Even more value through close interlinking: 360 DEGREES sustainability report in print and as an interactive Internet presentation

360 DEGREES print and 360 DEGREES online: Each medium has its own unique advantages. We are making full use of the opportunities made available by print and online media to provide added value for you, our readers. You will find a concise presentation of the most important facts and figures on the topic of sustainability in the printed report, and additional in-depth information on the Internet.

At [http://sustainability2008.daimler.com](http://sustainability2008.daimler.com) you will find the specific online report “360 DEGREES – Facts on Sustainability 2008.” Presented in a user-friendly manner, this comprises both the content of the printed version and numerous supplements.

- These include a compilation of key figures and specific vehicle data along with the GRI Index and further information, in the form of graphics, timelines, and tables.

- A user’s guide with search function, interactive table of contents, and numerous links also helps you to rapidly locate specific information.

- You also have the opportunity to individually select data material, compile key figure comparisons over a period of several years, and download them for your own requirements.

In the margin of this printed publication, you will find numerous links that provide further in-depth information on the Internet. Simply enter the website ending with a two-digit number (e.g. sustainability2008.daimler.com/sr/01) in your browser and you will instantly find the information you require.

The additional report “360 DEGREES – Magazine on Sustainability 2008” provides information and best practice examples from all three dimensions of sustainability and supplements this publication in the form of a feature magazine.
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Dear readers,

This report describes what Daimler means by “sustainability.” For us, it means a “360-DEGREE” corporate responsibility that applies to local and global economics, society, and ecology and extends to all of our activities with a sharp focus on our operations. The following pages show how we are putting our commitment into practice.

It has taken more than 100 years to put the first 800 million vehicles on the road worldwide, but it will take less than 30 years to at least double that number. The reason is that automobiles are now affordable to a rapidly increasing percentage of people who live in China, India or other emerging markets.

That’s a very positive trend, as it offers more people social and economic development opportunities. However, this rapid motorization will only be environmentally acceptable if we continue to make passenger cars and commercial vehicles cleaner. We consider this to be a perfect challenge for Daimler:

- We invented the automobile, the truck, and the bus.
- Customers rely on us to provide solutions – and we are ready to accept a pioneering role when it comes to clean and safe mobility.
- And, finally, we have the necessary innovative strength to succeed.

In 2007, Daimler invested €4.1 billion in research and development and €1.8 billion in environmental protection. Over the next few years we will further increase these budgets. In fact, by 2010 we will have invested nearly €14 billion in research and development.

These efforts are all the more important because no single technology is clearly superior to all others. There’s no obvious route to tomorrow’s mobility. Therefore we based our “road map for sustainable mobility” on three pillars:

- the ongoing optimization of our vehicles with internal combustion engines;
Editorial

– the further improvement of efficiency through hybridization – in other words, the combination of a combustion engine with an electric motor; and

– zero-emission driving with fuel cell and battery drive systems.

What's more, we're also actively involved in the search for future energy sources.

All of this illustrates our determination to be the driving force behind sustainable mobility. This is one of our most important goals.

We also pay close attention to the overall consequences of our actions beyond the realm of environmental protection. Business interests and social responsibility have to go hand in hand – and the practical application of this principle begins with each and every one of us. That's why, for example, we are helping our employees to balance the demands of career and family. By the end of 2008 we will have set up additional childcare facilities for 350 children under three years of age throughout Germany.

What's more, in 2007 we once again trained more young people than we require in our own company. In fact, some 40 percent of all trainees in the German automotive industry are learning their profession at Daimler.

But Daimler’s sense of responsibility doesn’t end at the plant gates. We also support numerous initiatives in the areas of education, training, science, and culture around the globe. In South Africa we’ve long supported the struggle to prevent the spread of HIV/AIDS. Through our worldwide “MobileKids” initiative, we are helping to improve road safety for children – yet another of our responsibilities as an automaker.

Finally, we also help promote creative thinking and global understanding. For example, in conjunction with UNESCO, we stage international student competitions as part of our Mondialogo initiative. We support inter-cultural exchange programs for engineering students and traditionally sponsor the Donors’ Association for the Promotion of Sciences and Humanities in Germany. We’re also involved in a broad range of social and cultural activities.

All of our activities are grounded in our corporate values of passion, respect, integrity, and discipline. They apply to all of our operations worldwide, at all times, and without reservations. We have explicitly committed ourselves to the Global Compact of the United Nations and its principles concerning human rights, employer-employee relations, environmental protection, and the struggle against corruption. We have implemented these principles in binding internal guidelines. Daimler simply does not, and will not, engage in business operations that do not comply with these principles. Through our Corporate Compliance department, which we have further expanded, we ensure that our employees apply these principles in their daily work.

In the future we will coordinate our diverse sustainability activities even more closely. To this end, we have set up a coordination committee that reports directly to me. “360 DEGREES of responsibility” – that’s the standard we aim to live up to in all of our efforts.

Sincerely,

Dr. Dieter Zetsche

Chairman of the Board of Management and Head of Mercedes-Benz Cars
The company. Our success is based on leading brands, superior products, and high-performing inspired people. With our global presence, a pioneering spirit, and competence in innovations and technology, we can look to the future with confidence.
1.0 The company

The name “Daimler” has been inseparable from the history of the automobile for more than 120 years. With the sale of the majority of shares in the Chrysler Group, Daimler, whose headquarters are in Stuttgart, is one of the world’s leading manufacturers of premium passenger vehicles and the world’s largest producer of commercial vehicles. Customized services for these products complement its product range.

Today the annual revenues of Mercedes-Benz Cars and Daimler Trucks are twice as high as they were ten years ago. Mercedes-Benz Cars now produces seven additional model series and three new brands: Maybach, smart, and AMG. Daimler Trucks has incorporated the brands Mitsubishi Fuso, Detroit Diesel, Sterling, and Western Star. The portfolio of Daimler Financial Services has more than doubled over the past decade. In recent years, Daimler has broadened its international base and now operates in almost every country of the world. We have production plants in 19 countries and a worldwide network of approximately 7,300 sales locations. The worldwide networking of our research and development activities and of our production and sales locations gives us considerable potential to enhance efficiency and gain advantages in a competitive global environment. Approximately 272,000 men and women work at Daimler today.

In 2007, Daimler posted annual revenues of €99.4 billion. Of this total, 52 percent was contributed by Mercedes-Benz Cars, 26 percent by Daimler Trucks, 8 percent by Daimler Financial Services, and 14 percent by the Vans, Buses, Other segment.

After selling the majority of its shares in the U.S. automaker Chrysler to Cerberus Capital Management in August 2007, Daimler still holds 19.9 percent of the shares in Chrysler Holding LLC. At the end of 2007, Daimler also held a 24.9 percent interest in the European Aeronautic Defence and Space Company (EADS), one of the world’s leading companies in the field of aerospace and defense technology.

