



Sustainability.

Sustainability at Daimler

Our sustainability strategy. We want to enhance the value of our company over the long term. And we can do that only if we define value creation holistically and measure the success of our business operations not only with the use of financial figures. In order to do that, we have firmly established sustainability as one of our goals and as a basic principle of our corporate strategy. The principle of sustainability determines our entrepreneurial activity: in the areas of economics, corporate governance, environmental protection and safety, as well as in our relations with employees, customers and society as a whole.  [see page 26](#)

The ideas that are of fundamental importance to us include the ten principles of the Global Compact, to which we are committed as a founding member of the compact and a member of the LEAD team since 2011. Our environmental and energy principles define the framework of our environmental protection activities and objectives. We also comply with the labor standards established by the International Labour Organization (ILO) and with the OECD guidelines for multinational companies.


Effective and coordinated strategies and initiatives ensure that the concept of sustainability is firmly embedded in our business operations. In our Group-wide sustainability management system, these strategies are supported by specific measures and measurable targets. Our "Sustainability Program 2020" is an important step in this direction; it defines our main areas of activity in the years ahead. We aim to steadily continue reducing pollutants and emissions, further enhance the safety of our vehicles, expand our dialogue with our suppliers and dealers, and further strengthen our social involvement.

Group-wide sustainability management. At Daimler, sustainability is thematically and organizationally embedded in our Group-wide corporate governance activities.  [see pages 178 ff](#) The Corporate Sustainability Board (CSB) is the central management body for all sustainability-related issues. The operational work is conducted by the Corporate Sustainability Office, which is staffed by representatives of the specialist departments and divisions. Since 2011, we have been using the Sustainability Scorecard as a tool for steering our efforts to reach the key sustainability targets. The scorecard uses a color-coded system either to display the success of quantitative indicators and qualitative objectives or to show that action needs to be taken. This allows targeted measures to be taken with the direct involvement of corporate management.

Comprehensive reporting on sustainability. In 2013, Daimler published its ninth Group-wide sustainability report. It provides a detailed and comprehensive sustainability balance sheet for the previous financial year and is supplemented by an interactive online sustainability report that contains more detailed and extensive information.

 sustainability.daimler.com

The new sustainability report covers financial year 2013. It will be presented at Daimler's Annual Shareholders' Meeting in early April 2014. The report was already drawn up in line with the Global Reporting Initiative (GRI) guidelines 4.0. In this context, Daimler specifically highlighted all of the company's key sustainability-related issues. This applies in particular to focal topics such as the reduction of the CO₂ emissions generated by our products and production activities, the use of senior experts, our activities in China, and the company's mobility concepts. In addition, we report on specific issues such as the handling of contracts for work and services and Daimler's position regarding the issue of refrigerants.

 [see page 112](#)

Research and development

Research and development as key success factors.

Research and development have always played a key role at Daimler. Our researcher engineers anticipate trends, customer wishes and the requirements of the mobility of the future, and our developer engineers systematically implement these ideas in products that are ready for series production. Our goal is to offer our customers fascinating products and customized solutions for need-oriented, safe and sustainable mobility. Our technology portfolio and our key areas of expertise are oriented toward this objective.

The expertise, creativity and drive of our employees in research and development are key factors behind our vehicles' market success. At the end of 2013, Daimler employed 21,300 men and women at its research and development units (2012: 21,100). A total of 13,600 employees (2012: 13,400) worked at Group Research & Mercedes-Benz Cars Development, 5,600 (2012: 5,600) at Daimler Trucks, 1,000 (2012: 1,000) at Mercedes-Benz Vans, and 1,100 (2012: 1,100) at Daimler Buses.

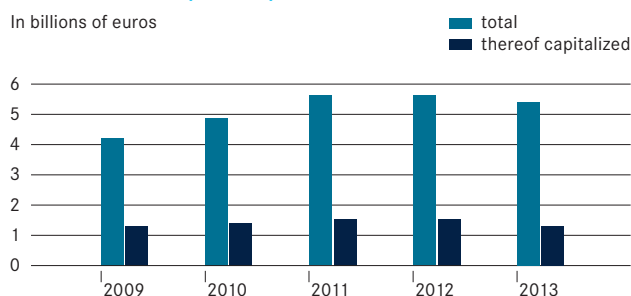
Our international research and development network.

During the year under review, we expanded our research and development network in a targeted manner, expanding it to 22 locations in ten countries. Our biggest facilities are in Sindelfingen and Stuttgart-Untertürkheim in Germany. In Sunnyvale, California, the new headquarters of our research facilities in North America, approximately 100 people are employed at present and this number is scheduled to be doubled. In Asia, we have an important center in Bangalore, India, and the Global Hybrid Center in Kawasaki, Japan, as well as a research and development center in Beijing, which began operations in 2012. We opened a new research center in Bangalore in January 2013. With its approximately 1,300 employees, the new facility is Daimler's largest research and development center outside Germany. In March 2013, our van joint venture in China, Fujian Benz Automotive Corporation, opened Mercedes-Benz Vans' first product development center outside Germany, in Fuzhou. We also work together with numerous renowned research institutions worldwide and participate in international exchange programs for young scientists.

C.38

Research and development expenditure

In billions of euros



C.39

Research and development expenditure by division

	2013	2012	13/12 % change
In millions of euros			
Daimler Group	5,385	5,644	-5
thereof capitalized	1,284	1,465	-12
Mercedes-Benz Cars	3,751	3,863	-3
thereof capitalized	1,063	1,125	-6
Daimler Trucks	1,140	1,197	-5
thereof capitalized	79	180	-56
Mercedes-Benz Vans	321	371	-13
thereof capitalized	139	137	+1
Daimler Buses	181	222	-18
thereof capitalized	3	23	-87

Targeted involvement of the supplier industry. In order to reach our ambitious goals, we are also cooperating very closely with research and development units from the supplier industry. Daimler must be closely interconnected with supplier companies in order to deal with the rapid pace of technological change in the automotive industry and the need to quickly bring new technologies to market. As part of our joint research and development work, we ensure that our company retains the key technological expertise it needs in order to keep our brands distinct and to safeguard the future of the automobile in general.

Intellectual property rights secure our leadership in technology and innovation. 128 years after the automobile was invented, our researchers and developers continue to regularly apply for patents to protect their new ideas. At the end of 2013, the patent portfolio of Daimler AG and its subsidiaries comprised more than 21,800 patents and patent applications (2012: 21,800). The new S-Class alone involves more than 800 of these intellectual property rights. They not only secure our scope to apply innovative technologies, they also ensure the exclusivity of innovations such as the high-comfort chassis system MAGIC BODY CONTROL. In addition to owning the intellectual property rights to our technology, we have more than 6,100 protected product designs. Our portfolio of intellectual property rights is completed with around 32,500 legally protected trademarks worldwide. They include the Mercedes-Benz brand, which, according to the internationally well-known brand consultant Interbrand, is the most valuable premium automotive brand in the world. Our portfolio of intellectual property rights is also becoming increasingly important with regard to future alliances and partnerships. The intellectual property rights supplement our researchers and development engineers' expertise and make Daimler a sought-after partner for technology and product partnerships.

