

# Corporate Governance.

Annual Meeting

Shareholders



Integrity

Supervisory  
Board

Corporate governance

Daimler's Board of Management and Supervisory Board are committed to the principles of good corporate governance.

All of our activities are based on the principles of responsible, transparent and sustainable management.

# E | Corporate Governance.

## 172 – 174 Report of the Audit Committee

## 175 – 176 Integrity and Compliance

- Continuation of worldwide integrity dialog
- Executives as a role model
- A view from outside from the Advisory Board with external experts
- Strengthening of compliance management and the whistleblower system
- Cooperation with our business partners

## 177 Declaration by the Board of Management and Supervisory Board of Daimler AG of Compliance with the German Corporate Governance Code

- D & O insurance deductible for the Supervisory Board
- Targets for the composition of the Supervisory Board
- Upper limits for Board of Management remuneration

## 178 – 183 Corporate Governance Report

- The main principles applied in our corporate governance
- Composition and mode of operation of the Board of Management, the Supervisory Board and its committees
- Shareholders and the Annual Shareholders' Meeting
- Shares held by the Board of Management and the Supervisory Board, directors' dealings
- Risk management and financial reporting
- Corporate governance statement

# Report of the Audit Committee.

## Dear Shareholders,

On the basis of the allocation of tasks laid down in the Rules of Procedure for the Supervisory Board and its committees, the Audit Committee deals primarily with questions of financial reporting. It also discusses the effectiveness and functional capabilities of the risk management system, the internal control system, the internal auditing system and compliance management. In addition, it deals with the annual audit and reviews the qualifications and independence of the external auditors.

After receiving the approval of the Annual Shareholders' Meeting, the Audit Committee engages the external auditors to conduct the annual audit and the auditors' review of interim financial statements, determines the important audit issues and negotiates the audit fees with the external auditors.

As independent members of the Audit Committee, both the Chairman of the Audit Committee, Dr. h. c. Bernhard Walter, and Dr. Clemens Börsig 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 six meetings of the Audit Committee in 2013 were attended by, in addition to the members of the Audit Committee, the Chairman of the Supervisory Board, the Chairman of the Board of Management, the members of the Board of Management responsible for Finance and Controlling and for Integrity and Legal Affairs, and the external auditors. The heads of specialist departments and other experts were also present for the appropriate items of the agenda. In addition, the Chairman of the Audit Committee held regular individual discussions, for example with the external auditors, the members of the Board of Management responsible for Finance and Controlling and for Integrity and Legal Affairs and the heads of Corporate Accounting, Internal Auditing, Group Compliance and Legal Affairs. The Chairman of the Audit Committee informed the Audit Committee about the results of those bilateral discussions in each case at the next available opportunity. The Chairman of the Audit Committee also informed the Supervisory Board about the activities of the Committee and about its meetings and discussions in the following Supervisory Board meetings.

In a meeting attended by the external auditors in early February 2013, the Audit Committee dealt with the preliminary figures of the annual company financial statements and the annual consolidated financial statements for the year 2012, as well as with the proposal on the appropriation of profits made by the Board of Management. The preliminary key figures were published at the Annual Press Conference on February 7, 2013.

In another meeting in February 2013, the Audit Committee dealt with the annual company financial statements, the annual consolidated financial statements and the combined management report for Daimler AG and the Daimler Group for the year 2012, each of which had been issued with an unqualified audit opinion by the external auditors, as well as with the proposal on the appropriation of profits; representatives of the external auditors were present and reported on the results of the audit. In preparation, the members of the Audit Committee and all of the members of the Supervisory Board were provided with comprehensive documentation, including the Annual Report with the consolidated financial statements according to IFRS and the combined management report for Daimler AG and the Daimler Group, the corporate governance report and the remuneration report, the annual financial statements of Daimler AG, the proposal made by the Board of Management on the appropriation of profits, the audit reports of KPMG on the annual company financial statements of Daimler AG and the annual consolidated financial statements according to IFRS, each including the combined management report, and the drafts of the reports of the Supervisory Board and of the Audit Committee. The audit reports and important issues related to financial reporting were discussed with the external auditors. In this context, the Audit Committee of Daimler AG also dealt with the monitoring of the financial reporting process, the effectiveness of the internal control system, the risk management system and the internal auditing system, as well as questions of compliance. This also included the further development and required adjustments of the Group-wide compliance structure and activities as decided upon by the Board of Management, for example the optimized due-diligence process for sales partners. Following an intensive review and discussion, the Audit Committee recommended that the Supervisory Board approve the annual financial statements and adopt the recommendation of the Board of Management to pay a dividend of €2.20 per share entitled to a dividend. Furthermore, the Audit Committee approved the Report of the Audit Committee for the year 2012.



