05

Basic principles and guidelines for our sustainability management

Binding frame of reference: international and national principles

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

Basic principles and guidelines of Daimler AG in the area of sustainability

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

08 Our strategic approach
09 Main fields of action
09 **Sustainable management**
13 **Sustainability ratings**
13 **Stakeholder dialog**
17 Risk management

Quota for women almost reached. With three women on the shareholders' side and two women on the side of the employee representatives, Daimler has almost achieved the 30 percent quota for women on supervisory boards that is required at listed companies. Women account for 25 percent of the members of the Board of Management. We want women to occupy 20 percent of management positions by the year 2020. The share of women in such positions worldwide stood at 16.8 percent at the end of 2016.

Remuneration report and report of the Supervisory Board: AR 2016, pp. 142 ff. and 66 ff.
Composition of the Board of Management and Supervisory Board: AR 2016, pp. 209 ff.
Promotion of women in management positions: p. 80

Sustainability ratings

Independent rating agencies and research institutes conduct numerous ratings and rankings of sharply varying quality and significance today. Daimler therefore only supplies data for such ratings and rankings whose assessment methodology, quality, and transparency can be subjected to a verifiable analysis.

Top ranking in the CDLI. In 2016, the non-profit organization CDP (formerly Carbon Disclosure Project) once again put Daimler in the "leadership" category for its climate-related reporting activities. The company was honored for outstanding commitment and exemplary transparency in dealing with climate change. In addition, Daimler is one of the top-rated companies of the German ranking, where it received a score of A and the status of Index/Country Leader DAX for initiated measures, already achieved progress, and planned strategies for the reduction of CO_2 emissions.

Daimler once again achieved "Prime Investment Status" in the rating from oekom research. We received an overall assessment of B- (on a scale of A+ to D-), which is a very good grade for an automotive company.

Stakeholder dialog

Dialog with our stakeholders is very important to us. We seek to conduct a dialog with all stakeholder groups in order to share views and experiences — and also to discuss controversial topics in a constructive manner.

Organization of the dialog. We have defined clear lines of responsibility, communication channels, and forms of dialog for our stakeholder relationships. In addition to performing institutionalized dialog management, for example in Investor Relations, Procurement and Corporate Communications, the Sustainability Board and the Sustainability Office coordinate the dialog with civil society. GRI G4-26

Identification of stakeholder groups. For us, stakeholders are all parties and organizations that impose legal, financial, operational or ethical requirements on Daimler AG. One criterion for the identification and weighting of a stakeholder is the extent to which a person or group is affected by our company's decisions or can, in turn, affect these decisions. The most important stakeholders are our employees, customers, shareholders, and investors, as well as our suppliers. However, civil groups such as NGOs also have legitimate interests that we take into consideration. The same applies to analysts, professional associations, trade unions, media, scientists, and politicians as well as municipalities, residents, and neighbors of our locations. GRI G4-24, G4-25

08 Our strategic approach
09 Main fields of action
09 Sustainable management
13 Sustainability ratings
13 Stakeholder dialog
17 Risk management

Stakeholder dialog media and formats. To ensure the inclusion of our stakeholders, we utilize online and print media, questionnaires and surveys, discussions with experts, workshops, and local and regional dialog events, among others. In addition, we collaborate in professional associations, committees, and sustainability initiatives. We also stage interdisciplinary conferences, including a conference on combating money laundering in the trade with goods, which was held in June 2016. The Daimler Compliance Academy has also met with a very positive response. We established the academy as a practical seminar that has been held annually since 2014. GRI G4-26

Daimler Compliance Academy (available in German only)

Advisory Board for Integrity and Corporate Responsibility. The Advisory Board for Integrity and Corporate Responsibility has been an important source of input for Daimler since 2012. The Advisory Board consists of independent external experts from the fields of science, business and politics and from non-governmental organizations. These experts support the integrity process at Daimler critically and constructively from an external perspective. In its three regular meetings per year, the Advisory Board mainly holds discussions with Board of Management members and other representatives of Daimler. Among other things, the agenda has included discussions about human rights, methods for measuring progress in the field of integrity, and the challenges associated with future mobility. The members of the Advisory Board have extensive experience in addressing ethical issues and contribute their different points of view to the discussion of integrity. GRI G4-26, G4-27

The members of the Advisory Board for Integrity and Corporate Responsibility

"Daimler is well aware of its responsibilities as a global player. We also want to set standards when it comes to sustainability and address future issues today in a concrete and pragmatic way. The dialog with local experts provides us with valuable ideas for the implementation of our global sustainability activities."

Renata Jungo Brüngger
Member of the Board of Management of Daimler AG, Integrity & Legal Affairs, Co-Chair of the Daimler Sustainability Board

The "Daimler Sustainability Dialogue," which has been held annually in Stuttgart since 2008, brings various stakeholder groups together with representatives of our Board of Management and the executive management. The main element of the dialog is the sharing of ideas in a variety of themed workshops. The Daimler representatives listen to the feedback from the external participants and work together with the stakeholders to achieve the agreed-upon targets during the following year. At the next event, they report on the progress that has been made in the interim. We also organize such dialog-focused events in other countries in order to discuss local challenges and promote sustainability standards around the world. Thus far, international "Daimler Sustainability Dialogues" have been held in China, Japan, the US, and Argentina. During the year under review, we held the ninth "Daimler Sustainability Dialogue" in Stuttgart.

08 Our strategic approach
09 Main fields of action
09 Sustainable management
13 Sustainability ratings
13 Stakeholder dialog
17 Risk management

06

Goals and instruments of our stakeholder dialog GRI G4-26

Information	Consultation	Dialog	Participation
– Annual Daimler Corporate Sustainability Report – Blogs and social media – Intranet and internal communication – Press and public relations work – Plant tours, receptions, Mercedes-Benz Museum – Sustainability newsletter and magazines – Environmental statements of the plants	– Consultation of stakeholders in working groups – External review of our sustainability objectives and report – Surveys and opinion polls – Daimler Compliance Academy	– Annual “Daimler Sustainability Dialogue” – Group-wide internal integrity dialog – Symposia on social issues; debates – Daimler Supplier Portal – Membership in initiatives and associations – Local dialogs with communities and neighbors – Talks on special occasions or in relation to projects – Involvement in the ethics committee on automated driving – Innovative new dialog formats for future-oriented issues: think tanks, hackathons, idea competitions, techtalks	– Stakeholder survey and materiality analysis – Advisory Board for Integrity and Corporate Responsibility – Partnerships, alliances – Active participation in sustainability initiatives such as the UN Global Compact etc.

It was the biggest such event to date and was attended by more than 200 participants, who held discussions in seven working groups. We also held the fourth “Daimler Sustainability Dialogue” in China, where more than 100 external guests talked with Daimler representatives about focal topics from the fields of environmental protection, economics, human resources, and integrity and legal affairs. GRI G4-26, G4-27

“Daimler Sustainability Dialogue” 2016 — topics, results, and participants

Discussing key future-oriented topics. The dialog we hold with our stakeholders enables us to recognize future social requirements early on. At the moment, we are mainly addressing aspects related to current trends such as digitization and Industry 4.0, as well as autonomous driving, electric drives, and urban and connected mobility. The discussions we hold with a variety of stakeholder groups from civil society play a crucial role in enabling us to responsibly shape the future of mobility. GRI G4-27

08 Our strategic approach
09 Main fields of action
09 Sustainable management
13 Sustainability ratings
13 Stakeholder dialog
17 Risk management

Local dialogs. We are also engaged in a dialog with the stakeholders at our locations. One example is our planned Testing and Technology Center in Immendingen on the Danube, which will be built on the site of a former military base. From the very start, we sought a dialog with the people in the region and addressed their concerns. We also established the Daimler Forum Immendingen, where the residents of Immendingen can learn about the status of the project. GRI G4-26, G4-27

Periodic stakeholder survey. We conduct an open international online stakeholder survey every two years. The survey allows all interested parties to evaluate the relevance of various sustainability issues for our company. More than 700 persons and organizations took part in the 2015 survey. We will conduct the next survey in 2017. GRI G4-26

Feedback for our target program. The results of our stakeholder survey, and the key results of the "Daimler Sustainability Dialogue," form the external point of view for our materiality analysis, which is used to formulate our target program. GRI G4-18

In this manner, we focus our efforts on initiatives that both we and our stakeholders view as essential. Our ambition is to translate the results of the dialog into verifiable targets and initiatives that can be implemented in cooperation with our stakeholders. GRI G4-18

Materiality analysis: pp. 04 ff.
Our target program: pp. 106 ff.

07

Our most important memberships

Initiative	Aim and purpose	Scope
econsense	Forum for the sustainable development of the German economy	Germany
Leitbildinitiative der deutschen Wirtschaft	Promotes integrity in business activities in the social market economy	Germany
Transparency International	Fighting economic and business corruption worldwide	worldwide
UN Global Compact	UN initiative for companies that commit themselves to aligning their business activities and strategies with ten recognized principles related to human rights, labor standards, environmental protection, and the fight against corruption	worldwide
Deutsches Netzwerk Wirtschaftsethik	Promotes a dialog about ethical issues with the aim of ensuring ethical business conduct	Germany
Charta der Vielfalt e.V.	Business initiative for promoting diversity in companies and institutions	Germany
Netzwerk Unternehmen für Gesundheit e.V.	Network of companies promoting occupational health and safety in the EU	Germany/ EU
Gesellschaft für Datenschutz und Datensicherheit e.V.	Organization for the promotion of privacy and data security	Germany
Clean Energy Partnership	Largest project for hydrogen mobility in Europe	Germany
H_2 MOBILITY	Initiative for the implementation of a nationwide hydrogen infrastructure in Germany	Germany

Overview of membership and participation in initiatives (PDF)

08 Our strategic approach
09 Main fields of action
09 Sustainable management
13 Sustainability ratings
13 Stakeholder dialog
17 Risk management

Sustainable Development Goals and UN Global Compact

In September 2015, all of the member countries of the United Nations approved the Agenda 2030 and its 17 Sustainable Development Goals (SDGs). These goals were set to address economic, social, and environmental challenges. They are universally valid, which means they apply to developing countries as well as to emerging markets and industrialized nations.

Daimler AG supports the implementation of the SDGs. Through our sustainable corporate strategy and sustainability targets, we are making positive contributions to solving the global challenges of our time.

The UN Global Compact, the world's largest initiative for responsible and sustainable management, has helped to develop the SDGs. As a founding participant of the UN Global Compact and a member of its LEAD Group, we align our business operations with these ten principles.

Our contribution to the SDGs: pp. 106 ff.

Political dialog and representation of interests. Our principles for political dialog and lobbying provide the basis for responsible and ethical lobbying. This entails neutrality in dealings with political parties and representatives of interest groups. Our discussions with political decision-makers are designed to make our planning more secure and enable us to contribute our ideas to the process of social change. Our discussions focus on emissions regulations, vehicle safety, new mobility concepts, and electric mobility. Other key issues include trade policy, location-specific issues, education, and HR policy. GRI G4-18

The External Affairs and Public Policy department of Daimler AG is the coordination center for political dialog at the national and international levels. This global network with offices in Berlin, Brussels, Beijing, Stuttgart, and Washington operates with a staff of around 75 people and coordinates more than 30 other corporate representations in key markets.

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

Risk management

The risk management system with regard to existence, threatening and other material risks is integrated into the value-based management and planning system of the Daimler Group. It is an integral part of the overall planning, management, and reporting process in the legal entities, divisions, and corporate functions. The risk management system is intended to systematically and continually identify, assess, control, monitor, and report risks threatening Daimler's existence and other material risks, in order to support the achievement of corporate targets and to enhance risk awareness at the Group. The focus here is on industry and business risks, company-specific risks, financial risks, risks from guarantees, legal risks, as well as compliance and reputation risks within and outside the company.

08 Our strategic approach
09 Main fields of action
09 Sustainable management
13 Sustainability ratings
13 Stakeholder dialog
17 **Risk management**

In order to ensure the complete presentation and assessment of existence-threatening and other material risks of the Group, as well as the control and risk processes with regard to the corporate accounting process, Daimler has established the **Group Risk Management Committee** (GRMC). In addition to dealing with fundamental and material issues related to the design of the risk management, the committee has the following tasks:

- The GRMC is responsible for the creation and design of the framework conditions relating to the organization, methods, processes, and systems for a functional, Group-wide risk management system at Daimler AG and its subsidiaries.

- The GRMC regularly reviews the effectiveness and functionality of the installed risk management processes, including the necessary adaptations. This includes reviewing the appropriateness of the organization, methods, processes, and systems. The GRMC specifies minimum requirements relating to the design of risk management, gives instructions for necessary and appropriate corrective measures to eliminate possibly identified system failings or weaknesses, and monitors their implementation. The general objective is to ensure efficient and effective risk management that facilitates the early identification of material risks and enables management to recognize developments at an early stage and to control them by taking suitable measures.

Responsibility for **operational risk management** and for the risk management processes lies directly with the divisions, corporate functions, and legal entities. The tasks of the employees responsible for risk management include, besides the identification and assessment of risks, the development of measures and the initiation of such measures, if necessary. The objective of such measures is to avoid, reduce or transfer risks. The development of all risks of the individual entities and of the related measures that have been initiated are continually monitored. The central Group Risk Management regularly reports the identified risks to the GRMC, the Board of Management, and the Supervisory Board

Other initiatives established in the context of risk management are Compliance Risk Assessment, the integrity reviews of business partners, environmental risk analyses at our production locations, and the consideration of consumer protection issues in our quality management system. We also conduct risk analyses related to data protection and human rights and systematically take environmental protection into account throughout the life cycle of our vehicles.

Comprehensive risk report: AR 2016, pp. 158 ff.
Compliance risks and collaboration with business partners: pp. 23 ff.

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

Corporate Environmental Protection: pp. 60 ff.
Human rights: pp. 22 f.

Ethical Responsibility

For us at Daimler, integrity and ethics are not merely abstract concepts. That’s because only those who act responsibly can achieve sustained business success over the long term. Integrity and compliance are therefore an integral part of our daily business activities. This goes beyond complying with the law. It also includes aligning our actions with shared values.

20 A culture of integrity
22 Human rights
23 Compliance programs
26 Legal responsibility
26 Data protection

A culture of integrity

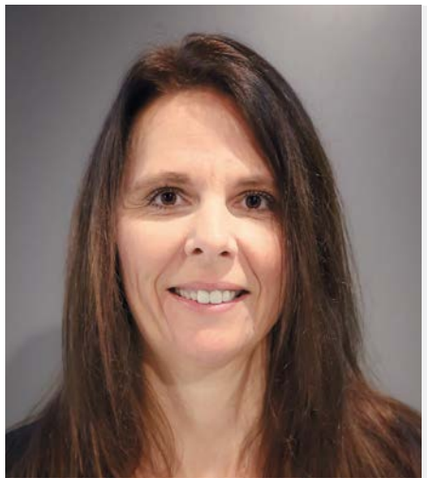
Integrity is one of the four corporate values that form the foundation of our business activities. A culture of integrity is the prerequisite for remaining successful in the future. That is why we are systematically investing in the ongoing development of our corporate culture of integrity.

In order to further advance our culture of integrity, we conduct an ongoing and open dialog with our employees. We regularly address integrity issues in our internal media and make a wide range of materials available to our business units. We also value personal discussion. That is why we regularly conduct dialog events with employees at all levels of the hierarchy, as well as with external stakeholders. Such events are held regularly in our markets abroad as well.

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

Integrity Code – full text (PDF)

Our "Infopoint Integrity" serves as a central contact and advice center for our employees. The Infopoint team offers advice on integrity-related issues in the daily work environment and puts employees in touch with the right contact partner if necessary.



"Integrity is a process we invest in every day. By sensitizing our employees to integrity issues, we are actively protecting our brand and our company's reputation."

Pia Simon
Head of Integrity Management
Daimler AG

Further measures from our integrity strategy complement the range of information and advice offered on issues related to integrity. We use various event formats to approach these issues from different perspectives and encourage the participants to think about integrity. For example, we conduct business simulations that enable employees to experience and discuss the relevance of integrity to daily business operations from a new viewpoint. We also have a network of integrity contact persons who help the business units address their specific issues in a targeted manner. In addition, we produce target-group-specific materials for managers who wish to raise awareness of integrity and potential ethical dilemma situations in their departments.

The extensive range of training courses we offer is also based on the Daimler Integrity Code. Our integrated training program is defined on the basis of an annual planning cycle that starts with a needs analysis, extends through the implementation of the program, and ends with a monitoring process. Among other things, the program covers the topics of integrity, compliance, data protection, and antitrust law. Depending on the risk and the target group, we use classroom training or digital learning techniques such as Web-based training courses.

20 A culture of integrity
22 Human rights
23 Compliance programs
26 Legal responsibility
26 Data protection

08

Training programs in 2016

Web-based training program	Target group	Number of participants
Integrity@Work incl. corruption prevention	Employees worldwide with e-mail access	**22,223**
	– of whom administrators (incl. Level 5)	**20,232**
	– of whom managers (Level 4 and above)	**1,991**
Integrity@Work Procurement module	Employees worldwide with e-mail access	**1,979**
	– of whom administrators (incl. Level 5)	**1.672**
	– of whom managers (Level 4 and above)	**307**
Integrity@Work Anti-trust law module	Employees worldwide with e-mail access	**29,248**
	– of whom administrators (incl. Level 5)	**23,138**
	– of whom managers (Level 4 and above)	**7,110**
	All employees worldwide with e-mail access	**53,450**

In-person training	Target group	Number of events	Number of participants
In-person training in anti-trust law	Managers and administrators worldwide	**286**	**6,759**
In-person training in corruption prevention	Managers and administrators worldwide	**672**	**11,850**
In-person training for newly appointed and promoted managers incl. modules covering integrity and compliance	Managers (Level 4) Senior managers (Level 3)	**38** **9**	**510** **192**
Integrity and compliance for students at the Cooperative State University	Students at the Cooperative State University in Germany	**10**	**275**
	Total	**1,015**	**19,586**

Basic Web-based training courses on integrity, compliance, and legal issues are offered to all employees with e-mail access. Every Daimler employee, regardless of position, professional field or location, must complete this training session as part of a “Welcome Package” when joining the company. The session also has to be repeated at regular intervals later on.

The Web-based training courses are supplemented by classroom training sessions that are conducted by our central and local trainer network. We provide this internal network with modular training documents and materials for methodical implementation. These materials include a guideline for trainers and explanatory videos that can be used for specific target groups according to the risks associated with the functions of the participants. In 2016, a total of approximately 73,000 employees from various hierarchy levels attended training courses or participated in Web-based training courses.

Our training measures contribute to the permanent anchoring of ethically and legally impeccable behavior in the company and help our employees handle specific practical issues. We have expanded our qualification and consulting program further for participants who perform supervisory and management functions.

In addition to these internal training measures, our training program also includes training courses that we offer to our business partners. These courses are offered as Web-based training courses or classroom training sessions. Daimler informs its business partners about these courses and invites them to participate.

Dialog and qualification: p. 94

The requirements we impose on our managers are also defined in our Integrity Code. We expect our managers to serve as role-models in terms of ethical behavior and to provide employees with orientation. All training seminars for new managers therefore include integrity modules that help them fulfill their responsibilities.

20 A culture of integrity
22 Human rights
23 Compliance programs
26 Legal responsibility
26 Data protection

In addition, integrity and compliance requirements are important criteria in the target agreements and in assessing the annual target achievement of our managers. They are also part of the agreed-upon objectives for the remuneration of the Board of Management.

More information on the Board of Management members' remuneration: AR 2016, pp. 142 ff.

Human rights

Respecting and safeguarding human rights is among Daimler's top priorities. We assign central importance to fair working conditions, employee rights, and the rejection of all forms of discrimination, forced labor, and child labor.

Our approach to respecting and safeguarding human rights is based on the requirements of the UN Global Compact and the UN Guiding Principles on Business and Human Rights. In line with the expectations towards a human rights policy in these documents, we have clearly defined what we expect from all of our employees and business partners. These expectations are formulated in our Integrity Code, our Supplier Sustainability Standards, and our supplier agreements. The responsibility for human rights issues lies with the Board of Management division Integrity and Legal Affairs.

All of our employees, especially our security officers, receive training which includes information on respecting human rights in the course of our Group's business operations as stipulated within the Integrity Code. In particular, the managers responsible for the security units are sensitized with the compliance processes in the respect. External security personnel are also informed about our requirements and instructions for respecting human rights in line with our Group-wide procurement guidelines.

"Daimler has today all the ingredients to lead the world automotive industry in the protection of human rights: the commitment, the leadership, the expertise, and the resources. This will make its workers not only safe but also proud of their company."

Prof. Pierre Sané, Board Member, UN Global Compact; Member of Daimler's Advisory Board for Integrity and Corporate Responsibility

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

Our principles and guidelines
Whistleblower system BPO: pp. 24 f.

We provide targeted procedures for upholding human rights.

- In our majority-owned companies we are developing the Daimler Human Rights Respect System, which extends beyond the existing risk reviews.
- Within our sales operations, we conduct individual audits of potentially critical transactions, in cooperation with the units that are involved.

20 A culture of integrity
22 Human rights
23 Compliance programs
26 Legal responsibility
26 Data protection

– Our direct suppliers (Tier 1) are subject to our Supplier Sustainability Standards, which include respect for human rights. We have formulated this contractual mandate for our suppliers, and we help them to comply with it by providing them with targeted information and qualification measures. The contracts for our Tier 1 suppliers also include a mandate for them to extend Daimler's expectations to their own suppliers in the downstream stages of the value chain. We use a multi-stage process to investigate whether these mandates are being complied with. This process is based on a risk analysis that we carry out for each country and each category of goods. The complaints management process, which is conducted via the World Employee Committee and other bodies, enables whistleblowers to draw attention to possible human rights violations by suppliers. We use communication and training measures to promote the transfer of our standards to suppliers in downstream stages of the value chain.

Due diligence assessments through the Human Rights Respect System. In 2016 we implemented our new Daimler Human Rights Respect System (HRRS) in a pilot project at a selected production and sales location. The HRRS builds on the experience of the human rights compliance assessments of the Danish Institute for Human Rights, which we applied in 19 countries all over the world between 2011 and 2015. In 2016, we began to base our activities on the HRRS instead of the Assessment.

The Human Rights Respect System is based on the UN Guiding Principles and is applied to all of Daimler AG's majority-owned companies. It consists of a risk-oriented two-step process. In the first step, the Group's majority-owned companies undergo a preliminary categorisation that takes into account the overall risk situation for human rights in the specific country and the business model-specific risks of the companies under consideration. In the second step, these findings are used as the basis of an assessment of selected majority-owned companies to determine whether there are any concrete risks to rightsholders and what measures the company has taken to mitigate any risks to human rights. As a result, our new approach addresses a broad spectrum of human rights issues, including fundamentals such as the prevention of child labor and forced labor, freedom of association, and collective bargaining, as well as issues specific to the automotive sector.

This innovative system was, and will continue to be, developed in a cross-functional process. Specifically, experiences in the field of human rights are combined with the methodological and process expertise of the Compliance unit. In addition, key issues are discussed with external stakeholders.

Within the scope of our analyses no cases or reports of child labor, forced labor, or violations against the right to collective bargaining or freedom of association were found within the Daimler Group in 2016. Indigenous peoples are not affected by the activities at our production locations.

In addition to these measures, we followed up and reviewed reports of incidents and tips we received publicly. In cases where we have identified a need for action, we work continuously, alone or in cooperation with our partners, to develop possible solutions.

Compliance programs

We aim to act in accordance with ethical principles and to comply with all applicable laws, internal regulations, and voluntary commitments. We pay particular attention to complying with all applicable anti-corruption regulations and to ensuring the maintenance and promotion of fair competition, as set out in binding form in our Integrity Code.

20 A culture of integrity
22 Human rights
23 Compliance programs
26 Legal responsibility
26 Data protection

Our Compliance Management System (CMS) is based on national and international standards and supports us in ensuring compliant behavior in daily operations at all of our business units. We regularly review the effectiveness of the system and adjust it to worldwide developments, changed risks, and new legal requirements. Thus, we continually improve its effectiveness and efficiency, also with regard to compliance with technical regulations relating to our products. In particular, this is a matter of identifying regulatory risks in the product-creation process, in order to protect the Daimler Group, its employees, and its brands. Our various compliance programs are based on our Compliance Management System. We would like to present the following areas by way of example:

We systematically minimize compliance risks. We analyze and assess the compliance risks of all our business units every year. The results of this analysis form the basis of our risk management. One focus of our risk minimization activities is on sales companies in high-risk countries. The responsibility for implementing and monitoring the associated measures lies with each company's management, which cooperates closely with the relevant department within Integrity and Legal Affairs.

Our effective Compliance and Legal department structures play a key role in ensuring that all rules and regulations are adhered to throughout the Group. Our Compliance organization is structured in a divisional and regional way, while our Legal department is organized along the value chain and regionally. This structure enables us to offer optimal support and advice to our divisions. For this purpose, a contact person is assigned to each function, division, and region. In addition, local contact persons around the world make sure that our standards are observed. The divisional compliance officers and the regional compliance officer report directly to the Chief Compliance Officer. This ensures the divisional and regional compliance officers' independence from the divisions. The Chief Compliance Officer and the Group General Council report directly to the Member of the Board of Management responsible for Integrity and Legal Affairs. The Chief Compliance Officer also reports to the Audit Committee of the Supervisory Board.

We offer target-group-specific qualification courses within our integrated training program in order to make sure our employees in the Compliance organization and Legal department are up to date on changes made to laws and regulations. All new Compliance and Legal department employees also receive a comprehensive introduction to their functions in a special practice-oriented seminar.

Our whistleblower system BPO (Business Practices Office) enables Daimler employees and external whistleblowers to report misconduct anywhere in the world. The office is available to receive information around the clock. This information can be sent by e-mail or normal mail, and it can also be provided by calling an external toll-free hotline or by filling out a reporting form. The information can be submitted anonymously if local law permits. In Germany, reports to the BPO can also be submitted via a neutral intermediary – in this case, an independent external attorney. The BPO system enables us to learn about potential risks and specific violations, thus preventing damage to the company and its reputation. Our globally valid corporate policy ensures a fair and transparent approach that takes into consideration the principle of proportionality for the affected parties, while also giving protection to whistleblowers.

More information on the BPO

In order to increase trust in our whistleblower system and make it even better known within the Group, we have established a transparent communication process. It includes regularly informing employees about the type and number of reported violations and holding information and dialog events at our locations. The events we held for this purpose in various markets during the reporting period were attended by approximately 750 employees. In 2016, 109 BPO cases were newly opened.

20 A culture of integrity
22 Human rights
23 Compliance programs
26 Legal responsibility
26 Data protection

In the year under review, 71 cases were closed “with merit” out of a total of 116 closed BPO cases. In the cases that were closed “with merit,” a concrete initial suspicion was confirmed. One of these cases was categorized as “bribery.” We responded to these cases with the appropriate measures.

We require our business partners to adhere to clear compliance stipulations, because we regard our business partners’ integrity and behavior in conformity with regulations as an indispensable precondition for cooperation based on trust. In the selection of our direct business partners, we therefore make sure that they comply with the law and observe ethical principles. Within the framework of our integrated training program, we also offer our business partners special training courses on integrity and compliance in line with the specific risks they face. In 2016, we published a “Compliance Awareness Module” that can be made available to our business partners on request and is designed to increase awareness of the latest compliance requirements. We also reserve the right to terminate our cooperation with business partners who fail to conform to our standards.

What we expect from our business partners
More about our relationships with suppliers: pp. 92 ff.

Sharing experience in the area of compliance policies and measures is very important to us, and we have therefore created the Daimler Compliance Academy in order to establish a platform for such sharing. The academy’s annual practical seminar is designed for compliance experts from all business sectors, managing directors, and other individuals who are interested in compliance issues. The seminar focuses on a discussion of compliance trends and challenges. The Daimler Compliance Academy was held for the third time in 2016. During the reporting year, we also held our first conference on combating money laundering in trade with goods.

Practical seminar of the Daimler Compliance Academy (available in German only)

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

As part of our integrated training program, we offer Web-based training courses and classroom training sessions on antitrust law to our managers and employees in selected functions. Monitoring measures at our corporate units supplement our antitrust-related risk analysis and help us to continually improve the effectiveness of our Antitrust Compliance Program and to adjust it to worldwide developments and new legal requirements.

Antitrust proceedings against Daimler AG: AR 2016, notes, p. 266 (PDF)

Anti-corruption compliance is ensured with a system applied worldwide that primarily comprises integrated risk assessment, risk-based measures for the avoidance of corruption in all business activities (such as reviews of business partners and transactions), and special care in contacts with public officials. We have achieved a recognized high standard in the avoidance of corruption and place the same strict requirements on all of our activities around the world. We are continually further developing our methods and processes.

Our anti-money laundering policy is designed to prevent money laundering and the financing of terrorism in trade with goods. It forms the basis for ensuring that legislation in various countries is complied with throughout the Group. The Chief Compliance Officer serves as the anti-money laundering officer of Daimler AG. A center of competence supports the Chief Compliance Officer in the management and coordination of money laundering prevention measures in the goods trade.

20 A culture of integrity
22 Human rights
23 Compliance programs
26 Legal responsibility
26 Data protection

We consistently comply with sanctions lists and thus ensure that the legal sanctions specified by legislation are observed. We have introduced a risk-focused, system-based global process in order to ensure that this compliance is effective and efficient.

Legal responsibility

Our Legal department advises and supports all of our corporate units worldwide with regard to their business operations, processes, and services in order to minimize legal and business risks.

As we move along the path to autonomous driving, a number of legal and ethical questions need to be clarified. At Daimler, these questions are being addressed by a cross-departmental steering committee that includes developers, engineers, lawyers, and data protection experts. However, automakers cannot answer the legal and ethical questions on their own; a broad public debate is necessary. We initiated this debate and have been promoting it ever since through various measures, including our work in committees and associations and our promotion of the relevant research. The Ethics Committee of the German Ministry of Transport and Digital Infrastructure is dealing with these issues. Renata Jungo Brüngger, Member of the Board of Management of Daimler AG responsible for Integrity and Legal Affairs, is a member of this committee. In addition, autonomous driving has been a focus of the “Daimler Sustainability Dialogue” since 2015.

Autonomous driving - legal framework
More information about the “Daimler Sustainability Dialogue”, pp. 14 f.

Our team of experts from the brand protection unit tracks down product counterfeiters worldwide. In view of the growing market in counterfeit replacement parts, we are systematically combating the manufacture and sale of pirated products with all legal means at our disposal. We pay particular attention to the fight against the counterfeiting of potentially safety-relevant replacement and service parts, which constitute a significant safety risk for our customers. Moreover, product counterfeiters often violate laws and regulations regarding working conditions and the protection of the environment. We combat violations of our intellectual property rights by working within the framework of the criminal and civil justice systems. Our Global Brand Protection Team is responsible for these activities. It has an international reach, is proactive, and cooperates closely with customs and criminal prosecution authorities all over the world. In order to regularly inform the responsible authorities about counterfeit parts and the safety risks they represent, we conducted 36 training courses with a total of 1,129 participants all over the world in 2016.

More information on brand protection at Daimler

Information about significant legal proceedings against companies of the Daimler Group is provided in the Annual Report for 2016. Criminal proceedings against natural persons are not disclosed, since convictions or resolutions against natural persons are not communicated to Daimler AG.

Proceedings against Daimler AG: AR 2016, notes, pp. 266 f.

Data protection

Daimler ensures high data protection standards throughout the Group by means of the Corporate Data Protection Policy, which fulfills the requirements of the EU Data Protection Directive. In 2018 a new data protection regulation is to come into force, which we will implement accordingly.

20 A culture of integrity
22 Human rights
23 Compliance programs
26 Legal responsibility
26 Data protection

Within the scope of a focus project, a team from the Data Protection department is analyzing the requirements of the new data protection regulation. The goal of this project is to support all companies of the Daimler Group in the EU member states with the implementation of the new regulation, which will replace the previous EU regulation and the national data protection laws in the EU countries in May 2018. The new directive requires the implementation of increased transparency obligations towards the concerned persons, and the introduction of Europe-wide records of processing activities and a privacy impact assessment for certain applications.

The Chief Officer Corporate Data Protection helps to ensure compliance with data protection requirements and our own standards. The principles that apply to all companies within the Group are stated in our Corporate Data Protection Policy. The Chief Officer Corporate Data Protection and his team monitor the implementation of the Policy and the data protection laws. In addition, the Chief Officer initiates communication and training measures and provides consultation. His tasks also include the handling of complaints regarding data protection and the reporting of data protection breaches. Locally he is supported by the data protection coordinators.

The Daimler Corporate Data Protection Policy – full text (PDF)

We regularly provide **information on data protection incidents**. In the reporting period, there were no serious data protection incidents. Once again, the number of complaints registered by the Corporate Data Protection department was lower compared to the previous period. In three cases, the data protection authorities conducted investigations in response to customer complaints.

We **raise our employees' and managers' awareness** of data protection by providing them with comprehensive information and offering an integrated training program. These measures are continually updated and optimized. In the reporting period, we offered all our employees worldwide a new Web-based training program dealing with the principles of data protection and the Daimler Corporate Data Protection Policy. The training is offered in ten different languages. Further topics are planned.

More information on the integrated training program: pp. 20 f.

Effective data protection in vehicles is an integral part of product development. The design of data protection in connected vehicles and within autonomous driving functions is a key focus of our product-related data protection activities.

One important aspect of our connected vehicles is the customers' trust in our data processing. The basis for this is the transparency of the data processing. In January 2016, the German Association of the Automotive Industry (VDA) and the Conference of Independent Data Protection Authorities of the German Federal and State Governments published a joint statement. This statement, "Data Protection Aspects of Using Connected and Non-Connected Vehicles," elucidates important issues related to data protection.