€5.4 billion for research and development. We want to continue shaping technological transformation in the automotive sector through our pioneering innovations. As we had already announced in the Annual Report 2012, we once again invested a very large amount of money in research and development work in 2013. Of the total investment of €5.4 billion (2012: €5.6 billion), €1.3 billion (2012: €1.5 billion) was capitalized as development costs, which amounts to a capitalization rate of 24% (2012: 26%). The amortization of capitalized research and development expenditure totaled €1.1 billion during the year under review (2012: 1.0 billion). With a rate of 4.6% (2012: 4.9%), the research and development expenditure also stayed at a high level in comparison with revenue. The focus was on new vehicle models, extremely fuel-efficient and environmentally friendly drive systems and new safety technologies. We made improvements in all of the main areas that further increased our vehicles' efficiency – ranging from energy management and aerodynamics to lightweight engineering.

The most important projects at Mercedes-Benz Cars were the successors of the C-, E- and S-Class, the new compact cars and the new smart models. In addition, we are constantly working to develop new engine generations, alternative drive systems and innovative safety technologies. Mercedes-Benz Cars spent a total of €3.8 billion on research and development in 2013 (2012: €3.9 billion). Daimler Trucks invested €1.1 billion in research and development projects (2012: €1.2 billion). That division's main projects were the continuous further development of engines with a focus on optimizing fuel consumption

and complying with new emission standards, working on alternative drive systems and the successor generations of existing products. R&D expenditure at Mercedes-Benz Vans concentrated on the successor models of the Vito and the Viano. The Daimler Buses division primarily focused its development activities on new products, compliance with new emissions standards, and alternative drive systems. [↗ C.38](#) [↗ C.39](#)

Innovation and safety

A tradition of innovation. Innovations have played a key role at our company ever since Carl Benz and Gottlieb Daimler invented the automobile. Today, they are more important than ever before, because the accelerated pace of technological development and the challenges posed by climate change and environmental protection policies face us with the task of reinventing the automobile. Our customers expect safe, comfortable and powerful vehicles that are simultaneously becoming ever more fuel-efficient and environmentally friendly. In order to meet these requirements, we are forging ahead with our work in the research and development units.

On the road to emission-free mobility. Finite oil reserves, rising energy prices, population growth – especially in urban centers – and the unabated demand for mobility require new solutions for all aspects of transport. Our aim is to offer an intelligent mix of drive systems for every need. We intend to significantly reduce the fuel consumption and pollutant emissions of our vehicles today and to eliminate them entirely in the long term. We are implementing this intelligent mix of drive systems for our cars and commercial vehicles as part of our “Road to Emission-free Driving” strategy. We have defined the following focal areas for this approach:

1. We continue to enhance our vehicles with state-of-the-art internal-combustion engines that we are optimizing to achieve significantly lower fuel consumption and emissions.
2. We are achieving further perceptible increases in efficiency through customized hybridization, i.e. the combination of combustion engines and electric motors.
3. Our electric vehicles, powered by batteries or fuel cells, are making locally emission-free driving possible. [↗ C.40](#)

During the year under review, new products and technologies enabled us to make continued rapid progress on the “Road to Emission-free Driving.” The following examples show how this is happening.

Efficient cars and commercial vehicles with internal-combustion engines. Much of our research and development work continues to focus on making our cars and commercial vehicles with internal combustion engines even more efficient. The especially economical BlueEFFICIENCY models are reducing the fuel consumption and CO₂ emissions of our Mercedes-Benz cars and vans compared with the predecessor vehicles by up to 30% for certain models. This reduction is made possible by engines with small displacements and turbochargers, as well as by lightweight engineering, aerodynamic improvements, tires with low roll resistance, demand-appropriate energy management and an automatic start-stop function. A good example of this is the A 180 CDI BlueEFFICIENCY Edition¹, which we began to deliver to customers in March 2013. The car consumes only 3.6 liters of diesel per 100 kilometers and emits only 92 grams of CO₂ per kilometer. The new S-Class also features numerous coordinated modifications of the body, the engines and the ancillary components that substantially reduce fuel consumption. The new C-Class, which will be delivered to customers beginning in the spring of 2014, boasts impressive fuel efficiency. Thanks to intelligent lightweight engineering, the overall vehicle weighs about 100 kilograms less than its predecessor. The weight reduction significantly reduces fuel consumption to levels that are the best in this segment.

¹ A 180 CDI BlueEFFICIENCY Edition: fuel consumption in l/100 km urban 4,2 / extra-urban 3,2 / combined 3,6; CO₂ emissions in g/km combined 92.

C.40

Road to emission-free mobility

Optimizing our vehicles with modern conventional powertrains

Hybridization for further increase in efficiency

Locally emission-free driving with electric vehicles powered by fuel cells or batteries

Energy for the future



Clean fuels for internal combustion engines



Energy sources for locally emission-free driving

We have also reduced the fuel consumption of the most recent models of our commercial vehicles. Our new Actros, Arocs, Antos and Atego models and the all-new Freightliner Cascadia Evolution heavy-duty truck are the cleanest and most economical vehicles in their respective classes. In addition, our new buses also have outstanding fuel efficiency. [see pages 110 f](#)

Innovation award for NANOSLIDE. For its all-new NANOSLIDE® coating technique for cylinder walls, Daimler received the German Innovation Award for Climate and the Environment (IKU) 2013 in the category “Process Innovations for Climate Protection” in December 2013. The award is presented by the German Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) and the Federation of German Industry (BDI) to honor ideas and developments that help protect the climate and the environment. NANOSLIDE technologies, such as those used in the new Mercedes-Benz six-cylinder engines and in selected AMG drive systems, optimize friction within the engine. Because NANOSLIDE enables Daimler to dispense with cast-iron cylinder liners, engine weight can be reduced by several kilograms. Both of these improvements save fuel – by around 3% in the case of six-cylinder engines, for example. In the NANOSLIDE process, an electric arc is used to melt iron-carbon alloy wires. A flow of gas is then applied to spray the melted material onto the interior cylinder wall of the lightweight aluminum crankcase. The resulting lining is then finely smoothed so that the coating is only 0.1 to 0.15 mm thick. The micropores uncovered by this process allow the surface to absorb unusually large amounts of motor oil. In addition to creating very low levels of friction, the material’s ultrafine to nanocrystalline structure makes the lining very resistant to wear and tear. As a consequence, the NANOSLIDE technique is climate-friendly as well as extremely economical.