The Daimler Group

Brands: Mercedes-Benz, smart, Mercedes-AMG, Mercedes-Benz McLaren, Maybach, Freightliner, Sterling, Western Star, Mitsubishi Fuso, Thomas Built Buses, Orion, Setra, Detroit Diesel, Mercedes-Benz Bank, Mercedes-Benz Financial, Daimler Trucks Financial

Legal form: Stock company (AG) incorporated under the laws of the Federal Republic of Germany

Board of Management:
Dieter Zetsche (Chairman of the Board of Management and Head of Mercedes-Benz Cars), Günther Fleig (Human Resources and Labor Relations Director), Rüdiger Grube (Corporate Development), Andreas Renschler (Daimler Trucks), Bodo Uebber (Finance & Controlling/Daimler Financial Services), Thomas Weber (Group Research and Development Mercedes-Benz Cars)

Supervisory Board: Comprising of ten shareholders’ representatives and ten employees’ representatives. The Supervisory Board appoints the members of the Board of Management and approves important corporate decisions.

Headquarters: Stuttgart, Germany

Employees: 272,382 at the end of 2007

Trainees: 9,300 at the end of 2007

Market capitalization: About €67.4 billion (as of December 31, 2007)

Total assets: €135.1 billion

Global stock: The Daimler share is listed on the stock exchanges in Frankfurt, New York, and Stuttgart.

Shareholders: Daimler has a broad shareholder base of approximately 1.2 million shareholders. At the end of 2007, the largest shareholder was the Kuwait Investment Authority with a 7.2 percent shareholding. In total, institutional investors held 75.9 percent of the Group’s equity and private investors held 16.9 percent. Around 71 percent of the capital stock was in the hands of European investors and around 21 percent was held by U.S. investors.


Mercedes-Benz Cars: 1,293,184 (+3 percent)
Daimler Trucks: 467,667 (-9 percent)
Mercedes-Benz Vans: 289,600 (+15 percent)
Mercedes-Benz Buses: 38,200 (+3 percent)
Daimler Financial Services: Management of a leasing and sales financing portfolio of €59.1 billion (+4 percent)
Daimler Trucks is the world’s leading truck manufacturer. In a global network consisting of more than 80,000 employees, it develops and produces vehicles under the brands Mercedes-Benz, Freightliner, Sterling, Western Star, and Mitsubishi Fuso. Its product range covers light, medium, and heavy-duty trucks – for local and long-distance transport and construction sites – as well as the Unimog and Econic special vehicles. In addition to the buses of the Thomas Built Buses and Mitsubishi Fuso brands, the portfolio includes Detroit Diesel brand engines. The division’s production locations, numbering 35 in all, are located primarily in North America, Western Europe, Asia, and Latin America.

Daimler Group – business portfolio

<table>
<thead>
<tr>
<th>Mercedes-Benz Cars</th>
<th>Daimler Trucks</th>
<th>Daimler Financial Services</th>
<th>Vans, Buses, Other</th>
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<tbody>
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<tr>
<td></td>
<td>Trucks Europe/Latin America</td>
<td>Americas</td>
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<td></td>
<td>Trucks NAFTA</td>
<td>Europe, Africa, Asia/Pacific</td>
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<td></td>
<td>Trucks Asia</td>
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<tr>
<td>Maybach McLaren (40%)</td>
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<tr>
<td>smart</td>
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</table>

1 Adjusted for the effects of currency translation, increase in revenue of 3%.
3.0 Values and strategy

Daimler intends to continue offering its customers top performance in all segments in the future. We aim to be one of the world’s leading automotive manufacturers and a company that is valued by its customers, business partners, and employees. A major principle underlying our efforts is the vision of sustainability, which calls for a practicable balance between economic, ecological, and social considerations.

In our automotive business we aim to achieve an average return on sales of 9 percent across all market and product cycles. In order to reach our goals, we have defined the Daimler target system as a strategic framework. This target system consists of six strategic dimensions (see graphic) and is based on the four core values of passion, respect, integrity, and discipline.

Within the framework of the Daimler target system, we have defined four strategic areas of activity for the years ahead:

- We will strive for excellence in our business operations. Our determination to deliver top performance will form an essential part of our corporate culture.
- We aim to expand our core business activities and open up new markets in the major growth regions of the world.
- We aim to extend the range of services we offer our customers and to work on refining innovative vehicle technologies.
- Lastly, we aim to take advantage of new opportunities for growth in automobile-related areas.

Its most important sales markets in 2007 were Asia (31 percent), the NAFTA region (24 percent), Western Europe (19 percent), and Latin America (excluding Mexico) with 11 percent.

The Mercedes-Benz Vans unit has production facilities at seven locations in Germany, Spain, the U.S., Argentina, and Vietnam for the model series Vito/Viano, Sprinter, and Vario. In the U.S., the Sprinter is sold under the Dodge and Freightliner brands. Its main sales markets are Western Europe (71 percent) and the NAFTA region (10 percent).

Daimler Buses offers travel coaches, city buses, and rural service buses as well as chassis of the Mercedes-Benz, Setra, and Orion brands. They are produced at 12 production plants, located mainly in Germany, Turkey, Brazil, and North America. Daimler Buses generates 49 percent of its revenues in Western Europe, 14 percent in the NAFTA markets, and 20 percent in Latin America (not including Mexico).

The Daimler Financial Services division supports the sales of Daimler Group vehicles with customized financing and leasing services for dealers and end customers. Its range of services also includes insurance, fleet management, investment products, and credit cards. Its main areas of operation are North America and Western Europe.

Daimler Financial Services holds a 45 percent share in the Toll Collect consortium, which launched a system for electronic toll collection for trucks with a GVW of over 12 tons in Germany in January 2005. 1

Commitment to excellence

<table>
<thead>
<tr>
<th>Superior products &amp; customer experience</th>
<th>Leading brands</th>
<th>Innovation &amp; technology leadership</th>
<th>Global presence &amp; network</th>
<th>Profitable growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational excellence</td>
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<tr>
<td>Passion</td>
<td>Respect</td>
<td>Integrity</td>
<td>Discipline</td>
<td></td>
</tr>
</tbody>
</table>

1 For more information on the Daimler Group and the individual divisions, go to sustainability2008.daimler.com /sr/01
2 You can find more information on the Daimler target system and our strategic areas of activity at sustainability2008.daimler.com /sr/02 and in the Annual Report 2007, pp. 36 – 38
1 Stuttgart-Untertürkheim
Production: Engines, axles, transmissions, components incl. "upstream" facilities foundry and forge

2 Sindelfingen
Production: Mercedes-Benz S-, E-, C-, CL-Class, and Maybach

3 Bremen
Production: Mercedes-Benz C-Class sedan and station wagon, CLA coupe and convertible, SLK, and SL

4 Rastatt
Production: Mercedes-Benz A-Class, B-Class

5 Berlin
Production: Engines and components, remanufactured engines

6 Hamburg
Production: Axles and components

7 Hambach, France
Production: smart fortwo

8 Tuscaloosa, U.S.
Production: Mercedes-Benz M-, R-, and GL-Class

9 Juiz de Fora, Brazil
Production: Mercedes-Benz C-Class

10 East London, South Africa
Production: Mercedes-Benz C-Class

11 Stuttgart
Headquarters functions, sales, product development

12 Wörth
Mercedes-Benz Actros, Axor, Econic, Unimog/Special Vehicles product area, product development

13 Gaggenau
Transmissions, axles, and converters, machining and forging, international logistics

14 Mannheim
Production: Engines, foundry

15 Kassel
Axles and propshafts

16 Aksaray, Turkey
Mercedes-Benz Atego, Axor, and Unimog, product development

17 İstanbul, Turkey
Development and application center

18 Molsheim, France
Conversion of trucks into special commercial vehicles (Mercedes-Benz Custom Tailored Trucks)

19 Tramagal, Portugal
Mitsubishi Fuso Truck Europe (MFTE)

20 Kawasaki, Japan
Mitsubishi Fuso Truck & Bus Corporation, head office functions
• Kawasaki R&D, IT and Purchasing Center
• Engineering, research and development, procurement, information technology
• Mitsubishi plant
Production of light-, medium-, and heavy-duty trucks, engines, transmissions, and industrial engines

