

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.