Innovative hybrid technology in the new S-Class. Already in 2009, Mercedes-Benz presented the S 400 HYBRID¹, the world’s first series-produced car with a hybrid drive system that uses a lithium-ion battery. We are now offering hybrid drive systems for the new S-Class series in a total of three models: the S 400 HYBRID¹, the S 300 BlueTEC HYBRID² and the S 500 PLUG-IN HYBRID³. The last of these models was presented to the public at the Frankfurt Motor Show in 2013 and will be delivered to customers as of September 2014. All of these second-generation hybrid drive systems are smoothly integrated into the powertrain. Whereas the batteries of the S 400 HYBRID¹ and the S 300 BlueTEC HYBRID² are only recharged by the combustion engine or when the vehicle is braking or coasting, the new high-voltage lithium-ion battery in the S 500 PLUG-IN HYBRID³ can also be recharged from an external source through a charging socket in the right rear bumper. With the help of a synchronous electric motor, the S-Class can travel considerable distances solely on electricity. This allows it to achieve fuel consumption that would have seemed impossible in the large-sedan segment just a few years ago. The car achieves these record values without compromising on performance, comfort or range. And thanks to the pre-air conditioning functions, occupants also enjoy a very comfortable climate-controlled interior. The second-generation S-Class hybrids have an anticipatory energy management system that improves energy efficiency. The hybrid drive’s operating strategy not only takes the current driving situation and the driver’s preferences into account, but also anticipates probable changes in the route (uphill and downhill gradients, curves and speed limits) over the next eight kilometers. The “smart

hybrid” uses the navigation data provided by COMAND Online to control the charging and discharging of the high-voltage battery. For example, it aims to use the energy contained in the battery to drive the vehicle before it reaches a downhill stretch because the energy recovery system will then be able to recharge the battery.

The new Mercedes-Benz B-Class Electric Drive⁴. At the New York International Auto Show, Mercedes-Benz unveiled the new B-Class Electric Drive⁴, which will be introduced in the US market in 2014 before later being launched in Europe. The electric Mercedes sets high standards amongst electric vehicles for comfort, quality and safety. For the B-Class Electric Drive, we are once again taking advantage of TESLA Motors’ expertise and incorporating the powertrain unit that company developed. The car’s quiet, locally emission-free operation is made possible by a 130 kW electric motor, which delivers its maximum torque of 340 Nm as soon as the driver steps on the gas pedal. That’s about the same as the amount of torque provided by a state-of-the-art three-liter gasoline engine. A high-performance lithium-ion battery supplies the electrical drive system with energy. The battery is located in the “energy space” of the car’s underbody, where it is safely protected and takes up little room. This smart packaging ensures that the five-seat vehicle retains the B-Class’s well-known interior spaciousness and large trunk size. To extend the car’s range, its top speed is electronically limited to 160 km/h. The vehicle has a range of about 200 kilometers, depending on the driving cycle.

A unique spectrum of electrically powered vehicles.

Because our spectrum of battery or fuel-cell powered locally emission-free vehicles ranges from cars and vans to light trucks and buses, the models we offer in this area can meet almost any road mobility requirement. In June 2012, we began to produce the new smart fortwo electric drive⁵, which is now available in 14 markets worldwide, including China and the United States. With a market share of around 30%, the smart fortwo electric drive⁵ is the leader in Germany’s electric car segment. More than 1,200 e-smarts are being used around the clock as part of our innovative car2go mobility service. The technology is proving its worth every day in various large cities around the globe. The Mercedes-Benz B-Class F-CELL⁶ and the Mercedes-Benz Citaro FuelCELL Hybrid city bus are the world’s most extensively tested fuel-cell vehicles. The Mercedes-Benz A-Class E-CELL⁷ has been on the road since the fall of 2010. In the van segment, we have been delivering panel-van and crewbus versions of the Mercedes-Benz Vito E-CELL⁸ to customers since mid-2010. We also offer FUSO Canter E-CELL and Freightliner Custom Chassis MT E-Cell light trucks. Customers began to receive the Mercedes-Benz SLS AMG Coupe Electric Drive⁹ in mid-2013. This model is geared toward technology-focused super-sports car fans with a passion for state-of-the-art engineering and futuristic high-tech solutions. In China, we will launch the first electric vehicle built by the DENZA brand in 2014. We jointly developed, and now produce, this innovative model with our partner BYD.

Our “road to accident-free driving.” Vehicle safety is one of our core areas of expertise and a key component of our product strategy. For over 60 years, our engineers have been ahead of their time in the development of new safety technologies. Our vision of accident-free driving continues to motivate us to make mobility as safe as possible for all road users.

Autonomous driving with the S 500 INTELLIGENT DRIVE.

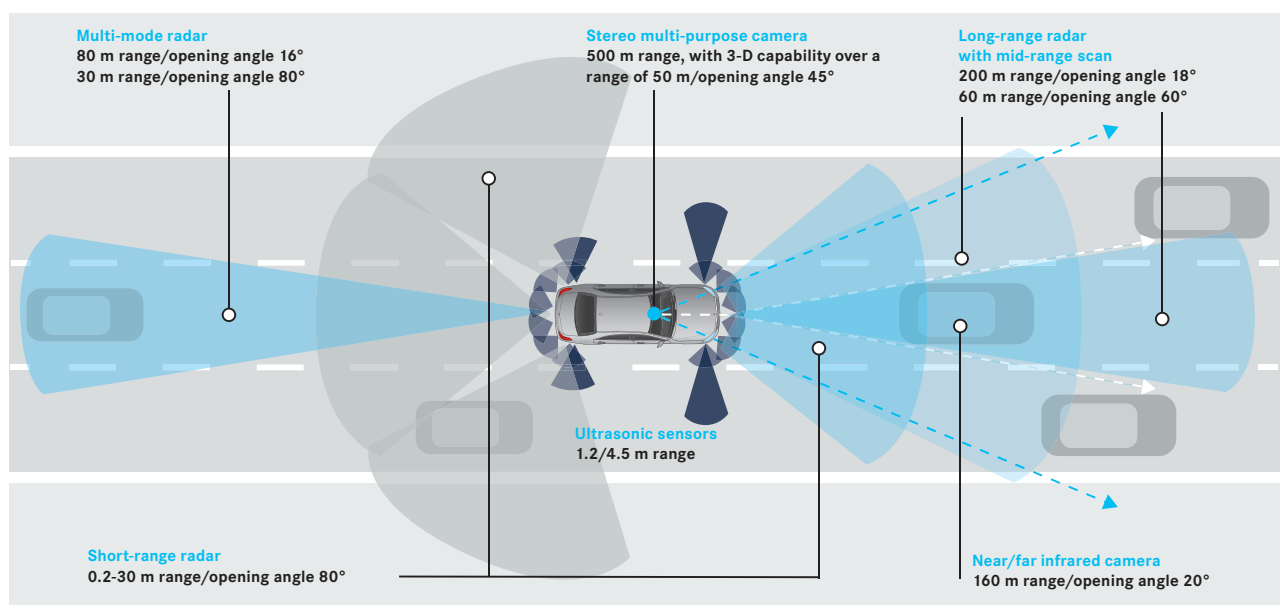
The S 500 INTELLIGENT DRIVE is a milestone on the road to accident-free driving. In August 2013, Mercedes-Benz became the world’s first automaker to prove that autonomous driving is also possible in cities and on highways and country roads. The vehicle covered the same route taken by Bertha Benz 125 years ago, when she became the first person to complete such a long trip in an automobile. In the dense traffic of the 21st century, the innovative Mercedes-Benz S-Class research vehicle faced the difficult challenge of driving autonomously in highly complex situations – with traffic lights, roundabouts, pedestrians, cyclists and streetcars. The unusual aspect of this pioneering achievement is that it was accomplished not with extremely expensive special technology, but instead with the help of technology that is close to the series-production stage. This technology is similar to systems that are already available for the new E-Class and S-Class. Beginning in 2014, they will also be available in the new C-Class.

