

Report of the Supervisory Board.

Dear Shareholders, the Supervisory Board dealt intensively and comprehensively with the strategic and operational development of the Daimler Group in seven meetings during the 2013 financial year.

In the year 2013, the Supervisory Board performed its tasks as laid down by applicable law, the Articles of Incorporation and its rules of procedure, and continually advised and supervised the Board of Management on the management of the company. Following careful reviews and consultations, the Supervisory Board passed resolutions on numerous business matters for which its consent was required. Those matters included investment and personnel planning, capital changes at companies of the Group, investments and the conclusion of contracts of particular importance for the Group. In addition, the Supervisory Board examined whether the annual financial statements for the Company, the consolidated financial statements, the combined management report for the Company and the Group, the risk report and the other financial reporting were in conformance with requirements. The Board of Management also informed the Supervisory Board about a large number of transactions not requiring the Supervisory Board's consent and the two boards discussed those matters together, for example the further development of strategic programs in the various divisions and the status of various cooperation projects. The Supervisory Board discussed the information and evaluations that were material for its decisions and suggestions together with the Board of Management.

Daimler's business operations continued to develop successfully in 2013. The results of the growth strategy followed by the Group and expressly supported by the Supervisory Board became increasingly apparent. In the year under review, all the automotive divisions launched products that have been very well received by the customers. The exceptionally positive reactions to the presentation of the new S-Class and the Mercedes-Benz Actros family are particularly noteworthy. The Group's unit sales and revenue increased significantly and reached new record levels. Earnings from ongoing operations of €7.9 billion were generally at a good level, although the prior-year result was not quite equaled. Ongoing high expenses for the development of the product portfolio and the production plants once again had an impact on key financials in the year 2013. But it was important that the earnings situation, as announced at the beginning of the year, continually improved as the year progressed. The effects of the efficiency programs running in all divisions were becoming increasingly apparent. The well-balanced worldwide positioning of our business has helped us to compensate for the difficult situation in the markets of Western Europe.

During the reporting period, the Board of Management informed the Supervisory Board about all significant key financials and continually provided information to it on important topics. Those topics included the return on equity and the Group's liquidity situation, the internal control and risk management system including compliance, the particular development of sales and procurement markets, the general economic situation in the main sales markets and developments in the area of financial services. The Supervisory Board dealt in detail also with the share-price development and its causes and discussed in detail with the Board of Management the expected effects of the strategic projects on the share-price development. Additional topics were securing the Group's long-term competitiveness, fundamental questions of corporate planning including financial, investment, unit-sales and personnel planning, development at companies of the Group, the revenue development, the situation of the Company and the divisions and the ongoing implementation of measures to secure future-oriented, sustainable mobility.

Cooperation between the Supervisory Board and the Board of Management. All the members of the Board of Management attended all the meetings of the Supervisory Board. The meetings featured intensive and open exchanges of information and opinions. The Supervisory Board arranged an executive session in each of its meetings in order to discuss topics in the absence of the Board of Management. No member of the Supervisory Board attended less than half of the meetings in the past financial year.

The members of the Supervisory Board regularly prepared for upcoming resolutions on transactions requiring Supervisory Board consent on the basis of documentation that had been provided in advance by the Board of Management. They were supported by the relevant committees and discussed the actions and transactions upon which decisions were to be taken with the Board of Management. Furthermore, the members of the Supervisory Board attended such courses of training and further training as might be necessary for the performance of their tasks. In this context, the meetings of the Supervisory Board dealt with issues of fundamental importance for the Group such as the macroeconomic situation of key sales markets or the presentation of new products and forward-looking technologies. The Supervisory Board meetings were regularly prepared in separate discussions of the members representing the employees and the members representing the shareholders with the members of the Board of Management.



Dr. Manfred Bischoff, Chairman of the Supervisory Board.

The Board of Management informed the Supervisory Board with the use of monthly reports and risk reports about the most important indicators of business development and existing risks, and submitted the interim financial reports to the Supervisory Board. Deviations from the planning were explained in detail to the Supervisory Board. The Supervisory Board was kept fully informed of specific matters also between its meetings. In addition, the Chairman of the Board of Management informed the Chairman of the Supervisory Board in regular discussions about important developments and consulted with him on upcoming decisions. As required in individual cases, following consultation with the Chairman of the Supervisory Board, the members were requested to pass resolutions in writing.