21 Toyama, Japan
Mitsubishi Fuso Bus Manufacturing Co., Ltd.
Medium and heavy-duty buses, product development

22 Sakura, Japan
Kitsuregawa Proving Ground
Vehicle research and testing

23 Nagoya, Japan
Oye bus plant
Production of light-duty Mitsubishi Fuso buses, product development

24 Aikawa, Japan
Nakatsu plant
Transmission parts production

25 Bangklok, Thailand
Mitsubishi Fuso Truck (Thailand) Co., Ltd.

26 Cleveland, U.S.
Daimler Trucks North America
LCC, truck assembly
The company

Vans, Buses, Other

27 Portland, U.S.
Daimler Trucks North America, headquarters functions, R&D, Freightliner, truck assembly

28 Redford, U.S.
Axle Alliance Company, engine production, axle assembly

29 Mount Holly, U.S.
Daimler Trucks North America LCC, truck assembly

30 High Point, U.S.
Thomas Built Buses, school bus assembly

31 Gastonia, U.S.
Daimler Trucks North America LCC, parts production

32 Gaffney, U.S.
FCCC, chassis for vans, school and shuttle buses, mobile homes

33 Detroit, U.S.
DDC, product development, headquarters functions

34 Logan, U.S.
Mitsubishi Fuso Truck of America, Inc. (MFTA)

35 St. Thomas, Canada
Sterling, truck assembly

36 Santiago Tianguistenco, Mexico
Daimler Trucks North America LCC, truck assembly

37 São Bernardo do Campo, Brazil
Total Mercedes-Benz Trucks product program for Latin America, engines, axles, and transmissions, stamping facility, product development

38 Cape Town, South Africa Foundry

39 East London, South Africa
Mercedes-Benz truck assembly in CKD process (Completely Knocked Down)

40 Stuttgart
Headquarters

41 Düsseldorf
Products: Mercedes-Benz Sprinter (closed model)

42 Ludwigsfelde
Products: Mercedes-Benz Sprinter (open model), Vario

43 Vitoria, Spain
Products: Vito, Viano

44 Charleston, U.S.
Products: Dodge/Freightliner Sprinter

45 Buenos Aires, Argentina
Products: Mercedes-Benz Sprinter

46 Ulm/Neu-Ulm
Products: Setra intercity buses and touring buses; Mercedes-Benz city buses, intercity buses, and touring buses

47 Mannheim
Products: Mercedes-Benz city buses

48 Dortmund
Products: Mercedes-Benz minibuses

49 İstanbul-Hoşdere, Turkey
Products: Mercedes-Benz city buses, intercity buses, and touring buses

50 Holysov, Czech Republic
Products: body components for bus production in Mannheim

51 Ligny-en-Barrois, France
Products: Mercedes-Benz city buses

52 Sámamo, Spain
Products: Mercedes-Benz chassis

53 Oriskany, U.S.
Products: Orion buses

54 Mississauga, Canada
Products: Orion bus bodies

55 Monterrey, Mexico
Products: Mercedes-Benz chassis/bodies for Mercedes-Benz chassis

56 São Bernardo do Campo, Brazil
Products: Mercedes-Benz chassis

57 Sindelfingen

58 Stuttgart-Untertürkheim

59 Böblingen

60 Böblingen-Hulb

61 Ulm

62 Nabern

63 Berlin

64 Como

65 Moscow

66 Irvine

67 Long Beach

68 Ann Arbor

69 Beijing

70 Bangalore

Research and development centers

Australasia

Australia

1,283 employees

Asia

19,582 employees
Managing sustainability. On the basis of our vision of sustainability, we have developed specialized management systems, which we have systematically embedded in our daily operations. These systems are helping us to achieve our sustainability targets.
1.0 Expanding sustainability management

By creating a Sustainability Board at the top management level, Daimler has further systematized and optimized its sustainability management. In line with a Board of Management resolution from April 2008, the Group combines all of the management processes relevant to sustainability in the Sustainability Board. This committee, which is directly responsible to the Chairman, coordinates significant sustainability measures throughout the Group and supports the operating units as they put solutions into practice.

The Sustainability Board complements existing management structures and committees within the Group, such as the Corporate Environmental Protection unit, the Business Practices Committee in the Legal & Compliance unit, and the Global Diversity Office in the area of human resources. In addition, the Sustainability Board supports the strategic and operative control of sustainability-related activities at every level – from the Board of Management to the individual workstation.

The Sustainability Board is managed by the Board of Management member responsible for corporate development/strategy. The Sustainability Board’s proposals for more extensive activities are submitted to the Board of Management for approval.

The Daimler Sustainability Board, which meets at least four times a year, consists of eight representatives of Daimler’s top management. The cross-divisional functions represented include:

- Communications
- Corporate Development/Strategy
- Corporate Research & Environmental Protection
- Global Procurement
- Human Resources
- Investor Relations
- Legal & Compliance
- Public Policy and External Affairs

Sustainability governance structure

<table>
<thead>
<tr>
<th>Board of Management</th>
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<tbody>
<tr>
<td>Daimler Trucks</td>
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<tr>
<td>Human Resources</td>
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<tr>
<td>Corporate Development</td>
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<tr>
<td>Chairman of the Board</td>
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<tr>
<td>Head of Mercedes-Benz</td>
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<tr>
<td>Cars</td>
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<tr>
<td>Corporate Research &amp;</td>
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<tr>
<td>Development</td>
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<tr>
<td>Finance &amp; Controlling</td>
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<th>Sustainability Office</th>
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<tr>
<td>Legal &amp; Compliance</td>
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<tr>
<td>Human Resources</td>
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<tr>
<td>Global Procurement</td>
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<tr>
<td>Public Policy and</td>
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<tr>
<td>External Affairs</td>
</tr>
<tr>
<td>Corporate Development/</td>
</tr>
<tr>
<td>Strategy (management)</td>
</tr>
<tr>
<td>Investor Relations</td>
</tr>
<tr>
<td>Communications</td>
</tr>
<tr>
<td>Corporate Research &amp;</td>
</tr>
<tr>
<td>Environmental Protection</td>
</tr>
</tbody>
</table>

Integration of existing bodies:
- Business Practice Committee
- Corporate Environmental Protection
- Global Diversity Office

Topical integration of business units:
- Mercedes-Benz Cars
- Daimler Trucks
- Vans, Buses, Other
- Daimler Financial Services

Integration of relevant sectors:
- Development
- Global Services & Parts
- Sales & Marketing
- Production
2.0 Responsible corporate management

As a company listed on the stock exchanges, Daimler has an obligation to its shareholders and stakeholders. Responsible and continually evolving corporate management with smoothly functioning organs and efficient tools for guidance and control is needed in order to systematically exploit development potential and minimize business risks.