Anticipatory active chassis. The new Stereo Multi Purpose Camera (SMPC), or “stereo camera” for short, provides vehicle occupants with even more safety and comfort. The system’s two “eyes” enable it to monitor in 3D an area extending approximately 50 meters in front of the vehicle. The system can also see as far as 500 meters ahead. The information is analyzed with the help of sophisticated algorithms. Within a wide area, the system can thus detect and spatially localize oncoming vehicles as well as vehicles that are driving ahead or coming from the side. It can also recognize and localize pedestrians and various types of traffic signs and road markings. The new camera supplies data to a variety of systems for further processing. One of them is the one-of-a-kind ROAD SURFACE SCAN system, which was first introduced in the new S-Class and turns the ABC feature into MAGIC BODY CONTROL. ROAD SURFACE SCAN recognizes and measures the road surface ahead, while ACTIVE BODY CONTROL, which is an enhanced active suspension system, uses this information to largely offset body movements caused by the road. The chassis is adjusted to each situation within a fraction of a second, enabling body movement to be substantially reduced. This results in an unprecedented level of ride comfort. [↗ C.41](#)

- 1 S 400 HYBRID: fuel consumption in l/100 km urban 7.4 – 6.6 / extra-urban 6.5 – 6.1 / combined 6.8 – 6.3; CO₂ emissions in g/km combined 159 – 147.
- 2 S 300 BlueTEC HYBRID: fuel consumption in l/100 km urban 4.8 – 4.7 / extra-urban 4.6 – 4.3 / combined 4.7 – 4.4; CO₂ emissions in g/km combined 124 – 115.
- 3 S 500 PLUG-IN HYBRID: market launch in second half of 2014.
- 4 B-Class Electric Drive: market launch at first in the USA in Q2 2014.
- 5 smart fortwo electric drive: electricity consumption in kWh/100 km 15.1; CO₂ emissions in g/km 0.0.
- 6 B-Class F-CELL: H₂ consumption in kg/100 km 0.97; CO₂ emissions in g/km 0.0.
- 7 A-Class E-CELL: electricity consumption in kWh/100 km 17.5; CO₂ emissions in g/km 0.0.
- 8 Vito E-CELL: electricity consumption in kWh/100 km 25.2; CO₂ emissions in g/km 0.0.
- 9 SLS AMG Coupe Electric Drive: electricity consumption in kWh/100 km 26.8; CO₂ emissions in g/km 0.0.

C.41

All-round visibility in the S-Class



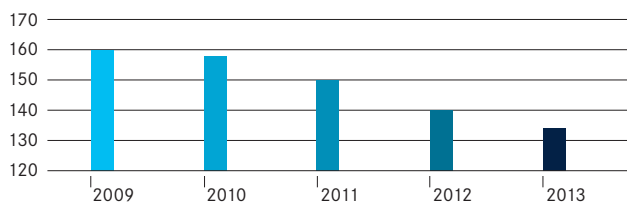
Five new assistance systems in the Mercedes-Benz

Sprinter. One of the main activities during the development of the new Sprinter was the creation of a whole series of new assistance systems, including world firsts for the van segment. Among the systems premiered are Crosswind Assist, COLLISION PREVENTION ASSIST, Blind Spot Assist, Highbeam Assist and Lane Keeping Assist. The many new assistance systems underscore Mercedes-Benz Vans' role as a safety technology pioneer and a driving force for innovation. Crosswind Assist is a milestone in safety technology. Within the limits of what is physically possible, the system almost completely offsets the effects that gusts of wind have on the vehicle. It greatly reduces driver stress, as motorists no longer have to steer as much against sudden gusts of wind. Crosswind Assist uses the standard-fitted ESP® sensors to determine the force exerted by crosswinds and gusts on the vehicle. To counteract this force, the assistance system brakes specific wheels on the windward side of the van. This causes the vehicle to steer in the direction of the wind and prevents it from drifting, which would have dangerous consequences.

C.42

Average CO₂ emissions of the new car fleet of Mercedes-Benz Cars in the EU

CO₂/km



Environmental protection

A comprehensive approach to environmental protection.

Daimler is strongly committed to improving the environment and the quality of life in the geographic locations and social settings in which we operate. Protecting the environment is a primary corporate objective of the Daimler Group. Environmental protection is not separate from other objectives at Daimler; instead, it is an integral component of a corporate strategy aimed at long-term value creation. For Daimler, a focus on the highest possible product quality includes compliance with stringent environmental standards and the sparing use of vital natural resources. Our measures for manufacturing environmentally friendly products therefore take the entire product lifecycle into account – from design, production and product use all the way to recycling and disposal. The environmental and energy-related guidelines approved by the Board of Management define the environmental and energy-related policy of the Daimler Group. This expresses our commitment to integrated environmental protection that begins with the underlying factors that have an impact on the environment, assesses the environmental effects of production processes and products in advance, and takes these findings into account in corporate decision-making.

€2.9 billion for environmental protection. In 2013, we continued to energetically pursue the goal of conserving resources and reducing all relevant emissions. We have kept a close eye on the effects of all our processes, ranging from vehicle development and production to recycling and environmentally friendly disposal. We increased our expenditure for environmental protection by 4% to €2.9 billion in 2013.

