

## Composition and mode of operation of the Board of Management, the Supervisory Board and its committees ↗ E.01

Daimler AG is obliged by the German Stock Corporation Act (AktG) to apply a dual management system featuring strict separation between the Board of Management and the Supervisory Board (two-tier board). Accordingly, the Board of Management manages the company while the Supervisory Board monitors and advises the Board of Management. No person may be a member of the two boards at the same time.

**Board of Management.** As of December 31, 2013, the Board of Management of Daimler AG comprised eight members; since January 29, 2014, it has had seven members. Information on their areas of responsibility and their curricula vitae are posted on our website at [daimler.com/bom](http://daimler.com/bom). The members of the Board of Management and their areas of responsibility are also listed on [pages 12 and 13](#) of this Annual Report. No member of the Board of Management is a member of more than three supervisory boards of listed companies outside the Daimler Group or of similar boards or committees with comparable requirements of companies outside the Daimler Group.

The Board of Management manages Daimler AG and the Daimler Group. With the consent of the Supervisory Board, the Board of Management determines the Group's strategic focus and decides on the corporate goals. The members of the Board of Management have joint responsibility for managing the Group's entire business. Irrespective of this overall responsibility, the individual members of the Board of Management manage their allocated areas within the framework of their instructions in their own responsibility. The Chairman of the Board of Management coordinates the work of the Board of Management.

The Board of Management prepares the consolidated interim reports, the annual company financial statements of Daimler AG, the annual consolidated financial statements and the management report of the Company and the Group. It ensures that the provisions of applicable law, official regulations and the Group's internal guidelines are adhered to, and works to make sure that the companies of the Group comply with those rules and regulations. The tasks of the Board of Management also include establishing and monitoring an appropriate and efficient risk management system.

For certain types of transaction of fundamental importance defined by the Supervisory Board, the Board of Management requires the consent of the Supervisory Board. At regular intervals, the Board of Management reports to the Supervisory Board on corporate strategy, corporate planning, profitability, business development and the situation of the Group, as well as on the internal control system, the risk management system and compliance. The Supervisory Board has specified the information and reporting duties of the Board of Management.

The Board of Management has also given itself a set of rules of procedure, which can be seen on our website at [daimler.com/dai/rop](http://daimler.com/dai/rop). Those rules describe for example the procedure to be observed when passing resolutions and ways to avoid conflicts of interest.

The Board of Management has not formed any committees.

When making appointments to executive positions at the Group, the Board of Management gives due consideration to the issue of diversity, with regard for example to the criteria of age, internationality and gender. Diversity-management activities include diversity workshops in the divisions in which current diversity challenges and ideas are discussed across various hierarchies, the development of internal networks, external cooperation with educational facilities, and membership of selected initiatives. A key area of action is the targeted promotion of women, by means for example of flexible working-time arrangements, setting up day nurseries close to workplaces, a special mentoring program for women and a separate program for encouraging next-generation female specialists in the fields of engineering and technology. The proportion of women in executive positions is currently 13% and is to be increased to 20% by the year 2020.

**Supervisory Board.** In accordance with the German Codetermination Act (MitbestG), the Supervisory Board of Daimler AG comprises 20 members. Half of them are elected by the shareholders at the Annual Meeting. The other half comprises members who are elected by the Company's employees who work in Germany. Information on the individual members of the Supervisory Board is available on the Internet at [daimler.com/dai/supervisoryboard](http://daimler.com/dai/supervisoryboard) and on [pages 20 and 21](#) of this Annual Report. The members representing the shareholders and the members representing the employees are equally obliged by law to act in the Company's best interests.

The Supervisory Board monitors and advises the Board of Management with regard to its management of the Company. At regular intervals, the Supervisory Board receives reports from the Board of Management on the Group's strategy, corporate planning, revenue development, profitability, business development and general situation, as well as on the internal control system, the risk management system and compliance. The Supervisory Board has retained the right of approval for transactions of fundamental importance. Furthermore, the Supervisory Board has specified the information and reporting duties of the Board of Management to the Supervisory Board, to the Audit Committee and – between the meetings of the Supervisory Board – to the Chairman of the Supervisory Board.