**Dr. Bernhard Walter, Chairman of the Audit Committee.**

Also in this meeting, the Audit Committee discussed the report on the fees paid to the external auditors in the year 2012 for auditing and non-auditing services. With due consideration of the results of the independence review, the Audit Committee decided to recommend to the Supervisory Board, and subsequently to the Annual Shareholders' Meeting, that KPMG be engaged to conduct the annual external audit and the external auditors' review of interim financial reports for financial year 2013. The Audit Committee partially based its recommendation on the very good results of its own quality analysis carried out in May and June 2012 of the external audit for the previous financial year. Subject to the outcome of voting by the Annual Shareholders' Meeting, the Committee approved the fees to be agreed upon with the external auditors for financial year 2013. Finally, on the basis of its responsibility, the Audit Committee dealt with the draft agenda for the 2013 Annual Shareholders' Meeting and the annual audit plan of the Internal Auditing department.

In the meetings during 2013 relating to the quarterly results, the Audit Committee discussed the interim financial reports before their publication with the Board of Management and with the company of auditors engaged to carry out the auditors' review of interim financial statements, dealt with the respective risk reports, and received reports from the Group Compliance and Corporate Audit departments. In addition, the Audit Committee dealt on a quarterly basis with notifications from employees of the Company concerning possible violations of rules. Employees and third parties submitted these notifications confidentially and if desired anonymously (if compatible with local data-protection law) to the Company's own whistleblower system, the BPO (Business Practices Office), which then processed them. Until February 2013, the Audit Committee regularly communicated with the independent monitor, Judge Louis Freeh. On the occasion of his last participation in a meeting of the Audit Committee, Judge Freeh reported on his final impressions of the status of compliance at Daimler. Judge Freeh stated that the Group's management and employees had acted in an extremely committed manner. He explained that as

a result, it had been possible to establish a compliance system of the highest standards, which could bear any comparison at an international level. The Audit Committee thanked Judge Freeh for his constructive cooperation in the past years.

The Audit Committee received the report on non-audit services provided by the external auditors in its meeting in June 2013. In this meeting, the important audit issues for the external audit of the reporting period and the framework of approval for engaging the external auditors to provide non-audit services were determined. This meeting was also used to analyze the audit for the year 2012 and to perform the Audit Committee's monitoring duties with regard to the financial reporting process and the functional capabilities of the internal control system, the risk management system and the internal auditing system. On the basis of the statements of the external auditors as assessed by the Audit Committee, the internal control and risk management system was dealt with in this context. As well as the area of financial reporting, the internal control system includes the functions of internal auditing and compliance management. The Committee discussed the activity reports on the internal control and risk management system and dealt in particular detail with changes to the system and its further development.

Also in the meeting in June 2013, the Audit Committee dealt with new developments in accounting and financial reporting and other audit-relevant areas; the members of the Committee hereby undertook the training and further training required among other things for the performance of their tasks. The Committee also received information on the status of legal risks, on the new pension management system, on the status of currency and liquidity management and on other current topics.

In the meeting in July 2013, on the basis of the report by the Group's data protection officer, the Audit Committee dealt with key topics and current developments in the field of data protection. In its meeting in October 2013, for topical reasons, the Committee received reports from the heads of the Legal Affairs and Tax departments.

In a meeting attended by the external auditors in early February 2014, the Audit Committee dealt with the preliminary figures of the annual company financial statements and the annual consolidated financial statements for the year 2013, as well as with the proposal on the appropriation of profits made by the Board of Management. The preliminary key figures were published at the Annual Press Conference on February 6, 2014.