2.1. Corporate Governance. Because our corporate headquarters are in Germany, the formal structure of our corporate governance has primarily been defined by German law. We also need to comply with the additional requirements placed on us by the fact that we are listed on the New York Stock Exchange. The competencies of our three corporate bodies – the Annual Meeting, the Board of Management, and the Supervisory Board – are regulated by legal provisions. The dual management system in accordance with German stock corporation law is approved through the strict separation between the executive (Board of Management) and monitoring (Supervisory Board) organs. (see the diagram below).

2.2 Our standards of business conduct. We have formulated our benchmarks for good corporate management in our standards of appropriate business conduct, which include laws as well as internal policies and guidelines. Ensuring compliance with these standards in all of our business processes is the task of corporate management. Three units in particular are involved in this area:

- The Legal department communicates the basic legal principles with which the company, its employees and, in particular, senior managers must comply;
- Corporate Compliance (CCO) develops and communicates guidelines and procedures for application in daily business operations;
- Corporate Auditing conducts monitoring and audits within the organization in order to find out whether any of our business processes harbor unusual risks.

Corporate governance at Daimler

<table>
<thead>
<tr>
<th>FRAMEWORK</th>
<th>GOVERNANCE STRUCTURE</th>
<th>ASSURANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applicable law</td>
<td>Shareholders (Annual Meeting of all shareholders)</td>
<td>External audit</td>
</tr>
<tr>
<td>Statutes</td>
<td>Election of shareholder representatives</td>
<td>Internal audit</td>
</tr>
<tr>
<td>Stock exchange regulations</td>
<td>Supervisory Board (10 shareholder and 10 employee representatives)</td>
<td>Risk management</td>
</tr>
<tr>
<td>Codes</td>
<td>Nomination Committee</td>
<td>Internal controls</td>
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<tr>
<td>Internal guidelines</td>
<td>Audit Committee</td>
<td>Ecological site audit</td>
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<td>Presidential Committee</td>
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<td>Mediation Committee</td>
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<td></td>
<td>Appointments, monitoring, consulting</td>
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<td></td>
<td>Board of Management (6 Board members)</td>
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</tbody>
</table>

Executive management

- Mercedes-Benz Cars
- Daimler Trucks
- Vans, Buses, Other
- Daimler Financial Services

Institutions for implementing our vision of sustainability

- Global Product Environmental Council
- International Trade and Investment Network (ITIN)
- Worldwide Corporate Representative Offices
- Global Diversity Office (GDO)
- Compliance Committee

- Global Facility Environmental Council
- Sustainability Board
- Business Practice Committee
- Compliance Consultation Desk
Managing sustainability for the Group and whether they are in line with general legal requirements as well as our internal policies and guidelines.  

In 1999 we formulated the Daimler Integrity Code, a comprehensive set of guidelines for professional conduct that applies to all employees without exception. In 2003 we supplemented the Integrity Code with our Principles of Social Responsibility and our Code of Ethics.

The basic principles underlying our guidelines for professional conduct are translated into regulations for employee behavior by specific Group policies and guidelines. These Corporate Policies & Guidelines, which were laid down in 2006, are an important aid to orientation regarding the Group’s complex business operations. In 2007 our compliance organization supplemented the compliance program with a set of central corporate policies and corporate guidelines. For example, it worked closely with the Human Resources department to institute our “zero tolerance” corporate policy as well as a guideline regarding the uniform, fair, and transparent application of disciplinary measures.

Our target for 2008 is to further improve the clarity and transparency of our standards of business conduct. In a policy cleanup process, we will examine all of our guidelines to ensure that they are up to date and optimize or discontinue any guidelines and policies which are no longer current. We have defined comprehensive criteria to this end. The optimized and standardized rules and regulations will in future be known as the “House of Policies.”

2.3 Compliance. We reject on principle any kind of business activity that is illegal or is in contravention with our values and fundamental principles. The task of Corporate Compliance at Daimler is to promote and demand appropriate business conduct in line with this principle among all employees.

Corporate Compliance (CCO) was established in early 2006. It is headed by the Chief Compliance Officer, appointed in 2008, who is also head of the Legal department and reports directly to the Board of Management. CCO creates framework conditions and develops measures aimed at safeguarding Daimler and its employees from unethical decisions and preventing inappropriate conduct.

At the beginning of 2006, the Daimler Board of Management appointed a Compliance Committee comprising high-ranking managers from various units. This committee defines and manages the implementation of our compliance program. It also reviews and initiates the systematic integration of compliance aspects into our business processes and authorizes all related corporate guidelines.

For more information on the overall system of basic principles and guidelines, see our Annual Report 2007, p. 112 ff.

Promoting awareness

We have instituted a variety of measures to ensure that the rules for compliance are clearly implemented in our day-to-day business operations. For example, compliance issues are continually communicated in our internal media and are on the agenda of manager training sessions, informational and qualification events, and special qualification programs. In the last two years, Daimler AG has conducted in-depth classroom courses for approximately 9,000 employees, approximately half of whom were managers. In addition, 3,000 employees completed a precisely defined e-learning program and 26,000 employees used an animated compliance communication tool. At its business locations all over the world, Daimler has appointed more than 50 Compliance Managers who support the local business units. It has also introduced new processes such as mandatory consultation in the case of business dealings with government parties and due diligence (verifying the integrity of new business partners).

The Compliance Consultation Desk (CCD) is available to answer all questions submitted by employees on a strictly confidential basis; employees can also ask their questions anonymously if they wish. The CCD has processed more than 12,000 inquiries so far. Our employees and external partners can also report suspected inappropriate conduct to the Business Practices Office (BPO). The Business Practices Committee (BPC), which comprises representatives of top management, investigates all reported cases and takes appropriate measures.

To ensure timely identification of risks and ensure an appropriate response, the CCO has introduced a compliance risk management system. Since the beginning of 2006, compliance reviews have been carried out in more than 30 sales companies or business units in over 25 countries. Moreover, in more than 50 companies or business units we have set up standardized control systems that are monitored by internal audit professionals.

Framework

Corporate Values

Integrity Code
Code of Ethics

Corporate Policies

Corporate Guidelines

Local Guidance

Anti-Bribery Handbook
The Chief Compliance Officer regularly informs the Board of Management, the Compliance Committee, and the Audit Committee of the Supervisory Board about the current status of compliance activities within the Group. In addition, we have appointed an independent external consultant who monitors the efficiency and effectiveness of the compliance program and advises the Supervisory Board, the Audit Committee, and the Board of Management.

We’ve made good progress in our efforts to create a culture of sustained compliance in our company. With the CCO, we have created a strong management organization. We have also initiated a transformation of our corporate culture that is in line with our corporate values and will establish compliance in all of our business units and business processes.