Full text of the joint statement (PDF, available in German only)

The joint Data Protection Working Group consisting of members of the VDA and the data protection authorities of the German federal and state governments has created a new template for information about data protection for use in operating instructions, which we will implement. In addition, Daimler is participating in a research project of the Fraunhofer Institute for Secure Information Technology (SIT) concerning data protection in vehicles. This research project, "Self-controlled Data Privacy in Connected Vehicles" (SeDaFa), receives funding from Germany's Ministry of Education and Research. The goal of the project is to develop ways to make data processing in connected vehicles transparent for drivers and to offer user-friendly options for decision-making.

More information on the SeDaFa research project (available in German only)

Product Responsibility

As a manufacturer of premium automobiles, we place the highest demands on the quality of our products. For us, this also means offering exceptionally safe, fuel-efficient, and low-emission vehicles. Our innovative technologies help us to ensure that our vehicles become more attractive and environmentally friendly with each new model. Our goal is to safeguard mobility for the generations to come.

Daimler focuses on electric mobility

When Daimler introduced the first electric smart ten years ago, the company was a pioneer in electric driving. The fourth generation of the smart electric drive will soon be rolling off the assembly line. With its new product brand EQ, the company is launching an electric drive offensive in order to electrify vehicles in a variety of segments throughout the Group, from compacts to luxury class to vans, trucks, and buses.

In October 2016, the Paris Motor Show hosted the public debut of the **Concept EQ**, the forerunner of a new generation of battery-electric vehicles at Daimler. From the outside, it looks like a SUV-coupé combined with futuristic features. However, the Concept EQ reveals its true capabilities when it is taken out for a drive. **Two electric motors (one each on the front and rear axles)** enable the vehicle to achieve an overall output of up to 300 kW so that it can accelerate from 0 to 100 km/h in less than five seconds. The vehicle's range is also pretty impressive for an electric SUV: When measured according to the NEDC, the Concept EQ can travel up to 500 kilometers before it has to be recharged. This is due not only to the high-performance lithium-ion batteries but also to the intelligent operating strategy that the engineers have developed for the vehicle.

These and many other technological innovations ensure that the Concept EQ is well equipped for the pioneering role that the engineers at Daimler have planned for it. Series-production vehicles based on the EQ will begin to roll off the assembly lines of our plants within the next few years. That's why we gave the EQ a vehicle architecture that is specifically developed for battery-electric models. This architecture is scalable in every way and can be installed in a wide range of models. Thanks to the use of a modular system, the wheelbase, tread width, and system components such as the batteries are adjustable and can be adapted to all the requirements of a family of battery-electric vehicle models. The basic architecture is suitable for SUVs, sedans, coupés, cabriolets, and other model series.

En route to an emission-free future

There is every indication that two current trends, the **switch to renewable sources of energy** and the **growing demand for electric vehicles,** will continue to intensify worldwide in the years ahead. It could make the vision of **completely emission-free mobility** a reality in the not too distant future. As we head toward this future, we have to utilize all of the means available to us to reduce CO_2 emissions more quickly. The electrification of the drive system is without doubt the key means of achieving this goal. In doing so, we are continuing to pursue a three-pronged drive system strategy. In addition to all-electric vehicles and additional plug-in hybrids, highly efficient combustion engines will continue to be part of the solution at Daimler. This is especially the case with cutting-edge diesel engines, which emit substantially less CO_2 than do gasoline engines. The incorporation of 48-volt battery systems in combination with starter generators will enable all Mercedes-Benz model series to be electrified in the future.

Today nobody can say with certainty when electric cars and plug-in hybrids will account for more than half of all the new vehicles registered. However, it's certain that we already have the technology to develop electric automobiles whose range is not much shorter than that of a gasoline-powered car, while their driving pleasure is even greater. Moreover, the battery cells have now reached a level of development that experts considered unrealistic just a few years ago. Last but not least, progress is also being made with regard to the associated infrastructure. Thanks to these developments, the market is moving forward.

An “ecosystem” of innovations

In view of these developments, Daimler is preparing to switch to alternative drive systems. We want to make electric mobility suitable for mass production so that it can achieve a breakthrough. We belive that alternative drive systems must also be attractive. The crucial factors are driving pleasure, striking design, and a competitive range, as well as high quality, safety, service, and connectivity. Thus our **electric vehicles are supplemented by an entire “ecosystem” of attractive services** – from the installation of the Mercedes-Benz wallbox to the provision of digital services for electric and plug-in hybrid vehicles that are accessible through the “Mercedes me” portal.

In the years ahead, we will invest more than €10 billion in the expansion of our electric fleet and in this way launch ten new electric vehicles on the market by 2025. In general, Daimler will continue to increase its share of **investment in future-oriented technologies**. We are investing €1 billion alone in the global expansion of our battery production for electric cars and plug-in hybrids. In this way, we are ensuring that we have direct access to key components of electric mobility.

Part of this investment in €500 million in the construction of a **second battery factory in Kamenz, Saxony,** which will significantly boost our production capacity and increase our production and logistics area fourfold. In addition, we are striking out in new directions with our innovative stationary energy storage units in Lünen and Hanover. In Lünen, 1,000 used batteries from smart fortwo electric drive vehicles together form the **world’s largest second-use battery storage system** (see p. 45). In Hanover, we are combining 3,000 new replacement battery modules, which are destined for smart electric drive vehicles, into a **super-large stationary system** instead of storing them, unused and at high cost, in a high-bay warehouse (see p. 45). Both of these approaches improve the environmental performance of electric mobility and support the switch to renewable sources of energy by buffering against the unavoidable fluctuations that these energies cause in the grid.

The availability of a comprehensive charging infrastructure is absolutely essential for electric mobility and our upcoming vehicle concepts. Electric cars must be rechargeable everywhere, no matter who makes them or where they are located. Isolated solutions must be avoided. The expansion of the public charging infrastructure is in full swing and the importance of public fast-charging systems is also increasing as batteries become larger and larger. In order to actively contribute to the creation of the required infrastructure, we have teamed up with Volkswagen, BMW Group, and Ford Motor Company and are currently planning to form a **joint venture for an ultra-fast high-performance charging network along Europe’s main traffic arteries.** The joint venture partners want to set up thousands of charging stations by 2020. These stations will have a charging power of up to 350 kW so that vehicles can be recharged much faster than at previous fast-charging stations. In a first step, around 400 high-performance charging stations will be set up in Europe, beginning in 2017.

We are also involved in another alliance where we promote the development of a **hydrogen infrastructure throughout Germany.** Called H_2 MOBILITY, the new company is a joint venture between Daimler and Air Liquide, Linde, OMV, Shell, and Total. In 2016 it put its 25th public hydrogen filling station into operation. The company plans to have around 400 H_2 fueling stations by 2023.

Electric mobility – from city runabouts to trucks

At the Paris Motor Show, we not only provided a preview of Daimler's electrically mobile future but also displayed the electric vehicles we already have on the road. For example, the new **smart fortwo coupé electric drive**[1], the new **smart fortwo cabrio electric drive**[2], and the **smart forfour electric drive**[3] celebrated their world premieres in Paris. smart already took the lead back in 2007, when it set up the first electric test fleet in London. smart continues to be the world's only automotive brand to offer its complete range of models not only with combustion engines but also as all-electric battery-powered versions.

Another premiere will be in 2017, when a new generation of fuel-cell vehicles based on the GLC kicks off. This electric SUV, which generates its energy onboard from hydrogen, has a very compact fuel-cell system as well as a lithium-ion battery that can be charged externally by means of a plug-in system (see also p. 38).

As part of our **plug-in hybrid offensive**, we will also make a big technological leap in 2017, when vehicles from the updated S-Class will be the first to use our refined lithium-ion battery. In conjunction with the further optimized intelligent operating strategy, the battery will enable the vehicle to travel more than 50 kilometers solely on electricity. We already have a line-up of eight plug-in hybrids today. As a result, Daimler offers one of the broadest ranges of plug-in hybrid models.

It goes without saying that we, the world's leading manufacturer of commercial vehicles, also employ sustainable new drive systems in our trucks, buses, and vans. We put our first electric van into series production in 2011: the **Vito E-CELL.** It will be followed in 2018 by a completely new van, which will be based on the **Vision Van** concept vehicle. The new van will be completely electric and connected and will feature an automated cargo area. In the same year, we also plan to launch an **electric version of our Citaro short-distance bus.** Thanks to its range of 300 kilometers, this bus can easily cover most regular-service routes. Finally, our **Fuso Canter E-CELL** ensures that we are also the leader when it comes to green trucks. In 2017 we will launch the third generation of this battery-electric light truck on the market. It will feature an enhanced electric motor and a greater range.

[1] CO_2 emissions combined: 0 g/km, electrical consumption combined: 12.9 kWh/100 km
[2] CO_2 emissions combined: 0 g/km, electrical consumption combined: 13.0 kWh/100 km
[3] CO_2 emissions combined: 0 g/km, electrical consumption combined: 13.1 kWh/100 km

Electric mobility at Daimler

Passenger vehicles

- **Plug-in hybrid vehicles from Mercedes-Benz:** Available for the S-Class, E-Class, C-Class, GLE, and GLC model series. In 2017 Mercedes-Benz will start the next-generation model update of the S-Class, which will for the first time have an electric range of 50 km.
- **Electric vehicles from smart:** smart fortwo electric drive, smart fortwo cabrio electric drive, and smart forfour electric drive; available in Europe from spring 2017 and in the US from summer 2017.
- **Concept EQ:** Presented in 2016, the near-series-production Concept EQ provides a preview of the upcoming generation of battery-electric cars from Mercedes-Benz.
- **A fuel-cell SUV** based on the Mercedes-Benz GLC; it is also equipped with a lithium-ion battery that can be externally charged by means of a plug-in system.
- **B 250e[1]:** A battery-electric version of the B-Class with a range of about 200 kilometers; available since 2014.
- **Denza 400:** An electric car manufactured by BYD Daimler New Technology in Shenzhen, China. The new model that was unveiled in 2016 has a range of 400 kilometers.

Vans

- **Vito E-Cell:** An electric van that went into series production in 2011.
- **Vision Van:** Presented in 2016, this concept vehicle will serve as the basis for a fully connected new battery-electric van from Mercedes-Benz. It will be launched on the market in 2018.

[1]Electricity consumption (NEDC): from 16.6 kWh/100 km; CO_2 emissions combined: 0 g/km

Trucks and buses

- **Fuso Canter E-Cell:** This all-electric light truck began to be used in fleet trials in 2015 and has been produced in a small series since 2016.
- **Urban eTruck:** The first all-electric truck for heavy-duty distribution transportation. A small series of this 26-ton truck from Mercedes-Benz will already be delivered to customers in the course of 2017.
- **Citaro Fuel Cell Bus:** A local transportation bus featuring a fuel-cell drive system. It demonstrated its effectiveness between 2003 and 2010, when it was used by 12 public transportation companies worldwide.
- **Citaro Fuel-CELL Hybrid:** An enhanced fuel-cell bus for local transportation; based on the same electric platform as the Citaro E-CELL.
- **Citaro E-CELL:** A battery-electric local transportation bus with a range of 300 kilometers; the market launch is scheduled for 2018.

34 Environmentally responsible product development
35 Climate protection
36 Innovative vehicle and powertrain technologies
39 Fuel consumption and CO_2 emissions
46 Fuels
48 Product safety
48 Pollutant emissions
50 Interior emissions
50 Noise
50 Vehicle safety
52 Conservation of resources
55 Mobility concepts and services
56 Customers

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

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

Environmental and Energy Guidelines (PDF)

Environmentally responsible product development

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

Our DfE experts are involved in all stages of vehicle development as a cross-divisional team. In addition, we systematically integrate environmentally compatible product design into our environment and quality management systems according to ISO 14001 and ISO 9001. Since 2012, Mercedes-Benz has been in full compliance with the relevant ISO 14006 standard.

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

The environmental certificates of the Mercedes-Benz models

34 Environmentally responsible product development
35 Climate protection
36 Innovative vehicle and powertrain technologies
39 Fuel consumption and CO_2 emissions
46 Fuels
48 Product safety
48 Pollutant emissions
50 Interior emissions
50 Noise
50 Vehicle safety
52 Conservation of resources
55 Mobility concepts and services
56 Customers

Comprehensive life cycle assessment. Evaluating the environmental compatibility of a vehicle requires an analysis of the emissions and use of resources throughout the entire life cycle. This is done by means of a life cycle assessment, which examines the most important environmental effects, from the extraction of raw materials and vehicle production to product use and recycling. At Mercedes-Benz Development, we use life cycle assessments to evaluate and compare different vehicles, components, and technologies.

Climate protection

CO_2 emissions over the vehicle life cycle. Compared to their respective predecessors, the current models of the main Mercedes-Benz vehicle series emit significantly less carbon dioxide over their entire life cycles.

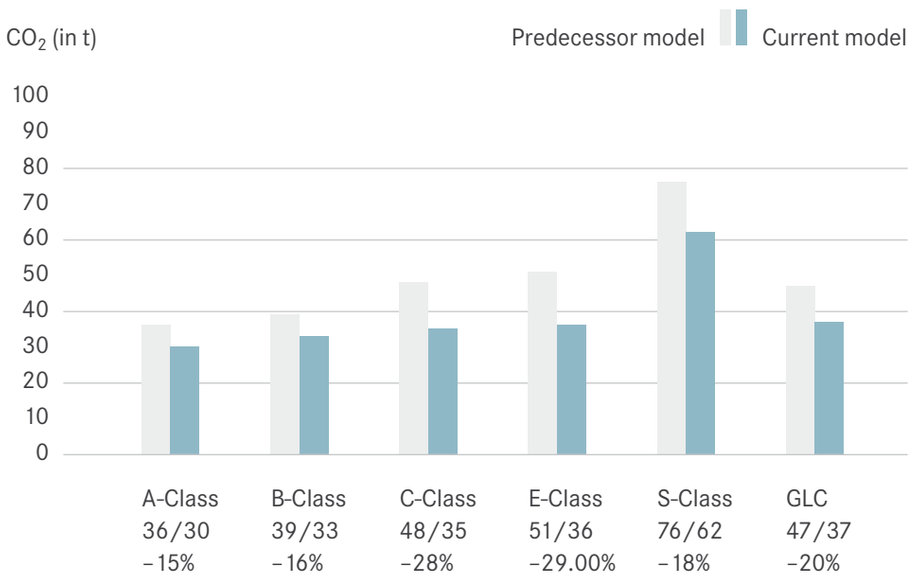
Comprehensive CO_2 reporting. We publish our CO_2 emission data in accordance with the standards of the Greenhouse Gas Protocol (GHG). Along with the emissions produced by our own energy and heat generation activities (Scope 1) and from the external procurement of energy and district heat (Scope 2), we also take into account upstream and downstream emissions that result from our business activities (Scope 3). Daimler accumulated expertise in Scope 3 reporting at a very early stage of the development of such reporting processes. Most of the calculation models we developed here are now standard in the industry.

More on Scope 3 reporting: p. 129

Scope 3 emissions in 2016 (PDF)

09

Emissions over the entire life cycle*



CO_2 emissions: CO_2 emissions produced throughout the life cycle of our vehicles have been reduced by at least 15 percent from model to model in all model series reviewed.

*Values from Mercedes-Benz environmental certificates (different series mileages)

34 Environmentally responsible product development
35 Climate protection
36 Innovative vehicle and powertrain technologies
39 Fuel consumption and CO_2 emissions
46 Fuels
48 Product safety
48 Pollutant emissions
50 Interior emissions
50 Noise
50 Vehicle safety
52 Conservation of resources
55 Mobility concepts and services
56 Customers

10

Scopes of CO_2 emissions along the value chain as defined by the Greenhouse Gas Protocol

Upstream activities		Reporting company	Downstream activities
Scope 3 Indirect	Scope 2 Indirect	**Scope 1 Direct**	Scope 3 Indirect
– Leased assets – Employee commuter traffic – Business travel – Waste generated in operations – Transport and distribution – Fuel and energy related activities* – Capital goods – Purchased goods and services	– Purchased electricity, steam, heating and cooling for own use	– **Fossil fuels used to produce electricity and heat: foundry, forge, and paint shops** – **Fuel for engine test rigs**	– Investments – Franchises – Leased assets – End-of-life treatment of sold products – Use of sold products – Processing of sold products – Transportation and distribution

* CO_2 emissions from upstream fuel production and energy generation (including transport) that are not included in Scope 1 or Scope 2

** At Mercedes-Benz Cars the three categories “purchased goods and services”: 15.5 Mio. t CO_2, “end-of-life treatment of sold product”: 1.0 Mio. t CO_2 and “use of sold product” including fuel production: 54.6 Mio. t CO_2 accounted for around 95% of all Scope 3 CO_2 emissions. For the calculation of “use of sold product” we used for the first time a refined, regionally specific calculation method. In comparison with 2015 we realized a specific reduction per vehicle of about 6% in the use phase.

26% less CO_2

reduction in the life cycle emissions of the current E 220 d[1] Wagon compared to its predecessor.

Innovative vehicle and powertrain technologies

Our goal is to safeguard mobility for the generations to come. That is why we strive to offer our customers safe, efficient, and low-emission vehicles and services. A core element of our approach is to achieve a drive system mix that is tailored to the market requirements. The main focal points of our development of particularly fuel-efficient and environmentally compatible powertrain technologies in all our automotive divisions are defined in our initiative “The path to emission-free mobility”:

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

[1] CO_2 emissions combined: 120–109 g/km, fuel consumption combined: 4.6–4.2 l/100 km

34 Environmentally responsible product development
35 Climate protection
36 Innovative vehicle and powertrain technologies
39 Fuel consumption and CO_2 emissions
46 Fuels
48 Product safety
48 Pollutant emissions
50 Interior emissions
50 Noise
50 Vehicle safety
52 Conservation of resources
55 Mobility concepts and services
56 Customers

The new smart electric drive models: the smart fortwo, the smart forfour, and the smart fortwo cabrio. All feature pre-entry climate control and radar-assisted energy recovery.

The new Denza 400 undergoing quality assurance. This electric sedan is made in China for China and has a range of up to 400 kilometers.

The fourth generation of the smart electric drive was unveiled in Paris in October 2016. In addition to the smart fortwo, the smart fortwo cabrio and smart forfour are now also available with electric drive. As a result, smart will continue to be the only automaker to offer all of its models in both combustion engine and battery-electric versions. The new electric smarts are agile, swift, and locally emission-free. Moreover, they use energy even more efficiently than before. The ECO mode, for example, limits the car's top speed and uses the highest energy recovery level as the default setting in order to regain as much energy as possible. To reduce charging times, all of the models are equipped with an improved onboard charging unit. Depending on the electricity conditions in the country in question, the standard version of this unit recharges the battery up to 50 percent faster than in the predecessor model. In 2017, we will also offer a 22 kW rapid charging unit at very favorable terms. Under optimal charging conditions, this device enables the battery to be completely recharged in less than 45 minutes.

The new smart electric drive

The new Denza 400 has a range of up to 400 kilometers. This means the vehicle can travel 100 kilometers farther than its predecessor on a fully charged battery. The developers at BYD Daimler New Technology Co., Ltd. (BDNT) managed to increase the car's battery capacity from 47.5 kWh to 62 kWh without changing the vehicle's installation volume. BDNT is the first Sino-German joint venture for electric vehicles. The Denza is manufactured in Shenzhen exclusively for the Chinese market.

34 Environmentally responsible product development
35 Climate protection
36 **Innovative vehicle and powertrain technologies**
39 Fuel consumption and CO_2 emissions
46 Fuels
48 Product safety
48 Pollutant emissions
50 Interior emissions
50 Noise
50 Vehicle safety
52 Conservation of resources
55 Mobility concepts and services
56 Customers

The near-series Concept EQ is ushering in the age of a new battery electric vehicle generation at Daimler.

Thanks to its plug-in hybrid technology, the E 350 e[1] can travel up to 33 kilometers solely on electricity, making it the ideal vehicle for locally emission-free driving in urban areas.

The Concept EQ provides a preview of a new generation of Mercedes-Benz vehicles equipped with a battery-electric drive system. The vehicle was unveiled in Paris in October 2016. It has two electric motors (one each on the front and rear axles) which give it a total system output of up to 300 kW and a range of up to 500 kilometers.

Focus on electric mobility: pp. 29 ff.
EQ – the new electric drive brand from Mercedes-Benz

Third- generation plug-in hybrids combine the best of two worlds. Besides traveling more than 30 kilometers solely on electricity, they benefit from the long range of a combustion engine. Hybrid technology is thus taking our customers closer to electric mobility step by step and is already helping to protect the climate as well. However, hybrid vehicles won't be able to fully bring their environmental benefits to bear until they use electricity from renewable sources. Once that is the case, the vehicles' CO_2 and NO_X emissions will decline to a minimum. That's why we are continuing to forge ahead with our plug-in hybrid offensive. The E 350 e is already the eighth plug-in hybrid in our product range. This figure will rise to ten in 2017.

GLC with a fuel cell. In 2016, Daimler unveiled the first representative of a new generation of fuel-cell vehicles based on the GLC. This SUV, which will go into series production in 2017, features a compact fuel-cell system that fits into conventional engine compartments. In addition, the vehicle is equipped with a large lithium-ion battery, which serves as an additional source of energy for the electric motor and can also be charged externally by means of a plug-in system. This combination enables the SUV to achieve a total range of about 500 kilometers (NEDC).

[1] CO_2 emissions combined: 57–49 g/km, fuel consumption combined: 2.5–2.1 l/100 km

34 Environmentally responsible product development
35 Climate protection
36 **Innovative vehicle and powertrain technologies**
39 **Fuel consumption and CO_2 emissions**
46 Fuels
48 Product safety
48 Pollutant emissions
50 Interior emissions
50 Noise
50 Vehicle safety
52 Conservation of resources
55 Mobility concepts and services
56 Customers

11

Drive technologies from Daimler

Share in %*	Vehicles with gasoline engine	Vehicles with hybrid drive	Vehicles with diesel engine	Cars with gas engines (CNG, LNG, LPG)	Cars with hybrid drive systems	Cars with electric drives
Europe	35.3	1.9	62.4	0.0	1.4	0.2
NAFTA	66.5	0.3	33.0			
Japan	48.0	1.9	50.1			
China	88.9	0.1	11.0			
Total	48.0	1.0	50.8			

*Based on unit sales of vehicles in the respective markets in 2016

H_2 MOBILITY is building hydrogen filling stations. Electric vehicles with fuel cell drive are also suitable for long driving distances, thanks to their great range and quicker refueling. However, due to a lack of hydrogen filling stations, such vehicles remain largely unattractive to customers. That is why Daimler is promoting the development of a comprehensive hydrogen infrastructure jointly with partners from the political arena and the energy sector. In September 2016, Daimler and Linde, the two main partners of a national innovation program for hydrogen and fuel-cell technology (NIP), opened the latest of H_2 MOBILITY's now 25 hydrogen filling stations in Germany.

H_2 MOBILITY: p. 47

Fuel consumption and CO_2 emissions

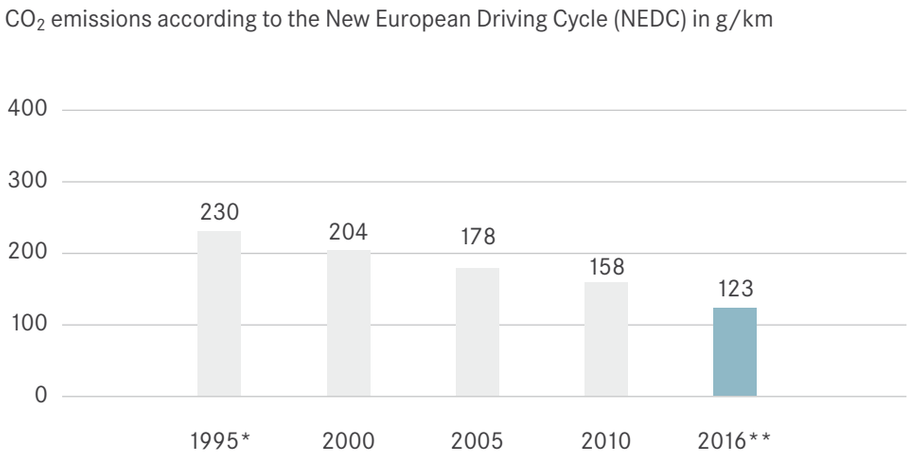
The largest share of primary energy consumption and CO_2 emissions over the life cycle of a vehicle is attributable to the usage phase. In the case of a car with a combustion engine it is about 80 percent. The remaining 20 percent is caused almost entirely during the manufacturing process. Vehicles with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

Fleet emissions of CO_2. In the year under review, the average CO_2 emissions of the total fleet of Mercedes-Benz Cars in Europe amounted to 123 g/km emissions have thus declined by 12.2 percent over the past five years – from 140 g/km in 2012 to 123 g/km in the year under review. In 2015 we already achieved our target of lowering the CO_2 emissions of our new-vehicle fleet in Europe to 125 g/km by the year 2016. Even though the sales structure shifted toward upper mid-range and luxury-segment vehicles, the value remained unchanged from the previous year because we continued to reduce the CO_2 emissions of the individual models. In consideration of the expected average vehicle weight, we have now set a new target of 100 grams of CO_2 per kilometer (NEDC) within the framework of our Target Program for 2021.

34 Environmentally responsible product development
35 Climate protection
36 Innovative vehicle and powertrain technologies
39 **Fuel consumption and CO_2 emissions**
46 Fuels
48 Product safety
48 Pollutant emissions
50 Interior emissions
50 Noise
50 Vehicle safety
52 Conservation of resources
55 Mobility concepts and services
56 Customers

12

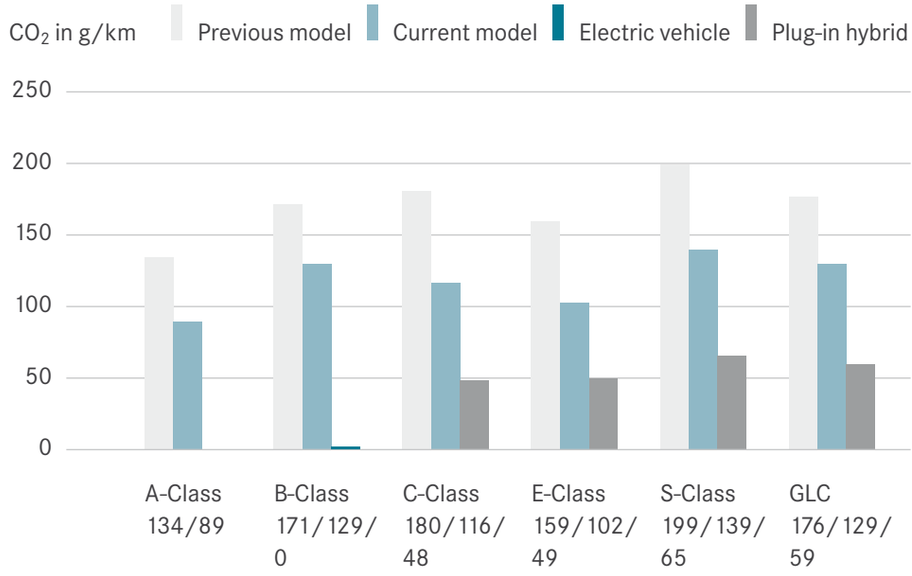
Development of average CO_2 emissions of the Mercedes-Benz Cars vehicle fleet in Europe (EU 28)



* 1995 including vans registered as M1 vehicles. All other years without vans.
** 2016 M1 vehicles: 126 g CO_2/km

13

CO_2 emissions of our main model series*



*Current vehicle models as compared to predecessor models (market launch)

The Worldwide Harmonized Light Vehicles Test Procedure (WLTP), which will be introduced in 2017, will bring test results closer to actual consumption values. The new test procedure specifies the use of a more realistic uniform method for testing fuel consumption and exhaust emissions in the automotive industry. With regard to handling, average speed, and top speed, the WLTP is much more strongly based on actual driving conditions out on the road than is the case with the current New European Driving Cycle (NEDC). Consequently, the WLTP produces results that are much closer to actual consumption values in daily operation.

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

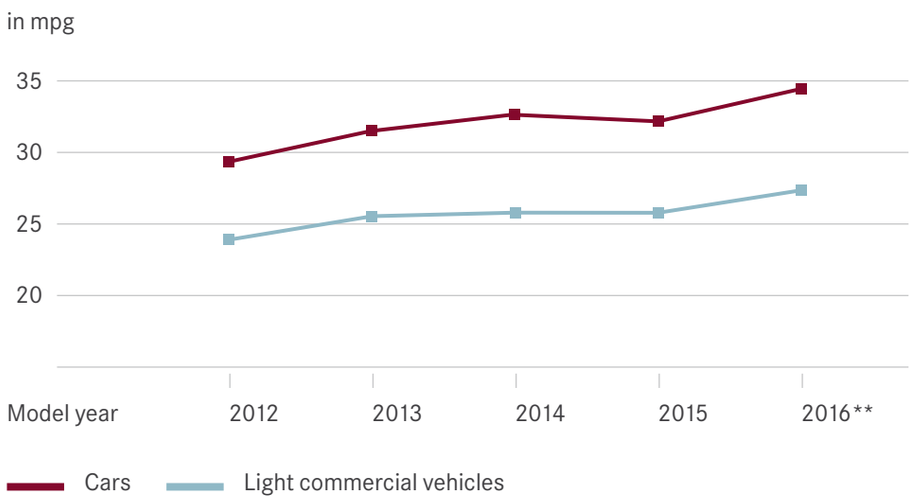
The CAFE fleet value for each model year is determined on the basis of the number of vehicles sold and their respective fuel economy figures. For every 0.1 mile per gallon below the specified limit, the manufacturer is required to pay a fine to the government of US$5.50 per vehicle produced for sale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

34 Environmentally responsible product development
35 Climate protection
36 Innovative vehicle and powertrain technologies
39 **Fuel consumption and CO_2 emissions**
46 Fuels
48 Product safety
48 Pollutant emissions
50 Interior emissions
50 Noise
50 Vehicle safety
52 Conservation of resources
55 Mobility concepts and services
56 Customers

The CAFE fleet figures for the CO_2 emissions of Daimler vehicles in the United States have improved by 14.8 percent for cars and 12.3 percent for light commercial vehicles over the last five years. Our target is to reduce the fleet consumption of our cars and light-duty trucks on the US market by 25 percent by 2019 as compared to 2012, which is the base year for the currently valid CAFE regulations.

14

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

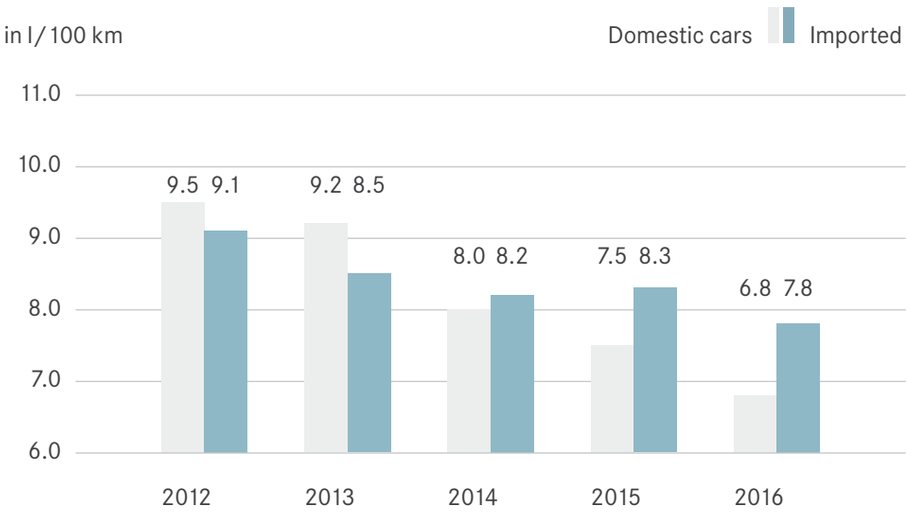


* CAFE = Corporate Average Fuel Economy
** Projection

Fleet values in China. In China, domestically produced and imported cars are assessed differently. A differentiation is also made between sixteen weight classes. The fleet fuel economy target relative to the weight of Daimler's "domestic" fleet was 7.6 liters/100 km, and the actual value achieved in 2016 was 6.8 liters/100 km. The target for imported vehicles was 7.9 liters/100 km, and 7.8 liters/100 km was achieved. We have set ourselves the target of reducing the fleet consumption of our cars in China by 25 percent in the period from 2012 (the base year of the current fuel economy regulations) to 2019. The current values show that we already reached this target in 2016.