Topics discussed at the Supervisory Board meetings in the year 2013. In a meeting in early February 2013, in the presence of the external auditors, the preliminary key figures of the annual company and consolidated financial statements for 2012 and the dividend proposal to be made at the 2013 Annual Shareholders' Meeting were discussed. The preliminary key figures for the year 2012 were announced at the Annual Press Conference on February 7, 2013.

In another meeting held in February 2013, the Supervisory Board decided on the reappointment of Dr. Dieter Zetsche and Prof. Dr. Thomas Weber and the changes in the Board of Management responsibilities of Andreas Renschler and Dr. Wolfgang Bernhard, as described on page 18 under "Personnel changes in the Board of Management."

Also in this meeting, the Supervisory Board dealt with the annual company financial statements, the annual consolidated financial statements and the combined management report for Daimler AG and the Daimler Group, each of which had been issued with an unqualified audit opinion by the external auditors, as well as the reports of the Audit Committee and the Supervisory Board, the corporate governance report, the remuneration report and the proposal on the appropriation of distributable profit. In preparation, the members of the Supervisory Board were provided with comprehensive docu-

mentation including the Annual Report with the consolidated financial statements according to IFRS, the combined management report for Daimler AG and the Daimler Group, the corporate governance report and the remuneration report, the annual company financial statements of Daimler AG, the proposal of the Board of Management on the appropriation of distributable profit, and the audit reports of KPMG on the annual company financial statements of Daimler AG and the consolidated financial statements, each including the combined management report, as well as drafts of the reports of the Supervisory Board and of the Audit Committee.

The Audit Committee and the Supervisory Board dealt with those documents in detail and discussed them intensively in the presence of the responsible external auditors, who reported on the results of their audit and were available to answer supplementary questions and to provide additional information. Following the final results of the review by the Audit Committee and its own review, the Supervisory Board declared its agreement with the results of the audit by the external auditors; it determined that no objections were to be raised, and approved the financial statements and the combined management report as presented by the Board of Management. The company financial statements of Daimler AG for the year 2012 were thereby adopted. The Supervisory Board also consented to the proposal made by the Board of Management on the appropriation of distributable profit and approved the report of the Supervisory Board, the corporate governance report and the remuneration report in their current drafts. Finally, the Supervisory Board approved its proposed decisions on the items of the agenda for the 2013 Annual Shareholders' Meeting.

Furthermore, the Supervisory Board received detailed information on the product portfolio of Mercedes-Benz Cars and discussed in particular the brand positioning and the marketing and product strategy of Mercedes-Benz Cars. The Supervisory Board also discussed the results of the externally moderated efficiency review. It thus complied with both a recommendation of the German Corporate Governance Code and the corresponding requirement of its rules of procedure. The results indicate very good cooperation within the Supervisory Board and with the Board of Management. Only a few isolated suggestions were made concerning further efficiency enhancements. Those suggestions, for example on the organization of the annual strategy workshop of the Supervisory Board, have meanwhile been acted upon and implemented. Finally, the Supervisory Board dealt with topics of Board of Management remuneration and approved the external board positions and sideline business activities of the members of the Board of Management as presented in the meeting.

In the meeting of the Supervisory Board held straight after the Annual Shareholders' Meeting on April 10, 2013, in which Sari Baldauf was reelected as a member of the Supervisory Board, the members of the Supervisory Board representing the shareholders elected Sari Baldauf as a member of the Nomination Committee. Furthermore, the members representing the shareholders elected Dr. Jürgen Hambrecht, who had also been reelected to the Supervisory Board in the Annual Shareholders' Meeting, once again as a member of the Mediation Committee and of the Presidential Committee. In addition, the Supervisory Board passed resolutions concerning the members representing the employees, who had already been elected on March 13, 2013. In this context, the Supervisory Board elected Erich Klemm as the Deputy Chairman of the Supervisory Board, Erich Klemm and Michael Brecht as members of the Audit Committee, and Jörg Hofmann as a member of the Presidential Committee. Finally, the members of the Supervisory Board representing the employees elected Jörg Hofmann as a member of the Mediation Committee. Erich Klemm was also elected by the members of the Audit Committee as the Deputy Chairman of the Audit Committee.

Also in April, the Supervisory Board dealt with the dissolution of the EADS shareholders' pact and the disposal of the remaining approximately 7.4% of the EADS shares held by Daimler and approved the intended action.