In another meeting in February 2014, the Audit Committee examined and discussed the annual company financial statements, the annual consolidated financial statements and the combined management report for Daimler AG and the Daimler Group for the year 2013, which had been issued with an unqualified audit opinion by the external auditors, as well as with the proposal on the appropriation of profits; this took place in the presence of the external auditors, who reported on the results of their audit and were available to answer supplementary questions and to provide additional information. In preparation, the members of the Audit Committee and all members of the Supervisory Board were provided with comprehensive documentation, including the Annual Report with the consolidated financial statements according to IFRS and the combined management report for Daimler AG and the Daimler Group, the corporate governance report and the remuneration report, the annual financial statements of Daimler AG, the proposal made by the Board of Management on the appropriation of profits, the audit reports of KPMG on the annual company financial statements and the annual consolidated financial statements according to IFRS of Daimler AG, each including the combined management report, and the drafts of the reports of the Supervisory Board and of the Audit Committee. The audit reports and important issues related to financial reporting were discussed with the external auditors. In this context, the Audit Committee also dealt with the monitoring of the financial reporting process, the effectiveness of the internal control system, the risk management system and the internal auditing system, as well as questions of compliance. Following an intensive review and discussion, the Audit Committee recommended that the Supervisory Board approve the annual financial statements and adopt the recommendation of the Board of Management to pay a dividend of €2.25 per share entitled to a dividend.

Furthermore, the Audit Committee approved the Report of the Audit Committee in the current version.

Also in this meeting, the Committee discussed the report on the fees paid to the external auditors in the year 2013 for auditing and non-auditing services. The Audit Committee decided to recommend to the Supervisory Board, and subsequently to the Annual Shareholders' Meeting, that KPMG be engaged to conduct the annual external audit and the external auditors' review of interim financial reports for financial year 2014; in this context, the results of the independence review and the discussion of the quality of the external audit were taken into consideration. Subject to the consenting vote of the shareholders in the Annual Shareholders' Meeting, the Audit Committee also discussed the proposal to be made regarding the fees to be agreed upon with the external auditors for the year 2014.

Finally, on the basis of its responsibility, the Audit Committee dealt with the draft agenda for the 2014 Annual Shareholders' Meeting and the annual audit plan of the Internal Auditing department.

As in previous years, the Audit Committee once again conducted a self-evaluation of its own activities in 2013. This did not result in any need for action with regard to the Committee's tasks, or with regard to the content, frequency or procedure of its meetings.

Stuttgart, February 2014

The Audit Committee

Dr. h. c. Bernhard Walter  
Chairman

# Integrity and Compliance.

## A culture of integrity

Integrity is one of our four corporate values, which form the foundations for our business activities. We are convinced that doing business ethically brings us sustained success, and is also good for society as a whole. As a group of companies with global operations, we accept responsibility and want to be a pioneer in terms of ethical business conduct. For these reasons, Daimler has a Board of Management position for Integrity and Legal Affairs, which comprises the Legal and Compliance organization, Corporate Data Protection and the units for Integrity Management and Corporate Responsibility Management. Our goal is to make integrity a permanent part of our corporate culture. The further development and permanent establishment of integrity is therefore also a component of the target agreements for Board of Management remuneration. Among other things, we orient our business conduct towards the principles of the Global Compact of the United Nations. Daimler is a founding member of this initiative by Kofi Annan and is a member of the LEAD Group.

**Dialog, training and communication.** Daimler promotes integrity through a variety of measures. They include the Group-wide Integrity Dialog, which has been in progress since 2011 and was continued in 2013. The Integrity Dialog is aimed at the entire workforce and is managed by a workgroup made up of members from various Board of Management areas. The regular exchange of opinions on questions of integrity is to become an integral component of our everyday working life. This objective is supported by offers specific to various units and target groups as well as by extensive accompanying communication – for example through a dedicated Intranet section on the subject.

Our “Integrity Code,” which took effect in November 2012, reflects the results of this dialog. The principles of behavior and guidelines for everyday conduct set out in the Integrity Code are therefore based on a shared understanding of values. The Code is valid throughout the Group and is available in 22 languages. In addition, an intranet guide has been prepared for the application of the Code in everyday situations, providing answers to the most frequently asked questions. Furthermore, a team of experts is available to answer questions on all aspects of the Code.

The Integrity Code also forms the basis for the range of training courses we offer on integrity and compliance. In 2013, we revised our training approach in order to intermesh the two areas more closely with each other. Depending on the risk and target group, we use classroom trainings and web-based training. In this way, we intend to anchor ethical and compliant behavior at the Group over the long term.