15

Daimler fleet fuel consumption in China



16

Development of CO_2 emissions of car fleets in the main markets as against 2015

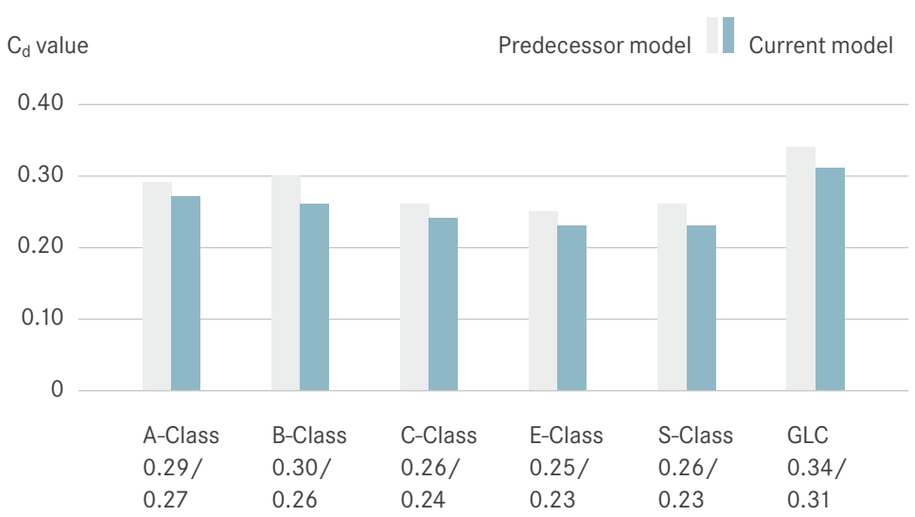
China	USA	Europe
-7%	-6%	0%

34 Environmentally responsible product development
35 Climate protection
36 Innovative vehicle and powertrain technologies
39 **Fuel consumption and CO_2 emissions**
46 Fuels
48 Product safety
48 Pollutant emissions
50 Interior emissions
50 Noise
50 Vehicle safety
52 Conservation of resources
55 Mobility concepts and services
56 Customers

Sophisticated aerodynamics. To date, we have managed to steadily improve the C_d value from one model to the next by optimizing the vehicle body shapes, the underbodies, and many attachments. The resulting improvements are demonstrated, for example, by the S 300 h Sedan[1]. With a C_d value of 0.23, this car continues to be the most aerodynamic vehicle in its class. In practice, this low drag coefficient results in measurably lower values for fuel consumption and CO_2 emissions. This is especially the case at higher speeds, such as those on highways. This means that improved aerodynamics will have a bigger effect on the WLTP values than on the previously used NEDC figures, because the new test method uses a higher average vehicle speed.

17

C_d values of our main model series



C_d (drag coefficient): Figure used to quantify the resistance of an object in a fluid environment, such as air or water. A reduction of a vehicle's C_d value by 0.01 lowers fuel consumption by approximately 0.1 l/100km.

Consistent lightweight design. Thanks to various lightweight engineering measures, the new E 220 d Wagon is about 65 kilograms lighter than its predecessor. Thanks to these and other features, it also consumes up to 31 percent less fuel in the NEDC. The use of lightweight materials such as aluminum produces slightly higher CO_2 emissions during the manufacturing process – for the current model this value amounts to 8.7 tons of CO_2, compared to 8.6 tons of CO_2 for the predecessor. However, the new vehicle's much higher efficiency during the usage phase more than offsets this drawback. Throughout its life cycle, the E 220 d Wagon emits around 21 percent (about 12.5 tons) less CO_2 than its predecessor.

360-degree environmental check of the new E-Class

S-Class Coupé with CO_2 a/c technology. The new S-Class Coupé is the first series-production car in the world to feature a CO_2 air-conditioning system. The technology will be introduced in additional E-Class models beginning in 2017. CO_2 is neither toxic nor flammable and has a very low greenhouse potential compared to other refrigerants. Its Global Warming Potential (GWP) of 1 means that CO_2 meets the EU's requirements for a refrigerant with a greatly reduced climate impact. Because the new a/c technology performs better than conventional systems in many ways, it saves energy by cooling off the passenger compartment more rapidly than other techniques. The consumer magazine *Guter Rat* has therefore named the CO_2 air-conditioning system from Mercedes-Benz a "rational innovation."

Declining CO_2 emissions for our vans. An EU directive on the emissions of vans with a total curb weight of up to 2,585 kilograms entered into force in 2011. The regulation stipulates that beginning in 2017, the average emissions of such vans may not exceed 175 g CO_2/km. As of 2020, the CO_2 level will drop to 147 g CO_2/km. Taking into account vehicle weight, Mercedes-Benz vans must comply with a maximum CO_2 fleet level of 210 g CO_2/km in 2017. However, our vans were already lower than that level in 2014. We aim to achieve a further reduction of more than 10 percent by 2018. The CO_2 emissions of our van fleet did not decline between 2015 and 2016.

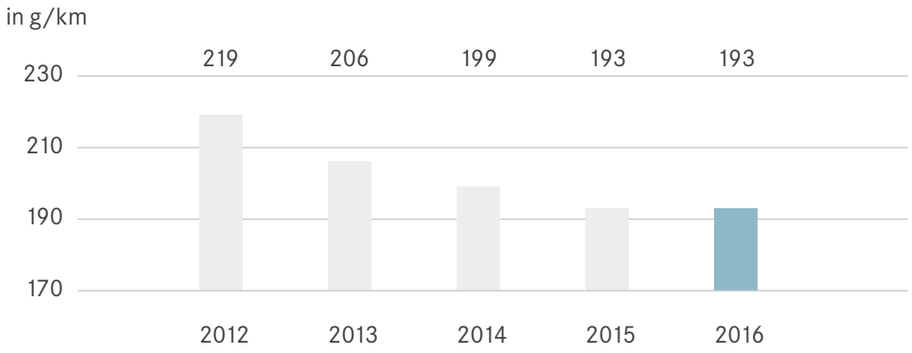
[1] CO_2 emissions combined: 126–110 g/km, fuel consumption combined: 4.8–4.3 l/100 km

34 Environmentally responsible product development
35 Climate protection
36 Innovative vehicle and powertrain technologies
39 **Fuel consumption and CO_2 emissions**
46 Fuels
48 Product safety
48 Pollutant emissions
50 Interior emissions
50 Noise
50 Vehicle safety
52 Conservation of resources
55 Mobility concepts and services
56 Customers

The Vision Van is completely electric and connected, and contains delivery drones.

18

Development of average CO_2 emissions of the Mercedes-Benz van fleet in Europe (acc. to NEDC)



adVANce is the name of a future-focused initiative at Mercedes-Benz Vans. Over the next five years, our Vans division plans to invest around €500 million in order to further optimize the digitization, automation, electric mobility, and robotics of vans and develop new mobility services. Around 200 employees are already working in Stuttgart, Berlin, and Silicon Valley on concepts for making vans even faster, more efficient, and more environmentally compatible. A recent concept vehicle shows how this can look in practice. Called the Vision Van, the vehicle is completely electric and connected, and has an automated cargo area that also contains delivery drones. The van has a range of 270 kilometers.

Fuso Canter E-CELL in field test. After successfully completing tests in Portugal, Daimler began to conduct its first fleet test with locally emission-free electric trucks in Germany in April 2016. For a whole year, the city of Stuttgart and the logistics company Hermes are subjecting five battery-powered Canter E-CELLs from Fuso to the rigors of normal daily use. Two vehicles with hydraulic dump truck bodies are being used for road construction and landscaping, while two others with box bodies are being employed to transport furniture and dispose of waste. A fifth Canter E-CELL is being used for parcel deliveries by Hermes.

Efficient truck engines. The latest generation of the OM 470 six-cylinder inline engine is even more economical and cleaner than its predecessor, but also more powerful, with a new peak output rating of 335 kW (456 hp). With this new engine, Daimler is optimizing its heavy-duty trucks. Numerous enhancements are once again noticeably reducing the engine's fuel consumption. The heavy-duty engines are benefiting from new low-friction motor oils. The Mercedes PowerShift 3 12-speed transmissions are now even more efficient, and the Predictive Powertrain Control (PPC) utilizes a refined driving strategy. Depending on the engine variant, all of these improvements combined reduce fuel consumption by up to 6 percent in a clear demonstration of the benefits of a perfectly coordinated drivetrain encompassing the engine, the transmission, and the axles.

34 Environmentally responsible product development
35 Climate protection
36 Innovative vehicle and powertrain technologies
39 **Fuel consumption and CO_2 emissions**
46 Fuels
48 Product safety
48 Pollutant emissions
50 Interior emissions
50 Noise
50 Vehicle safety
52 Conservation of resources
55 Mobility concepts and services
56 Customers

Although the OM 470 is the most compact of the heavy-duty engines from the star brand, it has all of the attributes of its "big brother," the OM 471. The latter also benefits from the innovations in the latest generation of drive trains, as does the largest engine in this family, the OM 473, whose main enhancement is a new injection system.

The Mercedes-Benz Actros has completed significantly more than 2,700 "fuel duels" with its key European competitors. With 10.7 percent better fuel efficiency on average, the Daimler truck won more than 90 percent of the duels, as was objectively demonstrated with the help of the telematics-based Internet services of the Fleetboard fleet management system. The 90 semitrailer tractors used in the fuel consumption tests covered a total of over 13.2 million kilometers in 22 European countries. This edge in fuel economy literally pays off for Actros customers in the shipping industry. That's because fuel accounts for 29 percent of their total operating costs and thus makes up the biggest share. Future comparative fuel efficiency tests promise to generate even more favorable results for the Actros, because the introduction of the new OM 471 engine generation will reduce the already low fuel consumption value by up to 3 percent.

Efficient trucks

Actros semitrailer rig in the Efficiency Run. Optimizing several components of a semitrailer rig simultaneously help to reduce fuel consumption and CO_2 emissions even more effectively, as demonstrated by the second Efficiency Run, which was held in 2016. In cooperation with the trailer manufacturer Krone, Daimler developed an optimized Actros semitrailer rig, which it then tested for three months on the road. The field test showed that the truck equipped with the new OM 471 engine, Predictive Powertrain Control, improved low rolling-resistance tires, and the Profi Liner Efficiency trailer from Krone reduces fuel consumption and CO_2 emissions by 18 to 20 percent, compared to previous tractor-trailer combinations.

European Truck Platooning Challenge. In June 2016, digitally connected trucks demonstrated their capabilities during a rally that extended across Europe. When connected trucks drive in convoys, they are safer than conventional vehicles, take up less space on highways, and consume less fuel. This is made possible by platooning, in which a telematics platform communicates with the other vehicles and with the traffic infrastructure. Daimler and five other manufacturers took part in the test drive, which was initiated by the Dutch government.

The Green Truck 2016 is the Actros 1845. The editors of *VerkehrsRundschau* and *Trucker* have presented the coveted award to Mercedes-Benz' flagship vehicle, thus naming it the most fuel-efficient and environmentally friendly truck of the year. The Actros 1845 was honored after it scored the most points in a series of vehicle and comparative tests in which it consumed the least amount of fuel and AdBlue in its class. It is the second time in a row that the Mercedes-Benz Actros has performed better than all other heavy-duty long-haul semitrailer rigs in the most important environmental ranking of the transportation and logistics sector.

Green Truck 2016 (available in German only)

Efficient truck. In 2012 Daimler Trucks North America promised its customers that it would improve its vehicles' fuel efficiency by 5 percent every two years. Three test drives by an independent auditor prove that the company has kept its promise. On routes across the United States, the test driver put three Freightliner New Cascadias through their paces. The results showed that the long-haulage truck's fuel economy is up to 8 percent better than that of the best-equipped version of the current 2016 Cascadia Evolution. This substantial increase was achieved through improved aerodynamics and an optimized drive system.

34 Environmentally responsible product development
35 Climate protection
36 Innovative vehicle and powertrain technologies
39 **Fuel consumption and CO_2 emissions**
46 Fuels
48 Product safety
48 Pollutant emissions
50 Interior emissions
50 Noise
50 Vehicle safety
52 Conservation of resources
55 Mobility concepts and services
56 Customers

Green energy for the smart fortwo electric drive. Drivers of the smart electric drive Phase III travel without producing any emissions. That's because Daimler feeds as much self-generated renewable wind energy into the German grid as is required to cover the operation of the smart fortwo electric drive III cars sold in Germany until the end of 2016. In doing so, Daimler does not accept any of the subsidies made possible by the Renewable Energy Sources Act.

Green energy certificate (PDF, available in German only)

Recharging with renewable energy at home and driving completely emission-free – both are now possible for all Mercedes-Benz and smart customers. A few clicks in an online form are all it takes to have the electricity from renewable sources offered by Daimler and the EnBW energy company delivered to these customers' homes.

Green electricity from Mercedes-Benz (available in German only)

Electricity from the spare parts warehouse. In Hanover, Daimler has set up an energy storage system that combines 3,000 new replacement batteries, which were built for smart electric drive vehicles. This creates a stationary storage unit with a total capacity of 15 megawatt-hours. The facility is one of the largest of its kind in Europe. The unit will help offset fluctuations in the amount of energy generated by renewable sources and thus also help stabilize grid frequency – a task that is usually carried out today by fossil-fuel power plants. This project, which is like no other anywhere in the world, is being conducted by Daimler, ACCUmotive, and the Enercity grid operator (Stadtwerke Hannover – Hanover's municipal utility company).

Super-large battery storage system in Hanover

The world's largest second-use battery bank went on line in Lünen, Germany, in September 2016. The innovative energy storage system consists of batteries that Daimler uses in its electric vehicles. In Lünen, 1,000 old batteries from electric smarts provide a total storage capacity of 13 megawatt-hours. After completing their tough service in vehicles, the batteries are being reused here under less demanding conditions. Doing so doubles the batteries' economic value and improves their environmental performance. Battery banks such as the one in Lünen also promote Germany's energy transition by helping to offset the grid fluctuations caused by the switch to renewable sources of energy.

Second-use battery bank in Lünen

34 Environmentally responsible product development
35 Climate protection
36 Innovative vehicle and powertrain technologies
39 **Fuel consumption and CO_2 emissions**
46 **Fuels**
48 Product safety
48 Pollutant emissions
50 Interior emissions
50 Noise
50 Vehicle safety
52 Conservation of resources
55 Mobility concepts and services
56 Customers

€500 million for a new battery factory. Daimler is investing around €500 million in the expansion of its electric mobility activities. On October 24, 2016, it began to construct a second battery factory in Kamenz, Germany. This facility will greatly increase the production capacity for lithium-ion batteries at our subsidiary Deutsche ACCUmotive. In the future, this factory will produce batteries for electric and hybrid vehicles from Mercedes-Benz and smart.

Ultra E project for an international network of fast charging stations. The Ultra E project aims to enable electric vehicles to recharge for a 300-kilometer range within 20 minutes. The project partners plan to set up a network of 25 ultra-fast charging stations with an output of up to 350 kW in the Netherlands, Belgium, Germany, and Austria. The program is the first step in the Europe-wide creation of a network of ultra-fast charging stations for long-distance electric cars that are scheduled to hit the market beginning in 2018. The project was initiated by a consortium of European automakers and energy companies. Daimler is one of the leaders of the consortium.

Ultra E project

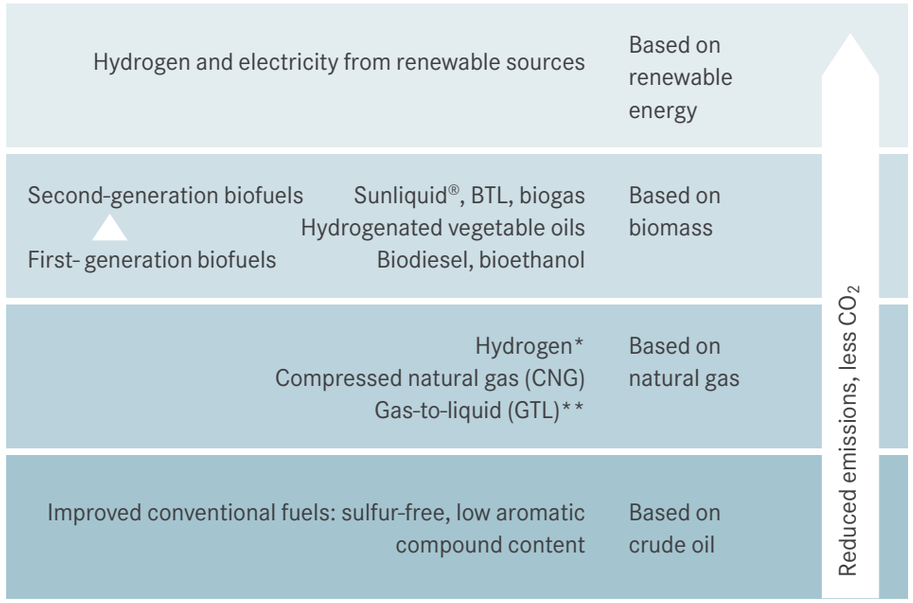
Fuels

Besides developing fuel-saving and environmentally friendly drive systems, we are also involved in the research and testing of alternative fuels, which provide us with another important means of avoiding emissions and becoming more independent of fossil energy sources.

Our fuel roadmap points the way toward the optimization of today's fossil fuels and the use of natural gas-based fuels, synthetic fuels, and biofuels, as well as hydrogen and electricity generated from renewable sources.

19

Daimler's fuel roadmap



*Via steam reforming
**WtW CO_2 emissions comparable to diesel fuel

34 Environmentally responsible product development
35 Climate protection
36 Innovative vehicle and powertrain technologies
39 Fuel consumption and CO_2 emissions
46 Fuels
48 Product safety
48 Pollutant emissions
50 Interior emissions
50 Noise
50 Vehicle safety
52 Conservation of resources
55 Mobility concepts and services
56 Customers

We think that the use of biofuels is only beneficial and promising if they aren't produced in competition with food and their sustainability is assured. In the future, natural gas can make a key contribution to mankind's efforts to achieve its climate targets. Biogas and power-to-gas fuels offer additional benefits with regard to the reduction of CO_2 emissions. As a result, the European Union expects natural gas and biogas to play an increasingly important role in road freight traffic in the future.

HVO permitted for Mercedes-Benz trucks. Since February 2016, hydrotreated vegetable oil (HVO) can be used to run Mercedes-Benz trucks equipped with OM 470, OM 471, OM 936, and OM 934 series engines that meet the Euro VI emissions standard. This permit is valid for all engine types and all output ratings. HVO is a second-generation biodiesel fuel that is created from waste such as used fats and cooking oils or from oils that are made from cultivated plants. The raw material comes from controlled and certified sources and does not compete with food production.

H_2 MOBILITY initiative. Since 2013, we have been participating as a partner in the H_2 MOBILITY initiative and making specific plans to establish a nationwide network of H_2 filling stations in Germany. The plans envisage the creation of around 400 public hydrogen fueling stations by 2023 so that an H_2 filling station is located along at least every 90 kilometers of highway between urban centers. Furthermore, at least ten hydrogen filling stations will be available in each metropolitan region starting in 2023. The total investment requirement for the project will amount to €350 million. A total of 25 hydrogen fueling stations have been completed to date.

Fuel economy training. Fuel consumption can be reduced by as much as 10 percent through an economical and anticipatory driving style. Our Mercedes-Benz Eco-Training programs for drivers of passenger cars and commercial vehicles show how this can be done. All of our owner's manuals also offer tips on how to conserve fuel.

8,857

people took part in a Mercedes-Benz fuel-saving course in 2016.

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

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

Driving and saving with electric vehicles

Electric mobility for beginners. Electric mobility is something you can learn – that's the motto of a one-year electric mobility pilot project for beginners that was launched in 2015 by Daimler AG and the ACADEMY driving instruction firm in Stuttgart. To date, a specially developed training concept has enabled 315 student drivers to dive into the world of road traffic and electric mobility. A total of 122 participants have already obtained their driver's licenses. The project was accompanied by a scientific study ("Evaluierung der eDriverLicence"), the results of which were published by the Institute for Automotive Research (IFA) at Nürtingen-Geislingen University.

Study "eDriverLicence" (PDF, available in German only)

34 Environmentally responsible product development
35 Climate protection
36 Innovative vehicle and powertrain technologies
39 Fuel consumption and CO_2 emissions
46 Fuels
48 **Product safety**
48 **Pollutant emissions**
50 Interior emissions
50 Noise
50 Vehicle safety
52 Conservation of resources
55 Mobility concepts and services
56 Customers

Product safety

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

Upon delivery, our products and services must satisfy demanding criteria for quality and active and passive safety, and must be ready to be used safely in accordance with their intended purpose. That is why as early as in the development and design stage, we work hard to ensure that errors never arise to begin with. Our safety obligations also apply during production and sales as well as after the handover of the vehicles. The Daimler Product Safety policy regulates the related requirements, tasks, activities, and responsibilities. With the help of our worldwide product monitoring system, we can identify potential risks at an early stage. We have clearly defined processes and procedures for suitable countermeasures such as warnings and customer service activities.

Pollutant emissions

We use cutting-edge technologies to further reduce the pollutant emissions of our cars and commercial vehicles. Our target is to fulfill future emission requirements in advance as much as possible. For example, all of our diesel vehicles and 130 of our 147 gasoline-powered direct-injection Mercedes-Benz models already comply with the more stringent particulate emission limit of the second stage of Euro 6, which will go into effect in September 2017. Moreover, our new generation of diesel engines, which was put on the road in 2016 with the OM 654 four-cylinder engine of the E-Class, is already designed to meet future emissions regulations that will use Real Driving Emissions (RDE) as their basis. For example, the new E 220 d Sedan[1] equipped with the OM 654 engine was subjected to six test drives by the independent inspection agency DEKRA as well as to a variety of test drives by the Karlsruhe Institute of Technology. The results showed that the car already stays within the 80 mg/km NO_X certification limit of the Stage 2 Real Driving Emissions regulations.

Studies regarding inner-city air quality. Daimler has commissioned several studies in order to find out more about the expected positive impact of Mercedes-Benz' latest diesel engine technologies on the air quality of inner cities. Various scenarios were developed and compared as part of the "Daimler Sustainability Dialogue." In addition to a "business as usual" scenario, in which the current number of vehicles with today's technologies remains unchanged, the study examined an advanced scenario where cutting-edge exhaust treatment technology such as that found in the new Mercedes-Benz E-Class would be used. The results showed that the widespread use of the new technologies could greatly help to reduce inner-city NO_X emissions even within a short period of time.

[1] CO_2 emissions combined: 112–102 g/km, fuel consumption combined: 4.3–3.9 l/100 km

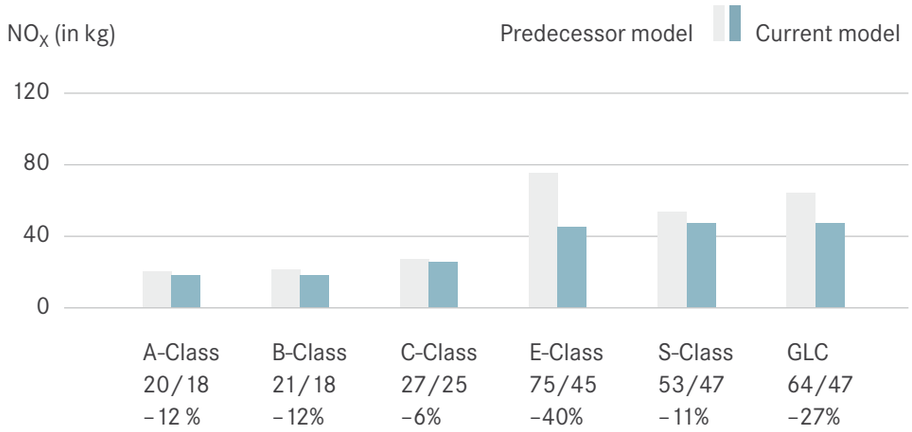
34 Environmentally responsible product development
35 Climate protection
36 Innovative vehicle and powertrain technologies
39 Fuel consumption and CO_2 emissions
46 Fuels
48 Product safety
48 **Pollutant emissions**
50 Interior emissions
50 Noise
50 Vehicle safety
52 Conservation of resources
55 Mobility concepts and services
56 Customers

Up to 40% less NO_X

is emitted during the entire life cycles of our main production series' current models in comparison with their respective predecessors.

20

NO_X emissions of our main model series over the entire life cycle*



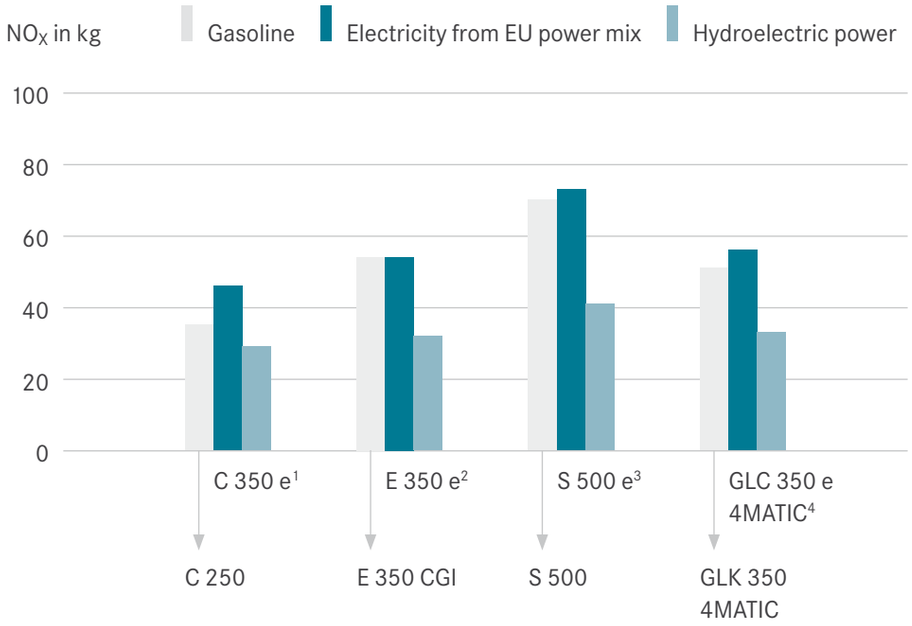
NO_X emissions: NO_X emissions produced throughout the life cycle of the vehicles reviewed have been reduced by between 6 and 40 percent.

*Values from Mercedes-Benz environmental certificates (different series mileages and the respectively most efficient model of a model series).

NO_X emissions throughout a vehicle's life cycle. When viewed in terms of the entire life cycle of our vehicles, the emissions of our current Mercedes-Benz model series are significantly lower than those of their respective predecessor models.

21

NO_X emissions of selected conventional and plug-in hybrid models throughout their life cycles



NO_X emissions: The use of renewably produced hydroelectric energy produces significant benefits throughout the life cycles of the vehicles studied.

[1] CO_2 emissions combined: 54–48 g/km, fuel consumption combined: 2,4–2,1 l/100 km

[2] CO_2 emissions combined: 57–49 g/km, fuel consumption combined: 2,5–2,1 l/100 km

[3] CO_2 emissions combined: 65 g/km, fuel consumption combined: 2,8 l/100 km

[4] CO_2 emissions combined: 64–59 g/km, fuel consumption combined: 2,7–2,5 l/100 km

34 Environmentally responsible product development
35 Climate protection
36 Innovative vehicle and powertrain technologies
39 Fuel consumption and CO_2 emissions
46 Fuels
48 Product safety
48 Pollutant emissions
50 **Interior emissions**
50 **Noise**
50 **Vehicle safety**
52 Conservation of resources
55 Mobility concepts and services
56 Customers

Interior emissions

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

Proven anti-allergen features. Since 2016, all of our car model series have borne the seal of quality of ECARF, the European Centre for Allergy Research Foundation. The ECARF seal is awarded to products whose anti-allergen properties have been demonstrated through scientific study.

Noise

We have reduced the noise emissions of our passenger cars, trucks, and buses in recent years through a series of improvements. Our main concern at present is to find satisfactory solutions for the conflicting objectives we repeatedly face in the area of noise reduction. Commercial vehicles in particular have areas where reducing noise and lowering fuel consumption are at odds from a technological standpoint. For example, an encapsulation of the powertrain dampens the engine noise. At the same time, however, it requires a stronger cooling system, which raises the fuel consumption. The additional fuel consumption can be countered with higher injection pressures, which in turn lead to harsher combustion noise.

Vehicle safety

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

Assistance systems that prevent accidents are very effective and helpful, as has been demonstrated numerous times. A great number of such systems ensure maximum safety in our vehicles, and safety components and driver assistants are becoming increasingly linked with one another. Examples include:

The DRIVE PILOT, which not only regulates speeds and the distance to other vehicles but also helps the driver steer. It can greatly reduce driver stress, especially on long trips or when the vehicle is stuck in traffic jams or on congested roads. The system can automatically keep the car at a proper distance from the preceding vehicle and also follow it at a speed of up to 210 km/h. To do so, the DRIVE PILOT uses a whole package of innovations, consisting of the Steering Pilot, the Distance Pilot DISTRONIC, and the Speed Limit Pilot. The system also includes the Active Lane-change Assistant and Active Brake Assist. The latter brakes the vehicle until it comes to a stop in its lane if the driver fails to put his or her hands on the steering wheel after being requested to do so several times.
At the request of the driver, the Distance Pilot DISTRONIC regulates the distance from preceding vehicles at speeds of up to 210 km/h. The Speed Limit Pilot, finally, ensures that the Distance Pilot DISTRONIC automatically adheres to detected speed limits so that the vehicle's speed can be adjusted before it enters built-up areas, for example.

Drive Pilot

34 Environmentally responsible product development
35 Climate protection
36 Innovative vehicle and powertrain technologies
39 Fuel consumption and CO_2 emissions
46 Fuels
48 Product safety
48 Pollutant emissions
50 Interior emissions
50 Noise
50 **Vehicle safety**
52 Conservation of resources
55 Mobility concepts and services
56 Customers

★★★★★ Five stars

were awarded to the new E-Class in the 2016 Euro NCAP assessment. This was due in part to top marks for occupant protection.

Intelligent Drive. Less stress, more safety, and greater comfort – all of this is made possible by Intelligent Drive, a multi-system concept for driver assistance and safety. Intelligent Drive can:

- Ease the burden on drivers in normal driving situations
- Recognize dangerous situations
- Provide timely warnings and assistance, and intervene in the vehicle's operation
- In this manner prevent accidents or mitigate their impact
- Take precautionary protective measures in dangerous situations

A networked sensor system allows each function to access comprehensive information about the vehicle and its surroundings.

Intelligent Drive analyzes traffic situations

Intelligent safety in the new E-Class. An innovative driver assistance package makes the new E-Class the most intelligent sedan in its segment. The package not only enables partially autonomous driving on highways and secondary roads but can also issue warnings about critical situations long before they take place and brake the vehicle autonomously to reduce impending dangers.

New assistance systems for trucks, buses, and vans are bringing our commercial vehicles another step closer to the goal of accident-free driving. Such systems include everything from Crosswind Assist for vans to Blind Spot Assist for trucks, which can detect pedestrians and cyclists in the blind spot.

Active Brake Assist 4. Active Brake Assist revolutionized safety systems ten years ago, when it was introduced as the first emergency braking assistant for trucks that independently activates the brakes when the vehicle encounters obstacles. The latest generation of the system, Active Brake Assist 4, is now setting new standards. It is the first system of its kind in the world to warn truck drivers of impending collisions with pedestrians and at the same time initiate a partial braking maneuver. The acoustic and visual alarms activate at the same time as the partial braking. This enables drivers to prevent a collision from occurring by either maximum full-stop braking or steering out of the way. Drivers can also warn endangered pedestrians by honking their horns.

Safety innovations for trucks, buses, and vans

Top marks in safety testing. Mercedes-Benz models repeatedly earn top marks in safety tests. In its overall assessment, the new E-Class achieved the greatest number of points possible in the European New Car Assessment Programme (NCAP) in 2016 and was labeled "best in class." Moreover, the GLC obtained five Euro NCAP stars in December 2015 for the combined assessment of occupant protection, child safety, pedestrian safety, and assistance systems. In 2016, three Mercedes-Benz models scored highly in the safety assessments of the Insurance Institute for Highway Safety (IIHS) in the United States. The three models in question were the new C-Class and E-Class as well as the GLE, all of which were named TOP SAFETY PICK+ in their respective categories.

Test results in the Euro NCAP+ (PDF)
Test result for the new C-Class – TOP SAFETY PICK (IIHS)
Test result for the new E-Class – TOP SAFETY PICK (IIHS)
Test result for the new GLE – TOP SAFETY PICK (IIHS)

34 Environmentally responsible product development
35 Climate protection
36 Innovative vehicle and powertrain technologies
39 Fuel consumption and CO_2 emissions
46 Fuels
48 Product safety
48 Pollutant emissions
50 Interior emissions
50 Noise
50 Vehicle safety
52 **Conservation of resources**
55 Mobility concepts and services
56 Customers

"The conflicts between the goals of resource conservation and climate protection are intensifying. These conflicts need to be addressed in a dialog between politicians and social groups, and there has to be a technically feasable target system that is economically and environmentally balanced."

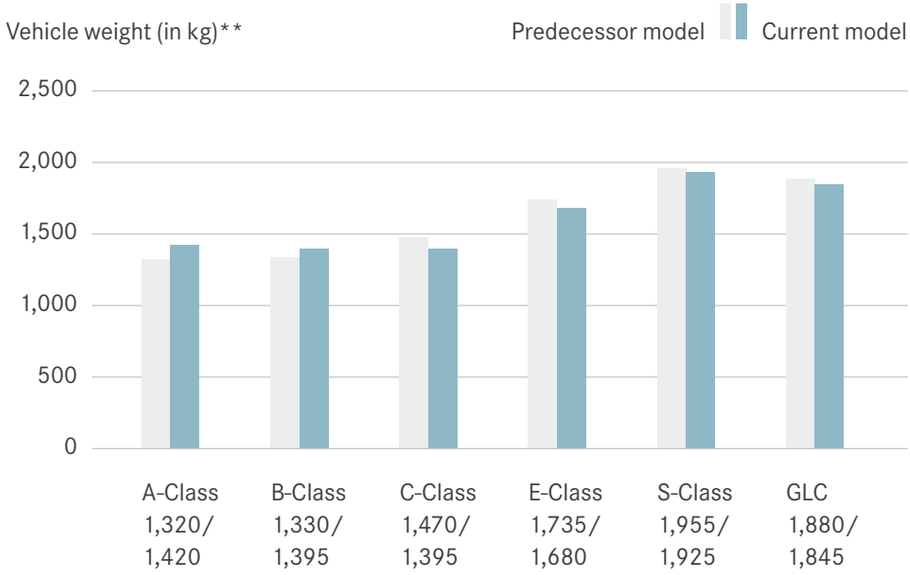
Anke Kleinschmit
Head of Group Research and Sustainability and Chief Environmental Officer

Conservation of resources

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

22

Vehicle weight in our core model series*



The trend toward increasing weight due to more features and additional safety equipment has been reversed in the new series thanks to intensive weight management.