In another meeting at the end of April 2013, the Supervisory Board decided on the reappointment of Dr. Christine Hohmann-Dennhardt as a member of the Board of Management, as described on page 18 under "Personnel changes in the Board of Management." After that, the Supervisory Board dealt with the competitive situation of the Group with reference to detailed benchmark studies. Subsequently, the Supervisory Board approved the funds for the establishment of another facility in Romania for the assembly of a new automatic transmission for passenger cars. The Supervisory Board also approved a capital contribution to the joint venture Beijing Benz Automotive Co., which required additional investment to increase its production capacities in the context of the "China 2020" growth strategy. Furthermore, the Supervisory Board approved the funds required for the development of spare-part logistics in China. In the same meeting, within the context of a report on Daimler India Commercial Vehicles, the Supervisory Board received detailed information on the development of the Indian market for commercial vehicles. Finally, the Supervisory Board dealt with the end of the monitorship and of the deferred prosecution agreement after Daimler had successfully complied with all settlements with the Department of Justice of the United States (DOJ) and the US Securities and Exchange Commission (SEC).

Following discussion of the course of business and the results of the second quarter, in its meeting in July, the Supervisory Board received information on the macroeconomic development of the main markets and on the current situation of Daimler in China. The Supervisory Board also received detailed reports on the G-Class product area and on AMG, and was informed about the status and further development of the van cooperation between Daimler and Volkswagen. In the same meeting, the Supervisory Board also dealt with the topics for the upcoming strategy workshop in September.

During that two-day strategy workshop in September, as in the previous strategy meetings, the Supervisory Board received information on to what extent the strategic goals of Daimler AG and the divisions as presented by the Board of Management in the previous years had already been achieved. Against the backdrop of the current economic situation, the Supervisory Board discussed the stage of implementation reached by the projects initiated in the individual divisions. Other topics discussed were the positioning of the Group and its divisions with regard to the competition and the brand and product strategies.

Subsequently, the Supervisory Board dealt intensively with the major topic of “Mercedes-Benz Cars.” In this context, the members of the Supervisory Board discussed with the Board of Management the division’s overall strategy and then received information on developments and challenges in China and the United States. The Supervisory Board dealt in detail also with the sales and marketing strategy of Mercedes-Benz Cars. Special attention was given to the strategic focus of the area of research and development, where the Supervisory Board was informed in particular about current progress with vehicle platforms and vehicle architecture, as well as measures to reduce CO₂ emissions and increase engine efficiency. “Daimler Trucks” was another main topic. The Board of Management and the Supervisory Board dealt in detail with the division’s overall strategy and with the strategic focus and further growth opportunities in the markets of Asia, Europe and Latin America.

In the meeting in December 2013, the members of the Supervisory Board representing the shareholders resolved to propose to the Annual Shareholders’ Meeting that Dr.-Ing. Bernd Bohr, Joe Kaeser and Dr. Ing. e.h. Dipl.-Ing. Bernd Pischetsrieder be elected to the Supervisory Board as of the end of the Annual Shareholders’ Meeting on April 9, 2014 until the end of the Annual Shareholders’ Meeting that decides on ratification of the Board of Management’s actions for 2018. In addition, the Supervisory Board dealt in detail on the basis of comprehensive documentation with the operational planning for the years 2014 and 2015. This included discussion of existing opportunities and risks, as well as the Group’s risk management. Subsequently, the Supervisory Board received information about the insurance business of Daimler Financial Services. Under the heading of “Employer Branding,” the Supervisory Board dealt with the activities of Daimler and its subsidiaries as a preferred employer in the various markets worldwide. The Supervisory Board then approved a capital increase for the Brazilian subsidiaries and the internal restructuring of shareholdings in Mexican and Canadian companies of the Group. Furthermore, the members representing the shareholders approved the new conclusion of current domination and profit-and-loss-transfer agreements. Other topics dealt with in the December meeting were corporate governance, as detailed below, and Board of Management remuneration in light of the requirements of the amended German Corporate Governance Code.

Corporate Governance. During the year 2013, the Supervisory Board was continually occupied with standards of good corporate governance. This took place also in consideration of the fact that the Government Commission German Corporate Governance Code had decided on some changes for stock-exchange listed companies in May 2013.