In 2013, we developed a new course of web-based training that clearly communicates our principles of behavior and our shared understanding of values. The training course includes chapters on the prevention of corruption, on our BPO whistleblower system and – in addition for managers – a module on antitrust law. The course is obligatory and is addressed at approximately 112,000 employees with e-mail access worldwide.

From 2011 until 2013, we increased the awareness of our employees worldwide to integrity and compliance with our “fairplay” campaign – with posters and leaflets in 19 languages and in more than 40 countries.

**Managers as a role model.** Our Integrity Code defines the expectations that Daimler has of its managers. Due to their role of setting an example, they have a special responsibility for the culture of integrity at Daimler. For this reason, we placed a focus on offers for this target group in 2013. That includes modules for integrity and compliance in all seminars for promoted managers. Our Top Management Meeting in 2013 also focused on the topic of leadership responsibility. In addition, integrity and compliance are important criteria in the annual target agreements and in assessing the target achievement of our managers.

**External perspective through the Advisory Board.** The “Advisory Board for Integrity and Corporate Responsibility” that we established in September 2012 with external experts from various fields accompanies the integrity process at Daimler with a constructively critical approach. The Board met three times in 2013 to exchange information and opinions on current topics with representatives of the Company.

## Compliance

Compliance is an essential element of integrity culture at Daimler. For us, it is only natural that we adhere to all relevant legislation, voluntary commitments and internal rules, and that we act in accordance with ethical principles. We place the utmost priority on complying with all applicable anti-corruption regulations and on maintaining and promoting fair competition. We have set this out in binding form in our Integrity Code, and we intend to permanently establish integrity and compliance as fixed components of our value chain.

### **Compliance management system (CMS) as a foundation.**

Our CMS is based on national and international standards and helps us to ensure that we conduct ourselves in conformance with applicable laws and regulations in our day-to-day business. We continually review the effectiveness of the system and adjust it to worldwide developments, changed risks and new legal requirements. In this way, we continuously improve our efficiency and effectiveness. In 2013, we improved our processes, such as the due diligences of our business partners, and further developed the measures we take to prevent money laundering in goods trading. Our CMS is subject to periodic reviews by the Internal Auditing department and fulfills external requirements.

**Analysis of compliance risks.** In a further improved systematic risk analysis for the year 2013, as in previous years, we assessed the compliance risks of all our business units. Both qualitative and quantitative indicators were assessed, including the respective business model, business environment and type of contracting-party relationship. The results of this analysis are the basis for risk management. Together with the business units, we define measures to be taken to minimize risks. One focus of our activities is on sales companies in high-risk countries. Responsibility for implementing and monitoring these measures lie within the management of each business unit, which cooperates closely with the Group Compliance department.

**Strengthening our worldwide structures.** In order to further establish our Group-wide Compliance Organization as a partner of the divisions and to even better counteract the risks specific to our various divisions and markets, we have strengthened our divisional structure. Each division is supported by a divisional or regional compliance officer, who advises the business units on matters of compliance. In addition, worldwide local compliance managers make sure that our standards are observed. In order to guarantee the independence of the divisions, the divisional and regional compliance officers report to the Chief Compliance Officer. He reports directly to the Member of the Board of Management for Integrity and Legal Affairs and to the Chairman of the Supervisory Board.

**Whistleblower system.** Our whistleblower system BPO (Business Practices Office) serves as a valuable source of information on possible risks and specific violations of rules. For us, it is therefore an important instrument for good corporate governance.

Our whistleblower system receives information on misconduct from employees and from external parties worldwide, around the clock, through various reporting channels and - if allowed by local law - also anonymously. This allows us to react appropriately, if possible before any damage has been caused for our employees and the Company. A prerequisite for the acceptance of a whistleblower system is that it is organized in a fair manner, that it follows the principle of proportionality, and that whistleblowers and other parties involved are equally protected. We laid down these criteria in a corporate policy with worldwide validity in 2013. In addition, since February 1, 2012, in Germany, we have commissioned an independent lawyer as a neutral intermediary. He also accepts information on violations of rules and due to his profession duty of discretion he is obliged to maintain confidentiality.