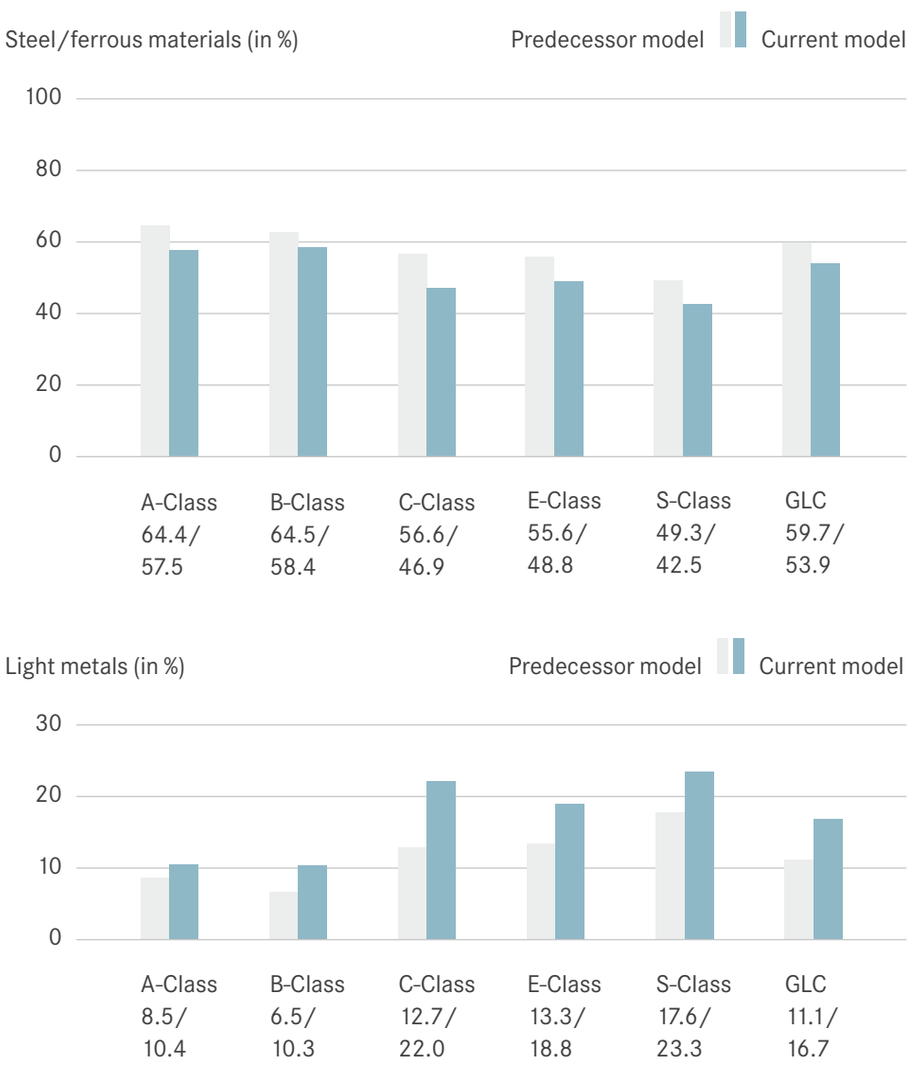
*Values from Mercedes-Benz environmental certificates
**Curb weight with driver and baggage

Less weight, more recyclates, more natural materials. Our target is to make our vehicles lighter while continuing to reduce the environmental effects of materials used in their production. For this, we are employing new lightweight materials and components on the one hand and increasingly using renewable raw materials and recycled materials on the other.

34 Environmentally responsible product development
35 Climate protection
36 Innovative vehicle and powertrain technologies
39 Fuel consumption and CO_2 emissions
46 Fuels
48 Product safety
48 Pollutant emissions
50 Interior emissions
50 Noise
50 Vehicle safety
52 Conservation of resources
55 Mobility concepts and services
56 Customers

23

Lightweight design in our core model series*



The lower percentage of **steels and ferrous materials** and the increasing share of **light metals** illustrate the new approach now being taken with our vehicle architectures, which in some cases has led to a substantial weight reduction for the entire vehicle.

*Values from Mercedes-Benz environmental certificates

Intelligent lightweight construction can further reduce vehicle weight without sacrificing safety and comfort. In this context, the selection of materials, as well as the component design and manufacturing technology also play an important role – not every material is suitable for every component. At 35 percent, the vehicle body accounts for the biggest share of total vehicle weight, followed by the chassis at 25 percent, the comfort and safety equipment at 20 percent, and the engine and transmission at 20 percent. Thus the most effective approach is to focus on the vehicle body.

Increased use of "resource-conserving materials," which is our term for recyclates and renewable raw materials. The European End of Life Vehicle Directive 2000/53/EC specifies utilization quotas for passenger cars and vans with a gross vehicle weight of up to 3.5 tons. In addition, it also requires manufacturers to use more recyclates during vehicle production in order to strengthen the markets for recycled materials. That is why the performance specifications for the new Mercedes-Benz models prescribe continuous increases in the amounts of recycled materials to be used in car models, as is also specified in the target program.

Renewable raw materials offer us many advantages. For example, they can help reduce component weight and the resulting products are generally easily recyclable. Moreover, their CO_2 effect is almost neutral when their energy is recovered, because only as much CO_2 is released as was absorbed by the plant during its growth. Last but not least, renewable raw materials as well as recyclates help reduce the consumption of fossil resources.

34 Environmentally responsible product development
35 Climate protection
36 Innovative vehicle and powertrain technologies
39 Fuel consumption and CO_2 emissions
46 Fuels
48 Product safety
48 Pollutant emissions
50 Interior emissions
50 Noise
50 Vehicle safety
52 **Conservation of resources**
55 Mobility concepts and services
56 Customers

30,970t

used vehicle components and materials were collected and recycled in 2016.

Consistently high recyclability. During vehicle development we also prepare a recycling concept, in which all components and materials are examined with a view to their suitability for the various stages of the recycling process. As a result, all Mercedes-Benz models are 85 percent recyclable and 95 percent recoverable. The key aspects of our activities in this area are:

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

Removal of workshop waste with MeRSy. Our MeRSy recycling management system for disposing of workshop waste helps to collect and recycle or professionally dispose of waste material created during the maintenance or repair of our vehicles. In 2016, a total of 30,970 tons of old parts and materials were collected and recycled, and around 1,360 tons of coolant and 971 tons of brake fluid were reconditioned.

3D-printed spare parts. For the first time we are now using 3D-printed spare parts for our Mercedes-Benz trucks. Among the world's truck manufacturers, we are the technology leader in the use of 3D printing. In September 2016, a 3D printer made the first on-demand set of 30 genuine-quality parts for a wide variety of applications. The number of 3D-printed parts has continuously grown since then. The "printed" parts are produced with the selective laser sintering (SLS) method, which does not waste any material. This saves money and conserves resources.

Resource consumption of various drive systems. Vehicles with hybrid and electric drives contain a particularly large number of valuable resources. This pays off if the entire life cycle is taken into consideration. In comparison to its predecessor the E 350 CGI the plug-in hybrid requires more material resources in the manufacturing phase. On the other hand the consumption of energetic resources in the usage phase is reduced disproportionately.

360-degree environmental check of the new E-Class 350 e

No more plastic bags for free. The Mercedes-Benz and smart dealerships and sales and service centers in Germany as well as the other sales outlets for parts and accessories and the Mercedes-Benz Museum no longer hand out plastic bags for free. Instead they use environmentally friendly fabric or paper bags. However, the existing stocks of plastic bags will still be used up.

Making resource efficiency measurable. For years now, the global economy has been growing – and with it the burden on the environment and the consumption of resources. Achieving more with less is therefore the order of the day for sustainable development. We have conducted several studies that address issues related to resource efficiency. Our focus here is on the development of procedures for holistically assessing the resource efficiency of our products.

34 Environmentally responsible product development
35 Climate protection
36 Innovative vehicle and powertrain technologies
39 Fuel consumption and CO_2 emissions
46 Fuels
48 Product safety
48 Pollutant emissions
50 Interior emissions
50 Noise
50 Vehicle safety
52 **Conservation of resources**
55 **Mobility concepts and services**
56 Customers

The holistic assessment of resource use also has to take other factors into account besides the consumption of raw materials. For example, it needs to look at the security of the medium and long-term supply of raw materials as well as the fulfillment of social and environmental standards along the supply chain. In the ESSENZ research project, which received funding from the German Ministry of Education and Research, Daimler helped to develop a new holistic evaluation method that takes all of these factors into account.

Mobility concepts and services

Transport infrastructure and transport systems frequently operate at their limits, especially in urban areas. That is why Daimler has developed a range of pioneering mobility concepts – from the car sharing provider car2go and the mobility platform moovel to the taxi app mytaxi, the coach company flixbus, and the Bus Rapid Transit (BRT) system. They are joined by Blacklane, a service portal that offers professional chauffeur services at fixed prices. Blacklane doesn't use its own vehicles and drivers, but instead relies on a broad network of professionally licensed local ride services.

New car sharing platform launched in Munich. Croove is the name of a new app-based service from Mercedes-Benz that brings together people seeking to provide or rent private vehicles. The platform is open for vehicles from all brands. Croove enables people who are looking to rent a vehicle to quickly and easily find what they are looking for, while vehicle providers can optimize the use of their automobiles.

www.letscroove.com

car2go launched in China. In 2016, car2go was launched in the Chinese megacity of Chongqing with the brand suffix "JíXíng" (roughly: "drive off immediately"). The Daimler subsidiary car2go is the first international company to implement the free-floating car sharing concept in China.

New business model for car2go. Since the summer of 2016, car2go has been offering Mercedes-Benz A-Class, B-Class, GLA, and CLA models in addition to the smart. The 300 new vehicles are being used in Berlin, and the additional models will also be introduced to other cities in the future. With this change car2go is responding to the wishes of numerous users.

Daimler increases stake in Blacklane. The professional limousine service Blacklane is already available in more than 200 cities in 50 countries worldwide. To boost the mobility provider's global growth, Daimler invested an eight-digit sum to increase its stake in Blacklane in 2016.

Parking space sharing for drivers of smart. "ready to park+" is the name of a new service for drivers of smart. In downtown Munich and Cologne, the service offers more than 100 parking spaces exclusively to the drivers of smart, who select, reserve, and pay for the spaces online and cash-free. The parking spaces cost up to 50 percent less than conventional parking opportunities, thanks to the partnership between smart and the parking space sharing provider ampido.

www.car2go.com
www.moovel.com
www.blacklane.com
Bus Rapid Transit

34 Environmentally responsible product development
35 Climate protection
36 Innovative vehicle and powertrain technologies
39 Fuel consumption and CO_2 emissions
46 Fuels
48 Product safety
48 Pollutant emissions
50 Interior emissions
50 Noise
50 Vehicle safety
52 Conservation of resources
55 Mobility concepts and services
56 **Customers**

Customers

A culture of customer orientation. Daimler offers its products and services in nearly all countries of the world. In order to be successful, the company needs to address in detail the specific wishes of its customers in every market. To this end, we have been organizationally reinforcing our corporate structures and aligning them with our five business divisions even more strongly in recent years. The corporate departments have also been better aligned with the market requirements of the business divisions. For us, customer dedication is not a purely organizational measure; it's the means by which we will reach our goal of ensuring a comprehensive culture of customer orientation at all units throughout our entire company.

Improving customer satisfaction. Our business units have established quality management systems for the continuous monitoring and improvement of customer satisfaction. The goal of our program "CSI No. 1 – Delightful Customer Care" is to make Daimler Number 1 in the world for customer service. Country-specific CSI action plans are agreed upon and implemented on the basis of international benchmark studies, internal data surveys, and customer surveys.

Processes and behavior patterns are continuously enhanced at all sales stages and hierarchical levels to ensure maximum customer orientation. The measures include process improvements, training courses, and dealer consulting and coaching, as well as the incorporation of key figures relevant for customer satisfaction into the monetary control instruments for sales and service. Thanks to all of these measures, Mercedes-Benz Cars and Daimler Trucks have been at the top of many rankings.

"Mercedes Benz 2020 – Best Customer Experience" is the name of the growth strategy we derived from the organizational realignment of passenger car sales and marketing operations. The strategy encompasses numerous new approaches for sales, aftersales, and financial services. We strive to offer our customers a consistent premium brand experience across all points of contact. To this end, we employ a holistic approach. Our strategy focuses on the following:

- The opening of the brand and personal contact with customers
- The digitization of all channels
- New differentiated sales formats and HR profiles for dealerships
- Personalized customer management across all channels

We reach out to customers where they live and work, and we give them the opportunity to contact us anytime and anywhere. Our focus here is on creating a seamless customer journey. We also offer our customers and anyone interested in the brand customized support and service solutions tailored to their individual needs – throughout the entire life cycle of their vehicle. Our focus is always clearly on customer utility – and that pertains to vehicle connectivity systems as well.

Customer feedback on vehicle quality. The Mercedes-Benz brand has always stood for technical innovation and high quality. In order to safeguard exactly this type of quality over the long term, we use our Internal Vehicle Quality Study (German abbreviation: IFQS) to analyze feedback concerning the quality of Mercedes-Benz vehicles from our company car users and customers who obtained their vehicles via the Employee Sales system.

34 Environmentally responsible product development
35 Climate protection
36 Innovative vehicle and powertrain technologies
39 Fuel consumption and CO_2 emissions
46 Fuels
48 Product safety
48 Pollutant emissions
50 Interior emissions
50 Noise
50 Vehicle safety
52 Conservation of resources
55 Mobility concepts and services
56 Customers

The goal of IFQS is to identify recurring defects and areas in need of improvement at an early stage and to determine whether the measures we take have a noticeable positive effect on the customer experience. Every year, we receive reports on quality deficiencies via the IFQS online questionnaire from more than 40,000 company car drivers and Employee Sales customers in Germany, the United States, China, and South Africa. Some 800 staff members from development, quality, and aftersales units use this data to continually optimize and refine our products. Thanks to IFQS, about 400 causes of problems were analyzed in 2016 – in many cases by directly examining the vehicles about which complaints were made. In these years, measures related to more than 340 IFQS issues were introduced in ongoing series production operations and changes were defined for successor model series with regard to approximately 400 issues.

Divisional key account system. In the course of the closer alignment of our corporate organization with the business divisions we have introduced a divisional key account system at Daimler Financial Services, which enables us to offer financial services that are tailored even more closely to our customers' needs.

Customer service at the divisions. People who buy our vehicles also wish to receive great service during the period of use. For example, they want to have close contact with the customer service department, individual advice, effective processing of warranty and damage claims, first-rate maintenance, and optimum parts supply. Quick and targeted assistance is ensured by customer centers and service support points, which generally address customer concerns around the clock.

– **The Mercedes Benz Customer Assistance Center (CAC) in Maastricht** is the central point of contact for customer concerns and complaints regarding sales, service, and technology issues in Western Europe. We also maintain local assistance centers in other core markets. At the CAC in Maastricht, approximately 600 employees ensure that customers are assisted around the clock. One of the CAC's key tasks is to coordinate Mercedes-Benz Service 24h, which also includes the organization of breakdown assistance. When necessary, the center also tells customers how repairs or processes are coming along. This is an especially important benefit for commercial customers. The service activities at the CAC extend beyond the repair and service center business and include service contracts, warranty extensions, and motor insurance.

– **Throughout Europe, there are over 600 service outlets for bus customers** that are operated by OMNIplus, which is a brand of Daimler's EvoBus subsidiary. In addition to operating a professional parts supply system, the comprehensive network of outlets offers bus customers service deals and contracts, driver and repair shop training programs, pre-owned vehicles, and customized financial services. In 2012, OMNIplus introduced a customer complaint management (CCM) system, which combines all of the customer service department's complaint processing channels into a single unit that also enables the company to evaluate the complaints that customers make.

– **24 hours a day** – the Fuso Call Center that the Mitsubishi Fuso Truck and Bus Corporation (MFTBC) opened in 2010 is available to customers around the clock. Service at Fuso has also been improved by the Vehicle Delivery Management (VDM) system introduced in 2012. The system enables vehicles with a two-month production time to be delivered up to two weeks earlier. Moreover, because MFTBC vehicles can be configured directly at dealerships, sales staff can notify customers of the scheduled delivery date when they place their orders. In 2013, Fuso also launched its "Fuso integrated total support" (Fits) project to improve its customer service even further.

34 Environmentally responsible product development
35 Climate protection
36 Innovative vehicle and powertrain technologies
39 Fuel consumption and CO_2 emissions
46 Fuels
48 Product safety
48 Pollutant emissions
50 Interior emissions
50 Noise
50 Vehicle safety
52 Conservation of resources
55 Mobility concepts and services
56 **Customers**

– **The Customer Assistance Center of Daimler Trucks North America** (DTNA) can also be contacted 24 hours a day. Technical support, breakdown assistance, and towing services are available throughout North America. The Freightliner and Western Star brands provide their customers with a closely knit service network that encompasses more than 800 dealerships, distributors, and service and repair centers in the United States and Canada. Quick parts delivery is ensured by DTNA's distribution network, which stocks more than 200,000 categories of spare parts at seven locations. The network also serves customers of DTNA's Thomas Built Buses (TBB) subsidiary. In order to further improve customer satisfaction, DTNA has also introduced a new Initial Buyer Tracking Survey system that generates customer feedback for specific vehicle systems.

Fulfilling customer wishes – for people with disabilities as well. For us, customer orientation means taking the needs and interests of our customers seriously. That is why no two vehicles rolling off the production lines at our plants are exactly the same. The Mercedes-Benz program Ex-Factory Driving Aids, which is now offered in Germany, Austria, Switzerland, and Luxembourg, is directed especially at people with physical disabilities. The program offers steering and operating aids such as hand-operated gas and brake pedals, as well as vehicle entry aids such as hydraulic lifts for front passengers. Mercedes-Benz currently operates 23 More Mobility Centers, where specially trained sales staff are glad to advise and assist customers. We are continuously expanding this network of service centers. In Germany, Mercedes-Benz also offers disabled people special terms for almost all passenger car model series. In 2012, Mercedes-Benz developed the Educated Comfort demonstration vehicle, which is adapted to the special needs of older drivers with adjusted ingress and egress and improved vehicle loading possibilities. In the next step, the vehicles will be produced in a small batch for the model's market entry.

Mobility and driving assistance systems (available in German only)

>800

dealerships, distributors, and service and repair centers in the United States and Canada provide Freightliner and Western Star customers with a closely knit service network.

Information and advertising – with respect. All of our advertising, sales promotion, and sponsorship campaigns are subject to an in-house audit procedure to ensure that they are in compliance with the applicable laws and Daimler's standards and codes of conduct. We also observe industry principles such as the European advertising sector's Code of Ethics. As a matter of principle we avoid the use of violent, discriminatory, sexual, or religious elements in our advertising. Respect for foreign cultural norms and religious beliefs is a particularly important concern in our international campaigns.

Sustainability issues are increasingly taken into account in brand and product communications. For example, Mercedes-Benz's efficiency programs include a range of innovative technologies for drive systems, aerodynamics, and lightweight design that enable a marked reduction of fuel consumption and emissions. We are also increasingly highlighting the topic of sustainable mobility at motor shows. At the 2016 Paris Motor Show, for example, we presented the new smart electric drive as well as the first representative of a new Mercedes-Benz product brand, the Concept EQ, and our strategy for the gradual electrification of our entire range of vehicles.

34 Environmentally responsible product development
35 Climate protection
36 Innovative vehicle and powertrain technologies
39 Fuel consumption and CO_2 emissions
46 Fuels
48 Product safety
48 Pollutant emissions
50 Interior emissions
50 Noise
50 Vehicle safety
52 Conservation of resources
55 Mobility concepts and services
56 Customers

Consumer protection

Daimler has established systematic safeguards for consumer protection. All of our products are subject to top quality and safety requirements throughout their entire life cycle. Our quality management systems in particular play an important role in this context. In addition, requirements for the prevention of product flaws are defined in Daimler's product safety policy. We conduct periodic audits to monitor compliance with these requirements.

Daimler is obligated to instruct users of its products about their use and any associated risks, to warn against dangers, and to label its products. These requirements are also described in our product safety policy. In the context of our product responsibility we also fulfill the requirements of the REACH and CLP chemical regulations in Europe.

Product information for our customers. Our service booklets and operating instructions tell customers how to save fuel and use their vehicles in a safe and responsible manner. We provide additional information online. For example, the Mercedes-Benz Website provides interactive owner's manuals and detailed service information. The Mercedes-Benz Service app, which includes numerous features for mobile use, can also be downloaded from the Website. The Guideline for Rescue Services is also available online with instructions for the quick rescue of accident victims from Mercedes-Benz vehicles.

Transparent financial services. We attach great importance to ensuring extensive transparency and top quality in all areas of our financial services business – from investment counseling to loan approval and leasing agreements for vehicle purchases. It goes without saying that we conduct our activities in compliance with consumer protection regulations. As a member of the Bankers' Trade Association we have signed a code of conduct that defines our high standards for the granting of installment credits and credit lines. We guarantee that all the relevant information about credit and loan agreements will be fully available before the contract closing and will be explained by us upon request. We handle customer data with extreme sensitivity and care.

Data protection and networked mobility. The increasing trend toward Internet connectivity in vehicles is presenting us with new data protection challenges. We not only need to protect vehicle electronic systems from possible hacker attacks; we also need to ensure the security of personal data. Our top priority here is ensuring that customers can decide for themselves how their data will be used. For example, our customers can decide which types of data may be forwarded. They can do this by issuing their consent, signing a contract or pushing a button. It's important that every customer knows which data is collected for which purpose and when – and we provide our customers with comprehensive information about this process. We also protect our customers' data from being manipulated or misused. To this end, we continually refine our data protection measures in line with the latest developments in information technology.

More on data protection in vehicles: pp. 26 f.

Corporate Environmental Protection

Our Environmental and Energy Guidelines include the following stipulation: “We plan all stages of manufacturing to ensure optimal environmental protection and energy efficiency.” And we put it into practice each and every day at our plants. Cutting-edge technologies and effective environmental management measures help us to minimize the negative effects of vehicle production on the environment and on resources.

63 Energy efficiency and low-CO_2 production
68 Air purification
69 Waste and resource management
70 Water pollution control
70 Logistics and employee transport
72 Nature conservation, land use, and biodiversity

You can find the key figures for this chapter in our online key figures tool: www.daimler.com/sustainability/key-figures2016.html

We take an integrated approach to our corporate environmental protection measures. This means that we strive to prevent possible negative environmental effects. We reduce the negative effects of our activities with the help of effective environmental and energy management systems and state-of-the-art technologies. In this way, we promote climate protection, conserve valuable resources, and contribute to the preservation of a livable environment – at our locations and beyond.

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

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

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

24

The Daimler Group's Environmental and Energy Guidelines

1	We address the **challenges** of the future **referring to environmental and energy aspects**.
2	We strive to develop **products** which are highly **responsible to the environment** and are **energy efficient** in their respective market segments.
3	We plan all stages of **manufacturing** to provide optimal **environmental protection** and **efficient energy utilization**.
4	We offer our **customers** ecologically and energy efficient oriented **service and information**.
5	We endeavor to achieve exemplary **environmental and energy performance** worldwide.
6	**We provide** our employees and the public with comprehensive **information on environmental protection and energy utilization**.

Comprehensive training. We regularly organize awareness and training programs for our employees and managers with a focus on the practical applications of operations-related environmental protection and energy management. We address questions concerning environmental responsibility and sustainability. We also train our auditors, who review the environmental and energy management systems of our plants. In addition, we offer refresher courses on environmental management that enable the participants to share their ideas and experiences.

63 Energy efficiency and low-CO_2 production
68 Air purification
69 Waste and resource management
70 Water pollution control
70 Logistics and employee transport
72 Nature conservation, land use, and biodiversity

You can find the key figures for this chapter in our online key figures tool: www.daimler.com/sustainability/key-figures2016.html

Targeted control. In order to eliminate or reduce environmental risks and excessive demand for resources in advance, we regularly audit our locations in accordance with globally uniform standards. Suppliers must fulfill our sustainability requirements. We also expect them to operate with an environmental management system that is certified according to ISO 14001, EMAS or other comparable standards. In addition, our Mercedes-Benz specifications define the requirements for the environmental compatibility and energy efficiency of the components delivered to us. Furthermore, the Mercedes-Benz contract terms include requirements concerning materials selection, banned substances, and recycling, as well as compliance with environmental-protection and energy legislation.

Strict environmental risk analysis. Our environmental risk analysis system encompasses all processes of relevance to the environment: emissions to the atmosphere and wastewater, waste management, handling of hazardous materials, and damage to the soil and groundwater. A team of auditors visits all Daimler locations at fixed intervals – including the locations we operate as a majority shareholder with partners. The auditors conduct interviews and plant tours. The findings are documented in reports to the heads of the production locations and summarized in Summary Reports for top management. In addition, the analysis process facilitates the sharing of best practices that flow into the Daimler standards, which are valid worldwide.

Sustainability requirements for suppliers: pp. 92 ff.

Global certification. Our worldwide production locations are certified in accordance with ISO 14001 and are regularly audited to determine whether they meet the requirements of this environmental management system. Today more than 98 percent of all Daimler employees at our production locations work within the framework of a certified environmental management system. In addition, almost all of our German locations are certified according to the EU Eco Management and Audit Scheme (EMAS). This has already been the case at 14 production locations for the past 20 years. A total of 24 locations – including our major plants – already have energy management systems that are certified in accordance with ISO 50001. These locations include all of the production plants in Germany as well as individual plants outside Germany.

€155 million

were invested in environmental protection systems and facilities with integrated environmental protection in 2016.

Environmental statements of the plants (available in German only)

Environmental protection costs. Our investments in environmental protection systems and facilities with integrated environmental protection features amounted to around €155 million in 2016 (2015: €91 million). The integrated environmental protection measures are not always clearly separable. Current environmental protection expenditures for personnel, operations, and waste disposal were about €431 million (2015: €418 million). The Group-wide expenditures for development projects related to environmental protection, such as alternative drive systems, state-of-the-art exhaust treatment technologies, and efficiency increases in the vehicle, increased significantly to around €2.7 billion (2015: €2.4 billion).

Interactive overview of data about environmental protection in production

Principles of data collection. In our recording of environmental and energy data we take into account all of the relevant locations that are majority-owned by Daimler AG. You can find comprehensive information about the approach and the procedure here:

Details regarding the collection of data: p. 126
Calculation of CO_2 emissions: p. 129

63 Energy efficiency and low-CO_2 production
68 Air purification
69 Waste and resource management
70 Water pollution control
70 Logistics and employee transport
72 Nature conservation, land use, and biodiversity

You can find the key figures for this chapter in our online key figures tool: www.daimler.com/sustainability/key-figures2016.html

Energy efficiency and low-CO_2 production

Interim target reached. For our European plants we had set the target of reducing absolute CO_2 emissions by 20 percent relative to the 1992–1994 reference period by 2020. In recent years we have already made good overall progress toward achieving this goal. In 2016 we further reduced the CO_2 emissions of our production plants in Europe. By now, the CO_2 emissions have already been reduced by 13.4 percent compared to the reference period.

CO_2 emissions will continue to drop. We aim to further reduce CO_2 emissions in the years ahead with the help of energy-saving production methods, even more efficient processes, and the use of renewable and low-carbon fuels. For example, we intend to reduce the specific energy consumption at Mercedes-Benz Cars by 25 percent in the period between 2015 and 2022.

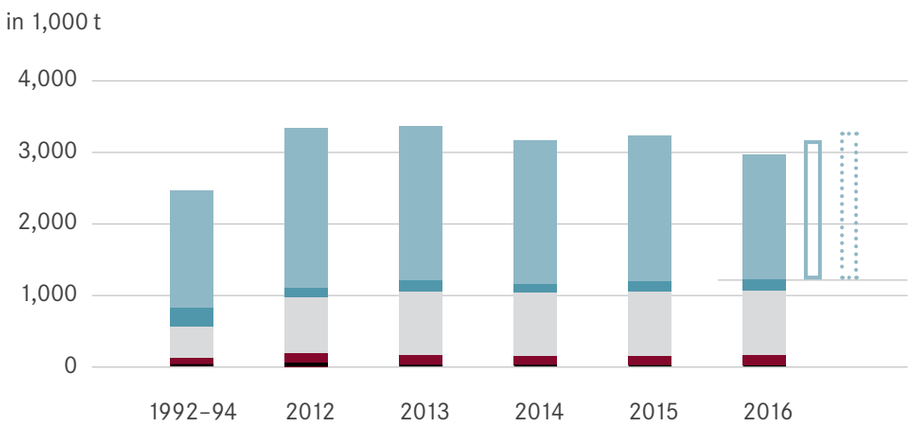
25

Direct and indirect CO_2 emissions of the Daimler Group

	1992–94	2012	2013	2014	2015	**2016**	
in 1,000 t							
Scope 1	541	960	1,052	1,030	1,060	**1,056**	
Scope 2	1,895	2,376	2,304	2,241	2,171	**1,882**	market-based
						2,089	calculated on a comparable basis
						2,141	location-based
Total	2,436	3,336	3,356	3,271	3,231	**2,938**	market-based

26

Direct and indirect CO_2 emissions from production



Beginning in 2016, the CO_2 emissions from purchased electricity have been calculated in accordance with the market-based method of the updated stipulations of the GHG protocol and are based on the information provided by the respective power suppliers. The solid line shows the value when it is calculated with a method comparable to that used in the previous years. The dotted line shows the location-based value calculated on the basis of the average emission factors in the various countries (for details see p. 129).

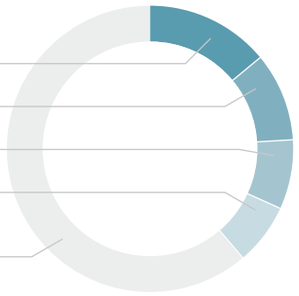
63 **Energy efficiency and low-CO_2 production**
68 Air purification
69 Waste and resource management
70 Water pollution control
70 Logistics and employee transport
72 Nature conservation, land use, and biodiversity

You can find the key figures for this chapter in our online key figures tool:
www.daimler.com/sustainability/key-figures2016.html

27

High level of vertical integration at Mercedes-Benz Cars

Powertrain plants	39%
– Engines	14%
– Axles	10%
– Transmissions	8%
– Components	7%
Vehicle plants	61%



Because of our high share of in-house production relative to our competitors, we also reflect a greater proportion of the environmental effects in our carbon footprint. Transmissions alone, which other manufacturers do not take into consideration because they are purchased parts, account for around 8 percent of the energy consumption of our Cars division.

In 2016, the measures mentioned enabled production to increase by 2 percent and CO_2 emissions to decline by 8.3 percent (0.5 percent when calculated on a comparable basis) on the previous year even though energy consumption remained unchanged. The total emissions resulted from the combustion of fossil fuels and purchases of electricity and district heating from third-party energy producers.

Total CO_2 emissions: Chart 25, p. 63

Approaches to saving energy. Our energy projects at all locations are operated on the basis of exact record-keeping with the help of a dense network of automatic electricity meters. Starting from this network, our energy-saving measures focus on four points:

1. To avoid unnecessary use of energy during production breaks, we use intelligent switch-off and stand-by controls.
2. We avoid the energy waste caused by compressed air leaks, heat losses, and excessive process requirements (e.g. temperature specifications) by exploiting the reduction potential in the production processes themselves and in the building infrastructure.
3. We achieve the most significant efficiency increases by replacing old production facilities with state-of-the-art plant technology and constructing new buildings.
4. Moreover, we are using events and communication measures to raise our employees' and managers' awareness of the need to save energy. In addition, energy-saving suggestions are rewarded within the scope of the company suggestions system.

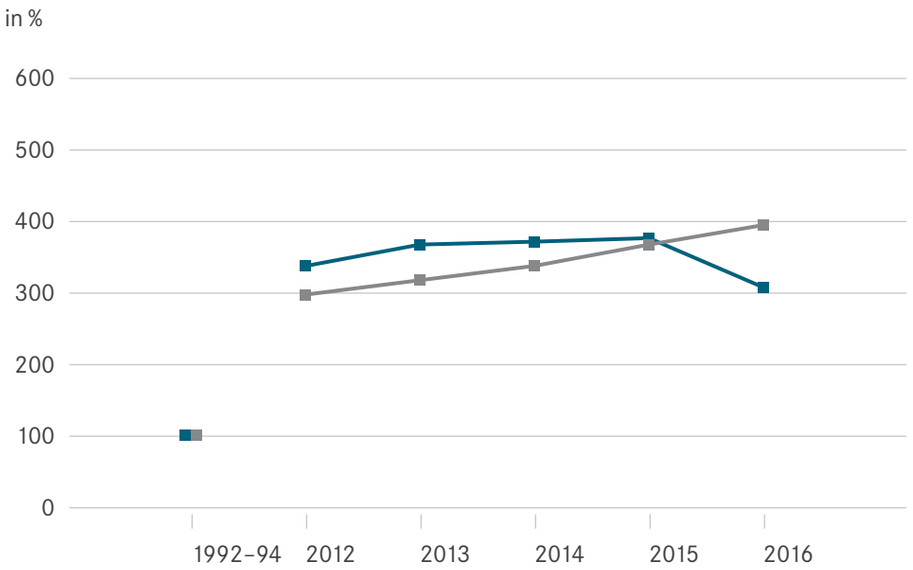
Climate-friendly energy supply. For the heating of our plants we use low-carbon natural gas and, where available, district heating. In many locations, we use highly efficient combined heat and power facilities that are operated either by Daimler or by a regional provider. The expansion of combined heat and power (CHP) units is an important pillar of our eco-friendly energy supply system. Since 2011 we have set up 46 CHP modules with a total capacity of approximately 199 MW. With these modules alone, we can cover around 9 percent of our electricity and heating requirements under optimized CO_2 conditions.