Further reduction of CO₂ emissions from cars. Mercedes-Benz made intensive efforts early on to reduce the fuel consumption of its vehicles while enhancing their performance – and thus increasing driving enjoyment and safety margins. With a fleet average of 134 g/km (2012: 140 g/km), we once again significantly reduced the average CO₂ emissions of the cars we sell in the European Union in 2013. More than 50 Mercedes-Benz models emit less than 120 g CO₂/km, and over 100 models bear the energy efficiency label A+ or A. [↗ C.42](#)

One example of these models is the E 220 BlueTEC BlueEFFICIENCY Edition¹. With emissions of 114 grams of CO₂ per kilometer, it is not only the most efficient vehicle in its segment but also conforms to the Euro 6 emissions standards. Consequently, it is ranked in the best efficiency class: A+. The E 300 BlueTEC Hybrid² emits even less CO₂. This car combines a 150-kW four-cylinder diesel engine with a 20-kW electric motor and consumes only 4.1 liters/100 km on average (NEDC combined). That corresponds to CO₂ emissions of 107 grams per kilometer.

1 E 220 BlueTEC BlueEFFICIENCY Edition: fuel consumption in l/100 km urban 5,6 – 5,4 / extra-urban 4,1 – 3,7 / combined 4,6 – 4,4; CO₂ emissions in g/km combined 122 – 114.

2 E 300 BlueTEC HYBRID: fuel consumption in l/100 km urban 4,2 – 4,2 / extra-urban 4,2 – 4,1 / combined 4,2 – 4,1; CO₂ emissions in g/km combined 110 – 107.

Innovative technologies for locally emission-free mobility will enable us to further reduce the fuel consumption and CO₂ emissions of our vehicles. Our goal is to reduce the CO₂ emissions of our new-vehicle fleet in the European Union to 125 g/km by 2016. We have also continuously reduced the pollutant emissions of our cars in recent years: by more than 80% since 1995 and by 23% in the past five years. We have achieved even more dramatic reductions with our BlueTEC diesel cars. Thanks to BLUETEC technology, we are a world leader for diesel vehicles. Automobiles equipped with this technology conform to the strictest emissions standards and are the cleanest diesel cars in the world. Moreover, the percentage of our new cars equipped with state-of-the-art Euro 6 technology is significantly higher than that of any other manufacturer.

Economical and low-emission commercial vehicles.

We have also continuously reduced emissions of CO₂ and other pollutants from our commercial vehicles in recent years. Along with the introduction of BLUETEC technology, these reductions have been achieved through more efficient new engines, axle ratios better suited to specific needs, and improvements in tires and aerodynamics. Daimler is the first manufacturer to offer its entire European product range in a Euro VI version. This development began in 2011 with the launch of the new Actros for long-distance road haulage. It was followed in 2012 by the Antos for heavy-duty distribution transportation. In 2013, we introduced the Arocs for the construction sector and the Atego for light-duty distribution transportation. We completed our Mercedes-Benz Trucks product offensive with the Mercedes-Benz Unimog and Mercedes-Benz Econic special vehicles, which have been rolling off the assembly line in Würth equipped with BLUETEC 6 technology since the fourth quarter of 2013. Despite complex exhaust-gas aftertreatment, our new Euro VI engines consume up to 4% less fuel than the predecessor Euro V engines. We are also leading the way with the introduction of the latest exhaust technology in the bus sector. All Mercedes-Benz and Setra model series are now available with Euro VI technology. In 2013, we also set a new benchmark for fuel efficiency on the North American truck market with the launch of our new heavy-duty Freightliner Cascadia Evolution. Thanks to its new Detroit DD15 engine equipped with proven Daimler BLUETEC exhaust technology and its improved aerodynamics, the new heavy-duty truck consumes 7% less fuel than the predecessor model. This was measured and confirmed by an independent agency in the course of a one-week test drive across the United States.

Hybrid technology can also greatly reduce the consumption of diesel fuel – particularly in buses and in commercial vehicles used for distribution transportation. For example, the FUSO Canter Eco Hybrid consumes up to 23% less fuel than a comparable diesel truck, depending on use, and the Freightliner M2e Hybrid consumes up to 30% less fuel than a conventional diesel-powered M2 106. No other commercial vehicle manufacturer has more experience or has done more testing in the areas of alternative drive systems and electric mobility. We also have the most extensive lineup of series-production vehicles in this field, ranging from vans and trucks to buses. On the road worldwide, there are more than 1.2 million environmentally friendly Daimler commercial vehicles equipped with SCR technology, as well as a further 21,000 vehicles with alternative drive technology.

In Europe, we aim to reduce the fuel consumption of our truck fleet by an average of 20% between 2005 and 2020. Compared with the year 2005, we already achieved a reduction of 10% in fuel consumption and CO₂ emissions with the launch of the new Actros model series in 2011, and we are working systematically on achieving the next 10%.

First series-produced Euro VI-compliant regular-service bus.

The new Mercedes-Benz Citaro is the first regular-service bus with engines that conform to the Euro VI emissions standards to go into series production significantly in advance of the new emission standards. The emissions of a Citaro equipped with Euro VI exhaust technology have been reduced by about 80% compared to those of its predecessors, which significantly improves the quality of the urban environment. At the same time, fuel costs for bus operators are being reduced, because the new city buses consume around 8% less diesel fuel. Economy is improved through an intelligent combination of an all-new engine generation and the supply of power to auxiliary systems from an energy recovery module. By the end of 2013, approximately 1,200 Mercedes-Benz and Setra buses equipped with environmentally friendly Euro VI exhaust technology had already been delivered to customers.

FUSO Canter Eco Hybrid and Daimler FleetBoard receive sustainability award.

Daimler Trucks was presented with the “European Transport Award for Sustainability 2014” for two of its products in November 2013. This international award is given by the editors of “Transport,” the newspaper for the freight transport sector. Representatives from business, research and the media make up the seven-member panel that judged the applications submitted. The panel members made their choices based on the criteria of economy, environmental impact and social responsibility. The FUSO Canter Eco Hybrid won by a sizable margin in the category “Distribution transportation truck up to 12 tons.” The truck’s great economy is due to its highly efficient enhanced drive technology. The Global Hybrid Center in Japan developed a parallel hybrid architecture in which a supplementary electric motor is located between the clutch and the transmission. The FUSO Canter Eco Hybrid’s drive technology is based on this architecture. The new Canter Eco Hybrid’s operating strategy is to start moving using only the electric drive. This also makes it very quiet. The diesel engine engages at a speed of around ten kilometers per hour. Depending on how much power is needed, the electric motor also supports the diesel engine for acceleration at higher speeds.

The Daimler FleetBoard consulting service was awarded first prize in the category “Driver and transportation management systems.” Many transport companies use the FleetBoard consultants to sustainably integrate telematics and transport management into the existing IT landscape and thus improve their transportation processes. Moreover, FleetBoard helps its clients to permanently cut fuel consumption and reduce wear and tear by adopting an efficient driving style. Taken together, these measures make a company’s operations noticeably more sustainable. In this way a smaller CO₂ footprint is achieved along the entire logistics chain.