**Cooperation with our business partners.** We regard our business partners' integrity and behavior in conformance with regulations as a firm precondition for trusting cooperation. In the selection of our direct business partners, we ensure that they comply with the law and observe ethical principles. Depending on the risk, we offer our business partners web-based or classroom trainings. In addition, we have clearly formulated the expectations we have of our business partners in the brochure "Ethical Business. Our Shared Responsibility."

**Settlement with the US authorities: conclusion of monitoring.** The three-year monitoring by Louis Freeh agreed upon in the framework of the settlement reached with the US Department of Justice ended as planned on March 31, 2013. The monitor confirmed that with the end of the monitoring, we had reached an exemplary standard of integrity and compliance. We regard this as an motivation and obligation to maintain the achieved standard, to develop it further, and to consistently remain on the path we have taken.

# Declaration by the Board of Management and Supervisory Board of Daimler AG pursuant to Section 161 of the German Stock Corporation Act (AktG) regarding the German Corporate Governance Code.

The Board of Management and the Supervisory Board of Daimler AG declare that the recommendations of the German Corporate Governance Code Commission in the Code version dated May 15, 2012, published by the Federal Ministry of Justice in the official section of the Federal Gazette, have been and are being applied since the last declaration of compliance issued in December 2012, with the exception of Clause 3.8 Paragraph 3 (D&O insurance deductible for the Supervisory Board) and one deviation from Clause 5.4.1 Paragraph 2 (concrete objectives for the composition of the Supervisory Board), which was declared as a precautionary measure. The recommendations of the German Corporate Governance Code in the version dated May 13, 2013 have continued to be observed by Daimler AG since the time of their publication in the official section of the Federal Gazette, with the aforementioned exceptions and the deviation from Clause 4.2.3 Paragraph 2 sentence 6 (upper limits for the remuneration of the members of the Board of Management and its variable remuneration components) declared as a precautionary measure. Daimler AG will continue to observe these recommendations in the future, with the declared and elaborated deviations.

**D&O insurance deductible for the Supervisory Board (Clause 3.8, Paragraph 3):** As in previous years, the Directors' & Officers' liability insurance (D&O insurance) also contains a provision for a deductible for the members of the Supervisory Board, which is appropriate in the view of Daimler AG. However, this deductible does not correspond to the legally required deductible for members of the Board of Management in the amount of at least 10% of the damage up to at least one and a half of the fixed annual remuneration. Since the remuneration structure of the Supervisory Board is limited to fixed remuneration without performance bonus components, setting a deductible for Supervisory Board members in the amount of 1.5 times the fixed annual remuneration would have a disproportionate economic impact when compared with the members of the Board of Management, whose compensation consists of fixed and performance bonus components.

**Specific objectives for the composition of the Supervisory Board (Clause 5.4.1 Paragraph 2).** The Supervisory Board in the absence of any influence on the appointments for the employees' side, the Supervisory Board has limited its target objectives for the number of independent members of the Supervisory Board and consideration of potential conflicts of interest in its composition to the shareholders' side.

**Upper limits for the total monetary remuneration of the members of the Board of Management and its variable remuneration components (Clause 4.2.3 Paragraph 2 sentence 6):**

This recommendation was newly included in the Code of May 13, 2013. The remuneration agreements with the members of the Board of Management already specified upper limits for remuneration components at the time, which however did not yet fully satisfy the requirements of the new recommendation. With effect from January 01, 2014, the members of the Board of Management consented to the inclusion of the upper limits recommended in Clause 4.2.3 Paragraph 2 sentence 6 of the Code in their current agreements. The modification agreements also contained provisions for upper limits for the annual bonuses for the financial years 2012 and 2013 that had not yet come due for payment, as a percentage of basic remuneration. The percentage limit relative to the assignment value for the remuneration from the long-term and share-based remuneration component, referred to as Performance Phantom Share Plan, was also extended to include dividend equivalents due to be paid in the future on the tranches that were issued and are still running as of January 1, 2014. Any further intervention in the remuneration for previous financial years would no more be appropriate under the principle of contractual fidelity and in our understanding of Clause 4.2.3 Paragraph 2 sentence 6 are also not required.

Stuttgart, December 2013

For the Supervisory Board  
Dr. Manfred Bischoff  
Chairman

For the Board of Management  
Dr. Dieter Zetsche  
Chairman

# Corporate Governance Report.

Good corporate governance is the foundation for the responsible management of a company.