63 Energy efficiency and low-CO_2 production
68 Air purification
69 Waste and resource management
70 Water pollution control
70 Logistics and employee transport
72 Nature conservation, land use, and biodiversity

You can find the key figures for this chapter in our online key figures tool: www.daimler.com/sustainability/key-figures2016.html

28

Annual vehicle production of the Daimler Group (1992 = 100%)

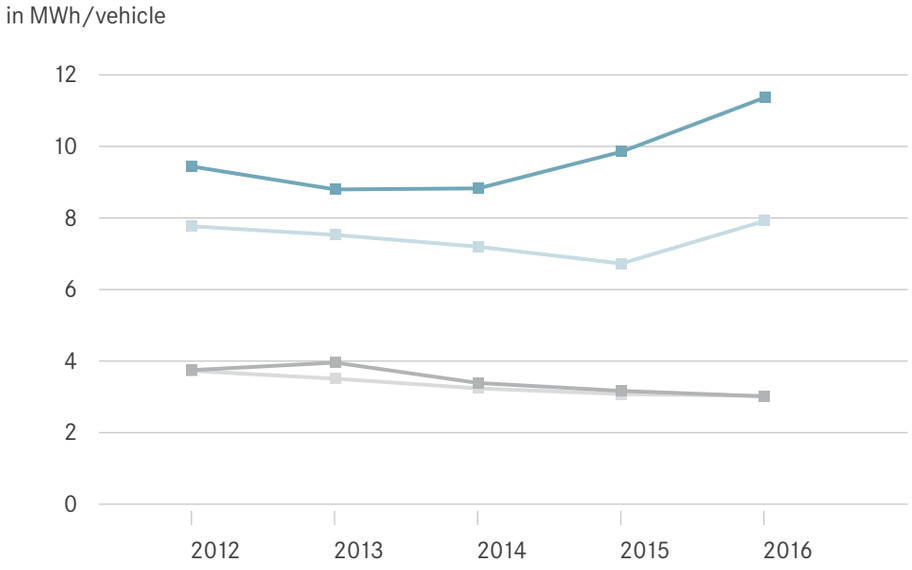


In order to have the appropriate correlation with our environmental data, we only count the production from plants that are majority-owned by the Daimler Group. Since no minority participations in companies or external contract production are included, the production volume is lower than sales numbers cited elsewhere.

Units in 2015
Trucks/Buses 438,181 Cars/Vans 2,106,625

29

Specific energy consumption per vehicle manufactured



The specific energy consumption value rose as a result of lower capacity utilization at the plants, which was due to a drop in vehicle production at Trucks and Buses.

Buses Vans
Trucks Cars

In several locations in Germany, Japan, the United States, and India, we operate photovoltaic installations on our roofs or provide roof space for use by operating companies. More than 100,000 square meters of roof space are used for CO_2-neutral electricity production in this manner.

Cooling from waste heat. In 2016 we installed an absorption cooling system in our commercial vehicle plant in Ludwigsfelde in the German federal state of Brandenburg. The system uses the waste heat of the plant's CHP unit which cannot be fed into the district-heating network in order to supply cooling for plant's paint booths. As a result, the plant requires less electricity and generates less carbon dioxide. According to expert estimates, this system reduces the plant's CO_2 emissions by approximately 440 tons per year.

63 **Energy efficiency and low-CO_2 production**
68 Air purification
69 Waste and resource management
70 Water pollution control
70 Logistics and employee transport
72 Nature conservation, land use, and biodiversity

You can find the key figures for this chapter in our online key figures tool: www.daimler.com/sustainability/key-figures2016.html

Solar panels power the logistics center. In 2016 the Mercedes-Benz Global Logistics Center (GLC) in Germersheim connected a photovoltaic system consisting of 5,060 solar modules to the grid. On an area of 15,000 square meters, this facility will produce over 1.3 million kWh of electricity per year, almost all of which is consumed by the GLC itself. Daimler invested around €1.4 million in the facility, which results in the avoidance of 755,000 kilograms of CO_2 emissions per year. Because Daimler does not claim any subsidy for this facility under the German Renewable Energy Act (EEG), the CO_2 savings are credited in full to the Group's own CO_2 balance.

Chennai relies on solar energy. In 2016, Daimler India Commercial Vehicles (DICV) greatly expanded the existing photovoltaic system in Chennai, India. More than 10,000 solar panels were added to the system, increasing its total capacity to 3.3 MW. As a result, the facility can now cover more than a fourth of its daily power requirement with renewable energy.

A smart energy supply system for efficient production. As part of the EU-funded project Automation and Robotics for European Sustainable Manufacturing (AREUS), which was initiated by Daimler and other companies and successfully concluded in 2016, researchers and engineers developed approaches to the energy-efficient automobile production system of the future. Its most important components were as follows:

1. Digital measuring technology,
2. Intelligent control of the facilities and the energy supply network,
3. Energy recovery during the slowing-down of the robots' movements,
4. Intermediate storage of energy in order to be able to primarily use renewable energy that is not equally available at all times,
5. Switching the energy supply of industrial robots from alternating current, which is usually employed today, to direct current in order to minimize conversion losses.

According to the experts, such a concept could boost efficiency by an additional 10 to 20 percent compared to the current level. Daimler is implementing this approach not only in Germany and the rest of Europe but also in South Africa, for example. The Mercedes-Benz plant in East London, South Africa, is preparing to launch a pilot project that will for the first time incorporate stationary energy storage units into a real-life production environment as part of a smart grid.

Scope 3 from the product perspective: pp. 35 f.
Calculation of CO_2 emissions: p. 129
Further information about Scope 3

30

Energy consumption of the Daimler Group

in GWh	2012	2013	2014	2015	**2016**
Electricity	4,870	4,545	4,586	4,452	**4,336**
District heat	949	973	824	884	**961**
Natural gas	4,305	4,971	4,922	5,075	**5,105**
Heating oil	84	78	55	85	**100**
Liquid gas	99	108	98	92	**92**
Coke	139	69	61	55	**50**
Fuels	322	315	305	296	**251**

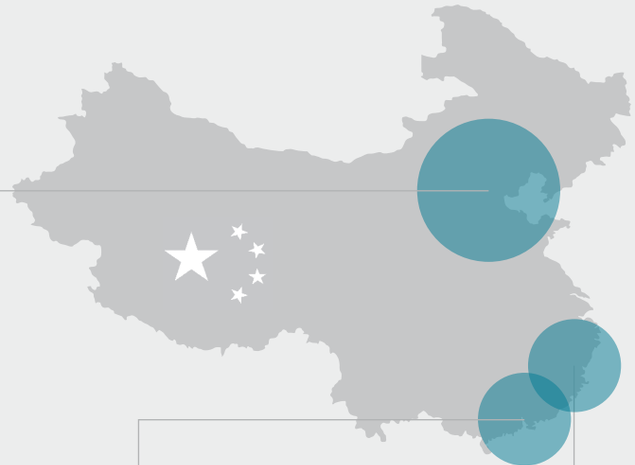
63 Energy efficiency and low-CO_2 production
68 Air purification
69 Waste and resource management
70 Water pollution control
70 Logistics and employee transport
72 Nature conservation, land use, and biodiversity

You can find the key figures for this chapter in our online key figures tool: www.daimler.com/sustainability/key-figures2016.html

31

Joint Ventures – Production

Daimler in China



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

Ownership
50 percent Daimler,
50 percent Foton
Location
Beijing
Production volume in 2016
76,897 units
Production (from 2014)
Medium and heavy-duty Auman trucks, Mercedes-Benz OM 457 engines
Energy consumption
354.4 GWh
– thereof electricity: 68.0 GWh
– thereof natural gas: 202.6 GWh
– thereof heating oil: 83.8 GWh

Beijing Benz Automotive Co., Ltd. (BBAC)

Ownership
49 percent Daimler,
51 percent BAIC
Location
Beijing
Production volume in 2016
337,628 units
Production
Mercedes-Benz C-Class, E-Class (long version for the Chinese market), GLK car and van engines
Energy consumption
805,0 GWh
– thereof electricity: 367.0 GWh
– thereof solar electricity: 4.8 GWh
– thereof natural gas: 433.2 GWh

Shenzhen BYD Daimler New Technology Co., Ltd.

Ownership
50 percent Daimler,
50 percent BYD Co. Ltd.
Location
Shenzhen
Development
Electric vehicles from the DENZA brand

Fujian Benz Automotive Co. (FBAC)

Ownership
50 percent Daimler & China Motor Corporation, 50 percent Fujian Motor Industry Group Co., Ltd.
Location
Fuzhou
Production volume in 2016
8,904 units
Production
Body shop and assembly unit for vans (Vito, Viano, and Sprinter)
Energy consumption
44.6 GWh
– thereof electricity: 25.0 GWh
– thereof natural gas: 19.6 GWh

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

63 Energy efficiency and low-CO_2 production
68 Air purification
69 Waste and resource management
70 Water pollution control
70 Logistics and employee transport
72 Nature conservation, land use, and biodiversity

You can find the key figures for this chapter in our online key figures tool: www.daimler.com/sustainability/key-figures2016.html

Air purification

Solvents (volatile organic compounds or VOCs) in particular are released during vehicle production. In addition, sulfur dioxide (SO_2), carbon monoxide (CO), nitrogen oxides (NO_X), and particulates are also emitted into the atmosphere. Substances that damage the ozone layer are only emitted in tiny residual amounts. Through the introduction of largely solvent-free paint systems, we have already achieved a drastic reduction of solvent emissions; Mercedes-Benz Cars, in particular, is the benchmark here in comparison with its competitors. We are also unlocking further reduction potential through the use of new technologies, primarily in the painting of commercial vehicles and major components.

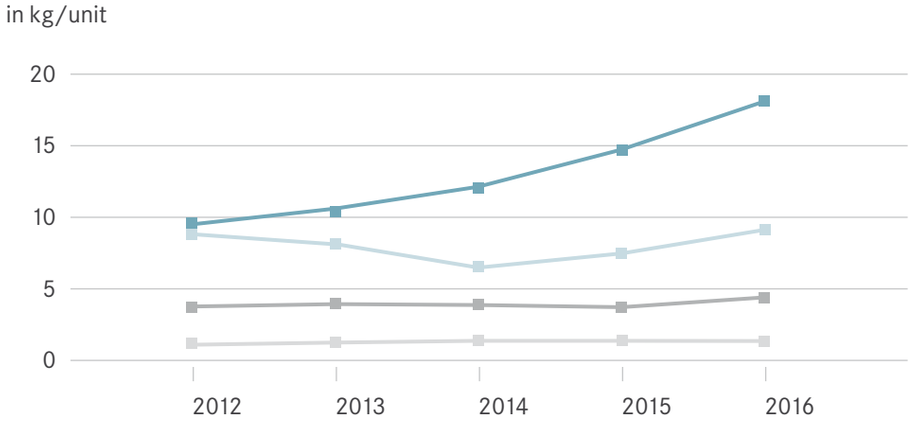
32

Absolute VOC, CO, SO_2, NO_X emissions

	2012	2013	2014	2015	**2016**
in t					
Solvents (VOCs)	6,618	6,907	6,547	7,321	**7,971**
Sulfur dioxide (SO_2)	55	72	76	39	**33**
Carbon monoxide (CO)	2,766	2,336	2,813	2,898	**2,843**
Nitrogen oxides (NO_X)	958	1,012	1,005	1,071	**1,243**

33

Specific solvent emissions (VOCs) per vehicle



The increase in specific emissions for trucks and buses is due to a decrease in production. In bus manufacture, the proportion of chassis produced has also been reduced in favour of production of complete vehicles.

63 Energy efficiency and low-CO_2 production
68 Air purification
69 **Waste and resource management**
70 Water pollution control
70 Logistics and employee transport
72 Nature conservation, land use, and biodiversity

You can find the key figures for this chapter in our online key figures tool: www.daimler.com/sustainability/key-figures2016.html

Waste and resource management

The recycling and reuse of raw materials, indirect materials, and supplies in our plants has been a self-evident activity for years now. Thanks to these measures, we currently have a waste utilization rate of 91 percent. In addition, our cutting-edge technical processes and environmentally sound production planning enable us to avoid waste from the very start. With a view to meeting our special responsibility as a waste producer, we regularly audit the waste disposal operators for our production plants in accordance with an established process. None of our waste is exported to other countries.

34

Waste volumes

in 1,000 t	2012	2013	2014	2015	**2016**
Waste for disposal	65	74	82	74	**86**
Waste for recycling (without scrap metal)	254	222	232	269	**223**
Scrap metal for recycling	778	821	863	866	**828**
Hazardous waste for disposal	22	42	117	47	**21**
Hazardous waste for recycling	66	68	71	71	**71**

Effective resource management. As a company from an industry that consumes large amounts of raw materials, we strive to carefully plan our use of materials and to employ finite resources as sparingly as possible. We purchase a large part of the materials used in our vehicles from suppliers in the form of components. Although the environmental effects of purchased components are not directly included in the assessment of our corporate environmental performance, we take them into account in our holistic assessment of product development and selection of materials.

Under this assessment method, which we have used for our passenger cars thus far, we extrapolate the total use of materials in the production chain, also taking the waste flows into account. Because of the size and complexity of the Daimler Group, the material flows cannot be analyzed in greater detail here. However, details of the individual model series are provided in the respective life cycle reports.

Product development and material selection: pp. 52 ff.

Efficient technologies have enabled us to reduce the use of scarce resources to the absolute minimum. In the development stage, we already plan in the recycling of materials at the end of the product life cycle. In addition, we remanufacture used parts to a great extent. This yields economic benefits for the customers and conserves resources.

Recycling of electric mobility components: p. 54

35

Materials used in vehicle production

in million t	2012	2013	2014	2015	**2016**
Metallic materials	4.0	4.4	4.7	5.1	**5.2**
Other materials	1.2	1.3	1.4	1.6	**1.7**

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

63 Energy efficiency and low-CO_2 production
68 Air purification
69 Waste and resource management
70 **Water pollution control**
70 **Logistics and employee transport**
72 Nature conservation, land use, and biodiversity

You can find the key figures for this chapter in our online key figures tool: www.daimler.com/sustainability/key-figures2016.html

Water pollution control

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

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

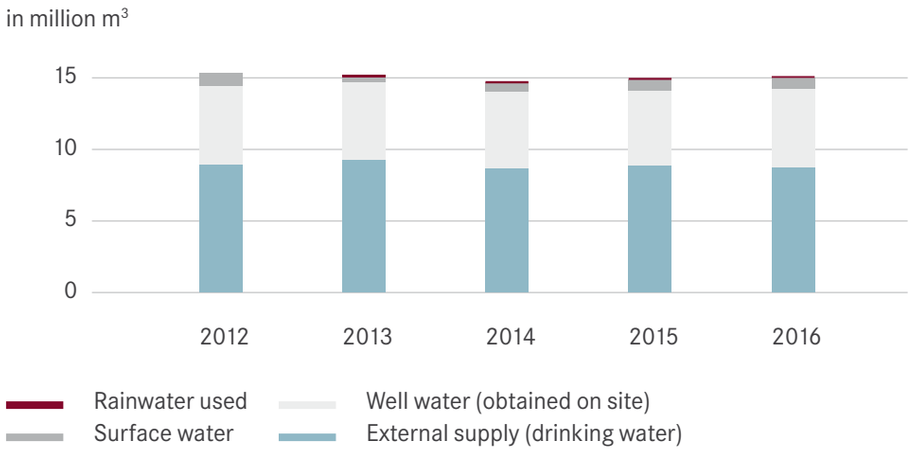
At our car plants, we aim to reduce water consumption by 15 percent by 2022. In particular, the introduction of a new painting process will contribute to this reduction.

An innovative biofilter purifies surface water. Swamp plants are helping to purify surface water at the Bremen manufacturing facility. These plants grow on a 100-square-meter soil filter. While the filter purifies the water by mechanical and chemical-physical means, the plants help to biologically decompose pollutants.

Water pollution control by means of soil filters at the Bremen plant

36

Water consumption



Logistics and employee transport

The incoming and outgoing delivery traffic in our plants as well as the distances our employees travel for work and business also affect our environmental performance through emissions, noise, and resource use. We minimize the environmental effects of these transports through the use of an efficient logistics system, rail transportation, and inland shipping. We replace business travel by conference calls, video conferences or online conferences wherever this is possible and expedient. Employees at the Sindelfingen and Stuttgart locations receive discounted yearly passes for the public transit system.

63 Energy efficiency and low-CO_2 production
68 Air purification
69 Waste and resource management
70 Water pollution control
70 **Logistics and employee transport**
72 Nature conservation, land use, and biodiversity

37

CO_2 emissions from business travel (starting from Germany)

in 1,000 t	2012	2013	2014	2015	**2016**
Train	0.9	0.8	0.8	0.8	**0.09***
Plane	72.4	73.2	80.0	84.2	**87.4**

* Beginning in 2016, the figure takes into account the CO_2-neutral railway electrification system used for long-distance transportation in Germany.

38

Truck shipments to our plants in Germany, Vitoria, Spain, and Kecskemét, Hungary

	2012	2013	2014	2015	**2016**
Truck-kilometers (in millions)	166	173	218	262	**308**
Cargo (in million t)	4.4	4.3	4.9	6.9	**7.5**
CO_2 emissions (in 1,000 t)	133	139	171	206	**242**

You can find the key figures for this chapter in our online key figures tool:
www.daimler.com/sustainability/key-figures2016.html

Truck deliveries to our German plants, the Hungarian plant in Kecskemét, and the plant in Vitoria, Spain are monitored centrally. Since 2015, our transport assessment has also included travel between plants. This largely accounts for the increase in transport in 2016 compared to the previous year. The CO_2 emissions can be approximated on the basis of the tonnage and the truck kilometers traveled.

Optimization of transport logistics. Our global transport logistics operations currently serve 75 manufacturing plants in around 30 countries and about 8,500 retailers in almost all areas of the world. We transported around 3.1 million vehicles worldwide in 2016. In addition, almost 4.1 million tons of production materials were transported in Europe in the first half of 2016 alone. The global transport volume amounted to around 380,000 standard containers of sea freight and about 75,000 tons of air freight.

In order to reduce the associated CO_2 emissions, we are working hard to optimize our logistics network. Our main goal here is to optimally connect the transportation hubs with one another so as to reduce the distances traveled and utilize capacity more efficiently. Innovative transportation concepts and new transport systems also play a major role.

We now select logistics concepts not only on the basis of their costs, duration, and transport quality, but also according to their CO_2 emissions. When selecting providers of logistics services, we also take sustainability criteria into account. These criteria range from environmental certificates and the use of environmentally compatible equipment to the utilization of trucks that meet the latest European emissions standard.

Efficient return transport of shipping containers. One drawback of reusable shipping containers is that they have to be sent back to the supplier. In order to optimize this return transport, 17 Daimler plants in Europe have joined forces with five regional logistics centers to create a network and an IT-based container management system. These measures eliminated about 2,200 tons of CO_2 emissions in 2016 alone, compared to the situation before the system was introduced. This has also significantly reduced our freight costs.

63 Energy efficiency and low-CO_2 production
68 Air purification
69 Waste and resource management
70 Water pollution control
70 Logistics and employee transport
72 **Nature conservation, land use, and biodiversity**

You can find the key figures for this chapter in our online key figures tool: www.daimler.com/sustainability/key-figures2016.html

Nature conservation, land use, and biodiversity

Our production plants cover a total area of around 4,800 hectares, 63 percent of which is occupied by buildings and transport areas. Because land is a limited resource, we use these areas as efficiently as possible through dense, multi-level building development. Whenever possible, we also design outdoor areas within our plants to serve as a habitat for indigenous plants and animals. In this way, we can facilitate biodiversity even amidst the industrial architecture. For example, peregrine falcons have found a new home on chimneys of our plants in Wörth and Sindelfingen. In the Tuscaloosa plant, natural vegetation and beavers with their dams ensure the retention and preliminary sedimentation of rainwater. Due to the way we use land and our plant locations in industrial zones, no significant negative effects on endangered species are to be expected.

Biodiversity index. To measure the effect of our activities more accurately, we have developed a biodiversity indicator whose practical viability is currently being tested in several plants. The indicator categorizes our horizontal and vertical areas in accordance with their environmental value. This indicator will enable us to set targets for our plant-specific environmental protection programs and to clearly evaluate the progress that has been made.

The planting project at the Sindelfingen facility. Next spring, 50,000 flower bulbs of native species will ensure that the green areas at the Sindelfingen plant will flourish and bloom. The plant spent around €15,000 on the spring flowers, which will serve as an excellent food source for insects such as wild bees, which are facing extinction. Last October, the facility organized a project in which teams of employees planted the bulbs. This project is only one of many that the plant and its employees are implementing in order to maintain biodiversity.

An environmental protection zone in a semi-arid landscape. Daimler has cooperated with biologists from the Autonomous University of Nuevo León to create a botanical garden at the edge of the grounds of the Mercedes-Benz bus plant in Monterrey, Mexico. For the facility's employees, the garden is an oasis of peace and relaxation. Above all, this ecological reserve, which covers about two square kilometers, is helping to preserve indigenous animals and vegetation. A wide variety of cactuses, shrubs, palms, and other trees flourishes here. The semi-arid landscape that has been left here in its natural state also serves as a habitat for numerous animal species, some of which are on the endangered species list.

Soil and groundwater. We prevent any soil and groundwater contamination as much as possible. An internal guideline provides minimum standards for the handling of soil and groundwater contamination at all of our locations. The requirements frequently extend beyond the local legal regulations. Compliance with these requirements is reviewed within the framework of our worldwide audits. In 2016 there were no significant accidents associated with soil or groundwater damage.

Employees

Our success is largely dependent on our employees – their skills, their commitment, and their identification with the company. That’s why we offer them working conditions that meet their needs – ranging from fair remuneration, flexible working time models, outstanding training, and further education opportunities to comprehensive occupational safety and health management measures as well as the promotion of a culture of diversity.

77 Employer of choice
79 Diversity management
83 Development and advancement
87 Health management and occupational safety

You can find the key figures for this chapter in our online key figures tool: www.daimler.com/sustainability/key-figures2016.html

Throughout the world, 282,488 people are using their power and skills to contribute to the success of our company. Fair and trusting relationships with employees are therefore more than just an ethical and legal requirement for us – without them we would not be able to conduct our business successfully.

Human resources strategy and objectives. We need skilled and dedicated employees so that we can be continuously successful and achieve our goal of making a key contribution to the sustainable mobility of the future. This means that we need to recruit, develop, and retain highly qualified people. That's why we are always striving to further increase our already high appeal as an employer – within the company and on the external market. Because our managers should motivate their employees to achieve top performance, it is crucial that we equip our managers with outstanding leadership skills. In addition, we want to take on social responsibility and let diversity flourish in our global company. A professional HR organization and efficient operating processes form the basis of our human resources strategy.

Areas of action. We have derived key areas of action from these overarching objectives – ranging from generation management to topics such as diversity and equal opportunity, life balance, and the qualification training of specialists in the growth markets. For each area of action we have defined specific objectives that are also reflected in the target agreements of our managers.

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

39

Human resources organization within the Daimler Group

Board of Management Member for Human Resources		
Corporate HR functions	Divisional HR functions	HR service units
Strategy, policy, and guidelines	Human resources activities at the divisions and locations	Grouping of services

Organization. The person responsible for human resources work within the Daimler Group is the Board of Management Member for Human Resources, who is also the Labor Director of Daimler AG in Germany.

Principles and guidelines. In our guidelines, such as our "Principles of Social Responsibility," we commit ourselves, among other things, to provide equal opportunities and respect key employee rights, ranging from the right to form trade unions to the right to have equal opportunities and receive equal pay for equal work. We reject forced labor and strive to abolish exploitive child labor. We also require the same policies from our business partners and suppliers. For violations of our principles, we have established a complaints process in which each case is centrally documented and processed.

77 Employer of choice
79 Diversity management
83 Development and advancement
87 Health management and occupational safety

You can find the key figures for this chapter in our online key figures tool: www.daimler.com/sustainability/key-figures2016.html

40

The key human resources figures for 2016

		2012	2013	2014	2015	**2016**
Workforce (general)						
Total workforce (worldwide)		275,087	274,616	279,972	284,015	**282,488**
– Trainees (worldwide)		8,267	8,630	8,346	8,307	**7,960**
– Average age of the workforce (worldwide)	in years	41.9	42.3	42.4	42.5	**42.7**
– Share of part-time employees (Daimler AG)	in percent	7.1	7.4	7.6	7.7	**8.0**
– Personnel expenses (worldwide)	in € billions	18.0	18.8	19.6	20.9	**21.1**
– Costs for training and advanced professional development	in € millions	241	236	248	252	**262.0**
– Qualification hours per employee/year	in days	4.0	4.1	4.1	3.5	**3.0**
– Share of women	in percent	16.2	16.3	16.8	17.3	**17.7**
– Share of women in Level 4 management positions (Daimler AG)	in percent	13.8	14.6	15.0	16.1	**17.2**
Fluctuation rate (worldwide)	in percent	4.9	4.4	4.9	5.4	**6.7**
Sickness rate (Germany, manufacturing and administration)	in percent	5.4	5.6	5.6	5.9	**6.0**
Incidence of accidents (worldwide)[1]	rate	9.1	9.1	8.8	8.8	**8.6**
Contributions to company retirement and health benefits	in € billions	3.0	9.9	12.8	8.7	**9.0**

[1] Coverage rate of production locations worldwide: > 99 percent; Group-wide figures for the year 2011 are not available.

Safeguarding jobs. We strive to safeguard the jobs of our employees on a permanent basis. Among the measures that help us achieve this target are the “future plan” agreements that have been reached at many of our locations in Germany and that include concrete investment commitments. In 2015 we renewed our company-wide “Safeguarding the Future of Daimler” agreement. It builds on the agreement that was first reached in 2004 and renewed in 2011. It essentially protects all of the employees of Daimler AG in Germany from being laid off until the end of 2020.

In addition, we utilize flexible personnel assignment models, which enable us to make better use of market opportunities and absorb fluctuations in demand. At the same time, these agreements help us respond more effectively to rising manpower requirements in certain areas. We are continuously enhancing our working time regulations in order to safeguard employment over the long term. In doing so, we achieve as much employment flexibility as possible – with regard to time and space as well as work content.

77 Employer of choice
79 Diversity management
83 Development and advancement
87 Health management and occupational safety

You can find the key figures for this chapter in our online key figures tool: www.daimler.com/sustainability/key-figures2016.html

Early indicators concerning demand and production enable us to manage workforce capacity even longer in advance than was previously the case. We actively involve employee representatives in the implementation of the corresponding concepts.

Employees by regions and business divisions

Employee representation and co-determination. Our employees have the right to organize themselves in labor unions. We also ensure this right in countries in which the freedom of association is not protected. More than 95 percent of our employees in Germany and more than 80 percent of our employees worldwide are covered by collective bargaining agreements. Our employees in Germany have extensive co-determination rights which are regulated by the German Labor Management Relations Act (BetrVG). Although there is no requirement to adhere to collective bargaining agreements at some Group companies, the employees at these companies have works councils in keeping with the above-mentioned law.

Partnership with employee representatives. We work together constructively with the works councils and trade unions. Important partners here include the World Employee Committee (WEC) and the European Works Council. The WEC is represented in 15 countries. At the corporate level, ten members of the Supervisory Board represent employee interests.

Comprehensive information, regular communication. We inform the works council about all important changes and conclude agreements regarding the effects wherever the German Labor Management Relations Act requires it. We notify the employees about far-reaching changes early on. In addition, the employee representative bodies at the Group and company levels (the Group Joint Management-Employee Economic Committee and the WEC) are also informed about the economic situation and important changes within the Group and at the Group companies. Moreover, we regularly inform the WEC of any violations of our Principles of Social Responsibility.

Further development of the company: Leadership 2020. Our industry is changing at an unprecedented pace. This development is affecting not only technology, the legal framework, and customer requirements, but also the way we work and communicate with one another, as well as forms of management. In order to remain as successful in the future as we have been in the past 130 years, we need to undergo an internal cultural transformation and develop a new management culture. This is why we launched the Leadership 2020 initiative in January 2016. For this program, we selected 144 employees from 24 countries and all levels of management and asked them to develop proposals for a new management culture at Daimler. After being grouped into eight teams around the world, the participants worked separately on developing new leadership approaches, but were given no specific instructions for this task. The teams defined eight thematic areas referred to as game-changers. These game-changers are processes and procedures that change, question or break down established structures in a targeted way in order to make a new management culture possible. We have also identified eight leadership principles that will define our future management approach and guide the actions of managers and employees. In this way, Leadership 2020 will noticeably generate new momentum for our company's future.

Human rights and employee rights: pp. 22 f.
Employee rights and supplier management: pp. 92 ff.
Commitment to international initiatives and principles: p. 12
Our main principles and guidelines
BPO – a point of contact for whistleblowers: pp. 24 f.

77 Employer of choice
79 Diversity management
83 Development and advancement
87 Health management and occupational safety

You can find the key figures for this chapter in our online key figures tool: www.daimler.com/sustainability/key-figures2016.html

Employer of choice

Employees identify themselves strongly with the company. The opinion of our employees is important to us. That's why we regularly conduct employee surveys to determine how satisfied our employees are and how strongly they identify themselves with the company. In the 2016 employee survey, we achieved an outstanding participation rate of 76 percent, which shows that our employees are interested in becoming actively involved in our company's further development. The survey results are also impressive. The Employee Commitment Index (ECI), which measures, among other things, employee satisfaction and our appeal as an employer, rose to 68 points, which is the best result to date. The ECI result was therefore five points higher than in the survey of 2014 and thus represents an improvement in our ranking that puts us among the top 33% companies in an external benchmark comparison. The feedback we receive helps us enhance our organization and management culture.

41

Fluctuation rate

in %	2012	2013	2014	2015	**2016**
Group (worldwide)	4.9	4.4	4.9	5.4	**6.7**
Germany	3.4	2.1	2.7	3.4	**3.1**
USA	7.2	9.5	5.8	8.8	**20.3**
Rest of world	7.3	7.5	9.3	8.6	**10.4**
Women (worldwide)	5.3	5.2	5.7	6.9	**7.2**

Attractive and fair remuneration. We remunerate work in accordance with the same principles at all our affiliates around the world. Our Corporate Compensation Policy establishes the framework conditions and minimum requirements for this. It applies to all groups of employees. In our desire to offer attractive salaries and benefits we also give consideration to local market conditions within the specified framework. We audit the local compensation systems on a regular basis through sampling procedures.

Industry-typical salaries. The salaries are determined on the basis of the employees' tasks and performance, and in line with their qualifications and experience. We pay salaries that are customary for the market and the industry, which are significantly above the legal minimum wages that apply at many locations. In addition to the statutory minimum wages, salaries and wages are often determined by collective bargaining agreements. In the event of union affiliations, our affiliates generally offer additional voluntary benefits. For example, the employees of Daimler AG in Germany currently receive a total remuneration that is significantly above the level specified in collective bargaining agreements.

Weekend work and overtime. The length of our employees' workweek is generally regulated by the company or by a collective bargaining agreement. In Germany, the workweek is 35 hours long in the manufacturing sector, although deviating agreements are possible. Overtime is only performed within the framework of a requirements planning forecast and has to be approved. In general, we allocate working times in such a way that remuneration remains stable even if the amount of work sometimes fluctuates. This is made possible by a time-account system.

Fair pay. In setting the base remuneration we are not guided by gender or place of origin, but exclusively by the employee's job and responsibility, and we thus eliminate all forms of discrimination. Salary decisions are made on the basis of the "multiple-eye principle." Transparency is

77 **Employer of choice**
79 Diversity management
83 Development and advancement
87 Health management and occupational safety

You can find the key figures for this chapter in our online key figures tool: www.daimler.com/sustainability/key-figures2016.html

ensured by regular income reviews. The principle of equal pay also applies for temporary manufacturing employees, who receive a regular remuneration in accordance with the collective bargaining agreements for the metal and electrical industries during their assignments in the manufacturing sector.

Compensation of managers. The more responsible the position, the higher the variable remuneration component. On the one hand, the variable component takes into consideration the company's performance. On the other, it is based on the extent to which the manager has achieved the individually agreed targets, which are discussed between managers and their supervisors as part of a globally uniform process. Sustainability criteria also play a role in this context.

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

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

High level of profit sharing. All over the world, we enable over 80 percent of our employees to participate in the success of the respective company. In 2017, eligible employees of Daimler AG will be paid up to €5,400 (2015: €5,650, 2014: €4,350).

Attractive company pension plans. Upon retirement, our employees can generally expect to receive attractive company pensions – in addition to the statutory and privately financed benefits. This applies to both full-time and part-time employees. Depending on the country and company, we generally offer defined benefit or defined contribution pension plans. In addition, employees can also make additional provisions for retirement by means of deferred compensation.

All permanent employees of Daimler AG are entitled to participate in the company pension plan. As a result, they not only receive such a pension in old age but are also covered against premature insured events such as disability and death. The employee-funded company pension plans and the pension benefits are generally also available to temporarily employed people.