### E.01

#### Governance structure

<b>Shareholders (Annual Meeting of shareholders)</b>
Election of shareholder representatives to the Supervisory Board
<b>Supervisory Board (10 shareholder and 10 employee representatives), Nomination Committee, Audit Committee, Presidential Committee, Mediation Committee</b>
Appointments, monitoring, consulting
<b>Board of Management</b>

The Supervisory Board's duties include appointing and recalling the members of the Board of Management. Initial appointments are usually made for a period of three years. In connection with the composition of the Board of Management, the Supervisory Board pays attention not only to the members' appropriate specialist qualifications, with due consideration of the Group's international operations, but also to diversity. This applies in particular to age, nationality, gender and other personal characteristics. The Supervisory Board also decides on the system of remuneration for the Board of Management, reviews it regularly, and determines the individual remuneration of each member of the Board of Management with consideration of the ratio of Board of Management remuneration to the remuneration of the senior executives and the workforce as a whole, also with regard to development over time. For this comparison, the Supervisory Board has defined the senior executives by applying Daimler's internal terminology for the hierarchical levels and has defined the workforce of Daimler AG in Germany as the relevant workforce. For the individual Board of Management remuneration in total and with regard to its variable components, the Supervisory Board has set upper limits taking effects as of January 1, 2014. Further information on Board of Management remuneration can be found in the Remuneration Report of this Annual Report. [👁 pages 119 ff](#)

The Supervisory Board reviews the annual company financial statements, the annual consolidated financial statements and the management report of the Company and the Group, as well as the proposal for the appropriation of distributable profits. Following discussions with the external auditors and taking into consideration the audit reports of the external auditors and the results of the review by the Audit Committee, the Supervisory Board states whether, after the final results of its own review, any objections are to be raised. If that is not the case, the Supervisory Board approves the financial statements and the management report. Upon being approved, the annual company financial statements are adopted. The Supervisory Board reports to the Annual Shareholders' Meeting on the results of its own review and on the manner and scope of its supervision of the Board of Management during the previous financial year. The Report of the Supervisory Board for the year 2013 is available on [👁 pages 14 ff](#) of this Annual Report and on the Internet at [🌐 daimler.com/dai/sbc](http://daimler.com/dai/sbc).

The Supervisory Board has given itself a set of rules of procedure, which regulate not only its duties and responsibilities and the personal requirements placed upon its members, but above all the convening and preparation of its meetings and the procedure of passing resolutions. The rules of procedure of the Supervisory Board can be seen on our website at [🌐 daimler.com/dai/rop](http://daimler.com/dai/rop).

Meetings of the Supervisory Board are regularly prepared in separate discussions of the members representing the employees and of the members representing the shareholders with the members of the Board of Management. Each Supervisory Board meeting includes a so-called executive session for discussions of the Supervisory Board in the absence of the members of the Board of Management.

The Supervisory Board is to be composed so that its members together dispose of the knowledge, skills, and specialist experience that are required for the proper execution of their tasks. Proposals by the Supervisory Board of candidates for election by the Shareholders' Meeting as members representing the shareholders of Daimler AG, for which the Nomination Committee makes recommendations, take not only the requirements of applicable law, the Articles of Incorporation and the German Corporate Governance Code into consideration, but also a list of criteria of qualifications and experience. They include for example market knowledge in the regions important to Daimler, expertise in the management of technologies and experience in certain management functions. Other important conditions for productive work in the Supervisory Board and for being able to properly supervise and advise the Board of Management are the members' personality and integrity as well as individual diversity with regard to age, internationality, gender and other personal characteristics.

With regard to its own composition, the Supervisory Board has set the following goals, which, while considering the Group's specific situation, also consider the international activities of the Group, potential conflicts of interest, the number of independent Supervisory Board members, an age limit to be set, and diversity, and allow for the appropriate participation of women:

- In order to ensure sufficient internationality, for example by means of many years of international experience, a proportion of at least 40% of international members representing the shareholders, and the resulting proportion of the entire Supervisory Board of at least 20%, is deemed by the Supervisory Board to be an appropriate target. Irrespective of the many years of international experience of other members of the Supervisory Board, this target is already exceeded with Dr. Paul Achleitner, Sari Baldauf, Petraea Heynike, Andrea Jung, Gerard Kleisterlee and Lloyd G. Trotter on the shareholders' side with a proportion of 60% and with Valter Sanches on the employees' side with more than one third for the entire Supervisory Board.
- At least half of the members of the Supervisory Board representing the shareholders should have
  - neither an advisory nor a board function for a customer, supplier, creditor or other third party nor
  - a business or personal relationship to the company or its boards
 whose specific details could cause a conflict of interests. No potential conflict of interests currently exists for any member of the Supervisory Board representing the shareholders.
- In order to ensure the independent advice and supervision of the Board of Management by the Supervisory Board, the rules of procedure of the Supervisory Board already stipulate that more than half of the members of the Supervisory Board representing the shareholders are to be independent as defined by the German Corporate Governance Code and that no person may be a member of the Supervisory Board who is a member of a board of, or advises, a significant competitor of the Daimler Group. At present, there are no indications for any of the members of the Supervisory Board representing the shareholders that relevant relationships or circumstances exist that would compromise their independence. No member of the Supervisory Board is a member of a board of, or advises, a significant competitor.