The Board of Management and the Supervisory Board aim to align the Group's management and supervision with nationally and internationally recognized standards, in order to secure the sustainable success of the Daimler Group with its strong traditions.

## The main principles applied in our corporate governance

**German Corporate Governance Code.** The legal framework for the corporate governance of Daimler AG is provided by German law, in particular the Stock Corporation Act (AktG), the Codetermination Act (MitbestG) and legislation concerning capital markets, as well as by the Company's Articles of Incorporation. The German Corporate Governance Code gives recommendations and makes suggestions for the details of this framework. There is no statutory duty to follow these standards. But according to the principle of comply or explain, the Board of Management and the Supervisory Board of Daimler AG are obliged by Section 161 of the German Stock Corporation Act (AktG) to make a declaration of compliance with regard to the recommendations of the German Corporate Governance Code and to disclose and justify any deviations from the Code's recommendations. With the exceptions disclosed and justified in the declaration of compliance of December 2013, Daimler AG has followed and continues to follow the recommendations of the German Corporate Governance Code. The declaration of compliance is printed on [page 177](#) of this Annual Report and can be accessed on our website at [daimler.com/dai/gcgc](http://daimler.com/dai/gcgc). Previous, no longer applicable declarations of compliance from the past five years and the German Corporate Governance Code are also available there.

Daimler AG has followed and continues to follow the suggestions of the Code as amended on May 13, 2013 with just one exception: Deviating from the suggestion 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. Continuing the broadcast after that point, in particular broadcasting comments made by individual shareholders, could be construed as an unjustified infringement of privacy rights. When considering this matter, the interests of transmission do not automatically take precedence over shareholders' privacy rights. This is reflected by the statutory requirement for the entire transmission to have a legal basis in the Company's Articles of Incorporation or in the rules of procedure for shareholders' meetings.

**Standards of Business Conduct.** Additional relevant principles of corporate governance that go beyond the legal requirements but are applied throughout the Group are our Standards of Business Conduct. They are composed of several documents and policies and are based on the company values of passion, respect, integrity and discipline. Two key elements of our Standards of Business Conduct are the "Integrity Code" and our "Business Partner Brochure."

**Integrity Code.** The Integrity Code came into effect in 2012 and replaced the guidelines that had previously been in effect since 1999. It defines the principles of behavior and guidelines for everyday conduct at Daimler, and apply to interpersonal conduct within the company as well as conduct toward customers and business partners. Fairness, responsibility and compliance with legislation are key principles in this context. The Integrity Code is based on a joint understanding of values, which was developed together with the Daimler employees. In addition to general principles of behavior, it includes requirements and regulations concerning the protection of human rights, dealing with conflicts of interest and preventing all forms of corruption.

The "Principles of Social Responsibility" also form part of the Integrity Code. They are binding for the entire Group. In the Principles of Social Responsibility, Daimler commits itself to the principles of the UN Global Compact and thus to internationally recognized human and workers' rights, such as the prohibition of child labor and forced labor, as well as freedom of association and sustainable protection of the environment. Daimler also commits itself to guaranteeing equal opportunities and adhering to the principle of "equal pay for equal work." The Integrity Code is available on the Internet at [daimler.com/dai/guidelines](http://daimler.com/dai/guidelines).

**Business Partner Brochure.** Our brochure under the heading "Ethical Business. Our Shared Responsibility." appeared in 2012. It shows with reference to the United Nations Global Compact principles the expectations that Daimler has with regard to ethical behavior in business. Since then, more than 63,000 external partners have received the brochure – for example all suppliers, joint-venture partners, dealers, and marketing and sponsoring partners. The Business Partner Brochure is also available on the Internet at [daimler.com/dai/iac](http://daimler.com/dai/iac).

## 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](https://www.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](https://www.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.

## Shares held by the Board of Management and the Supervisory Board, directors' dealings

At December 31, 2013, the members of the Board of Management held a total of 0.24 million shares or options of Daimler AG (0.022% of the shares issued). At the same date, members of the Supervisory Board held a total of 0.03 million shares or options of Daimler AG (0.002% of the shares issued).