In order to ensure that the work of the Supervisory Board is effective and functions in line with good corporate governance, on the one hand, its members must have high levels of specialist expertise. On the other hand, diversity in terms of nationality, gender, experience and cultural background must reflect the Group’s size and internationality. Both of these conditions are fulfilled at Daimler. Proposals by the Supervisory Board on candidates for election representing the shareholders, for which the Nomination Committee makes recommendations, give due consideration to the goals stated by the Supervisory Board for its composition. This applies not only to the internationality of the members, but also for example to the aspect of diversity and appropriate participation by women. In this respect, the Supervisory Board gave its previous goals more concrete form in its meeting in December. On the basis of the targets set by the Company, the Supervisory Board resolved that at least 20% of all members of the Supervisory Board are to be women. In addition, at least 30% of the members of the Supervisory Board representing the shareholders are to be female. These targets have already been met. Since the Annual Shareholders’ Meeting on April 10, 2013, there have been three women on the side of the shareholder representatives and two women on the side of the employee representatives.

The members of the Supervisory Board of Daimler AG are obliged to disclose conflicts of interest – especially those that might arise due to an advisory or board function for a customer, supplier or creditor of Daimler or for other third parties – to the entire Supervisory Board. There were no indications of any conflicts of interest in 2013.

In its meeting in December, the Supervisory Board updated and amended the wording of the rules of procedure of the Supervisory Board and its committees, and approved the 2013 declaration of compliance with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG). With the exceptions explained in the declaration, all the recommendations of the Code have been complied with and continue to be complied with.

Corporate Governance at Daimler is described in detail in the Corporate Governance Report on [pages 178 ff](#) and in the Remuneration Report on [pages 119 ff](#) of this Annual Report.

Report on the work of the committees

The **Presidential Committee** convened four times last year. It dealt primarily with corporate governance topics and questions of remuneration, as well as personnel matters of the Board of Management. As in previous years, compliance targets constituted part of the individual target agreements of the members of the Board of Management. Once again, additional non-financial targets were also included as criteria in the target agreements. For the past financial year, important targets were set in the areas of stakeholders, employees and customers, as well as relating to the permanent establishment of integrity.

The **Audit Committee** met six times in 2013. Details of those meetings are provided in a separate report of that committee.

 [see pages 172 ff](#)

The **Nomination Committee** convened twice in 2013. Among other matters, it prepared recommendations for the Supervisory Board's proposals to the Annual Shareholders' Meeting 2014 on candidates for election. The election proposals give due consideration not only to the defined qualifications for the specific position, but also to the recommendations of the German Corporate Governance Code.

As in previous years, the **Mediation Committee**, a body required by the provisions of the German Codetermination Act (MitbestG), had no occasion to take any action in 2013.

The chairmen of the committees informed the members of the Supervisory Board about the activities of the committees and their decisions, in each case in the Supervisory Board meeting following such decisions.

Personnel changes in the Supervisory Board. With effect as of the end of the Annual Shareholders' Meeting on April 10, 2013, Andrea Jung was elected as a member of the Supervisory Board representing the shareholders until the end of the Annual Shareholders' Meeting that decides on ratification of the Board of Management's actions for the year 2017. Furthermore, Sari Baldauf and Dr. Jürgen Hambrecht were reelected as members of the Supervisory Board representing the shareholders for the same period. The election proposals made by the Supervisory Board to the Annual Shareholders' Meeting were based on recommendations made by the Nomination Committee.

As of the Annual Shareholders' Meeting on April 10, 2013, the five-year period of office began of the employee representatives who had previously been elected for five years in the Supervisory Board elections held on March 13, 2013. The elections confirmed the extended membership of some of the Supervisory Board members representing the shareholders. Those members are Erich Klemm, Michael Brecht, Jürgen Langer and Jörg Spies. Elke Tönjes-Werner and Wolfgang Nieke were newly elected to the Supervisory Board. As members representing the trade unions, in addition to the new member Dr. Sabine Maaßen, Jörg Hofmann was reelected to the Supervisory Board. In the person of Valter Sanches, the Supervisory Board of Daimler AG continues to have a member on the employee side representing a trade union from outside Germany. Dr. Frank Weber was elected to the Supervisory Board for the first time; he represents the management staff in the new Supervisory Board period. The period of office of the elected members representing the employees ends at the end of the Annual Shareholders' Meeting that decides on ratification of the Board of Management's actions for the year 2017.

With effect as of the end of the 2013 Annual Shareholders' Meeting, Prof. Dr. Heinrich Flegel, Dr. Thomas Klebe, Ansgar Osseforth, Uwe Werner and Lynton R. Wilson stepped down from the Supervisory Board.

Personnel changes in the Board of Management.