42

Expenditure on pension provisions at the Daimler Group

	2012	2013	2014	2015	**2016**
in € billions					
Liabilities for company pension and healthcare benefits	3.0	9.9	12.8	8.7	**9.0**
Cash value of pension liabilities on Dec. 31[1]	23.9	23.2	30.1	27.6	**31.2**
Expenditure on company pension plans	0.8	0.8	0.8	1.0	**0.9**
Expenditure on statutory pension plans	1.4	1.3	1.4	1.4	**1.4**
Payments to retirees	0.8	0.8	0.8	0.9	**0.9**

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

77 **Employer of choice**
79 **Diversity management**
83 Development and advancement
87 Health management and occupational safety

You can find the key figures for this chapter in our online key figures tool: www.daimler.com/sustainability/key-figures2016.html

The Global Pension Policy stipulates the requirements for our pension plan models. We cover the majority of our pension obligations with pension assets. In addition, the pension plans of the employees in Germany are insured by the German businesses' Mutual Benefit Association for Pension Security (PSVaG). It is impossible to make general statements about the percentage of salaries that is deducted for pension plans, because these plans vary widely worldwide in terms of their type and extent.

Additional facts and figures: AR 2016, p. 259 (PDF)

Diversity management

Daimler promotes the diversity and heterogeneity of its employees, because they serve as the basis for a successful and high-performing company. As a result, diversity management has been part of our corporate strategy since 2005. Our activities aim to bring the right people together for overcoming our challenges; to create a work culture that promotes the performance, motivation, and satisfaction of our employees and managers; and to help us access new target groups for our products and services.

At Daimler, we currently shape diversity in three fields of action: best mix, work culture, and customer access. With regard to our workforce, the focus is on the areas of best mix and work culture.

Diversity brochure "Ready to Be Different" (PDF)

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

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

Best mix. Daimler's 282,488 employees from 156 countries provide the Group with a vibrant mixture of cultures and ways of life. We utilize this diversity to put together optimized teams. That's because the more facets are expressed within the company, the faster ideas will bear fruit.

77 Employer of choice
79 Diversity management
83 Development and advancement
87 Health management and occupational safety

You can find the key figures for this chapter in our online key figures tool: www.daimler.com/sustainability/key-figures2016.html

Gender. Daimler has the self-designated target of increasing the share of women in management positions in the Group to 20 percent by the year 2020. In 2016, more than 16 percent of our executives in middle and upper management were women. To achieve our objective, we have installed a stringent internal reporting and forecasting system and are promoting women through special programs and seminars. This applies in particular to female professionals in the fields of engineering and technology. In 2016, approximately 40 percent of the trainees who entered the company through our CAReer program were women.

43

Development of the percentage of women at the Daimler Group

	2012	2013	2014	2015	**2016**
Women employees (worldwide)	44,567	44,793	46,948	49,208	**50,071**
– Europe	31,784	32,373	33,491	34,969	**36,285**
– North America with Mexico (NAFTA)	5,636	5,584	6,236	6,851	**6,208**
– South and Central America	1,744	1,759	1,690	1,742	**1,652**
– Africa	1,406	1,484	1,675	1,555	**1,371**
– Asia	3,724	3,299	3,530	3,805	**4,250**
– Australia	273	294	326	286	**305**

Generations. Demographic change is also occurring within our factories. The latest forecasts show that the average age of the Daimler AG employees in Germany will rise from 44.2 years today to about 47 years in seven years' time. The rising age of retirement and longer working life will increase the age differences within the company. We consider the demographic transformation to be an opportunity, and we are using our generation management measures to help adapt ourselves to these challenges. In doing so, we are specifically focusing on measures for maintaining the health and performance of younger and older employees and promoting cooperation between people of all ages.

- We encourage mutual respect among all age groups and promote productive collaboration. We hold workshops and seminars to raise the awareness of managers in particular regarding work with people from different generations.
- We are using qualification measures and employment methods that encourage "lifelong learning" in order to promote our employees' further development and ensure their employability.
- To maintain our employees' capabilities, we make ergonomic improvements, offer courses on how employees can promote their health, and develop innovative work organization concepts.
- Our strategic HR Resource Management system helps us to adapt our workforce structures in line with our needs. This method enables us to prepare ourselves for demographic capacity effects early on.

As part of the Cars unit's demography initiative Y.E.S. (Young & Experienced = Successful), the Mercedes-Benz Museum in Stuttgart is currently hosting the "Ey Alter" exhibition in order to encourage people to change the way they think about aging. The exhibition not only presents scientific facts about aging but also shows the strengths of each generation in order to help question common stereotypes.

www.eyalter.com (available in German only)

As part of the Y.E.S. initiative, we also developed a demographic review system, which is being used at various car production facilities. This system is a tool for measuring the various demographic needs of a facility so that targeted measures can be taken to exploit the opportunities of demographic change.

77 Employer of choice
79 Diversity management
83 Development and advancement
87 Health management and occupational safety

You can find the key figures for this chapter in our online key figures tool: www.daimler.com/sustainability/key-figures2016.html

In November 2016, our project titled “Learning Factory for Equipment Production” received the Demography Excellence Award in the category “Coaching and Learning.” The “learning factory” aims to identify, secure, and disseminate critical know-how from the company’s production equipment construction unit among employees of all ages.

Demography Excellence Award (available in German only)

Internationality. Our employees come from more than 150 countries. Most of our managers abroad come from the respective regions. Our employees’ diverse cultural backgrounds help us to better understand the wishes of customers in the various regions and to tailor our products accordingly. We support our employees with worldwide staff assignments, mentoring, intercultural skills training, and targeted recruiting measures. In order to promote our company’s intercultural scope, international candidates account for more than 30 percent of the people recruited through our CAReer trainee program.

Global assignments. Throughout the world, around 1,965 Daimler employees from 34 countries are taking part in international assignments. By far the most important country in which assignees from Germany work is China, with a share of almost 30 percent. It is followed by the United States at approximately 15 percent and Japan at around 4 percent. Other important target countries include Mexico, Romania, and Hungary. However, we also promote the assignment of employees from our global locations to Germany so that they can build up networks and deepen their know-how. Such expats from abroad also help to make Daimler in Germany more international. We currently have around 320 global assignees in Germany, with most of them coming from India, the United States, and China.

Diversity Day. In line with the slogan “Doing Diversity,” we held the fourth German Diversity Day in June 2016 on the basis of the Diversity Charter. At Daimler, we took advantage of this opportunity to conduct a wide variety of activities at our locations in 26 countries on 4 continents.

Diversity Day 2016

Networks. Networks enable employees with shared interests, experiences, and values to meet and hold discussions across all levels of the company. More than 3,500 employees are currently promoting diversity at Daimler in 12 networks.

Christopher Street Day. In 2014, Daimler AG took part in the Christopher Street Day (CSD) parade in Stuttgart for the first time with a specially designed truck. In 2016, Daimler contributed such a truck for the third time to great acclaim. Last year, Mercedes-Benz Bank took part in the CSD parade in Berlin with its own truck for the fifth time. With this contribution, Daimler is indicating its support for tolerance and diversity at the company.

Daimler at CSD

77 Employer of choice
79 Diversity management
83 Development and advancement
87 Health management and occupational safety

You can find the key figures for this chapter in our online key figures tool: www.daimler.com/sustainability/key-figures2016.html

>885

childcare slots are provided to our employees in Germany at daycare centers close to our locations and at cooperating facilities.

Work culture. We are creating appropriate framework conditions to strengthen our supportive work culture, which is based on appreciation and respect. These measures range from fair and flexible working time regulations to mobile working from home and on the road.

Flexible working arrangements. Changed living and working conditions require working times to be flexibly organized in accordance with individual needs. We are convinced that we need to request and promote high performance, not attendance. That's why we take targeted measures to boost the performance of our employees and managers especially with regard to the reconciliation of their work and private lives.

Video about flexible working arrangements

Reconciling work and family. Of the 2,804 employees who took advantage of parental leave during 2016, 71 percent (2015: 69 percent) were men. More than 90 percent of the fathers took two "partner months" of leave. We encourage all employees who take parental leave to subsequently return to their jobs at the company. That's because we value the knowledge and experience of our employees so much that we cannot do without them and don't wish to lose them.

In Germany, we offer around 710 places in daycare centers in close proximity to our company locations as well as approximately 175 reserved places at cooperating facilities. In addition, we cooperate with a third party that assists employees in finding childcare providers.

In September 2015, we set up our first "sternchen" daycare center outside Germany. Located in Hungary, the facility can take care of more than 60 employee children aged six or younger. Company-run daycare centers also exist in Switzerland, the United States, and Japan. A new "sternchen" daycare center was opened in Bremen in May 2016. In addition, we offer places for refugee children in Kassel.

Furthermore, work agreements enable employees to suspend their careers for several years for a qualification program or a sabbatical or to provide home care – with the promise that they can return to Daimler afterwards. In 2016, around 460 employees took advantage of the opportunity to take off work for a prolonged period, with 349 doing so in order to attend qualification measures (2015: 388), 100 to take a sabbatical (2015: 832), and 10 to provide home care (2015: 6).

We also offer a variety of events for employees on parental or family leave. For example, we organize dialog meetings and information events for expectant parents and for employees who take care of dependents.

Job sharing. We also promote job sharing, in which two employees share the same task/position and work up to 30 hours per week each. In this way, we help our employees reconcile the needs of their work and their private lives. This is especially important for managers, whom we thus enable to work part-time. However, this arrangement requires reliable agreements by everyone involved, and in particular by Daimler, the employer. In mid-2016, more than 160 employees were working in job-sharing positions at the team and department levels.

Job-sharing tandem at Daimler Financial Services

77 Employer of choice
79 Diversity management
83 Development and advancement
87 Health management and occupational safety

You can find the key figures for this chapter in our online key figures tool: www.daimler.com/sustainability/key-figures2016.html

Part-time Community. The Level 4 Part-time Community is an online platform where our Level 4 managers can contact one another when they want to obtain a part-time position or would like to switch from a full-time job to a part-time one. On this platform, participants can find potential job-sharing partners as well as like-minded individuals with whom they can share ideas.

Mobile working. In 2015, we teamed up with the General Works Council, the IG Metall trade union, and the Fraunhofer Institute to launch a joint "mobile working" initiative. In order to get the employees and managers directly involved, we also held a survey and conducted workshops at all of our locations. The result is a future-oriented company-wide agreement that went into force on December 1, 2016. The agreement gives employees the right to mobile working if the task permits. In this way, Daimler is promoting greater flexibility and self-determination while building on a culture of trust.

Diversity key figures

Development and advancement

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

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

>7,960

trainees were employed by Daimler in 2016, including 2,034 abroad.

Our international exchange program for trainees and trainers fulfills the basic requirements for mobility and flexibility, as well as for foreign language and intercultural skills. In 2016, more than 100 trainees and 15 trainers had a chance to gather their first international experience. Moreover, ten trainees took part in an exchange project in Poland in cooperation with the Action Reconciliation Service for Peace.

In addition, we are continuously internationalizing our training activities in order to achieve high training standards throughout the Group. For example, we have developed the Mercedes-Benz Qualification System (MBQS) for our international passenger car locations. In several countries, we are creating our own company training centers and qualification structures or supporting the respective region's offers. Furthermore, we are also establishing dual education elements outside Germany.

Daimler currently employs a total of 7,960 trainees (2015: 8,307), including 2,034 abroad (2015: 2,017). At international locations such as those in China and India, more than 5,000 teenagers are being trained and qualified in cooperation with schools and in other training models. This figure is continuing to increase.

77 Employer of choice
79 Diversity management
83 **Development and advancement**
87 Health management and occupational safety

You can find the key figures for this chapter in our online key figures tool: www.daimler.com/sustainability/key-figures2016.html

Daimler in China – training and continuing education

2007–2016
4,000
trainees in the dual education system

Around 170
participants in the MBA program

2016
90,000
hours of qualification measures for the workforce at Daimler Greater China

The figures refer to our consolidated plants.

Recruiting and developing new talents. We offer talented young people development prospects in our company by specifically addressing various target groups and providing them with a wide variety of training programs, from career entry level to further qualification:

- **The dual education system at Daimler** involves an internationally recognized bachelor degree program that combines theoretical knowledge with practical assignments at 13 company locations in Germany. In 2016, Daimler had over 650 students at the Cooperative University (DH). We hire around 200 DH graduates each year.

- **The FacTS program** supports young skilled workers who have completed our technical professional training courses with outstanding results in the first years of their careers. A total of 69 people have taken part in the program since 2013, and 29 skilled workers have successfully completed it to date.

- **The international trainee program CAReer** enables outstanding university graduates to enter our company. Highly qualified participants who have an international profile receive support during and after the program phase, and are prepared for their prospective management tasks at the company. CAReer promotes the participants' personal development and enables them to learn skills in a variety of divisions worldwide. The program's participants are given a permanent job contract from the very start. In 2016 we hired around 200 trainees, about 40 percent of whom were women, and more than one-third were international participants.

77 Employer of choice
79 Diversity management
83 **Development and advancement**
87 Health management and occupational safety

You can find the key figures for this chapter in our online key figures tool: www.daimler.com/sustainability/key-figures2016.html

– **Doctoral candidates** can work on their dissertations at Daimler in practical projects. They are given a three-year contract that can be extended if necessary. About 300 doctoral candidates are generally working at Daimler AG and its subsidiaries at any one time. Around 20 percent of them are women. Around half of the dissertations are written in the research and development units, while the rest are distributed among a variety of departments at the company (HR, legal, finance, production, communications, IT).

– **The Daimler Student Partnership (dsp)** is a university study support program for all locations. It aims to bind high-performing interns to our company as needed. Former interns who have no more than 15 months left to study can be recommended for the dsp program. These students are personally supervised at Daimler and receive individual support. Every participant is given a customized program plan. The program seeks to encourage the participants to directly join the company, to earn a doctoral degree, or to enter Daimler through the international trainee program CAReer. About half of the students involved in the program decide to get a job at Daimler after obtaining their degrees.

The Daimler career portal

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

Further education is regulated by the general works agreement on qualification, which also enables employees to leave the company for up to five years in order to obtain additional qualifications, and subsequently return to the company. In 2016, around 400 employees used this opportunity. Moreover, managers can facilitate employees' qualification efforts with time credits and financial support.

Challenges and key areas of qualification

Digitalization: We are supporting the digital transformation of our company by creating a framework in which we can provide our employees with the necessary digital capabilities. To achieve this goal, we are working to recruit and bind digital talents, create a digital management culture and organization, and identify the qualification and further education requirements of the entire workforce.

77 Employer of choice
79 Diversity management
83 **Development and advancement**
87 Health management and occupational safety

You can find the key figures for this chapter in our online key figures tool: www.daimler.com/sustainability/key-figures2016.html

1. **Group Research (RD) and Mercedes-Benz Cars Development.** The RD Technology Academy is helping to boost the knowledge of the RD employees and develop their skills in order to make them fit for their future tasks.

2. **Production.** Our manufacturing locations are responsible for qualifying skilled workers and managers in production. We attach especially great value to imparting cutting-edge technical knowledge in production units. In 2016, we qualified our employees in technological disciplines such as vehicle and industrial technology and production systems.

3. **Sales and customer services.** The Global Training unit reinforces and increases the skills of the employees in the Mercedes-Benz sales organization worldwide. It develops training concepts at a central location, from which they are provided to all countries in seven languages. In this way, all salespeople can be supplied with the latest information at the same time. In the development of new concepts, the Global Training unit works closely together with the Global Service & Parts business unit and with the various markets. The concepts are implemented by 750 trainers at 150 training locations in 120 countries worldwide. These trainers qualify around 150,000 participants each year.

4. **Managers and skilled workers:** The Daimler Corporate Academy offers a globally integrated leadership program for managers at all divisions and in all regions. In 2016, 5,000 managers from 50 locations took part in the program. In addition to leadership, the Academy's complete program for employees and managers encompassed the following areas in 2016: more than 1,700 events with 22,000 participants worldwide for the qualification of specialists (Procurement, Finance, IT, Human Resources, and Board of Management units), 3,000 general continuing education events in Germany with 18,000 participants, and the Daimler Academic Programs. These events enable talented managers and skilled employees to attend college with the support of the company. A total of 320 employees were given this opportunity in 2016.

5. **Lean management** is now well established in all of the production units and supporting processes at Daimler.

6. **Integrity and compliance.** We provide training courses to promote ethical and legally compliant behavior within our company. Our Integrity Management and Group Compliance units are responsible for these courses.

More on advanced training and qualification

44

Qualification of employees at Daimler AG

	2012	2013	2014	2015	**2016**
Costs for training and advanced professional development (in € millions)	241	236	248	252	**262**
Investments in employee qualification (in € millions)	112	107	121	126	**131**
Qualification days per employee/year	4.0	4.1	4.1	3.6	**3.0**
Qualification days per woman employee/year	4.3	4.2	4.3	3.8	**3.4**
Qualification hours per employee/year	28.0	28.7	28.7	24.5	**21.0**

77 Employer of choice
79 Diversity management
83 Development and advancement
87 Health management and occupational safety

You can find the key figures for this chapter in our online key figures tool: www.daimler.com/sustainability/key-figures2016.html

"Bridge" internships for refugees. The main aim of the "bridge" internships that Daimler initiated at the end of 2015 is to integrate refugees into the German labor market. The participants in the 14-week internships work 3.5 hours per day at an industrial facility and spend another 3.5 hours each day attending a German language course. Almost 600 refugees have taken part in these internships in Germany to date. More than 60 percent of these refugees come from Syria. After completing the internships, many graduates attend additional language courses. Some of them were directly hired by other companies, while others were recruited for a trainee position or entry-level qualification measures at Daimler. Beginning with the 2016 hiring year, Daimler is also offering 50 additional trainee positions especially for refugees.

Opening of the health center at the Mercedes-Benz plant in Hamburg at the end of 2015.

Health management and occupational safety

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

Key figures for occupational health and safety

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

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

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

In cooperation with our health centers, we offer, among other things, scientifically evaluated programs for helping employees suffering from chronic back complaints.

77 Employer of choice
79 Diversity management
83 Development and advancement
87 **Health management and occupational safety**

You can find the key figures for this chapter in our online key figures tool: www.daimler.com/sustainability/key-figures2016.html

A target-group-oriented range of measures enables our managers to offer their teams suitable health activities and prevention measures.

Measures and initiatives for company health promotion

The ergonomics strategy. To enable us to cooperate more efficiently on ergonomics issues and improve ergonomics in the product creation processes, Daimler developed and approved a new ergonomics strategy for the Mercedes-Benz Cars, Mercedes-Benz Vans, Daimler Trucks, and Daimler Buses divisions. The strategy is valid worldwide and encompasses the following targets and areas of action:

- The use of the ergonomics standards in all areas of development, planning, and production
- Responsibility for ergonomics from the concept stage all the way to series production
- Continuous ergonomic improvements
- Qualification of the employees and managers
- Introduction of ergonomics at the international level
- Demographics-appropriate workstations that will remain viable in the future

IT project for ergonomics assessment. As part of the EAB 2.0 project, we are working on an IT solution for standardized ergonomics assessment methods. Our objective is to document the assessments in a database to ensure that uniform ergonomics processes and systematic ergonomics analyses can be established at all divisions. The database is scheduled to be introduced in early 2017.

IT process for assigning employees to tasks that are in line with their capabilities. We have developed a special IT system that enables employees suffering from health-related limitations to be permanently reintegrated into existing work processes. With the help of this system, we can determine which jobs correspond to an employee's capabilities. As a result, we can utilize employees in line with their physical capabilities.

Human-robot collaboration. New safety concepts are needed as we head toward Industry 4.0. In this context, we have developed a human-robot collaboration safety concept that is used at all production facilities that involve such collaboration. This concept serves as the basis for the EC-conformity declaration. The concept's modular structure enables it to be flexibly used for a wide variety of different applications – regardless of whether a robot takes on an assisting or service-supporting role or operates completely automatically.

Wearable computing systems. An important topic for Industry 4.0 is the use of digital devices in manufacturing. These wearable computer systems open up new and better opportunities for the design of work and processes. However, we need to take into account not only occupational safety risks, but also ergonomic and medical stress factors. Our work here is also based on a danger and risk assessment that we and the Technology Factory jointly developed and tested in a pilot project.

HR initiative Life Balance. Our HR initiative Life Balance helps employees reconcile their professional responsibilities with their private lives, and thus also serves to keep them healthy. To do so, managers and employees conduct dialog-focused workshops on the basis of shared corporate guidelines concerning life balance. In addition, we have a broad range of measures that help ensure a proper life balance for our employees.

Determining the health risks of psychological stress. We are using our system for determining the health risks of psychological stress (GPB) to find potential stress factors related to the employees' daily work. Each Daimler AG location has GPB assessment teams composed of occupational safety experts, works council members, and company doctors.

77 Employer of choice
79 Diversity management
83 Development and advancement
87 **Health management and occupational safety**

You can find the key figures for this chapter in our online key figures tool: www.daimler.com/sustainability/key-figures2016.html

Strengthening of psychosocial leadership skills. Our social counseling unit increases managers' awareness of behavioral problems and teaches them how to handle such situations. Moreover, the unit coaches managers who find themselves in difficult leadership situations. In addition, it helps employees deal with psychological problems, conflicts, and life crises.

Pandemic plan and pandemic management system. The pandemic and epidemic plan of Daimler AG addresses all medical occurrences that could potentially lead to a crisis. It can be found in the Employee Portal (ManagerCockpit). The associated Pandemic Management System (PMSys) is currently being revised.

Preventing accidents and making workplaces safe. Daimler's occupational safety program includes all measures for the prevention of work accidents, work-related illnesses, and occupational diseases. Our Center of Competence Safety creates the associated Group-wide guidelines. Key occupational and health protection processes are standardized in order to enable the creation and advancement of integrated processes and systems.

Every organizational unit within the Daimler Group has to approve and pursue occupational safety objectives on a regular basis in accordance with our occupational health and safety guidelines and occupational safety strategy and the results of audits and reviews. Centers of Experts help the organizational units address overarching topics such as machine safety and the handling of hazardous materials. An effective reporting procedure helps the units achieve the previously set targets.

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

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

The occupational safety and health management guideline of Daimler AG regulates the tasks, responsibilities, and communication activities for the implementation of the occupational health and safety measures from the headquarters functions down to the individual company locations. Among other things, the guideline stipulates that each location must have an occupational safety committee. These committees consist of the location managers, the responsible planning officers, occupational health and safety experts, and the employee representatives.

77 Employer of choice
79 Diversity management
83 Development and advancement
87 **Health management and occupational safety**

You can find the key figures for this chapter in our online key figures tool: www.daimler.com/sustainability/key-figures2016.html

The occupational safety and health management system (A&G). Our occupational safety and health management system is being successfully implemented at our locations and is uniform throughout Germany. Another one of our plants, Sindelfingen, has now been externally certified in accordance with BS OHSAS 18001. The content and criteria of our internal auditing concept correspond to the standards of BS OHSAS 18001 and are regularly updated.

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

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

Component concept for risk assessment. Our concept for assessing the risks of workplaces and work processes investigates individual processes (components). All of these individual assessments combined then generate the overall assessment. The concept is continuously adapted to legal changes and optimized. We are currently developing a risk assessment system for test drives and the use of drones.

Campaign for moving safely through the plants. The occupational safety campaign sICHer, which was launched in 2015, was continued in 2016 with the focal topic “distraction.” The campaign focused on the use of smartphones. The wide variety of activities vividly showed the possible consequences of distraction and inattention for traffic safety at plants and encouraged employees to think about this topic.

Minimum standards for test courses and proving grounds. We are currently expanding and adapting our guideline concerning minimum standards for test courses and proving grounds to include requirements for buses and trucks. At the same time, we are in a dialog with the operators of the world’s most frequently used tracks. In addition, we are actively supporting the creation of new test courses in countries such as Brazil and the United States.

Accidents. Unfortunately, two fatal accidents occurred in 2016 – one in Charleston, the other in Cleveland. Both accidents were due to unsafe behavior on the part of the employees who died. We have initiated extensive awareness-raising measures to prevent such accidents from happening again.

Accident statistics

77 Employer of choice
79 Diversity management
83 Development and advancement
87 Health management and occupational safety

You can find the key figures for this chapter in our online key figures tool: www.daimler.com/sustainability/key-figures2016.html

45

Our occupational healthcare portfolio

Qualification	Consulting	Prevention	Therapy
– First-aid training – Advanced emergency medical training	– General medical consultation – Travel healthcare/care of expats – Advice on workplace-related issues – Medical reports following workplace inspections – Advice regarding personal protective equipment – Advice for the organization of first aid	– Preventive occupational medicine – Fitness examinations/examination of newly hired employees and of people who have completed their training – Medical service at events – Diagnostics – Vaccinations	– Emergency medical care following work accidents – Rescue services – Care of illnesses and mood disorders

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

Daimler AG provides all of its employees with comprehensive medical care. This care is supplemented by the measures and services of the company health program and the personal counseling organization.
If an employee is suspected of suffering from an occupational illness, the company documents the occupational medical checkups and doctors' diagnoses and reports the information to the responsible employers' liability insurance association.

The specialist departments and the occupational health and safety organization are responsible for implementing preventive health measures. After a risk assessment team has systematically recorded all of the possible risks, the employee in question is medically examined in accordance with Germany's Regulation on Preventive Occupational Medicine (ArbMedVV).

Suppliers

We expect our suppliers all over the world to take on responsibility in all areas related to sustainability, just as we do at Daimler. For us, cooperating with our suppliers in a spirit of fairness and trust is a matter of course. Our Supplier Sustainability Standards serve as the basis of all our business relations with suppliers. We continuously develop these stipulations and monitor their implementation.

93 Our Sustainability Standards
96 Prevention and risk management

Our responsibility does not end at the gates of our plants. Instead, we obligate our direct suppliers to uphold our Sustainability Standards and introduce them into their own supply chains. We promote this effort through dialog and qualification measures as well as joint initiatives with other manufacturers. We check to make sure that our standards are complied with and that violations have appropriate consequences.

Our success depends in large part on our good and trusting cooperation with suppliers all over the world. This cooperation is based on shared requirements and values, which include the companies' compliance with our Sustainability Standards along the supply chain.

Around 3,200 employees work in Daimler's procurement units at more than 70 locations worldwide. Our established procurement management committees ensure the cross-departmental management of sustainability issues as well as uniform communications within and outside the organization. We regularly keep our employees up to date about new developments with regard to sustainability and compliance. In addition, introductory training programs about these issues are mandatory for all new employees.

Increasing procurement responsibility at the local level. As part of its global growth strategy, Daimler is increasingly shifting its value added to the respective sales markets and production locations. We are therefore continuing to expand our procurement organizations' international presence. As a result, in the future Procurement will incorporate additional local suppliers in order to increase the local share of its value added. This will bring clear advantages in terms of sustainability. In growth markets such as China and Mexico, conducting our procurement activities close to production locations will support local regions. In addition, it will reduce our logistics costs and thus our CO_2 emissions as well.

Our Sustainability Standards

Our Supplier Sustainability Standards define our requirements for working conditions, human rights, environmental protection, safety, business ethics, and compliance. They are a binding component of the contractual conditions and form the basis of all of our business relations with manufacturing suppliers and service providers worldwide. By signing the contract, our direct suppliers commit to observing our Sustainability Standards, communicating them to their employees, and spreading them to their upstream value chains as well. We support them in this by providing targeted information and training measures. The Daimler Supplier Portal is the central information platform for this purpose.

Supplier Sustainability Standards – text
Daimler Supplier Portal: daimler.covisint.com

Environmental management in the supply chain. Our suppliers exert considerable influence on Daimler's overall ecological balance. That's why we closely integrate them into our concept of sustainable environmental protection. We expect our suppliers to take on responsibility for the environment, and we request proof of certified environmental management along the supply chain according to ISO 14001, EMAS or other comparable standards. On a revenue basis, our goal is to require 70 percent of our suppliers of production materials to have such a certificate by 2018. Great progress has been made here. We also expect selected suppliers of non-production materials to have an environmental certificate. We will select these suppliers by means of a risk filter.

Supplier Sustainability Standards (see chapter "Environmental Protection and Safety")

93 Our Sustainability Standards
96 Prevention and risk management

Dialog and training. We believe that good cooperation along the global supply chains is essential in order to permanently ensure sustainability. This cooperation involves staying in close touch with our suppliers. We also include in this process the local supplier industry in countries with sustainability risks. In cooperation with other automobile manufacturers, our Procurement unit has been organizing supplier training courses since 2010. In 2016 we also organized the first sector-focused Sustainable Supply Chain Logistics Forum in Berlin.

We now also offer a special e-learning training program that all of our existing and potential suppliers can use on an ongoing basis to further enhance their knowledge about sustainability. It is available in German, English, Spanish, and Chinese. In 2016 we cooperated with econsense to add a module called “Respecting Human Rights in the Supply Chain.” In this module we specify our expectations regarding our suppliers’ due diligence regarding human rights. The suppliers working with this module receive practical examples and a checklist that shows how conditions in areas such as working times and occupational safety can be improved. This training module also provides guidelines for purchasing officers and offers further information.

Training modules for suppliers worldwide

Supplier training courses in China

To implement sustainability standards in the supply chain, we also hold discussions as part of our stakeholder dialog events. In 2016, the Procurement unit initiated a dialog with its most important stakeholders on the topic of human rights in the supply chain. The goal of this dialog was to shine a spotlight on risks related to human rights and to discuss approaches to solutions. Through these measures we are ensuring our continuous improvement.

“Daimler Sustainability Dialogue”: pp. 14 f.

Social standards for contracts for work and services. The awarding and performance of contracts for work and services are subject to standards that extend beyond the existing legislation. These standards define our requirements with regard to occupational health and safety, accommodation, remuneration, use of temporary employees, commissioning of subcontractors, and freelancing. These social principles are relevant for all orders that exceed a period of two months and are realized on the business premises of Daimler AG in Germany. All of the relevant service providers must sign a declaration that they comply with these standards. Only if they fulfill this prerequisite can they receive new purchase orders. An auditing team from Procurement determines whether the standards are being complied with.

Cooperating on sustainable supply chains. To make global supply chains more sustainable, we have actively participated for years in various national and international trade and industrial associations. These include econsense, the Association of Supply Chain Management, Procurement and Logistics (BME), the German Association of the Automotive Industry (VDA), the American Automotive Industry Action Group (AIAG), and the European Automotive Working Group on Sustainability in the Supply Chain, an industry initiative within the CSR Europe corporate network. The goal of this collaboration is to create a frame of reference for companies and industries that is recognized all over the world. The social and environmental minimum standards that are defined in the document “Automotive Industry Guiding Principles to Enhance Sustainability Performance in the Supply Chain” have been recognized not only by numerous automakers but also by many of our suppliers on the recommendation of the VDA.

As part of CSR Europe, we are cooperating with experts from the procurement units of other manufacturers to develop tools for minimizing sustainability risks. For example, we have developed an industry-wide questionnaire with which suppliers can self-assess their sustainability

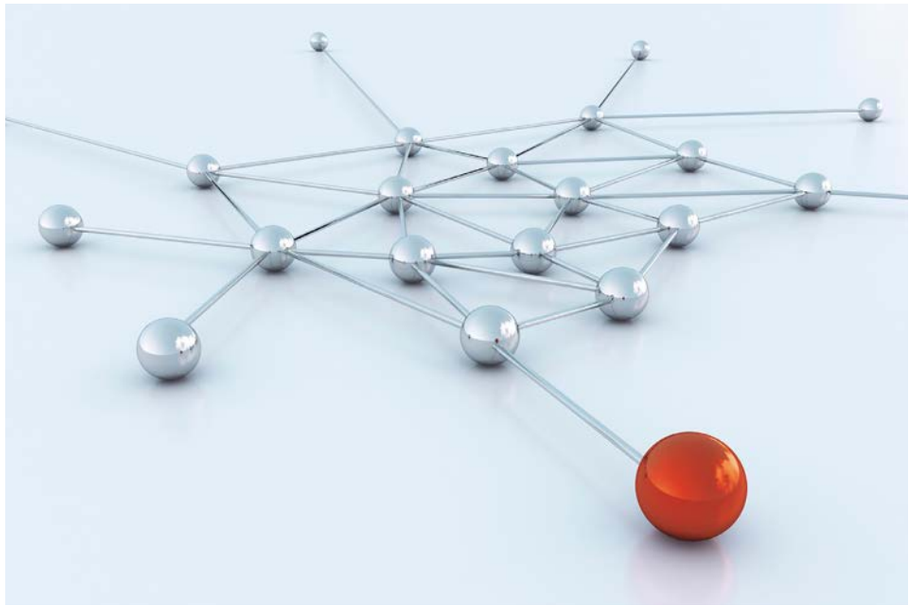
93 Our Sustainability Standards
96 Prevention and risk management

performance. Today this questionnaire is being used and continuously refined by all the companies that are members of the initiative. We have set ourselves the target of rating 70 percent of our suppliers (revenue-based in terms of our annual procurement volume) by means of this self-assessment questionnaire by 2018. Last year we once again made significant progress; in 2016 alone, we received self-assessments from approximately 200 of our highest-volume suppliers. In addition, we specifically used the questionnaire in high-risk non-production-material product groups such as transport logistics. On the basis of these results, we derive measures for improving sustainability performance and communicate these measures to our suppliers.

Further results of our cooperation with other automakers and associations in 2016 include the ongoing development of the questionnaire contents and our preparations to distribute the questionnaire through our direct suppliers to their partner suppliers. In the future we will further intensify our cooperation with industry-wide initiatives in order to gain further synergy effects. We are convinced that comprehensive sustainability standards and a shared monitoring process will increase the effectiveness of sustainability measures along the entire supply chain.