2.4 Risk management system. Within the framework of global operations, Daimler’s divisions are exposed to a large number of risks that are inextricably linked with their business activities. For the early detection, evaluation, and consistent management of risks, we use effective management and control instruments that are combined into a uniform risk management system which meets the applicable legal requirements. The main risk categories are economic risks, sector-specific risks (including environmental and social risks), and financial market risks. 16, 7

2.5 Dialogue with public policy-makers. In line with a Board of Management decision made in 2006, the Public Policy and External Affairs department is the coordination center for all dialogue with political decision-makers and lobbying activities on issues relevant to our company. This department carries out advance monitoring of our lobbying activities to ensure compliance with our legal obligations and ethical standards. In addition, in 2007 we put in place specific standards for responsible lobbying. 18, 9

2.6 Principles regarding donations and sponsorship. For sponsorships and donations, Daimler has put into place clearly defined responsibilities, transparent donation processes, and efficient control systems. The company’s donation activities are coordinated and steered by the Legal department on the basis of our corporate guideline on charitable contributions. In 2006, the company established the “Review Board on Sponsorship & Donations,” which approves substantial requests for donations and sponsorships. A database compiles information on the company’s sponsorship and donation activities on a global scale to achieve greater transparency. In 2007, the company supported institutions and projects for charitable causes with social sponsorships and donations amounting to €35.89 million (project budget only, figures without U.S. due to the transfer of our majority interest in Chrysler in 2007). 16

In some countries Daimler supports its own foundations in order to consolidate the company's activities directed toward social goals. Brand and product-related sponsorship is coordinated by the business units and Corporate Sponsoring.

Starting in 2008, instead of offering gifts to guests at our vehicle presentations around the world, we are donating the money we normally spend on such presents (altogether approximately €90,000) to nonprofit organizations.

In 2006 we introduced a separate set of rules as a guideline for donations to political parties. According to these rules, donations to political parties require authorization from the Board of Management on principle and are currently only permitted for parties in Germany.

3.0 Corporate management

The Board of Management controls the Group’s business activities jointly in accordance with the principle of collegiality. Notwithstanding the joint responsibility of Board of Management, each Board member manages his own portfolio on his own responsibility. After the demerger from Chrysler, the number of Daimler Board of Management members was reduced from nine to six. The Board’s functions include the strategic guidance of the Group and management of its daily business operations. It is also responsible for preparing the Annual Report and the corporate and interim reports, as well as for setting up and monitoring the risk management system. Daimler informs shareholders, financial analysts, shareholders’ associations, the media, and interested public about the situation of the Group and about any significant changes in its business. 11

4.0 Environmental management system

Protecting the environment is a primary objective of the Daimler Group. It is a fixed component of our corporate strategy with basic objectives defined in the Group’s environmental protection guidelines, which are passed by the Board of Management and are binding for all of our employees and business locations (see box on p. 17).

As an automaker we must keep environmental protection in mind throughout the entire lifecycle of our products – from deliveries by our suppliers to development, logistics, production, sales and utilization, as well as the disposal or recycling of end-of-life vehicles. 11

Production-related environmental protection. The certification of all our locations around the world in line with ISO 14001 and additional validation of our
Managing sustainability

Gates (milestones in the development process) form the cornerstones. Environmental protection issues and requirements (fuel consumption, emissions, prohibited or prescribed materials, and recycling requirements) are an integral part of the vehicle specifications and are taken into account and managed throughout the entire product creation process within the framework of the quality gates.

Focus on employees. All of our employees are responsible for the success of our environmental protection measures. That’s why we organize training programs in the area of environmental protection for our workforce.

German locations by the EU’s Eco-Management and Audit Scheme (EMAS) are important elements of our environmental management system. The efficacy of the system is regularly audited by external experts. Today, more than 96 percent of our worldwide workforce is employed in production facilities with certified environmental management systems.

The merging of the management systems for quality, environmental protection, and occupational health and safety into a single system is an important goal at Daimler. As a result, environmental protection tasks are being integrated even more fully into the core functions and processes of the respective units, instead of being dealt with as separate processes. An integrated concept has already been implemented since 2002 in the production facilities of Mercedes-Benz Cars around the world.

In addition, our process for evaluating the environmental risks connected with our production facilities throughout the world helps us to identify environmental risks on the basis of uniform standards, minimize them, and thus to refine our preventive measures for environmental protection. These audits involve regular and systematic monitoring and assessment of the location’s environmental management system as well as the key areas of environmental protection, such as atmospheric emissions, wastewater, waste disposal, and handling of hazardous materials. Elimination of any existing environmental risks is a component of the target agreements concluded between the Board of Management and plant managements.

Environmental protection in product development. Vehicle development takes place in a standardized process in which the vehicle specifications and quality gates (milestones in the development process) form the cornerstones. Environmental protection issues and requirements (fuel consumption, emissions, prohibited or prescribed materials, and recycling requirements) are an integral part of the vehicle specifications and are taken into account and managed throughout the entire product creation process within the framework of the quality gates.

Certified environmental management systems are a standard feature of our production plants. Today, more than 96 percent of our production employees work at plants with certified environmental management systems.

The Group’s environmental protection guidelines

- We face the environmental challenges of the future by working continuously to improve the environmental performance of our products and operations.
- We strive to develop products which in their respective market segments are highly environmentally responsible.
- We plan all stages of manufacturing to provide optimal environmental protection.
- We offer our customers ecologically oriented service and information.
- We endeavor to achieve exemplary environmental performance worldwide.
- We provide our employees and the public with comprehensive information on environmental protection.
In addition, every two years we run a Group-wide competition for the "Environmental Leadership Award" (ELA), which is granted in recognition of projects that promote environmental protection within the Group (see also "An award that promotes environmental protection", below left).

4.1 Organization of Group-wide environmental management. We have developed clear structures, processes, and areas of responsibility which enable systematic pursuit of our environmental targets and make specific improvements (see the graphic on p. 17). On behalf of the Board of Management of Daimler AG, the Board member responsible for Group Research and Mercedes-Benz Cars Development is also entrusted with the company’s environmental protection activities. In addition, we have established four functions or organizational units that are in charge of the central management of our environmental protection activities, as well as the cross-unit networking and communication of these activities:

- A Chief Environmental Officer has been appointed to coordinate environmental management throughout the Group. He has also been commissioned by the Board of Management to oversee the central environmental management system and to advise the Board on environmental issues.

- The corporate environmental protection unit (GR/VGE) coordinates the operational requirements of Group-wide environmental management, including the analysis and implementation of legal requirements, monitoring progress toward environmental targets, defining and refining environmental standards, ensuring regular reporting on environmental issues, and risk management connected with environmental protection.

- The Global Product Environmental Council comprises the environmental officers for products as well as representatives of the Corporate Strategy, Public Policy and External Affairs, and Communications functions. The Council analyzes product-related environmental issues, sets targets, coordinates cross-unit environmental protection tasks, and initiates overarching environmental protection projects.

- Production-related environmental protection issues are dealt with by various regionally oriented committees that are coordinated by the Corporate Environmental Protection unit in cooperation with the Chief Environmental Officer.

5.0 Human resources management

5.1 Organization and management. The Human Resources organization of Daimler is an integral part of the Group’s management structure. The approximately
Managing sustainability

Divisional human resources functions, which are responsible for human resources work in the business units and Group locations, and for the implementation of the company’s human resources strategy;

- service centers, which provide human resources services at the regional level.

The highest decision-making body in the Human Resources organization is the Human Resources Executive Committee. It consists of the heads of the corporate, divisional, and service functions within the Human Resources organization, and is headed by the Board of Management member responsible for Human Resources.