- The Supervisory Board has decided to adjust the general age limit for its members. It has changed the rules of procedure so that candidates for election as representatives of the shareholders who are to hold the position for a full period of office should generally not be over the age of 72 at the time of the election. This is intended to expand the group of potential Supervisory Board candidates and also to allow reelection. None of the members of the Supervisory Board currently in office who was proposed and elected for a full period of office exceeded the applicable general age limit at the time of his or her election.
- With regard to the appropriate consideration of women, on the basis of the Daimler Group's objectives, the Supervisory Board set its own target of having 20% of all the positions on the Supervisory Board occupied by women. In addition, at least 30% of the Supervisory Board members representing the shareholders should be female. These targets have already been met: With Sari Baldauf, Petraea Heynike and Andrea Jung, 30% of the members on the shareholders' side are women. With the members on the employees' side newly elected during the reporting period, Dr. Sabine Maaßen and Elke Tönjes-Werner, the proportion of women in the entire Supervisory Board is 25%.

The Chairman of the Supervisory Board, Dr. Manfred Bischoff, is a former member of the Board of Management. After stepping down from the Board of Management in December 2003, he was first elected to the Supervisory Board after a cooling-off period of more than two years in April 2006, and was first elected as the Chairman of the Supervisory Board after a cooling-off period of more than three years in April 2007. No member of the Supervisory Board is a member of the board of management of a listed company or has a board or advisory function for a significant competitor. The members of the Supervisory Board attend in their own responsibility such courses of training and further training as might be necessary for the performance of their tasks and are supported by the Company in doing so. Daimler AG offers courses of further training to the members of its Supervisory Board as required. Possible contents of such courses include subjects of technological and economic developments, accounting and financial reporting, internal control and risk management systems, compliance, new legislation and board of management remuneration.

**Composition and mode of operation of the committees of the Supervisory Board.** The Supervisory Board has formed four committees, which perform to the extent legally permissible the tasks assigned to them in the name of and on behalf of the entire Supervisory Board: the Presidential Committee, the Nomination Committee, the Audit Committee and the Mediation Committee. The committee chairpersons report to the entire Supervisory Board on the committees' work at the latest in the meeting of the Supervisory Board following each committee meeting. The Supervisory Board has issued rules of procedure for each of its committees. Those rules of procedure can be seen on our website at [daimler.com/dai/rop](https://www.daimler.com/dai/rop) as well as information on the current composition of these committees [daimler.com/dai/sbc](https://www.daimler.com/dai/sbc), which is also available on [page 21](#) of this Annual Report.

**Presidential Committee.** The Presidential Committee is composed of the Chairman of the Supervisory Board, his Deputy and two other members, who are elected by a majority of the votes cast on the relevant resolution of the Supervisory Board.

The Presidential Committee makes recommendations to the Supervisory Board on the appointment of members of the Board of Management and is responsible for their contractual affairs. It submits proposals to the Supervisory Board on the design of the remuneration system for the Board of Management and on the appropriate individual remuneration of its members. In this context, it follows the relevant recommendations of the German Corporate Governance Code, to the extent that the Company has not declared a deviation pursuant to Section 161 of the German Stock Corporation Act (AktG). The Presidential Committee decides on the granting of approval for side-line activities of the members of the Board of Management, reports to the Supervisory Board regularly and without delay on consents it has issued, and once a year submits to the Supervisory Board for its approval a complete list of the side-line activities of each member of the Board of Management.

In addition, the Presidential Committee decides on questions of corporate governance, on which it also makes recommendations to the Supervisory Board. It supports and advises the Chairman of the Supervisory Board and his Deputy, and prepares the meetings of the Supervisory Board.

**Nomination Committee.** The Nomination Committee is composed of at least three members, who are elected by a majority of the votes cast by the members of the Supervisory Board representing the shareholders. It is the only Supervisory Board Committee comprised solely of members representing the shareholders and makes recommendations to the Supervisory Board concerning persons to be proposed for election as members of the Supervisory Board representing the shareholders at the Annual Shareholders' Meeting. In doing so, the Nomination Committee takes into consideration the requirements of the German Corporate Governance Code and the rules of procedure of the Supervisory Board, as well as the specific goals that the Supervisory Board has set for its own composition. Furthermore, it defines the requirements for each specific position to be occupied.

**Audit Committee.** The Audit Committee is composed of four members, who are elected by a majority of the votes cast on the relevant resolution of the Supervisory Board. The Chairman of the Supervisory Board is not simultaneously the Chairman of the Audit Committee.

Both the Chairman of the Audit Committee, Dr. h. c. Bernhard Walter, and a member of the Audit Committee, Dr. Clemens Börsig, are independent members and have expertise in the field of financial reporting as well as special knowledge and experience in the application of accounting principles and internal methods of control.