- European Automotive Working Group on Supply Chain Sustainability: www.csreurope.org
- www.aiag.org
- www.bme.de
- www.econsense.de
- www.vda.de

Responsible raw material procurement. Certain mining regions of the world are exposed to the risk that armed conflicts could be financed with the revenues from the sale of raw materials and minerals such as tin, tantalum, tungsten, and gold. To prevent this from happening, various voluntary initiatives and government regulations are calling for the responsible procurement of these raw materials and clear declaration of their origins. In the United States, for example, the Dodd-Frank Act



stipulates that companies listed on US stock exchanges must certify the source of these commodities along the entire supply chain. In Europe, the European Union is also preparing to enact legislation concerning this issue.

Daimler supports an effective and practicable approach to ensuring the responsible procurement of raw materials. We are already exerting our influence on our direct suppliers with regard to this issue. To make sure that this process includes as many links as possible of our very long and often very complex supplier chain, we are cooperating with many different associations. For example, we are working within the German Association of the Automotive Industry to develop effective approaches to a solution for the entire sector.

In addition, as part of our “Daimler Sustainability Dialogue” we have discussed the theme of human rights in supply chains, using concrete examples. Suppliers as well as representatives of nongovernmental organizations participated in these discussions.

93 Our Sustainability Standards
96 **Prevention and risk management**

Prevention and risk management

We use a multi-stage concept to implement uniform sustainability standards and monitor their observance in our global supply chain.

1. **Regular review of our active suppliers.** To identify sustainability risks with regard to issues such as child labor, environmental protection, corruption prevention, violation of freedom of association, and violations of human rights at an early stage, we conduct risk analysis of our suppliers by country and commodity at regular intervals. This analysis enables us to identify suppliers that are subject to increased risk and to take preventive measures. We use regular media and database research as well as targeted on-site visits to investigate cases in which our standards of sustainability and compliance have actually been violated. We systematically follow up all reports of violations.

2. **Audits of new suppliers before contracts are concluded.** Particularly in the case of new suppliers from high-risk countries, our auditors ask specific questions concerning compliance with sustainability standards during on-site assessments. We also conduct a more thorough audit whenever this is necessary.

3. **Escalation process.** In the event of a suspected or actual violation against our sustainability standards by a supplier, we follow an established escalation process. We work very closely with the employee representatives when dealing with human rights issues. We cooperate with the corporate environmental protection unit when investigating violations of environmental standards. If necessary, trained experts and independent auditors conduct sustainability audits at our suppliers. In justified cases we refrain from placing further orders or terminate the cooperation until it is demonstrated that the irregularities have been remedied.

46

Sustainability management in the supply chain

Supplier Sustainability Standards

Preventive measures	Reactive measures
– Communication – Risk analysis – Training courses – Self-assessment – Internal supplier audits – Media and database research	– Escalation process for investigating suspected and actual violations – External sustainability audits – Consequences of violations

The whistleblower system BPO (Business Practices Office) enables employees and people from outside the company to report violations of legal regulations or of our Sustainability Standards. In addition, an electronic mailbox (sustainability.procurement@daimler.com) enables whistleblowers to contact sustainability experts at our Procurement unit.

The whistleblower system BPO: pp. 24 f.

Social Responsibility

As a globally operating company, we regard it as our responsibility to support social progress all over the world. We want to help shape the social environment at our locations and support the dialog between cultures. To this end, we promote education, science, art and culture, and nature conservation. In addition, we support initiatives for increasing traffic safety and assist our employees' charitable activities.

99 Promoting science
99 Education
100 Traffic safety
100 Nature conservation
101 Art and culture
102 Community and charitable commitment
103 Dialog and understanding
104 Corporate volunteering

As a result of our global presence, we must promote social progress at our locations and contribute to its advancement. We seek to co-design the social environment worldwide and to support the dialog between various cultures. To this end, we support education, science, art and culture, as well as efforts to improve environmental protection. We also support initiatives for increasing traffic safety and encourage our employees to make donations and become involved in charitable activities.

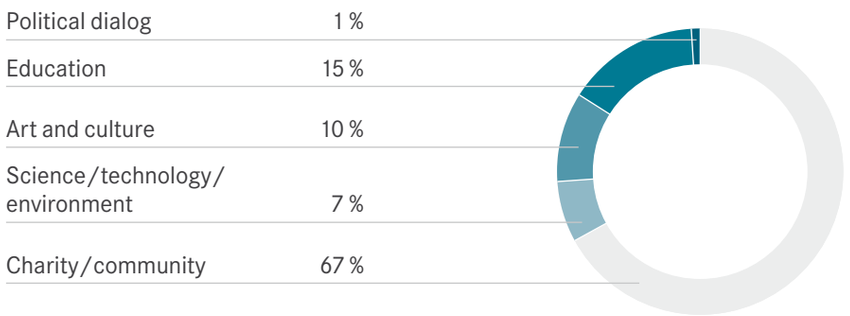
For us, business success and social responsibility go hand in hand. As a company, we strive to contribute to the advancement of society and to effectively shape, help, and promote its development. Together with our employees we are involved in many charitable community projects in order to help meet social challenges and create noticeable benefits.

As a globally operating company, we have the opportunity to co-design the social environment at our locations worldwide and to support the dialog between various cultures. In this context, we focus on the one hand on fields of action that arise from our role as a “good neighbor.” On the other, we are involved in projects in which we can contribute our specific expertise and our core competencies as an automaker. Our main emphasis is on the following issues: promotion of science, education and traffic safety, nature conservation, art and culture, community and charitable work, dialog, and understanding. In addition, we support our employees’ commitment to social welfare projects.

In 2016, we spent almost €60 million on donations to non-profit organizations and the sponsorship of socially beneficial projects, in addition to our foundation activities, corporate volunteering efforts, and projects that we ourselves initiated.

47

Donations and sponsorship in 2016



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

We provide **donations to political parties** in strict compliance with established laws. Our internal corporate policy explicitly requires a Board of Management resolution for all donations to political parties. In 2016, we supported the democratic parties exclusively in Germany with a total of €320,000. Of this total, the CDU and SPD each received €100,000, and the FDP, CSU, and Bündnis 90/the Green Party €40,000 each.

99 Promoting science
99 Education
100 Traffic safety
100 Nature conservation
101 Art and culture
102 Community and charitable commitment
103 Dialog and understanding
104 Corporate volunteering

Promoting science

Sustainable development is not possible without the targeted global promotion of science, research, and technology. Sharing knowledge across borders and promoting innovation are important factors in this respect. We therefore support universities, research institutes, and interdisciplinary science projects around the globe. We have consolidated these activities in foundations.

Environmental protection and ultra-safe technology are two of the fields in which the Daimler and Benz Foundation is supporting research. Endowed with €125 million, the foundation promotes the in-depth scientific exploration of research ideas that can have an important impact on society. Furthermore, it supports a mobility think tank that was expressly established to investigate the effects and socially relevant aspects associated with autonomous driving.

Self-driving automobiles will be a key technology of the future. However, they will also pose new challenges to road users and society. The Daimler and Benz Foundation is investing around €1.5 million in the "Villa Ladenburg" project, in which researchers are examining the future effects of self-driving vehicles on road traffic.

www.daimler-benz-stiftung.de

The German Future Prize is one of the most prestigious awards conferred for innovation and technology in Germany. It is presented by the President of Germany. The Daimler fund works within the framework of the Donors' Association for the Promotion of German Science to support this annual award.

www.stifterverband.org

The STEM subjects are set to become even more international in Germany, thanks to the MINTernational funding program.

More on these and other projects for the promotion of science

Education

Education creates opportunities and opens up doors to a future full of possibilities. We believe that improving access to education is one of the most long-lasting investments we can make for society and for our company. We are involved in a variety of education projects around the world with a view to promoting people's enthusiasm for science and technology and also their ability to look beyond the working world and go through life with an open mind. The projects we support also promote equal opportunity.

More curiosity — more future. This is the motto of the "Genius — Daimler's young knowledge community" education initiative, which is targeted at children and teenagers and their teachers. The latter are given special training and provided with teaching materials that introduce children to new automotive technologies in an entertaining and practical way and also get them interested in technology and research.

www.genius-community.com (available in German only)

The "Each Girl is a Star" project run by Mercedes-Benz Turkey and its Turkish partner organization CYDD has now provided training and financial grants to more than 3,900 girls and young women in 56 Turkish cities. The project gives underprivileged girls and young women the opportunity to attend a vocational school and enter professions traditionally occupied by men.

99 Promoting science
99 Education
100 Traffic safety
100 Nature conservation
101 Art and culture
102 Community and charitable commitment
103 Dialog and understanding
104 Corporate volunteering

Because people have to learn how to manage their money wisely, employees from Daimler in the United States take part in the Junior Achievement project, where they teach young people financial literacy and entrepreneurial thinking.

More on these and other education projects

Traffic safety

Our “journey on the road to accident-free driving” is not just about using suitable systems to relieve the burden on drivers, protect them, and support them in hazardous situations. For us it is more a question of ensuring the safety of all road users. We pursue this goal with traffic-education projects for schoolchildren and safety training programs for adults, for example.

MobileKids celebrates an anniversary. In 2016, our MobileKids program celebrated 15 years of successful traffic safety training in Germany and around the world. To date, MobileKids has made more than two million children fit for road traffic worldwide. In 2015, Daimler also launched a new traffic safety campaign in India known as the “Safe Road Project – A Safety Initiative.”

More on MobileKids and other traffic safety projects

>2 million

children have been made fit for road traffic by our international traffic safety initiative MobileKids in the 15 years of its existence.

Nature conservation

We share the responsibility for preserving the diversity of natural habitats for future generations. That is why we have been supporting the projects and initiatives of environmental organizations around the world for many years now. In this way, we contribute to making sure the earth remains a place worth living in.

Thriving wetlands are valuable habitats and carbon sinks. With the support of Daimler, nature conservationists are rescuing two wetlands in Germany (one in the Black Forest, the other in the Allgäu region) that are at risk of drying out.

Working together to stop the decline of mangroves. Mangrove forests line the coasts of many Asian countries, where they are an indispensable part of the protective ecosystem. Because these forests are greatly endangered, the Global Nature Fund is planting new mangroves.

Life-preserving water. In areas near our locations in India, Brazil, and Mozambique, we are working together with Caritas International from the beginning of 2016 to November 2018 in order to run projects that promote the sustainable use of water resources. Climate change is threatening to make entire tracts of land uninhabitable in those countries. Here, project workers are creating reliable water supply systems and providing training and knowledge to local farmers. We are also planning to hold two multi-day forums in which project participants and Caritas employees can share experiences and work together to enhance the joint project. The results of these forums will then be shared with all the project partners in the Caritas network so that they can benefit other projects as well.

More on these and other nature conservation projects

99 Promoting science
99 Education
100 Traffic safety
100 Nature conservation
101 Art and culture
102 Community and charitable commitment
103 Dialog and understanding
104 Corporate volunteering

Art and culture

Art has the power to build bridges. A rich cultural life and a vibrant art scene also foster creativity and innovation. That is why promoting art and culture is very important to us. Our cultural activities include the Daimler Art Collection, which was founded in 1977 and has now grown to around 2,600 works by 700 different artists. The emphasis of our activities is generally on the regional promotion of culture, with a focus on jazz, classical music, and the promotion of film in addition to the visual arts.

Cultural partnerships around the world. In Germany's capital, we are a partner of the Berlin Philharmonic. In Stuttgart, we sponsor the animated film festival and the jazzopen. Our cooperation with Stuttgart's Theaterhaus theater goes back a long way. The theater is well known far beyond the confines of the city. In China, we are involved in a strategic partnership with the National Center for the Performing Arts and we sponsor the International Music Festival. In South Africa, we are active as partners of the "21 icons" project. This initiative strives to inspire young people to follow in the footsteps of national icons like Nelson Mandela.

Sponsoring culture. We also support the Internationale Bachakademie and are the main sponsor of the BACHBEWEGT! SINGEN! project and the MusikfeSTuttgart music festival as part of this support. We support the Prussian Cultural Heritage Foundation in order to increase the importance of culture in society and make sure that Germany's rich cultural heritage remains visible and tangible.

The Emerging Artist Award **helps young artists start out on their careers**. With our support, the award provides funding for a particularly promising graduate of the Cranbrook Academy of Art in Michigan each year.

2,600

works by 700 artists are included in the Daimler Art Collection, which was founded in 1977.

Fashion for people with disabilities. During Mercedes-Benz Fashion Week Moscow 2016, the fashion designer Anastasia Anbroskina presented functional clothing for people with disabilities. Called the "wearABLE Future" collection, this clothing stands out because of its adaptable high-tech features that are especially designed for people with physical disabilities.

Cooperation with the National Gallery Victoria Museum in Melbourne. Our three-year partnership with the National Gallery Victoria Museum in Melbourne, Australia, has enabled the organization of globally successful exhibitions of the works of renowned artists and designers. As a result, the partnership will be extended for another three years.

The Junges Ensemble Stuttgart is currently performing a stage piece about **experiences in a refugee camp**. Daimler supported the project, which was part of a children's and youth theater festival.

In 2016, **100 works of art from the Holocaust** were shown in Berlin for the first time. Daimler helped support the exhibition, which was organized by Yad Vashem and the Stiftung für Kunst & Kultur e.V. Bonn to commemorate the resumption of diplomatic relations between Israel and Germany 40 years ago.

More on these and other projects in support of culture

99 Promoting science
99 Education
100 Traffic safety
100 Nature conservation
101 Art and culture
102 **Community and charitable commitment**
103 Dialog and understanding
104 Corporate volunteering

Community and charitable commitment

For us, being a global company means we have a global responsibility. That is why we support the social environment at our locations as well as a wide variety of aid projects around the world. And we do not stop at emergency disaster relief. We also set up longer-term projects aimed at helping people to help themselves.

Emergency relief for Haiti. In October 2016, Hurricane Matthew hit Haiti with winds of up to 220 km/h, causing severe damage and killing hundreds of people. Around 1.4 million people have since then been dependent on outside assistance. In the aftermath, Daimler and Germany's Foreign Office funded aid projects carried out by the German Red Cross. These projects focused on the département of Nippes, which was particularly hard hit. The main aim is to give approximately 4,300 families in the region access to clean water again. Another objective is to prevent a cholera outbreak by improving hygienic conditions. More than 2,100 cholera sets for water purification have been shipped to Nippes so far; another 1,000 sets are ready to be sent. Moreover, a broad-based vaccination campaign has been launched in order to protect up to one million people from cholera. The project partners also supplied tools and materials for cleanup work and the restoration of the country's heavily damaged agriculture.

Extensive support for refugees. Daimler has been helping refugees for a long time. For example, it has cooperated with Wings of Help since 2013 to send four convoys with relief supplies to Syrian refugee camps in Turkey and two flights with similar supplies to northern Iraq. In addition, we are providing the city of Stuttgart with three years of funding for its refugee welcome fund. We have also donated two Mercedes-Benz vans to organizations that help refugees. Moreover, we support projects run by the Bürgerstiftung Sindelfingen for the integration of newly arriving refugees and offer a support fleet of Mercedes-Benz vehicles to relief organizations.

Employees help refugees. We are also assisting the social integration of the refugees and supporting the relief activities of our employees. Among other things, employees are involved in local refugee projects that are being conducted within the framework of Social Days@Daimler. In 2016, employees renovated refugee shelters, for example, and helped to build playgrounds for children. Daimler paid for the required materials and ensured that the work was carried out under professional supervision.

99 Promoting science
99 Education
100 Traffic safety
100 Nature conservation
101 Art and culture
102 **Community and charitable commitment**
103 **Dialog and understanding**
104 Corporate volunteering

Building bridges to the world of work. The “bridge internships” in technical fields for refugees that were launched in the fall of 2015 were successfully continued in the following year. In the first half of 2016, around 250 people took part in such internships at all of the locations in Germany. Almost 600 bridge internships have been offered to date. The program will be continued in 2017. Last year we also added 50 trainee positions specifically for refugees.

In addition, we are supporting an educational project of the Bürgerstiftung Stuttgart with three years of startup funding. This project offers refugees and hard-to-train young people a platform for integrating them into the labor market.

“Dance for Good!” is an integrational dance project that enables refugees and young people from Germany to jointly gather dancing and acting experience. The project led to a performance that celebrated its premiere at Theaterhaus Stuttgart in July 2016. Passersby were able to dance for donations in Stuttgart. Mercedes-Benz Bank then matched these donations in order to double the total amount.

Laureus Sport for Good. Since 2000, the Laureus organization has helped more than three million children through its sports activities. This initiative, which Daimler AG launched in cooperation with Richemont, provides children and teenagers – especially those who are socially disadvantaged – with an opportunity to improve their prospects by means of sports. Over 150 Laureus projects in more than 35 countries worldwide use sports activities such as soccer, kickboxing, and skateboarding to get children and teenagers off the streets.

More on these and other aid projects from Daimler

Dialog and understanding

Being open to the world and being tolerant are important foundation stones of our corporate culture. As a group that operates around the world, we support projects and institutions that promote intercultural dialog in the interest of mutual understanding and the peaceful coexistence of cultures. We also support initiatives for the strengthening of democracy.

Training intercultural skills. The Daimler-Byrnes Scholarship enables Germans aged 15 to 18 to attend a school in the United States for one year. The students are given extensive intercultural training to prepare them for their role as “ambassadors” of their country.

The East Jerusalem Emergency Response Network aims to provide **Jerusalem with quick assistance in case of an emergency**. Daimler is helping the Jerusalem Foundation to set up the network’s emergency response teams, which consist of various medical and technical units that are regularly trained for new assignments.

Young Arabs can participate in internships at Daimler locations in Germany. The selected young talents come from local universities and are mainly interested in entrepreneurship, management development, and education.

More on these and other dialog projects

99 Promoting science
99 Education
100 Traffic safety
100 Nature conservation
101 Art and culture
102 Community and charitable commitment
103 Dialog and understanding
104 Corporate volunteering

Corporate volunteering

We face up to our global responsibility as a company, and we also support the efforts undertaken by our employees in the interest of society and the common good. The countless initiatives reflect the sense of responsibility felt by our employees, as well as their desire to provide opportunities to those who otherwise have none.

About €1 million was provided to charitable projects by the ProCent initiative in 2016. In this initiative, Daimler employees donate the cent amounts of their net salaries for a good cause. The company matches every cent that is donated. In 2016, the beneficiaries of this fundraising measure included the canine rescue squad of the German Federation of Samaritan Workers in Esslingen. The €4,000 donation enabled the organization to purchase a trailer to transport materials. The same amount was given to the Verein zur Förderung der Kinder- und Jugendhilfe e.V. Zeiskam in Wörth. This organization used the funds to build an outdoor playground and a garden for children to work and learn in.

Social Days@daimler is the name of a program that supports the charitable corporate volunteering activities of our employees. Our employees particularly support the development of teams in a variety of socially beneficial organizations.

Daimler Financial Services (DFS) organizes the Day of Caring **in more than 30 countries**. In 2016, more than 2,300 employees worldwide contributed a day of work in support of charitable organizations.

"The implementation of 859 social welfare projects to date speaks for itself. We are very proud of our employees' volunteering activities and the many project proposals that they have submitted. That's why we as a company gladly match every cent that our employees donate."

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

The national company of DFS in the United States gives its employees **one more paid working day off** ("Individual Volunteer Day") for socially beneficial activities.

"Give a Smile" is the motto of Daimler's annual Christmas campaign, in which employee volunteers at all Group locations in Germany donate and gift-wrap presents for children and adolescents from socially disadvantaged families.

The Willing Hearts organization in Singapore cooks **4,500 meals every day** and distributes them to people who live on the fringes of society. Daimler employees assist this effort.

More on these and other employee projects

99 Promoting science
99 Education
100 Traffic safety
100 Nature conservation
101 Art and culture
102 Community and charitable commitment
103 Dialog and understanding
104 **Corporate volunteering**

48

Effective social commitment

€4.9

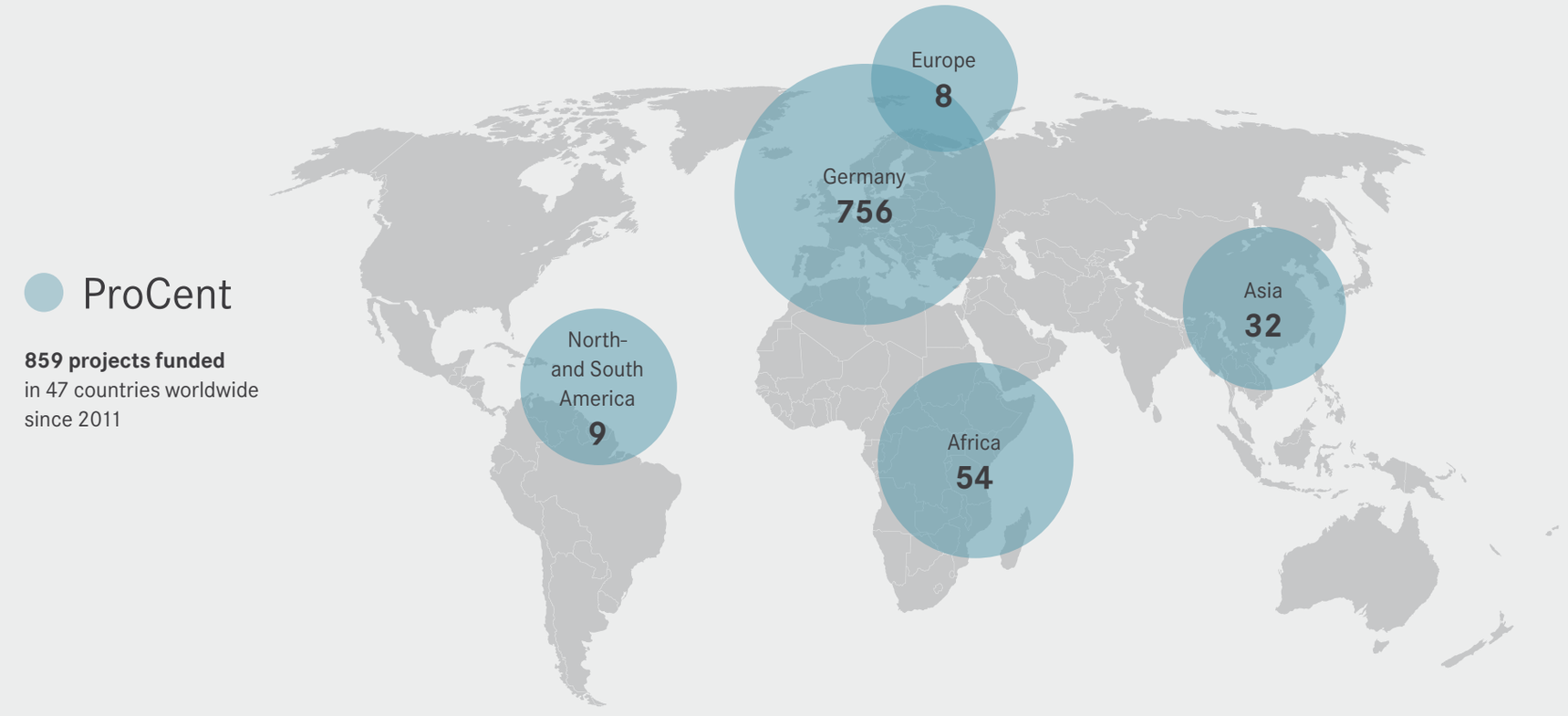
million have been invested in **859 aid projects** since ProCent was launched in December 2011.

189

projects received a total of **more than €1 million** from the ProCent initiative in 2016.

100,000

Daimler employees in Germany donate the cent amounts of their net pay to ProCent.



Target Program

Sustainability objectives are part of our strategic target system. From the defined fields of action, we have derived concrete measurable targets. We anchor our sustainability objectives in our management and leadership system at all stages of the value chain. We review these targets annually and adjust them as required. In doing so, we also take the changing requirements of our stakeholders into account.

GRI G4-18, G4-23, G4-25, G4-26

Strategy and Management

Stakeholders	Date	Measures	Status	Page
Internationalization of the stakeholder dialog GRI G4-25, G4-26, G4-27 SDG 8, 12, 17	2016	**Continuation and internationalization of the “Daimler Sustainability Dialogue”** ⊕ Staging of the ninth “Daimler Sustainability Dialogue” in Stuttgart with an international group of participants (more than 200 participants organized in 7 working groups for the first time). ⊕ Staging of the fourth “Daimler Sustainability Dialogue” in China (with around 200 participants in 4 working groups). **Continuation of this target next year:** ○ Staging of the tenth “Daimler Sustainability Dialogue” in Stuttgart. ○ Staging of an additional “Daimler Sustainability Dialogue” outside Germany.	100%	14 f.
Further differentiation and systematization of the stakeholder management and dialog GRI G4-25, G4-26, G4-27 SDG 17	2017	**Further development of the dialog concept** ⊕ Implementation of a second think tank research project regarding corporate responsibility issues. ⊕ Critical analysis of Daimler’s stakeholder activities during a scholarly block seminar organized in cooperation with the Philosophy & Economics study program at Bayreuth University. ⊕ Further development of the concept for the structured sharing of ideas with stakeholders at the Group level in selected corporate responsibility functions. **Target horizon extended by one year:** ○ Completion of the topic-related think tank work and publication of the research findings. ○ Ongoing further development of stakeholder involvement in selected CR functions.	70%	13 ff.

Shows the associated SDGs

⊕ Achieved in 2016/Degree of target achievement in 2016 ↗ increased ↘ did not increase → unchanged

Ethical Responsibility

Integrity and compliance	Date	Measures	Status	Page
Training Further development of the integrated risk and target-group-oriented training program about integrity, compliance, and legal issues. SDG 4, 1	Ongoing	Expansion of the training program for officers from Integrity and Legal Affairs. Implementation of the annual training plan. Provision of target-group-oriented training materials, methodical assistance, and training programs in order to expand and support the communicator network. Ongoing provision of Web-based basic training courses about integrity, compliance, and legal issues. Implementation and rollout of target-group-specific independent learning modules and compliance process training courses. Continuation and ongoing further development of target-group-specific training programs. Provision of a new Web-based compliance awareness module for external business partners. Expansion of the training and consulting program for supervisory and management functions.	On schedule	20 f.

Shows the associated SDGs

Achieved in 2016/Degree of target achievement in 2016 increased did not increase unchanged

Ethical Responsibility

Integration and compliance	Date	Measures	Status	Page
Raising awareness Discussion of our values and principles, and promotion of the public debate. GRI G4-26 SDG 16, 17	Ongoing	**Continuation of the company-wide dialog** ○ Target-group-specific offers for addressing integrity-related issues, e.g. various integrity events. ⊕ Incorporation of integrity in HR processes with regard to Leadership 2020. ○ Involvement in the public dialog, e.g. member of the Ethics Committee of Germany's Ministry of Transport, discussions with external stakeholders at "Daimler Sustainability Dialogues." In addition, the external Advisory Board for Integrity and Corporate Responsibility provides Daimler AG with constructive and critical support. **Supporting ethical conduct in daily business** ⊕ The "Infopoint Integrity" serves as a central contact and advice center for integrity-related issues in the daily work environment and is available to all employees.	↗ On schedule	20 ff.
Sustainable compliance Sustained integration of compliance. SDG 16	Ongoing	**Integration of compliance** ○ Further integration of compliance as an integral element of our value chain. ○ Continuous increase of people's compliance awareness in order to sustainably maintain a culture of integrity as the foundation of the company's daily operations. **Expansion of the set of tasks** ○ Continuation of activities for the prevention of money laundering in the goods trade. ○ Continuation of the Group-wide review of sanctions lists (EU and US). **Process improvements** ○ More efficient structuring of compliance processes in the company. ○ Further increase of the effectiveness of the Compliance Management System. ○ Further increase of the effectiveness of the due diligence process. ○ Increase of the effectiveness of the Integrated Compliance Risk Assessment.	↗ On schedule	23 ff.

SDG Shows the associated SDGs

⊕ Achieved in 2016/Degree of target achievement in 2016 ↗ increased ↘ did not increase → unchanged

Ethical Responsibility

Integrity and compliance	Date	Measures	Status	Page
Whistleblower system Optimization of the whistleblower system BPO. SDG 16	Ongoing	**Data protection at the BPO** ⊕ Review of the data protection conditions as part of the continuous improvement process. ⊕ If necessary, initiating the notification of the data protection authorities. ⊕ Definition of a perpetuation process that, among other things, calls for the regular review of the data protection conditions. **Communication to the employees** ⊕ Development and rollout of a sustainable communication concept (including initial measures) in Germany and abroad. ⊕ Continuation of global communication measures in 2016. **Process improvements** ⊕ Implementation of a continuous improvement process. ○ Conception and development of a new IT system for handling cases and for BPO reporting. ○ Ongoing optimization of the existing processes.	↗ 95%	24 f.
Critical support by the independent Advisory Board for Integrity and Corporate Responsibility SDG 16, 17	Ongoing	⊕ Appointment of two new members to the Advisory Board. ⊕ Three ordinary meetings per year. ○ Regular communication with Board of Management members and other Daimler experts. ⊕ Participation of Advisory Board members in the “Daimler Sustainability Dialogue” 2016. ○ The Advisory Board is regularly informed about the company’s integrity-related measures and current topics of relevance to the Group. ⊕ Each year, the Advisory Board evaluates the Group’s integrity-related activities at the request of the Supervisory Board.	↗ On schedule	14

SDG Shows the associated SDGs

⊕ Achieved in 2016/Degree of target achievement in 2016 ↗ increased ↘ did not increase → unchanged

Ethical Responsibility

Human rights	Date	Measures	Status	Page
Development and implementation of an expanded concept for the management of human rights issues (Daimler Human Rights Respect System, HRRS) GRI G4-26 SDG 3, 5, 8, 10, 16	2020	**Development of a human rights due diligence method, which is then launched in a pilot project for the Daimler Human Rights Respect System (HRRS) (based on the results of 19 country assessments conducted from 2011 to 2015)** ⊕ Design of a risk management cycle to ensure risks are continuously monitored. ⊕ Discussion of the concept elements with external stakeholders in the Human Rights working group at the "Daimler Sustainability Dialogue." ⊕ Completion of the concept for conducting the preliminary risk assessment. ⊕ Development of a Daimler-specific method for the local assessment of human rights risks at Daimler locations. ⊕ Implementation of a successful pilot project for this approach at one of the Group's locations. ○ Preparation of an additional pilot project for implementation in 2017. ○ Start of the conceptual development of the program management system (definition of risk-appropriate measures) for the HRRS.	30%	23

Data protection	Date	Measures	Status	Page
Intensified awareness-building through the sensitization of employees for data protection issues SDG 9, 16	Ongoing	⊕ Providing a new Web-based basic training for data protection (multilingual). ○ Development and provision of additional Web-based trainings on specific data protection topics. ⊕ Dispatch of various information packages to managers of Daimler AG who have been newly appointed or who have returned to the company after being on extended leave or on a foreign assignment. ○ Further awareness of managers and employees for data protection topics. ⊕ Optimization of the international training and information offers.	On schedule	26 f.

Shows the associated SDGs

⊕ Achieved in 2016/Degree of target achievement in 2016 increased did not increase unchanged

Ethical Responsibility

Data protection	Date	Measures	Status	Page
Development and implementation of international data protection principles SDG 9, 16	Ongoing	○ Implementation of the agreed voluntary commitments to data protection principles in the automotive sector in Germany, the EU, and the United States (German Association of the Automotive Industry (VDA), European Automobile Manufacturers Association (ACEA), and Auto Alliance). ○ Further development of the implementation measures for the Daimler Data Protection Policy (a binding corporate rule) on the basis of the sector-specific demands and requirements.	On schedule	26 f.
Enhancement of data protection by continuation of the discourse with relevant stakeholders and Daimler's involvement in projects about the future data protection GRI G4-24, G4-26 SDG 9, 16, 17	Ongoing	⊕ Conduct of data-protection-related dialog sessions with scientists, politicians, and representatives of NGOs, associations, and administrative groups. ○ Continuation of the dialog with stakeholders on a consistent level. ⊕ Participation in the "Self-controlled Data Privacy in Connected Vehicles" (SeDaFa) project for the development of user-friendly decision-making options and of measures to create transparency regarding data processing in vehicles.	On schedule	26 f.

SDG Shows the associated SDGs

⊕ Achieved in 2016/Degree of target achievement in 2016 ↗ increased ↘ did not increase → unchanged

Product Responsibility

Fuel consumption and CO_2 emissions – main markets	Date	Measures	Status	Page
Reduction of the CO_2 emissions of our fleet of new cars in Europe: – **to 125 g CO_2/km** (according to NEDC), a decline of about 30 percent since 2007. – **to 100 g CO_2/km** (according to NEDC), a decline of about 44 percent since 2007. SDG 7, 9, 12, 13	2016 2021	**Continued phased reduction of CO_2 emissions through:** The further electrification of the drivetrain. The further optimization of car engines and their phased introduction in model series. Introduction of the new, enhanced fuel-efficiency 9-speed automatic transmission in additional model series. Reduction of traveling resistances (through improved aerodynamics, reduced weight), optimization of energy management. Market launch of the C 350 e, the C 350 e Wagon, the GLE 500 e 4MATIC, and the GLC 350 e 4MATIC as plug-in hybrid models. Rollout of the new C-Class (including variants). The emissions value for our fleet of new cars is currently 123 g CO_2/km	100% 50%	39 39
Reduction of the fleet consumption of our cars and light-duty trucks in the United States: – **by 25 percent each** between model year 2012 (the base year for the current fuel efficiency regulation) and model year 2019. SDG 7, 9, 12, 13	2019	**Reduction of the fuel consumption of the car fleet by 15.0 percent and of the light-duty truck fleet by 12.2 percent compared to the base year 2012 through:** Measures – see cars Europe. The provisional values for the 2016 model year are 34.4 mpg for cars and 27.3 mpg for light-duty trucks.	50%	40 f.