7,000 people working in this organization all over the world are responsible for all our employee-related functions and processes. Daimler pursues a global human resources strategy that is in line with its corporate goals. It is based on five pillars: Profitability, Competitive Workforce, Leadership Capabilities, Employer of Choice, and Operational Excellence.

The Board of Management member responsible for Human Resources, who is also the Group’s Labor Relations Director, is responsible for the human resources operations within the Group. The Human Resources organization is divided into three key areas:

- Group functions, which are responsible for human resources strategy, policy, and guidelines throughout the Group;

Global HR scorecard – success factors and key performance indicators (KPIs)

<table>
<thead>
<tr>
<th>Profitability</th>
<th>Competitive workforce</th>
<th>Management competence</th>
<th>Employer attractiveness</th>
<th>Professional HR activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor costs</td>
<td>Attendance</td>
<td>Employee satisfaction</td>
<td>HR customer satisfaction</td>
<td></td>
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<tr>
<td>Sickness rate</td>
<td>Management/employee commitment index</td>
<td>HR customer satisfaction index</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Versatility</td>
<td>Demographic structure</td>
<td>Management potential</td>
<td>Employer image</td>
<td>HR services &amp; instruments</td>
</tr>
<tr>
<td>Age structure</td>
<td>Potential-bearers</td>
<td>Degree of familiarity</td>
<td>Global HR process implementation rate</td>
<td></td>
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<tr>
<td>Management qualification index</td>
<td>Employer ranking</td>
<td></td>
<td></td>
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<tr>
<td>Qualification</td>
<td>Diversity</td>
<td>Fluctuation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee qualification index</td>
<td>Number of women in management functions</td>
<td>Fluctuation rate</td>
<td></td>
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</tbody>
</table>
The “Global Human Resources Scorecard” is an important management tool in this area. It, in turn, is an integral part of the strategic scorecard of the Group as a whole. Through the success factors and their performance measurement criteria (currently 14) – which are known as the key performance indicators (KPIs) – it is possible to compile global key figures concerning human resources in a targeted manner. This makes it possible to measure the success of human resources processes and strategies. The information gained in this manner is used to design the most important functional human resources measures in the goal agreement process of all human resources directors. The Global Human Resources Scorecard provides targeted support for the business strategies and processes in the divisions and creates the foundation for a continual mutual learning process within the Group through best practices.

5.2 Principles of manager development. The development of managers at Daimler is carried out in strict accordance with a uniform process at all levels of the company worldwide: the Leadership, Evaluation, and Development Process, or LEAD for short. It has been refined and adjusted to the long-term strategic goals of the Group. In addition to simplifying the structure of the LEAD processes and making them more efficient, the refinement process focused on formulating the seven new “leadership competencies.” Derived from the corporate values, they provide a conceptual framework for managerial activities and a basis for evaluating and developing the Daimler management team.

A manager
- thinks and acts strategically and provides orientation;
- acts in accordance with the needs of customers and markets;
- promotes innovation and structures processes of change;
- demands and promotes top performance and actively fosters employee development;
- promotes diversity and creates a culture of cooperation and learning;
- implements decisions and achieves agreed-upon objectives; and
- takes on responsibility and acts in a credible manner.

The more detailed descriptions of the leadership competencies also include aspects such as sustainability, diversity, and social responsibility.

A manager
- develops a realistic strategy for the sustainable further development of his or her own area of responsibility;
- acts with a sense of responsibility toward society, the environment, and all of the important interest groups;
- sets an example of ethically correct and responsible behavior, and also expects it from others;
- actively promotes the inclusion of different points of view and creates added value through diversity.

6.0 Management of supplier relations

The global procurement strategy rests on three pillars:

1. the ambition to achieve economies of scale worldwide
2. successfully managing a global supplier base
3. employing efficient processes and a tried and tested infrastructure.

Because the transatlantic ties of the previous procurement organization GP&S were particularly strong in the area of processes and systems, the focus in 2008 is on creating new concepts and processes.

We employ a global, performance-oriented approach in our dealings with suppliers. The focus here is on the four value drivers of quality, technology, costs, and logistics. Conduct also plays an important role, whereby the pertinent guidelines are derived from our principles of social responsibility. It is therefore crucial that an open and continuous exchange takes place regarding goals, requirements, and the progress that has been made. Just as we are committed to integrity, we also expect our suppliers to behave in accordance with ethical standards.

7.0 Management of dialogue with our stakeholders

Daimler engages in dialogue with its stakeholders all over the world and includes them in its business operations. A critical factor for us in the identification and evaluation of our stakeholders is the question of whether, and to what extent, a specific group of people is affected by our company’s activities. The following major issues have turned out to be particularly important for this dialogue, and the Group has contact persons who are responsible for each of these issues.

- The Investor Relations unit is responsible for communicating with investors and shareholders;
Managing sustainability

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Stakholders at Daimler – two-way relationships

- Corporate Environmental Protection coordinates the dialogue with stakeholders about environmental issues;
- the development units of the divisions are in charge of vehicle safety issues;
- Human Resources is responsible for contact and communication with the employees regarding personnel issues that affect them (both at headquarters and at the Group locations);
- our procurement organization engages in an ongoing dialogue with our suppliers and other automakers concerning social and environmental issues that are relevant to procurement;
- Public Policy and External Affairs and the Corporate Development team coordinate the dialogue with elected officials and governmental bodies and with associations regarding political and Group-related issues;
- Corporate Communication deals with media inquiries.

The newly established Sustainability Board will play a key role in multi-issue and cross-divisional coordination. It will also consider the use of new and more extensive measures. [13][14]

8.0 Customer relations management

Through our brand positioning we have clearly defined what our customers can expect from Mercedes-Benz passenger cars: appreciation! In order to reliably fulfill this promise in all areas, Mercedes-Benz Cars established the long-term program “Customer Satisfaction No. 1” – “CSI No. 1” for short – in 2006. We cultivate customer satisfaction, and customer loyalty in particular, by endeavoring to exceed our customers’ expectations in terms of sales and service. Our objective is to attain the top position in customer satisfaction in the premium segment by the end of this decade. Because our customers always regard Mercedes-Benz as a unit, the CSI No. 1 program has been precisely defined with a concrete target. CSI No. 1 comprises the following:
- a specific, clearly structured, and prioritized program of action that begins with clear process descriptions at the point of sale
- a purposeful training program and customized consulting
- measurable performance criteria, and new incentive models that offer the right kind of motivation.

For Mercedes-Benz Cars, CSI No. 1 is therefore a strategy that differentiates us from our competitors and lays the groundwork for sustainable growth and profitability, so that we can exceed our customers’ expectations in sales and after-sales (service).

At Daimler Trucks as well, customer satisfaction is a top priority. “Our passion is to make our customers successful with our products and services,” according to a Truck Group statement about its values. On the basis of this claim, Daimler Trucks has established a customer relations management system that is tailored to the specific needs of customers from diverse sectors. It takes account of customer satisfaction not only in purchasing, but over a vehicle’s entire service life. [15]

[15] You can find more information on our customer relations management on p. 63 f.
Economy. Our goal is to continuously create value for our shareholders, customers, and employees. We are therefore focusing our efforts on strengthening our competitiveness and ensuring our long-term business success.
Dear readers,

The year 2007 was marked by an extensive reorganization of our company. By relinquishing our majority holding in Chrysler and renaming the Group Daimler, we launched a new chapter in the history of our company. Daimler is beginning its existence as a strong and financially sound enterprise.