In the Supervisory Board meeting on February 21, 2013, Dr. Dieter Zetsche was reappointed as Chairman of the Board of Management of Daimler AG and Head of Mercedes-Benz Cars for a further three years as of January 1, 2014. Also in this meeting, Prof. Dr. Thomas Weber was reappointed as Member of the Board of Management of Daimler AG with responsibility for the area of "Group Research & Mercedes-Benz Cars Development" for a further three years as of January 1, 2014. As of April 1, 2013, Andreas Renschler took over Board of Management responsibility for the area of "Manufacturing and Procurement Mercedes-Benz Cars & Mercedes-Benz Vans." Also since April 1, 2013, Dr. Wolfgang Bernhard has held Board of Management responsibility for the area of "Daimler Trucks."

In the Supervisory Board meeting in April 2013, Dr. Christine Hohmann-Dennhardt was reappointed as Member of the Board of Management with responsibility for the area of "Integrity and Legal Affairs" for a further three years as of March 1, 2014.

In a Supervisory Board meeting on January 28, 2014, the contract of service of Andreas Renschler as a member of the Board of Management was amicably terminated. Responsibility for the Mercedes-Benz Vans division was allocated to Wilfried Porth. Responsibility for Manufacturing and Procurement Mercedes-Benz Cars was allocated to Dr. Dieter Zetsche until further notice.

In the Supervisory Board meeting on February 18, 2014, Bodo Uebber was reappointed as Member of the Board of Management of Daimler AG with responsibility for the area of "Finance & Controlling/Daimler Financial Services" for a further five years as of January 1, 2015.

Audit of the 2013 company and consolidated financial statements. The financial statements of Daimler AG and the combined management report for the Company and the Group for 2013 were duly audited by KPMG AG, Wirtschaftsprüfungsgesellschaft, Berlin, and were given an unqualified audit opinion. The same applies to the consolidated financial statements for 2013 prepared according to IFRS.

In the presence of the auditors in a meeting in early February 2014, the Supervisory Board discussed the preliminary key figures of the annual company and consolidated financial statements for 2013 and the dividend proposal to be made at the 2014 Annual Shareholders' Meeting. The preliminary key figures for the year 2013 were announced at the Annual Press Conference on February 6, 2014.

In the meeting on February 18, 2014, the Supervisory Board dealt with the annual company financial statements, the annual consolidated financial statements and the combined management report for Daimler AG and the Daimler Group, each of which had been issued with an unqualified audit opinion by the external auditors, as well as the reports of the Audit Committee and the Supervisory Board, the corporate governance report, the remuneration report and the proposal on the appropriation of distributable profit. In preparation, the members of the Supervisory Board were provided with comprehensive documentation including the Annual Report with the consolidated financial statements according to IFRS, the combined management report for Daimler AG and the Daimler Group, the corporate governance report and the remuneration report, the annual company financial statements of Daimler AG, the proposal of the Board of Management on the appropriation of distributable profit, the audit reports of KPMG on the annual company financial statements of Daimler AG and the consolidated financial statements, each including the combined management report, as well as drafts of the reports of the Supervisory Board and of the Audit Committee.

The Audit Committee and the Supervisory Board dealt with those documents in detail and discussed them intensively in the presence of the responsible external auditors, who reported on the results of their audit and were available to answer supplementary questions and to provide additional information. Following the final results of the review by the Audit Committee and its own review, the Supervisory Board declared its agreement with the results of the audit by the external auditors, determined that no objections were to be raised, and approved the financial statements and the combined management report as presented by the Board of Management. The company financial statements of Daimler AG for the year 2013 were thereby adopted. Furthermore, Supervisory Board consented to the proposal made by the Board of Management on the appropriation of distributable profit and approved the report of the Supervisory Board, the corporate governance report and the remuneration report in their current drafts.

Finally, the Supervisory Board approved its proposed decisions on the items of the agenda for the 2014 Annual Shareholders' Meeting.

Appreciation. The Supervisory Board thanks all of the employees and the management of the Daimler Group for their personal contributions to the successful year 2013. Special thanks are due to a longstanding member of the Supervisory Board, Lynton R. Wilson, who stepped down at the end of the Annual Shareholders' Meeting in 2013 after many years of exceptional personal commitment to the Group. With all best wishes for the future, the Supervisory Board also expresses its warmest thanks to the departed members, Prof. Dr. Heinrich Flegel, Dr. Thomas Klebe, Ansgar Osseforth and Uwe Werner, for their committed efforts in the Supervisory Board.

Stuttgart, February 2014

The Supervisory Board

Dr. Manfred Bischoff
Chairman