The Audit Committee deals with the supervision of the accounting process and the annual external audit, the risk and compliance management system, and the internal control and auditing system. At least once a year, it discusses with the Board of Management the effectiveness and functionality of the risk management system, the internal control and auditing system and the compliance management system. It regularly receives reports on the work of the Internal Auditing department and the Compliance Organization. At least four times a year, the Audit Committee receives a report from the Business Practices Office, which has been established to deal with complaints and information about any breaches of guidelines, criminal offences or dubious accounting, financial reporting or auditing. It regularly receives information about dealing with these complaints and information.

The Audit Committee discusses with the Board of Management the interim reports on the first quarter, first half and first nine months of the year before they are published. On the basis of the report of the external auditors, the Audit Committee reviews the annual company financial statements and the annual consolidated financial statements, as well as the management report of the Company and the Group, and discusses them with the external auditors. The responsible auditor at KPMG AG Wirtschaftsprüfungsgesellschaft, the company of auditors commissioned to carry out the external audit, is Mr. Mathieu Meyer. The Audit Committee makes a proposal to the Supervisory Board on the adoption of the annual company financial statements of Daimler AG, on the approval of the annual consolidated financial statements and on the appropriation of profits. The Committee also makes recommendations for the proposal on the election of external auditors, assesses those auditors' suitability and independence, and, after the external auditors are elected by the Annual Meeting, it engages them to conduct the annual audit of the company and consolidated financial statements and to review the interim reports, negotiates an audit fee, and determines the focus of the annual audit. The external auditors report to the Audit Committee on all accounting matters that might be regarded as critical and on any material weaknesses of the internal control and risk management system with regard to accounting.

Finally, the Audit Committee approves services that are not directly related to the annual audit provided by the firm of external auditors or its affiliates to Daimler AG or to companies of the Daimler Group.

**Mediation Committee.** The Mediation Committee is composed of the Chairman of the Supervisory Board and his Deputy, as well as one member of the Supervisory Board representing the employees and one member of the Supervisory Board representing the shareholders, each elected with a majority of the votes cast. It is formed solely to perform the functions laid down in Section 31 Subsection 3 of the German Codetermination Act (MitbestG). Accordingly, the Mediation Committee has the task of making proposals on the appointment of members of the Board of Management if in the first vote the majority required for the appointment of a Board of Management member of two thirds of the members of the Supervisory Board is not achieved.

## Shareholders and the Annual Shareholders' Meeting

The Company's shareholders exercise their membership rights, in particular their voting rights, at the Shareholders' Meeting. Each share in Daimler AG entitles its owner to one vote. There are no multiple voting rights, preferred stock, or maximum voting rights. Documents and information relating to the Shareholders' Meeting can be found on our website at [daimler.com/ir/am](http://daimler.com/ir/am). The Annual Shareholders' Meeting is generally held within four months of the end of a financial year. The Company facilitates the personal exercise of the shareholders' rights and proxy voting among other things by appointing proxies who are strictly bound by the shareholders' voting instructions and who can be contacted also during the Annual Shareholders' Meeting. Absentee voting is also possible. It is possible to authorize the Daimler-appointed proxies and give them voting instructions or to cast absentee votes by using the so-called e-service for shareholders.

Among other matters, the Annual Shareholders' Meeting decides on the appropriation of distributable profits, the ratification of the actions of the members of the Board of Management and of the Supervisory Board, the election of the external auditors, the election of the members of the Supervisory Board representing the shareholders and the remuneration of the Supervisory Board. The Annual Meeting also makes other decisions, especially on amendments to the Articles of Incorporation, capital measures, and the approval of certain intercompany agreements. Shareholders can submit countermotions on resolutions proposed by the Board of Management and the Supervisory Board and, within the provisions of applicable law, can challenge resolutions passed by the Shareholders' Meeting in a court of law.

The influence of the Shareholders' Meeting on the management of the Company is limited by law, however. The Shareholders' Meeting can only make management decisions if it is requested to do so by the Board of Management.

Deviating from the suggestions in Clause 2.3.4 of the German Corporate Governance Code, the Annual Shareholders' Meeting is not transmitted in its entirety on the Internet, but only until the end of the report by the Board of Management.

We maintain close contacts with our shareholders in the context of comprehensive investor relations and public relations. We regularly and comprehensively inform our shareholders, financial analysts, shareholder associations, the media and the interested public about the situation of the Group, and inform them without delay about any significant changes in its business.

In addition to other methods of communication, we also make intensive use of the Company's website. All of the important information disclosed in 2013, including annual and interim reports, press releases, voting rights notifications from major shareholders, presentations and audio recordings of analyst and investor events and conference calls, and the financial calendar, can be found at [daimler.com/investors](http://daimler.com/investors). All the dates of important disclosures such as annual reports and interim reports and the date of the Annual Shareholders' Meeting are announced in advance in the financial calendar. The financial calendar can also be seen inside the rear cover of this annual report. Disclosures are made in English as well as in German.