Everything we do is geared toward our long-term business success. That’s because only a successful company can achieve growth from a position of strength, offer its shareholders outstanding prospects, and provide its employees with secure jobs. Using this solid business foundation as a starting point, we will be able to intensify our environmental protection measures and invest extensively in alternative drive system technologies.

To ensure our sustained success, we have not only put into place strategies for the individual divisions and business units, but also hammered out long-term goals following extensive internal discussions. These objectives are:

– to achieve an average return on sales of 10 percent at the Mercedes-Benz Cars division from 2010 on,

– to achieve an average return on sales of 8 percent across all business cycles at Daimler Trucks beginning in 2010,

– to increase profitability at Mercedes-Benz Vans,

– to further consolidate our leading global position at Daimler Buses, and

– to achieve a return on equity of at least 14 percent at the Daimler Financial Services division.

– Based on these targets for the operating units, Daimler seeks to achieve a return on sales of 9 percent in its automotive business across all market and product cycles.

In 2007, external evaluators recognized the efforts we’ve made to align our business activities with the principles of sustainability. The Daimler AG share was included in the Dow Jones Sustainability Index (DJSI) for the third consecutive year, for example, and was also listed in the European Dow Jones STOXX Sustainability Index. In addition, Daimler received favorable marks for its commitment to sustainability from the sustainability rating agencies Oekom, Vigeo, and AccountAbility.

Thanks to our financial strength and the expertise of our company and its employees in the field of drive systems for sustainable mobility, we’re excellently equipped to meet the challenges our industry will face in the future.

Bodo Uebber
Member of the Board of Management
Finance and Controlling/Daimler Financial Services
1.0 Business development in 2007

The 2007 business year was characterized by the comprehensive restructuring of our company. The sale of the majority of Chrysler Holding LLC and the renaming of DaimlerChrysler as Daimler opened up a new chapter in our company’s history. The new Daimler AG was launched as a strong and financially healthy company. With Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans, Daimler Buses, and Daimler Financial Services, we are focusing on successful business areas with well-defined strategies and good prospects.

The **Daimler Group** sold a total of 2.1 million vehicles in 2007, or 1 percent more than in the prior year. Revenues of €99.4 billion were at the prior year’s level. When adjusted for exchange-rate effects, revenues rose by 3 percent. For the year as a whole, the company’s business development was very positive in 2007, with earnings before interest and taxes (EBIT) totaling €8.7 billion. This result surpassed the year’s earnings target of at least €8.5 billion.  

**Unit sales structure**

<table>
<thead>
<tr>
<th>Mercedes-Benz Cars</th>
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<tbody>
<tr>
<td>A-/B-Class</td>
<td>22 %</td>
</tr>
<tr>
<td>C-/CLK-/SLK-Class</td>
<td>30 %</td>
</tr>
<tr>
<td>E-/CLS-Class</td>
<td>18 %</td>
</tr>
<tr>
<td>S-/CL-/SL-Class/SLR/Maybach</td>
<td>8 %</td>
</tr>
<tr>
<td>M-/R-/GL-/G-Class</td>
<td>14 %</td>
</tr>
<tr>
<td>smart</td>
<td>8 %</td>
</tr>
</tbody>
</table>

**Daimler Trucks**

<table>
<thead>
<tr>
<th>Trucks</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe/Latin America</td>
<td>34 %</td>
</tr>
<tr>
<td>Trucks NAFTA</td>
<td>25 %</td>
</tr>
<tr>
<td>Trucks Asia</td>
<td>41 %</td>
</tr>
</tbody>
</table>

The **Mercedes-Benz Cars** division posted a new sales record in 2007, when its sales of passenger cars increased by 3 percent to 1,293,200 units. Sales of Mercedes-Benz brand cars also rose by 3 percent, to 1,180,100 units, mainly due to the extraordinary success of the new C-Class. Sales of the smart brand, amounting to 103,100 units, matched the previous year’s figure even though the product range was reduced from three production series to one with an exclusive focus on the smart fortwo. The new fortwo model has met with a high level of customer acceptance since it first became available in April 2007. For this reason, sales of the smart fortwo increased by 50 percent to 102,100 units overall.

At the International Motor Show (IAA) in Frankfurt in September 2007, we demonstrated that comfort requirements and environmental consciousness are not mutually exclusive. Under the motto “Fascination and Responsibility,” Mercedes-Benz presented a wide range of new models that are extremely clean and fuel-efficient. Besides the F 700 research vehicles with DIESOTTO and hybrid drives, the so-called “Road to the Future” featured 19 future models, including seven hybrids from five model series and the B-Class F-Cell equipped with a zero-emission fuel cell drive. We will continue to offer our customers luxurious, safe, and environmentally compatible automobiles in the future.

In 2007, **Daimler Trucks** sold a total of 467,700 (2006: 516,100) heavy, medium and light-duty vehicles. The primary reason for this expected drop in sales was the lower demand for trucks in the U.S., Canada, and Japan, where tighter emissions standards caused many companies to purchase vehicles earlier than planned in 2006. Another factor impacting the truck business was the general downturn of the U.S. market. As a result of these developments, sales of the Trucks NAFTA unit dropped by 36 percent to 119,000 vehicles. Trucks Europe/Latin America, on the other hand, posted an increase of 13 percent to 159,900 vehicles. At Trucks Asia, the Mitsubishi Fuso brand sold 188,700 vehicles and thereby performed more or less on a par with the prior year.

In 2007, Daimler Trucks continued to focus on reducing the fuel consumption and exhaust emissions of commercial vehicles. In November 2007, as part of the “Shaping Future Transportation” initiative, we presented vehicles from the Mercedes-Benz, Freightliner, Mitsubishi Fuso, Orion, and Thomas Built Buses brands that are equipped with alternative drive systems and operate with alternative fuels. Daimler is the global market leader when it comes to commercial vehicles with hybrid drives.

**Daimler Financial Services** experienced generally stable development in 2007. The business year was impacted by the separation of Chrysler’s financial services business in North America, which had become necessary due to the transfer of a majority interest in Chrysler. Global contract volume rose by 4 percent to €59.1 billion; adjusted for exchange-rate effects, it increased by 9 percent. At the end of 2007, the division’s portfolio included 2.3 million leased and financed vehicles. New business totaling €27.6 billion was at roughly the same high level as in the prior year. When adjusted for exchange rate effects, new business actually increased by 3 percent.

In 2007, Daimler Financial Services also launched a range of new products in various markets in response to customer demands for package solutions. Besides financing or leasing, these mobility packages also include insurance, maintenance, and other vehicle-related services that are charged at a single monthly rate.
The **Mercedes-Benz Vans** unit posted a new sales record by selling 289,100 vehicles (+13 percent) in the year under review. The new Sprinter was particularly successful, boosting sales by 17 percent to 184,300 units. The Vito/Viano also performed well, with sales increasing by 6 percent to 104,600 vehicles.

The **Daimler Buses** unit exceeded the prior year’s high sales level by 8 percent. The unit successfully defended its leading market position by selling a total of 39,000 complete buses and chassis of the Mercedes-Benz, Setra, and Orion brands.