The world's most modern wind tunnel. Through a variety of improvements, we have substantially reduced the noise produced by our cars, trucks and buses – and we plan to reduce it further in the future. The new aeroacoustic wind tunnel in Sindelfingen is helping us reach that goal. This facility, which occupies 4,200 square meters and went into operation in 2013, is setting new standards in flow quality and metrology. In the aeroacoustic wind tunnel, we carry out measurements of air resistance, acoustic properties and flow fields at simulated speeds of up to 265 km/h. The testing done at this new facility provides the foundation for reducing the air resistance of our vehicles, and as a result their fuel consumption and CO₂ emissions. This testing also provides information about how to prevent wind noise at high speeds – an important consideration when it comes to comfort.

Mercedes-Benz is the pacesetter in the field of aerodynamics, and in almost every vehicle class we make the cars with the best aerodynamic values. Some of the latest examples are the CLA, which has a drag coefficient (cd) of 0.22 – the lowest in the world for a series-production vehicle – and the new S-Class, which has a cd value of 0.23.

Lower weight, more recyclates and more natural materials. We want to make our vehicles lighter while further reducing the environmental impact of the materials used in their production. To achieve these goals, we are using new lightweight materials and components. In addition, we are increasingly using renewable resources and recycled materials.

Lightweight construction can reduce the weight of a vehicle without compromising safety and comfort. Material selection, component design and manufacturing technology all play key roles in lightweight engineering. Not every material is suitable for every component. At 35%, the bodywork accounts for the largest portion of a vehicle's total weight. After that comes the running gear at 25%, the comfort and safety equipment at 20%, and the engine and transmission also at 20%. This distribution means that the most effective way to reduce vehicle weight is to focus on the body. So instead of using conventional types of steel, we are increasingly employing high-strength and ultra-high-strength alloys in our bodywork. Lightweight engineering in the new S-Class has enabled us to make improvements in the body and other components that have reduced the vehicle's weight by almost 100 kilograms compared with the previous model.

Carbon dioxide as a future refrigerant. The debate about refrigerants for cars' air conditioning was at the focus of public interest for several months in 2013. The only currently available refrigerant that meets the legal limits is a chemical compound by the name of R1234yf. The safety risks connected with that refrigerant that Daimler has identified in several tests ultimately led to the decision to use the safe and environmentally friendly refrigerant CO₂ in the future. CO₂ is neither flammable nor toxic and it cools very quickly. We are therefore working hard on the development of CO₂ air conditioning. Until the new technology is ready for application, Daimler will continue to use the refrigerant R134a with its proven safety properties, like most of the other automobile manufacturers. According to an EU directive, this is allowed until the end of 2016, depending on the date and other details of a vehicle's type approval. All models of the Mercedes-Benz and smart brands have the relevant type approval with Europe-wide validity.

Extensive recyclability of old vehicles. To make our vehicles more environmentally friendly, we are reducing our automobiles' emissions and the resources they consume over their entire lifecycle. We therefore pay close attention to creating a recycling-friendly design even at the development stage. Up to 85% of the materials in all Mercedes-Benz models are recyclable and as much as 95% of the materials are reusable.

Other proven elements of our recycling concept are the resale of inspected and certified used parts, the reconditioning of parts that have been replaced, and the workshop disposal system MeRSy Recycling Management.

Avoiding waste. In the area of waste management, Daimler believes that recycling and the prevention of waste are better than disposal. Accordingly, the reconditioning and reuse of raw, process and operating materials has been standard practice at our plants for many years. In order to avoid the creation of waste from the outset, we use innovative technological processes and environmentally aware production planning. Waste materials that are unavoidable are generally recycled. As a result, the recycling rate for waste at our plants is over 90% on average. At some plants almost 100% of the waste is now recycled, meaning that waste destined for landfills has been almost completely eliminated.

As we pursue our environmental protection activities, we rely on comprehensive environmental management systems. Today, more than 98% of our employees worldwide work in plants whose environmental management systems have been certified as conforming to the ISO 14001 or EMAS environmental standards.

Extensive measures for environmental protection in production. In recent years, we have been able to limit the energy consumption, CO₂ emissions, production-related solvent emissions and noise pollution at our plants with the help of environmentally friendly production processes. As a result, energy consumption during the period from 2008 to 2013 increased at a rate of 1.2% to 11.1 million megawatt-hours, which was well below the rate of production growth. Thanks to a transition to lower CO₂ energy carriers and more efficient energy generation, CO₂ emissions decreased during the same period by 11.2% to a total of 3.4 million tons. With our ongoing energy savings projects, we were also able to at least partially compensate for the additional energy consumption that resulted from the significant increase in production and the ramp-up of two new plants, one in India and one in Hungary. The increase in energy consumption compared with the previous year was therefore disproportionately low at 2.7%, and CO₂ emissions were at the level of the prior year. With resource-conserving technology such as circulation systems, we kept our water consumption stable between 2008 and 2013, despite significant growth in production.

Workforce

Number of employees remains stable. At December 31, 2013, the Daimler Group employed a total of 274,616 men and women. As expected, the workforce remained as large as it had been at the end of 2012. Whereas the number of employees rose in Germany to 167,447 (2012: 166,363), it declined to 20,993 in the United States (2012: 21,720). At the end of 2013, Daimler had 14,091 employees in Brazil (2012: 14,610) and 11,275 in Japan (2012: 11,286). ↗ **C.43** Our consolidated subsidiaries in China had a total headcount of 1,966 at the end of the year (2012: 2,730). Workforce numbers dropped in China as a result of integrating the car sales organizations into a non-consolidated joint venture company. In addition, 2,274 South African sales employees who were previously assigned to Mercedes-Benz Cars are now listed within the sales organization. At the end of the reporting year, Daimler AG employed a total of 150,605 men and women (2012: 149,644).

Workforce numbers increased in 2013 at Daimler Financial Services. They also rose at our vehicle sales organization because of the aforementioned structural effect. Whereas the number of employees at Mercedes-Benz Vans remained largely unchanged compared with the end of 2012, it decreased at Mercedes-Benz Cars, Daimler Trucks and Daimler Buses. ↗ **C.44**

We have combined in-house services worldwide in shared service centers in order to further improve the quality and efficiency of our administrative functions and various services. These shared services include financial processes, IT and development tasks, sales functions and certain location-specific services. The shared service centers are not consolidated because they do not affect our profitability, cash flow or financial position. The centers employed approximately 4,700 men and women at the end of 2013.

The employees of our Chinese joint ventures are also not included in the Group's total workforce; they employed approximately 17,600 people at December 31, 2013.