Shows the associated SDGs

Achieved in 2016/Degree of target achievement in 2016 increased did not increase unchanged

Product Responsibility

Fuel consumption and CO_2 emissions – main markets	Date	Measures	Status	Page
Reduction of the fuel consumption of our fleet of cars in China: – **by 25 percent** between 2012 (the base year for the current fuel consumption regulation) and 2019. SDG 7, 9, 12, 13	2019	**Reduction of the fuel consumption of imported cars by 17.3 percent and of domestic cars by 28.5 percent compared to the base year** ● **Measures – see cars Europe.** ● The current values are 6.8 l/100 km for domestic cars and 7.8 l/100 km for imported cars.	80%	41
Reduction of the CO_2 emissions of our fleet of light-duty commercial vehicles in the EU: – **by more than 10 percent** compared to 2014. SDG 7, 9, 12, 13	2018	**Reduction of the CO_2 emissions of light-duty commercial vehicles (N1) by 3.0 percent compared to the base year to 193 g/km through:** ● Full market availability of the measures introduced in 2014.	30%	42 f.
Reduction of the fuel consumption of our heavy-duty commercial vehicles in Europe: – **by 20 percent on average** compared to the base year 2005. SDG 7, 9, 12, 13	2020	**After the fuel consumption of the reference long-distance haulage trucks in Europe (Euro III vehicles) was reduced by over 15 percent (per ton-kilometer) compared to the base year, further reductions will primarily be achieved through:** ● Refinement of the gear-shifting strategy and further optimization of the fuel economy-enhancing Predictive Powertrain Control (PPC) system. ● Optimized transmission, improved aerodynamics, and a new generator management system.	70%	43 f.

Shows the associated SDGs

Achieved in 2016/Degree of target achievement in 2016 increased did not increase unchanged

Product Responsibility

Fuel consumption and CO_2 emissions – main markets	Date	Measures	Status	Page
Reduction of the fuel consumption of our heavy-duty commercial vehicles in NAFTA: – **by approx. 10 percent** in our reference Cascadia trucks, compared to the base year 2015. SDG 7, 9, 12, 13	2019	**Reduction of the fuel consumption of the Cascadia reference long-distance haulage truck by 20 percent through:** ⊕ Intelligent Power Management (route-optimized gear-shifting strategy). ⊕ Exploitation of the additional synergy effects of fuel consumption-reducing technologies from Daimler Trucks' global portfolio (e.g. improved aerodynamics).	0%	43 f.
Reduction of the fuel consumption of our buses: – **by 20 percent on average** for city buses and travel coaches over 18 tons GVW in Europe (compared to the base year 2005). SDG 7, 9, 12, 13	2020	**Substantial improvement of values compared to the base year of 2005 through:** **City buses:** ○ All models available with new engine technology. ○ Consistent use of lightweight engineering. ⊕ As a result, the fuel consumption of the reference city bus is already down by 16 percent.	80%	46 ff.
		Coaches: ○ All models available with new engine technology. ○ Additional internal combustion improvements ⊕ Optimized shift program ○ Improved aerodynamics. ⊕ As a result, the fuel consumption of the reference coach is now 18 percent lower.	90%	46 ff.

SDG Shows the associated SDGs

⊕ Achieved in 2016/Degree of target achievement in 2016 increased did not increase unchanged

Product Responsibility

Air quality	Date	Measures	Status	Page
Reduction of the CO_2 emissions of our Mercedes-Benz cars over their entire life cycles: – **down by 10 to 20 percent each** compared to the previous model. SDG 7, 9, 12, 13	Ongoing until 2020	**The reduction targets for the entire life cycle can be achieved by means of:** Diesel model E 220 d: –29 percent. Plug-in hybrid model E 350 e (Sedan): –63% (using hydroelectric power).	100%	48 f.
Offering vehicles early on that comply with the upcoming Real Driving Emissions (RDE) legislation SDG 7, 9, 12, 13	2017	**Achievement of the EU6/2 emissions regulation ahead of schedule.** According to this regulation, more stringent particulate limits will come into force in 2017; all Mercedes-Benz cars already complied in 2016.	90%	48
Reduction of the NO_X emissions of our Mercedes-Benz cars over their entire life cycles: – **down by 10 to 20 percent each** compared to the previous model. SDG 3	Ongoing until 2020	**The reduction targets for the entire life cycle can be achieved by means of:** Reduction of the NO_X emissions: Diesel model E 220 d: –40 percent. Plug-in hybrid model E 350 e (Sedan): –42 percent (using hydroelectric power).	100%	48 f.

Health protection	Date	Measures	Status	Page
Ensuring that the interiors of our vehicles are safe for people who suffer from allergies SDG 3	2020	**Certification of the vehicle interiors of all new car model series by the European Centre for Allergy Research Foundation (ECARF)** ECARF certificate granted for the E-Class in Europe and China, for the GLE Coupé, the SLC Roadster, and the SL Roadster in Europe, and for the GLA and the GLC in China.	100%	50

Shows the associated SDGs

Achieved in 2016/Degree of target achievement in 2016 increased did not increase unchanged

Product Responsibility

Innovative vehicle and drive technologies	Date	Measures	Status	Page
Achieving a leading role in the premium segment for electric and hybrid vehicles SDG 7, 9, 12	2017	**Market launch of a total of 10 plug-in hybrid models from Mercedes-Benz** Market launch of the C 350 e, the C 350 e Wagon, the GLE 500 e 4MATIC, the GLC 350 e, the E 350 e, and the E 350 e Wagon as plug-in hybrid models. **Market launch of additional electric vehicles with a battery and a fuel cell**	60%	38 f.
Assessment and reduction of the environmental effects of the Mercedes-Benz car models over their entire life cycles SDG 3, 7, 9, 12	Annually until 2020	**Setting holistic environmental targets for all Mercedes-Benz car development projects** Continuous review of the objectives as part of the Mercedes-Benz development process in accordance with ISO TR 14062 (Design for Environment) and ISO 14006 (product-related environmental management). Confirmation of the development process of the E 200 Sedan, the E 350 e plug-in hybrid, and the E 220 d Sedan and Wagon. Publication of the results in the series of documents for life-cycle assessments/environmental certificates.	100%	36 ff.

Resource conservation	Date	Measures	Status	Page
Assessing the resource efficiency of Mercedes-Benz cars SDG 6, 8, 9, 12	2020	**Development and testing of indicators for the assessment of resource efficiency** Conclusion of the research work for the holistic assessment of resource efficiency (ESSENZ). Involvement of socially relevant groups in the selection of suitable indicators. Implementation and testing in real-life operations using the E-Class plug-in hybrid as an example and publication in the E-Class environmental certificate.	60%	52 ff.

Shows the associated SDGs

Achieved in 2016/Degree of target achievement in 2016 increased did not increase unchanged

Product Responsibility

Mobility concepts	Date	Measures	Status	Page
Promotion of the construction of a hydrogen infrastructure in Germany with the help of cooperation partners: – **20 H_2 filling stations** in Germany (10 H_2 filling stations each by Daimler and Linde) – **20 H_2 filling stations** in operation by 2014 **H_2 MOBILITY GmbH & Co. KG:** – A company for the construction and operation of H_2 filling stations in Germany.	2015	**Construction and commissioning of hydrogen filling stations to supply fuel cell vehicles with hydrogen from renewable sources:** ○ All 20 H_2 filling stations to be in operation by mid-2017. ○ Daimler to contribute 10 H_2 filling stations to the company. ○ Up to 100 H_2 filling stations during Phase 1; possibility of further expansion (up to 40 H_2 filling stations), depending on the number of vehicles on the market. ○ Additional H_2 filling stations will be constructed in line with the number of fuel cell vehicles on the market.	70% 20%	39 47
– Phase 1: Up to **100 H_2 filling stations.**	2017			
– Phase 2: Up to **400 H_2 filling stations** (depending on number of FCEVs in Germany)	2018 2023			
SDG 3, 7, 8, 9, 11				

Vehicle safety	Date	Measures	Status	Page
Achieving top marks for the safety of our cars: – **Five-star rating in the Euro NCAP crash test** for new model series with tougher requirements every year between 2012 and 2015. – **“TOP SAFETY PICK”** in the IIHS crash test rating with small-overlap crash.	Ongoing	⊕ The C-Class, E-Class, and GLE named TOP SAFETY PICK+ (TSP+) after a more demanding crash test by the US Insurance Institute for Highway Safety (IIHS). ⊕ Five-star rating in the Euro NCAP crash test for the E-Class. ⊕ IIHS gives C-Class a “superior” rating. ⊕ IIHS gives E-Class a “superior” rating. ⊕ IIHS gives GLE a “superior” rating.	100%	50 f.
SDG 3				

Shows the associated SDGs

⊕ Achieved in 2016/Degree of target achievement in 2016 increased did not increase unchanged

Corporate Environmental Protection

Energy and climate protection	Date	Measures	Status	Page
Reduction of the CO_2 emissions of our European plants: – **by 20 percent in absolute terms** compared to 1990* – **by two-thirds in specific terms** compared to 1990*. SDG 7, 9, 12 *Time frame of EU climate targets	2020	**Efficiency-boosting measures and CO_2-optimized energy generation by Daimler. Even though production volumes have substantially increased, these measures have caused the** Reduction of absolute CO_2 emissions by 13.4 percent compared to 1990 (time frame of EU climate targets) and by 0.6 percent compared to 2015. Continued implementation of measures for reducing absolute CO_2 emissions in production.	75%	63 ff.
Reduction of the specific CO_2 emissions of our production plants: – **by a total of 40 percent** compared to 2007. SDG 7, 9, 12	2020	**Efficiency-boosting measures and Daimler's own CO_2-optimized energy production have caused CO_2 emissions to decline per manufactured vehicle:** Daimler Buses: +1 percent. Mercedes Benz Cars:–37 percent. Mercedes Benz Vans: –44 percent. Daimler Trucks: –7 percent. Continued implementation of measures for reducing specific CO_2 emissions in production. The target date was extended from 2015 to 2020 and tougher requirements were introduced.	80%	63 ff.
Reduction of specific energy consumption of the Mercedes-Benz Cars plants – **by 25 percent** compared to 2015. SDG 7, 9, 12	2022	**Energy efficiency projects and switch to new technologies** Reduction of specific energy consumption by 3.5 percent; the value is within the target range.	15%	63

Shows the associated SDGs

Achieved in 2016/Degree of target achievement in 2016 increased did not increase unchanged

Corporate Environmental Protection

Water	Date	Measures	Status	Page
Reduction of specific water consumption of the Mercedes-Benz Cars plants – **by 15 percent** compared to 2015. SDG 6, 9, 12	2022	**Recirculation and treatment of process water; optimization of cooling circuits and sanitary facilities** Reduction of the specific water consumption by 3.8 percent; the value is better than the target range.	25%	70

Waste	Date	Measures	Status	Page
Reduction of the specific amount of the disposable waste from Mercedes-Benz Cars plants – **by 25 percent** compared to 2015. SDG 9, 12	2022	**Improved painting technologies, use of new recycling paths** Due to special circumstances, the specific amount of disposable waste grew by 3.7 percent; the value is not within the target range.	0%	69

SDG Shows the associated SDGs

Achieved in 2016/Degree of target achievement in 2016 | increased | did not increase | unchanged

Employees

Diversity	Date	Measures	Status	Page
Strengthening of our position as one of the leading companies in the automotive industry with regard to diversity management SDG 4, 5, 8, 10	2020	**Strengthening of our diversity management by:** ○ Firmly anchoring diversity management in HR processes and corporate and leadership cultures, and intensification of the focus on customer access. ⊕ Employees in 26 countries on 4 continents conducted numerous activities on the fourth Daimler Diversity Day. ⊕ Approx. 5,200 people reached during the fourth Daimler Diversity Day in Stuttgart. ○ Expansion of the global talent pool: 50 percent of people recruited for CAReer to come from outside Germany by 2020 (2016: more than 30 percent). ○ Promotion of women in the CAReer young talent program: More than 40 percent of the candidates recruited in 2016 were women. ○ Promotion of women in senior management positions (2016: over 16 percent). ○ Initiatives for more flexible working times and places: Increase in the share of managers in flexible working-time models such as job sharing (over 60 job-sharing pairs at Level 4 and 16 job-sharing pairs at Level 3 in 2016). ○ Provision of 885 childcare places across Germany in 2016 (710 of the company's own childcare places and 175 places at cooperating partners).	↗ 70%	79 ff.

Shows the associated SDGs

⊕ Achieved in 2016/Degree of target achievement in 2016 ↗ increased ↘ did not increase → unchanged

Employees

Employer attractiveness	Date	Measures	Status	Page
Keeping employee commitment at an above-average level SDG 3, 4, 5, 8, 10	2018	**Maintaining the current employee commitment value (68 ECI points) at an above-average level compared with the benchmark in the manufacturing sector by means of:** ⊕ A Group-wide employee survey as a well-accepted feedback tool. Employee survey held in September 2016. ○ Specifying concrete divisional targets in order to promote and stabilize employee commitment as a management task. ○ Support for the derivation and implementation of measures during the survey's follow-up process. ○ A new concept for the Group-wide employee survey in 2018.	↗ 90%	77

Generation management	Date	Measures	Status	Page
Optimally overcoming the challenges our workforce faces as a result of demographic changes SDG 3, 4, 5, 8, 10	2020	**Incorporation of the demographics topic into our corporate culture and leadership process; expansion of generation management** ⊕ Development and agreement on basic principles regarding generation management. ⊕ Training courses and awareness-raising workshops conducted for managers at four locations. ○ About 550 former Daimler employees have created a "senior expert" profile to date. Around 500 senior experts have been or still are on assignment since the program was launched in 2013. ⊕ Implementation of two international pilot projects on strategic human resources planning ("Jobfit"). ○ Implementation of the demographic review system at the German car plants as part of the demography initiative Y.E.S.	↗ 75%	80

SDG Shows the associated SDGs

⊕ Achieved in 2016/Degree of target achievement in 2016 ↗ increased ↘ did not increase → unchanged

Suppliers

Prevention and risk management	Date	Measures	Status	Page
Environmental management Increasing the share of our production material suppliers who have a certified environmental management system to 70 percent (based on revenue). SDG 8, 12	2018	**Request that suppliers have a certified environmental management system** Inclusion of the requirement for a certified environmental management system in the contractual stipulations. Consistent requirement of proof that suppliers of production materials and selected suppliers of non-production materials have a certified environmental management system. Use of an online system for documentation and reminders of overdue certificates. Addressing the need for a certified environmental management system in supplier talks.	100%	93
Supplier review Survey of 40 percent of production material suppliers (based on revenue) regarding their compliance with sustainability standards and their sustainability management. SDG 8, 12	2016	**Development and implementation of a supplier review** Getting 40 percent of production material suppliers (based on revenue) to fill out the online self-assessment questionnaire that was developed in cooperation with other automakers. Supporting communication measures at the Daimler Supplier Portal.	100%	94 f.

Shows the associated SDGs

Achieved in 2016/Degree of target achievement in 2016 increased did not increase unchanged

Suppliers

Prevention and risk management	Date	Measures	Status	Page
Supplier review Survey of 70 percent of suppliers (based on revenue) regarding their compliance with sustainability standards and their sustainability management. SDG 8, 12	2017	**Expansion of the supplier review** Calling on the main suppliers of production materials and non-production materials to fill out the online self-assessment questionnaire that was developed in cooperation with other automakers to find out whether the sustainability standards and sustainability management are being complied with. Targeted use in high-risk non-production-material product groups such as transport logistics. Providing the participating suppliers with feedback regarding their sustainability performance and other areas where improvements could be made or where deviations may have occurred. Supporting communication measures at the Daimler Supplier Portal. Actively supporting the VDA activities to encourage Tier 1 suppliers to use the questionnaire so that our sustainability standards are passed on along the supply chain.	85%	94 f.

Shows the associated SDGs

Achieved in 2016/Degree of target achievement in 2016 increased did not increase unchanged

UN Sustainable Development Goals

Daimler supports the implementation of the United Nations' Sustainable Development Goals (SDG). In September 2015, all of the member countries accepted the **17 Sustainable Development Goals** of the Agenda 2030. These goals address economic, social, and environmental challenges, and apply equally to developing countries, emerging markets, and industrialized nations.

Thanks to our **sustainable corporate strategy** and sustainability targets, we are making positive contributions to solving the global challenges of our time.

Report Profile

In this Sustainability Report we assess the economic, environmental, and social impact of our business operations in 2016 and present our current Target Program. We make this comprehensive report available as a navigable PDF file to ensure that the information it contains is easy to find and use. As a result, topics and information can be directly called up in the same way as they are on a Website.

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

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

The report is in accordance with the "Comprehensive" option of the GRI G4 Guidelines

In 2006, Daimler joined the multi-stakeholder network of the Global Reporting Initiative (GRI) as an organizational stakeholder. This report was prepared in accordance with the internationally recognized guidelines on sustainability reporting GRI G4. The report was submitted for the GRI Materiality Disclosures Service, and GRI confirmed the correctness of the locations of the G4 materiality disclosures (G4-17 to G4-27).

GRI Content Index (PDF)

Our reporting activities are audited in accordance with ISAE 3000

We engaged the auditing and consulting firm PricewaterhouseCoopers to examine the Corporate Sustainability Report. The review was based on the International Standard on Assurance Engagements 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000), published by the International Auditing and Assurance Standards Board (IAASB).

The auditing firm subjected our Sustainability Report to a critical assessment of its correctness, completeness, comparability, comprehensibility, and relevance. The main focus of the review was on the corporate level and was supplemented by samples from individual production plants. The following areas were reviewed:

- the Group-level management systems and processes that are used for recording, gathering, consolidating, and processing the data published in the report;
- the control processes for sustainability reporting at the Group level;
- the accuracy of Group-level figures in tables and statements:
  - production-related key figures on "CO_2 emissions, water consumption, and recycling rate"
  - "average CO_2 emissions of the European passenger car fleet of Mercedes-Benz Cars"
- statements concerning human rights
- the incorporation of sustainability into the corporate governance structure.

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

Audit certification: p. 130

Our UN Global Compact Progress Report

Daimler has committed itself to upholding the 10 principles of the UN Global Compact. We were one of the first signatories of the UN Global Compact, and we participate in the LEAD group established in 2011. We are involved in thematic and regional task forces and initiatives of the UN Global Compact. With this Sustainability Report we are meeting our obligation to report regularly on our initiatives regarding human rights, labor standards and employee rights, environmental protection, and the fight against corruption.

In June 2016, we submitted the Sustainability Report 2015 together with the document titled “Realizing the Blueprint: Corporate Action Plan” as our official UN Global Compact Communication on Progress. We will present the next Communication on Progress in July 2017.

UN Global Compact Communication on Progress

We want to become better and better

Daimler is continuously enhancing its sustainability activities and measures. This also applies to its Sustainability Reporting. This report was prepared in line with the principles of materiality, stakeholder inclusiveness, completeness, and sustainability context.

New features in the report since 2015

Our Sustainability Report has followed a new approach since 2015, eliminating the journalistic features and reports that are more appropriate for a broader readership. We are now informing these readers about our sustainability activities in additional publications. As a result, the Sustainability Report now primarily addresses the information requirements of experts such as analysts, rating agencies, NGOs, and sustainability organizations. We have, accordingly, concentrated even more strongly on providing content that is of importance to these groups. The key figures, data, and facts are therefore clearly presented in a focused and easy-to-find manner.

Focusing on the essentials

From a thematic standpoint, the Sustainability Report continues to focus on the areas highlighted in our materiality analysis. We also concentrated on the main key figures in our inclusion of the GRI Content Index.

Materiality analysis: pp. 04 ff.

The reporting process and quality assurance

In addition to having PricewaterhouseCoopers (PwC) conduct a system and data quality audit, we perform detailed benchmark analyses. In parallel we also have an internal process for the review of targets, measures, and fields of action.

Scope of reporting and data acquisition methods

Economic data. The information about economic relationships presented in the Sustainability Report for 2016 is based on data from the Daimler Annual Report 2016. The latter’s Management Report and Notes sections were attested to with an unqualified opinion by the auditing firm KPMG Deutsche Treuhand-Gesellschaft AG.

Further information can be found in the Annual Report 2016

Employee data. The facts and figures in the Employees section are based on the Daimler Annual Report 2016. The reporting on human resources data is based mainly on the “HR ePARS” electronic human resources planning and reporting tool, which combines the data of all consolidated companies within the Daimler Group. This information is supplemented with data acquired with the aid of the ePeople and HR EARTH electronic human resources management systems. The texts and diagrams in this section indicate whether the data refers to the entire Group or only to parts thereof.

Collection of data on corporate environmental protection. Daimler has been systematically compiling key environmental data from its German plants since 1992. In 1997 and 1998 its data acquisition was gradually extended to include production plants outside Germany. Since 2002 the data acquisition and analysis have been handled with the aid of a database. The data in this report reflects the structure of the Group in 2016 and includes all production plants of which the Daimler Group is a majority shareholder as well as the German and other European locations for logistics, service, and sales. It does not include the locations of Daimler Financial Services. For this reason, the timelines may differ from those of previously published data. New parts of the company have been included from the time at which they became part of Daimler. In a change from the prior year, the report for 2016 includes the spare parts center in Neuhausen. The environmental data for 2016 refers to a total of 72 production locations and subordinate sites as well as to 35 logistics, service, and sales locations.

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

Disclaimer

We have exercised extreme care in the compilation of the data contained in this report. Nevertheless, we cannot entirely exclude the possibility of error. Insofar as this report contains forward-looking statements, these are based exclusively on data and forecasts available at the time of publication. Although such projections are drawn up with extreme care, a great variety of factors that were unforeseeable at the time of publication may lead to deviations. The content of the report was checked by the responsible specialist staff. Parts of the report were also examined by PricewaterhouseCoopers. Our last Sustainability Report appeared in April 2016 under the title “Sustainability Report 2015.” The current Sustainability Report will appear in March 2017 under the title “Sustainability Report 2016.” Our next report will be published in early April 2018.

Editorial deadline for this report: February 24, 2017

Further information on the Group:

You can find our key financial figures for the 2016 financial year along with information on business developments, the divisions, and changes to the product range in our Annual Report.

AR 2016

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

Daimler at a Glance (PDF) GRI G4-17

How we calculate and document our CO_2 emissions

Daimler calculates and documents its CO_2 emissions in accordance with the 2004 Corporate Accounting and Reporting Standard of the Greenhouse Gas Protocol Initiative (Scopes 1 to 3).

We document all CO_2 emissions from stationary sources (Scope 1), indirect emissions resulting from the generation of the purchased electricity and district heating (Scope 2), and emissions resulting from the use of our products (Scope 3). Thus we also take into account the emissions produced before and after our own activities.

- **Scope 1:** We calculate our direct emissions from the combustion of fuels, heating oil, natural gas, liquefied petroleum gas, and coal with fixed CO_2 emission factors as specified by the World Business Council for Sustainable Development (WBCSD) or the German Emissions Trading Office, DEHSt. We began to include the combustion of fuels in the calculations of Group-wide CO_2 emissions for the first time in 2010. The calculation also includes the consumption of energy for production purposes (e.g. forklifts) and test benches in Product Engineering. Company cars assigned to specific individuals are not taken into account. If data is available, the results of previous years are also included in the calculation.

- **Scope 2:** We differentiate by time and region in our calculations of indirect emissions from district heating and electricity from external sources. If more detailed data is not available, we use the annually updated factors of the International Energy Agency (IEA). In the United States we use the electricity generation factors published by the EPA. The CO_2 emissions from electricity production for the German locations are calculated on the basis of the applicable factors of Germany's Federal Environment Agency (UBA). Since 2016, CO_2 emissions have been calculated according to separate assessments for market-based and location-based emissions. This calculation is based on the new guideline of the Greenhouse Gas Protocol Initiative for determining Scope 2 emissions, which was published in 2015. For market-based emissions, we determine the CO_2 emission factors of the local electricity prices or power companies at our locations worldwide. Where such information is not available, we continue to use the current average location-based emission factor published for the country in question. For the sake of comparison, we also publish the CO_2 emissions of all our locations according to the location-based method.

- **Scope 3:** We calculate CO_2 emissions from the use of our products on the basis of our sales figures and the average fleet consumption values. For this calculation, we assume that each car travels 15,000 kilometers per year. At the moment, no statutory test cycles are prescribed for trucks and buses. The European Commission is working on a computer-based simulation program (VECTO) that aims to make manufacturers' statements regarding the fuel consumption and CO_2 emissions of trucks and buses comparable. We will use this program as soon as it is approved. We calculate other indirect CO_2 emissions from the purchased services and preliminary work for business trips and truck deliveries, which we use as examples.

The CO_2-optimized provision of energy and electricity. With a view to reducing our production-related carbon emissions and continuously improving our energy supply, we are investing in facilities such as cogeneration units within our plants and are also optimizing our external energy procurement. For example, we have been purchasing green electricity since 2011. In accordance with the updated requirements of the Greenhouse Gas Protocol, we have also been using the market-based method for our emissions reporting since 2016.

At this time, we are not calculating the figures for **other greenhouse gases** across the Group. As the calculation of climate-relevant coolants in the German plants shows, the emissions from such refrigerants account for only a negligible amount in the parts per thousand range.

Independent Assurance Report

To Daimler AG, Stuttgart

We have been engaged to perform a limited assurance engagement regarding several sustainability key performance indicators and information selected by Daimler AG (the 'Company') in the Sustainability Report 2016 (the 'Report') for the business year from 1 January to 31 December 2016.

Scope and subject matter
The sustainability key performance indicators and information selected by the company for the calendar year 2016 (Average CO_2 emissions of the Mercedes-Benz Cars vehicle fleet in Europe (EU 28), direct and indirect CO_2 emissions scope 1 and 2 of the Daimler Group, energy consumption of the Daimler Group, waste volumes, waste utilization rate, water consumption, human rights), which are included in the scope of our engagement, can be found on the pages 22-23, in chart 12 on page 40, on page 63, in table 30 on page 66, in the first paragraph (incl. table 34) on page 69 and in chart 36 on page 70 of the Report. The assessment of the materiality analysis of the company was not part of our engagement scope.

The Company prepared sustainability key performance indicators and information in accordance with the Sustainability Reporting Guidelines Vol. 4 (pages 16 to 18) of the Global Reporting Initiative (GRI) (the 'GRI-Criteria').

Responsibility of the legal representatives
The Company's Board of Managing Directors is responsible for the proper preparation of the sustainability key performance indicators and information and the report in accordance with the GRI-Criteria.

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

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

Our firm applies the International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibility
Our responsibility is to express a conclusion based on our work performed as to whether anything has come to our attention that causes us to believe that the sustainability key performance indicators and information and the Report of the Company for the business year 2016 has not been prepared, in all material respects, in accordance with the GRI-Criteria.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (revised) 'Assurance engagements other than audits or reviews of historical financial information'. This Standard requires that we comply with ethical requirements and plan and perform the assurance engagement, under consideration of materiality, to provide our conclusion with limited assurance.

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

Summary of work performed
Within the scope of our work we performed amongst others the following procedures:
- Inquiries of personnel responsible for the preparation of the Report regarding the process to prepare the reporting of sustainability information and the underlying internal control system;
- Inquiries of personnel responsible for the reported information regarding fleet emissions (and fuel consumptions) as well as reconciliation of selected information regarding fleet emissions (and fuel consumptions) with the official fuel consumptions and emissions type-test values of the Federal Motor Transport Authority of Germany;
- Inspection of documents regarding the sustainability strategy as well as understanding the sustainability management structure, the stakeholder dialogue and the development process of the Company's sustainability program;
- Inquiries of personnel in the corporate functions that are responsible for the chapters human rights, operations-related environmental protection as well as fuel consumption and CO_2 emissions;
- Gaining an understanding of the systems and processes for collection, analysis, validation and aggregation of sustainability data and its documentation on a sample basis;
- Performance of site visits as part of the inspection of processes for collecting, analyzing and aggregating selected data:
  - in the corporate headquarter in Stuttgart,
  - in the Mercedes-Benz plant in Berlin (Germany),
  - in the Trucks plant in Saltillo (Mexico);
- Analytical procedures on sustainability data disclosed in the report;
- Comparison of selected data with corresponding data in the Company's Combined Management Report;
- Gaining further evidence for selected data of the Report by means of inspection of internal documents, contracts and invoices/reports from external service providers.

Conclusion
Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that the key performance indicators and information disclosed with the Sustainability Report of the Company for the business year 2016 has not been prepared, in all material respects, in accordance with the GRI-Criteria.

Zurich, March 6, 2017

PricewaterhouseCoopers AG

Dr. Marc Schmidli Konstantin Meier

UN Global Compact

WE SUPPORT

Principles	UN Global Compact Principles	Page
Principle 1 Support of human rights **Principle 2** Exclusion of human rights abuses **Principle 3** Freedom of association **Principle 4** Elimination of all forms of forced labor **Principle 5** Abolition of child labor	We assign a very high priority to recognizing and protecting human rights within our company and in the locations where we operate. For us as an automaker, the emphasis is on employee rights, fair working conditions, and the rejection of every form of discrimination and of forced labor and child labor. We have firmly assigned the responsibility for human rights issues in the Integrity and Legal Affairs division in the Group's Board of Management. In addition, we emphasize this issue in our corporate governance structure for sustainability.	**Principle 1** 06 22 f. 93 f. 96 111 **Principle 2** 22 f. 96 111 **Principle 3** 22 f. **Principle 4** 22 f. 74 96 **Principle 5** 22 f. 74 96
Principle 6 Prevention of discrimination	To ensure that hiring processes are free of discrimination, whether gender-specific or in other forms, the fixed base salary is based on the individual's position and level. The same goal is served within our regular income reviews by mandatory documentation, the inclusion of several people in each process, and a central HR system that ensures transparency. Our in-house income reviews have shown that the amount of the remuneration paid for comparable tasks is affected by factors such as individual performance and the amount of experience a person has gained in a particular position, but not by the person's gender.	**Principle 6** 22 f. 79 ff.
Principle 7 Precautionary environmental protection	Risk prevention is particularly important when it comes to managing the local effects of our business activities. This applies, for example, to environmental protection in the production process. Our environmental management system defines structures and processes that ensure transparent reporting and clear areas of responsibility at all levels of our production facilities around the world. More than 98 percent of our employees work at locations with environmental management systems audited and certified according to ISO 14001. In addition, we regularly conduct environmental due diligence processes at our locations.	**Principle 7** 17 60 ff. 96 119

Principles		UN Global Compact Principles	Page
Principle 8	Initiatives for promoting environmental responsibility	Daimler has been systematically compiling key environmental data from its German plants since 1992. In 1997 and 1998 its data acquisition was gradually extended to include production plants outside Germany. The data in this report reflects the structure of the Group in 2016 and includes all production plants of which the Daimler Group is a majority shareholder as well as the German and other European locations for logistics, service, and sales. It does not include the locations of Daimler Financial Services. The environmental data for 2016 refers to a total of 72 production locations and subordinate sites as well as to 35 logistics, service, and sales locations.	**Principle 8** 05 17 60 ff. 96 119
Principle 9	Development and diffusion of environmentally friendly technologies	The requirements regarding our vehicles' environmental compatibility are integral aspects of automobile development at Daimler and are discussed by the corresponding committees and implemented accordingly. The vehicle specifications and the quality gates in the development process document the environmental impact and requirements during the entire product development process.	**Principle 9** 05 28 ff.
Principle 10	Measures against corruption	We aim to act in accordance with ethical principles and to comply with all applicable laws, internal regulations and voluntary commitments. We pay particular attention to complying with all applicable anti-corruption regulations and to ensuring the maintenance and promotion of fair competition, as is set out in binding form in our Integrity Code. In this respect, our managers have a special responsibility due to their role model function. Consequently, integrity and compliance requirements are important criteria in the target agreements and in assessing the annual target achievement of our managers. They are also part of the non-financial targets for the members of the Board of Management. Among other things, our extensive range of training courses covers sections on ethical conduct in daily operations, corruption prevention, our whistleblower system BPO, and antitrust law. Depending on the risk and the target group, we use classroom training or digital learning techniques such as Web-based training courses. In addition to the cross-hierarchical Group-wide dialogs concerning ethical conduct, we ensure ethical practices and compliant behavior in daily operations at all our business units with the help of our effective Compliance and Legal department structures as well as our Compliance Management System, which is based on national and international standards. Our Compliance organization is structured in a divisional and regional way, while our Legal department is organized along the value chain and regionally. This structure enables us to offer optimal support and advice to our divisions. For this purpose, a contact person is assigned to each function, division and region. In addition, local contact persons around the world make sure that our standards are observed. We regard our business partners' integrity and behavior in conformity with regulations as an indispensable precondition for cooperation based on trust. In the selection of our direct business partners, we therefore make sure that they comply with the law and observe ethical principles.	**Principle 10** 16 20 ff. 23 ff. 96

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You can find additional information on sustainability at Daimler at www.daimler.com/sustainability

Additional information on labeling
On the basis of the measured CO_2 emissions, taking into account the mass of the vehicle.

The values quoted for fuel consumption and CO_2 emissions were calculated on the basis of stipulated measuring procedures (Section No. 5, 6, 6a Energy Labeling Ordinance for Cars [Pkw-EnVKV] in its current version). The figures do not refer to a specific individual vehicle and are not part of any product offering, but instead are presented solely for purposes of comparison between various vehicle types.

The figures are provided in accordance with the German regulation 'PKW-EnVKV' and apply to the German market only. Further information on official fuel consumption figures and the official specific CO_2 emissions of new passenger cars can be found in the EU guide 'Information on the fuel consumption, CO_2 emissions and energy consumption of new cars', which is available free of charge at all sales dealerships, from DAT Deutsche Automobil Treuhand GmbH and at http://www.dat.de.