In 2013, members of the Board of Management and the Supervisory Board and, pursuant to the provisions of Section 15a of the German Securities Trading Act (WpHG), persons in a close relationship with the aforementioned persons, conducted transactions with shares of Daimler AG or related financial instruments as listed in the table below. [↗ E.02](#) Daimler AG discloses these transactions without delay after receiving notification of them. Current information is available on our website at [daimler.com/dai/dd/en](http://daimler.com/dai/dd/en).

### Risk management and financial reporting

**Risk management at the Group.** Daimler has a risk management system commensurate with its size and position as a company with global operations. [↗ see pages 129 ff](#) The risk management system is one component of the overall planning, controlling and reporting process. Its goal is to enable the Company's management to recognize significant risks at an early stage and to initiate appropriate countermeasures in a timely manner. The Supervisory Board deals with the risk management system in particular with regard to the approval of the operational planning. The Audit Committee discusses at least once a year the effectiveness and functionality of the risk management system with the Board of Management and the external auditors. In addition, the Audit Committee regularly deals with the risk report. The Chairman of the Supervisory Board

has regular contacts with the Board of Management to discuss not only the Group's strategy and business development, but also the issue of risk management. The Corporate Audit department monitors adherence to the legal framework and Group standards by means of targeted audits and initiates appropriate actions as required.

**Accounting policies.** The consolidated financial statements of the Daimler Group are prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union, and with the supplementary standards to be applied according to Section 315a Subsection 1 of the German Commercial Code (HGB). Details of the IFRS are provided in this Annual Report in the Notes to the Consolidated Financial Statements. [↗ see Note 1](#) of the Notes to the Consolidated Financial Statements. The annual financial statements of Daimler AG, which is the parent company, are prepared in accordance with the accounting standards of the German Commercial Code (HGB). Both sets of financial statements are audited by a firm of accountants elected by the Annual Shareholders' Meeting to conduct the external audit.

Interim reports for the Daimler Group are prepared in accordance with IFRS for interim reporting, as adopted by the European Union, as well as, with regard to the interim management reports, the applicable provisions of the German Securities Trading Act (WpHG). Interim financial reports are reviewed by the external auditors elected by the Annual Shareholders' Meeting.

### Corporate governance statement

The corporate governance statement to be issued pursuant to Section 289a of the German Commercial Code (HGB) is published simultaneously with the Annual Report including the Corporate Governance Report at [daimler.com/dai/dsr](http://daimler.com/dai/dsr) and can be accessed there.

## E.02

### Directors' dealings (and dealings of related persons pursuant to Section 15a of the German Securities Trading Act (WpHG)) in the year 2013

Date	Name	Function	Type and place of transaction	Number	Price	Total volume
Sept. 19, 2013	Dr. Weber, Frank	Member of the Supervisory Board	Sale of new shares, Frankfurt	4,000	€58.76	€235,040
Sept. 19, 2013	Dr. Weber, Frank	Member of the Supervisory Board	Acquisition of shares through exercise of options (OTC)	4,000	€43.57	€174,280
July 17, 2013	Dr. Zetsche, Dieter	Chairman of the Board of Management	Acquisition of shares, Frankfurt	22,000	€52.08	€1,145,760
July 15, 2013	Dr. Zetsche, Dieter	Chairman of the Board of Management	Sale of new shares, Frankfurt	150,000	€51.89	€7,783,500
July 15, 2013	Dr. Zetsche, Dieter	Chairman of the Board of Management	Acquisition of shares through exercise of options (OTC)	150,000	€43.57	€6,535,500
May 8, 2013	Renschler, Andreas	Member of the Board of Management	Acquisition of shares, Frankfurt	3,490	€43.18	€150,698
May 6, 2013	Renschler, Andreas	Member of the Board of Management	Sale of new shares, Frankfurt	45,000	€43.45	€1,955,250
May 6, 2013	Renschler, Andreas	Member of the Board of Management	Acquisition of shares through exercise of options (OTC)	45,000	€43.57	€1,960,650
May 8, 2013	Prof. Dr. Weber, Thomas	Member of the Board of Management	Acquisition of shares, Frankfurt	4,650	€43.24	€201,066
May 6, 2013	Prof. Dr. Weber, Thomas	Member of the Board of Management	Sale of new shares, Frankfurt	60,000	€43.45	€2,607,000
May 6, 2013	Prof. Dr. Weber, Thomas	Member of the Board of Management	Acquisition of shares through exercise of options (OTC)	60,000	€43.57	€2,614,200