High level of profit sharing. For the successful financial year of 2012, Daimler's management and General Works Council agreed once again to pay a performance participation bonus to our employees paid according to collective bargaining wage tariffs. At the end of April 2013, all of the eligible employees at Daimler AG were paid an amount of €3,200. This is a visible expression of how we honor our employees for their efforts and commitment.

The eligible employees of Daimler AG in Germany will also receive a fair and appropriate performance participation bonus for financial year 2013. The amount has been determined on the basis of a new, transparent system that was agreed upon by the management and the General Works Council. The resulting amount is €2,541. The management has also decided to pay a one-time special bonus of €500. This special bonus is an expression of gratitude to the employees for their special commitment last year. The full participation in the company's success of €3,041 will be paid out in April 2014.

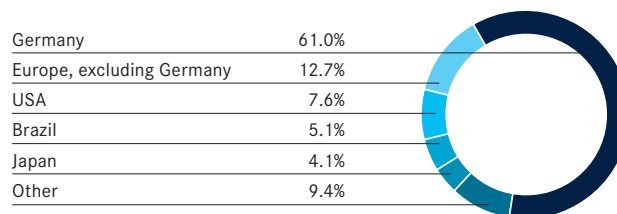
Slight increase in average age of our employees. In 2013, our global workforce had an average age of 42.3 years (2012: 41.9). Our employees in Germany were 43.5 years old on average (2012: 43.1). Employees who are 50 years old or older currently make up about 34% of our permanent workforce at Daimler AG. On the basis of current assumptions, this proportion will rise to about 50% over the next ten years. Changes in the collective bargaining agreement and the legal framework, such as retirement at age 67, are intensifying this demographic trend.

As part of our diversity management activities, we are addressing the challenges resulting from the aging of our workforce. This means that we have to create ways for older employees to get more involved in our work processes, and also that we must recruit younger people in a targeted manner.

C.43

Employees at 12/31/2013

By region



C.44

Employees by division

	2013	2012	13/12 % change
Employees (December 31)			
Daimler Group	274,616	275,087	-0
Mercedes-Benz Cars	96,895	98,020	-1
Daimler Trucks	79,020	80,519	-2
Mercedes-Benz Vans	14,838	14,916	-1
Daimler Buses	16,603	16,901	-2
Sales & Marketing Organization	52,455	50,683	+3
Daimler Financial Services	8,107	7,779	+4
Other	6,698	6,269	+7

In May 2013, Daimler introduced a new human resources concept that takes advantage of the experience of the company's retired employees. These "senior experts" can voluntarily return to the company for a temporary period if the departments need their services. The program promotes cooperation among people of different ages in order to benefit from their specific strengths. In this way, the concept combines the young employees' innovative strength with the retirees' wealth of experience. The experience we have gained with the senior experts so far confirms that the program's aims are being achieved.

Number of years at Daimler. In 2013, our employees had worked for the Daimler Group for an average of 16.2 years. This figure was slightly above the previous year's level (2012: 15.8 years). In Germany, employees had worked for the Group for an average of 19.2 years at the end of 2013 (2012: 18.8 years). The comparative figure for Daimler AG was 19.5 years (2012: 19.1 years). Daimler employees outside Germany had worked for the Group for an average of 11.3 years (2012: 11.0 years).

Diversity management activities. Diversity management is a strategic success factor for the company's future viability. Because mixed teams are better than homogeneous ones at solving complex tasks, Daimler's diversity management activities primarily focus on making managers more aware of this issue. We also use mentoring programs, communication activities, conferences, workshops and e-learning tools for this purpose. This continuous focus on diversity management enables our corporate culture to steadily evolve.

Increased proportion of women employees. Our instruments for supporting the targeted promotion of women include flexible working-time models, childcare facilities close to the workplace and special mentoring programs. Daimler has committed itself to increasing the proportion of women in senior management positions throughout the Group to 20% by 2020. The share of women in such positions has risen continually over the last few years to reach 12.7% at the end of 2013 (2012: 11.9%). Because we are a technologically oriented company, the targets take into account sector-specific conditions and women's current share of our workforce. At the Daimler Group, women accounted for 16.3% of the total workforce worldwide (2012: 16.2%). At Daimler AG, women accounted for 14.6% of the employees at the end of the year under review (2012: 14.4%).

Employee qualification. We provide our staff with training and continuing education opportunities throughout their entire careers. Our range of qualification measures includes practical training courses, seminars, workshops, specialist conferences and instruction through digital media. In Germany alone, we spent €107 million on the training and qualification of our employees in the year under review (2012: €112 million). On average, every employee spent 4.1 days in qualification courses in 2013 (2012: 4.0 days).

Securing young talent. Daimler takes a holistic approach to securing young talent. For example, our Genius initiative enables children and teenagers to gain valuable information about technologies of the future and professions in the automotive industry. genius-community.com High school graduates can apply to participate in a technical or commercial apprenticeship at one of our locations or to study at the

Cooperative State University in Baden-Württemberg. After completing their college degrees, they can directly join our company or launch their careers at Daimler by taking part in our global CAREer training program.

In 2013, CAREer once again enabled approximately 300 college graduates from around the world to begin a career at Daimler. The program focuses on young people who have graduated in technical and commercial fields with above-average grades and applicants with practical experience. Women currently account for around one third of CAREer participants; our trainees and alumni come from approximately 30 different nations.

We are also making our training activities more international so that we can establish high training standards in growth regions and recruit highly qualified skilled employees. In 2013, we developed the Mercedes-Benz Qualification System (MBQS) for our international car locations. The system describes the general conditions for efficient training programs outside Germany that provide participants with the required qualifications, including programs for training master craftspeople. We are also incorporating some elements of the German work-study system in various projects outside Germany.

We had 8,630 apprentices and trainees worldwide at the end of 2013 (2012: 8,267). A total of 2,014 young people began their vocational training at Daimler in Germany during the year under review (2012: 2,109). The number of people we train and subsequently hire is based solely on the Group's needs and its future development. In 2013, 89% of Daimler trainees were hired after completing their apprenticeships (2012: 91%).

High standards for awarding contracts for work and services. Contracts for work and services are important instruments to enable companies to remain flexible and competitive in their business operations. Through such contracts, Daimler procures services that can be provided better and more efficiently by the specialists of the respective supplier than by the Group itself. They include for example facility management services and the operation of plant canteens as well as specialized logistics and highly complex services in areas such as development, IT and consulting.

Contracts for work and services regulate the provision of a precisely defined service in return for a fixed payment. In order to secure transparent and fair conditions for all parties in the execution of such contracts, Daimler decided on new standards for the award and execution of contracts for work and services on Daimler premises in autumn 2013. These standards apply in particular to working conditions and the wages of the employees deployed by contracted companies, and go significantly further than the conditions required by applicable law.

To ensure that the new social principles are effective also on a sustained basis, Daimler will systematically monitor for adherence to them. Daimler therefore checks not only during an invitation to tender whether the participating companies fulfill the standards, but also regularly while the services are provided.

Social responsibility

The main elements of our social involvement. Because we consider business success to be inseparable from social responsibility, we are working worldwide for the future of our society in line with our values and local needs.

To promote social development, we spent more than €60 million on donations to nonprofit institutions and sponsorships of socially beneficial projects in 2013. Added to this are our foundations and corporate volunteering activities, as well as self-initiated projects.

We concentrate on areas that promote our role as a “good neighbor” of the communities in which we operate worldwide. We also focus on projects that can benefit from our core areas of expertise as an automobile manufacturer as well as our specific know-how. In particular, that includes projects devoted to science, technology, the environment, education, traffic safety, the arts and culture. We also support charitable projects, community projects and projects for promoting social and political dialogue.

Transparency and control. The Board of Management’s committee for donations and sponsorship controls all of the company’s donations and sponsorship activities worldwide. The committee bases its decisions on the donation and sponsorship guidelines, which creates binding regulations for the relevant criteria, legal stipulations and ethical standards. We also create transparency with the help of our donation and sponsorship database, which records all of the Group’s donations and sponsorship activities worldwide. Regular communication measures help employees to abide by the guidelines worldwide and make them aware of the risks associated with donations and sponsorship activities.

Support for political parties. In 2013, we supported democratic parties solely in Germany, donating a total of €320,000 (2012: €435,000). Of this total, the CDU and SPD parties each received €100,000 (2012: €150,000), and the FDP, the CSU, and BÜNDNIS 90/DIE GRÜNEN each received €40,000 (2012: €45,000).

Funding through foundations. We support universities, research institutes and interdisciplinary science projects worldwide to promote sustained innovation and the international sharing of ideas. We have combined these activities in our foundations.

The Daimler and Benz Foundation is endowed with €125 million. As a promoter of the knowledge society, the foundation helps to fund the scientific development of research ideas in the areas of environmental protection and technological safety. It also funds a special team of mobility experts who study the effects and socially relevant aspects of autonomous driving. daimler-benz-stiftung.de

Within the framework of the founders’ Association for German Science, the Daimler Foundation is, among other things, involved in selecting the winners of the German future Prize for Technology and Innovation. As part of MINTernational, the foundation also supports young scientists at academic institutions and helps to make universities more international.

stifterverband.org

Science, technology and the environment. Daimler has been helping environmental organizations conduct various projects for several years now. For example, the Baden-Württemberg chapter of the Nature and Biodiversity Conservation Union of Germany (NABU) cooperated with Daimler to launch a marsh renaturation project in 2012. Almost all of the marshes in Baden-Württemberg have been drained and severely damaged in past centuries, but the partners aim to restore two of them. This project will benefit many threatened plant and animal species as well as the climate in general.

Education and traffic safety. Our MobileKids program has been successfully promoting safety and the future of mobility since 2001. This initiative teaches schoolchildren about traffic safety in a playful and engaging manner. The ideas and content of MobileKids are also taught in other countries including China, Turkey and Hungary. To date, the program has prepared more than one million children worldwide to behave safely in road traffic. mobilekids.net

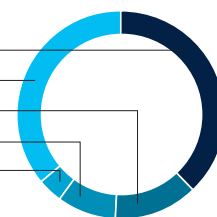
Improving access to education is one of the most long-lasting investments benefiting society and also our company. That is why we launched the Genius education initiative, which is geared toward children and teenagers and combines various educational projects focusing on future technologies, mobility and environmental issues. We use age-appropriate programs and free workshops to provide playful and practical instruction outside a school setting. In conformity with the formal curriculum, we have also developed instructional materials on science and technology subjects. In this context, we offer teacher conferences and training courses related to these materials.

genius-community.com

C.45

Donations and sponsoring in 2013

Charity/Community	38%
Arts & Culture	36%
Education	13%
Science/Technology/Environment	9%
Political Dialog	4%



The arts and culture. Daimler supports the arts and culture as a key element of its business identity. These activities focus on the promotion of regional culture. Among other things, we support the Berlin Philharmonic Orchestra and the Mecklenburg-Vorpommern Music festival. In China, we have a strategic partnership with the National Center for the Performing Arts and support Art Beijing and the International Music Festival. In South Africa, we are a partner of the country's "21 icons" project, which aims to use national role models such as Nelson Mandela to inspire young people to follow in their tracks. 21icons.com

Charitable projects. In cooperation with the aid organization Wings of Help, two convoys consisting of several new Mercedes-Benz Actros semitrailer trucks transported relief supplies to Syrian refugees in Turkey. The trucks carried some 35,000 blankets, winter clothing for 120,000 people, baby food for 150,000 children, vaccinations, tents, wheelchairs, ambulances and mobile medical centers almost 4,000 kilometers overland to the area along the Turkish-Syrian border.

Following the devastating typhoon in November 2013, Daimler quickly provided €500,000 to the suffering population in the Philippines and called on its employees to donate as well. The donation to the German Red Cross was invested in water treatment facilities and in measures for preventing epidemics.

As part of our national sponsorship program, we donated money in 2013 also to charitable initiatives that focus on helping families and children in Germany. Among them is the brotZeit project, which combines programs for supporting active senior citizens with the care of socially disadvantaged children. Needy children are served a free, balanced breakfast, and senior citizen volunteers provide slow learners with individualized support. brotzeitfuerkinder.com

Corporate volunteering. Daimler Financial Services now organizes Days of Caring in more than 20 countries. In 2013, over 2,300 employees took part in the worldwide program to jointly help charitable institutions for a whole day. The climax of these activities was the Week of Caring in the United States, where around 1,000 employees spent a whole week working on charitable projects at more than 30 different institutions.

We continued to expand our ProCent initiative during the year under review. In this initiative, Daimler employees voluntarily donate the cent amounts of their net salaries to socially beneficial projects. The company matches every cent donated and collects the money in a support fund. In line with the suggestions of its employees, Daimler uses this money to support environmental and social projects in Germany and other countries worldwide. In 2013, we provided 175 projects with more than €1 million in funding. More than €1.7 million has been donated to socially beneficial projects since the initiative was launched in 2012.

In the "Gift a Smile" Christmas campaign, Daimler employees in the Stuttgart area put together 7,700 present parcels of toys, school articles, sweets and clothes for children and teenagers from socially disadvantaged families. Daimler provided the Christmas boxes for this campaign. A FUSO truck collected the packages from various locations. The presents were then distributed by the nonprofit food bank "Die Tafeln."

More information about the projects promoted by the Group and the activities related to our social commitment can be found in the Daimler Sustainability Report and on our website under "Sustainability." daimler.com/nachhaltigkeit