We expect a moderate increase in business volume in 2008, to which all operations will probably contribute. The focus of expansion is likely to be mainly in the growth markets of Asia and Eastern Europe. Our medium-term goal is to exploit additional sales and revenue potential in all of our vehicle segments. To this end, we defined and published clear targets for all divisions. Our goal at Mercedes-Benz Cars is to achieve an average return on sales of 10 percent by 2010 at the latest. At 8 percent over the entire business cycle, the target for Daimler Trucks is somewhat lower. Finally, Daimler Financial Services plans to continue to achieve a return on equity of at least 14 percent in the future.

On the basis of the divisions’ confirmed projections, in 2008 we expect the **Daimler Group** to post EBIT from ongoing operations of well above the prior-year level. Effects related to Chrysler are not included therein. In the year 2007, earnings included positive contributions in particular from the transfer of shares in EADS and negative contributions from Chrysler and related to the New Management Model. In our automotive business we aim to achieve an average return on sales of 9 percent across all market and product cycles.

### 2.0 The Daimler share in sustainability indexes

In the course of 2007, the price of the Daimler share increased by 42 percent to €66.50. The share price considerably outperformed the German stock index (DAX) and the European automotive sector as a whole.

Our efforts to organize our business operations in accordance with the principle of sustainability were also honored in business year 2007 in external evaluations of our performance. The Daimler share (DAI) was listed for the third time in a row in the Dow Jones Sustainability Index (DJSI), one of the world’s most renowned sustainability indexes. The index rates a company’s commitment to sustainability according to economic, environmental, personnel, and social criteria. This assessment confirmed the inclusion of the Daimler share in the Dow

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**Daimler: A Strong and Optimistic New Beginning**

Our company’s key event of 2007 is also reflected in our name. Following the transfer of a majority interest in Chrysler and of the associated financial services business to the investment company Cerberus, an Extraordinary Shareholders’ Meeting decided to rename DaimlerChrysler as Daimler.

After deliberating all of the risks and opportunities involved, the shareholders came to the conclusion that the transfer of the Chrysler shares was the best solution. The strengthening of our company’s financial basis has provided it with additional scope for shaping business developments and making investments. The de-merger has made us less dependent on the volatile North American volume market and substantially reduced the risks we face from Chrysler’s healthcare and pension liabilities. As a result, Daimler’s profitability has increased substantially.

We can now fully concentrate our efforts on doing what we do best: making first-class cars and commercial vehicles and developing a comprehensive range of product-related services.
Daimler AG’s economic strength particularly benefits the German state of Baden-Württemberg and the city of Stuttgart, where the company is based. In fact, the state accounts for a quarter of all the jobs in the German automotive industry, and its unemployment rate is far below the national average.

Daimler’s tax payments in 2007 totaled €1.0 billion. But that’s only a fraction of the payments that the Group makes directly or indirectly to the public authorities. The state also benefits in other ways from the company’s funds – for example, from personnel expenses and social contributions (€20.1 billion) as well as from taxes on dividends and revenues. In addition, tax is paid by the supplier industry, financing companies, dealerships, and service providers.

Above and beyond our core business operations – selling automobiles – Daimler also benefits the economy and society in other ways. For example, the Group provides financial support to community projects and promotes infrastructure services by setting up its own sports centers.

3.0 The economic significance of the automotive industry

The automotive industry is an engine for growth, revenues, employment, and prosperity all over the world. Passenger cars are the basis of individual mobility, while trucks ensure that goods can be supplied globally. In this way, the industry, and with it our company, has a big impact on the global economy. Daimler’s revenues alone are comparable to the gross domestic products of countries like Hungary and Ukraine.

With nearly 750,000 employees, the German auto industry was once again one of the country’s biggest employers in 2007. In fact, the industry now has about 70,000 more employees than it had ten years earlier. Germany’s position as the world’s leading export nation is due primarily to the automotive industry, which accounted for more than half (€105 billion) of the country’s trade surplus.

In addition, the auto industry makes a major contribution to investments in the German economy. For example, the sector’s gross investments in plant and equipment rose last year by almost 15 percent to more than €10 billion. At more than €18 billion, the German automotive industry’s expenditures for research and development (R&D) are above average, and account for around one-third of the manufacturing sector’s total R&D outlay. In 2007, Daimler invested €4.1 billion in R&D activities worldwide.

Sustainability rating agencies and indexes

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<tbody>
<tr>
<td>Siri (scoris) – DAX 30 sustainability rating</td>
<td>2nd (06/2005)</td>
<td>12th place (12/2007)</td>
</tr>
<tr>
<td>Öekom</td>
<td>5th (06/2006)</td>
<td>5th place (06/2006)</td>
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<tr>
<td>Core Ratings – automotive industry</td>
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<tr>
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<th>2005/2006</th>
<th>2007</th>
<th>Internet address</th>
</tr>
</thead>
<tbody>
<tr>
<td>FTSE4 Good Index</td>
<td>Not listed</td>
<td>Not listed</td>
<td><a href="http://www.ftse.com/ftse4good/">www.ftse.com/ftse4good/</a></td>
</tr>
</tbody>
</table>

Jones STOXX Sustainability Index (DJ/SI StOXX), which reports on the share price performance of European companies that are particularly committed to sustainability. In addition, Daimler’s commitment was also positively assessed by the sustainability rating agencies Öekom, Vigeo, and AccountAbility.  

1 For more information on our social commitment, see p. 65 ff.  

3.0 Further information on our ratings in sustainability indexes can be found in the Annual Report 2007, p. 28
Indirect influences of the global automotive industry

### Global automotive industry

<table>
<thead>
<tr>
<th>Revenues</th>
<th>Taxes</th>
<th>R&amp;D</th>
<th>Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenues €1.9 trillion</td>
<td>Tax payments €430 billion</td>
<td>R&amp;D expenditures €85 billion</td>
<td>Direct employment for 8 million people</td>
</tr>
<tr>
<td>If it were a country, the automotive industry would be the world’s fifth-largest economy.</td>
<td>The automotive industry’s tax payments form a major part of total tax revenues.</td>
<td>The automotive industry generates far-reaching technological spill-over effects in other sectors.</td>
<td>Every direct job in the automotive industry indirectly supports five other jobs.</td>
</tr>
</tbody>
</table>

### 4.0 Global procurement

After the demerger from Chrysler, the global DaimlerChrysler procurement system, Global Procurement & Supply, was transformed into a new procurement organization called Corporate Procurement Services (CPS). It combines the three procurement units Procurement Mercedes-Benz Cars and Vans (PMC), Procurement Trucks and Buses (PTB), and International Procurement Services (IPS). The tasks and areas of responsibility are clearly distributed among the purchasing departments of the units and Daimler Trucks and Buses (PMC and PTB).

The operational responsibility for the procurement of production materials lies with the procurement units of Mercedes-Benz Cars and Vans and of Daimler Trucks (PMC and PTB). The globally oriented organization International Procurement Services (IPS) purchases materials not related to production for the entire Group. CPS is responsible for procurement issues such as communication, supplier management, and processes. This structure has been designed to enable the best possible balance between a functional approach and responsibility for financial results – which lies directly with the business units.

Now that Daimler and Chrysler are two separate companies, special regulations are needed for the exchange of confidential purchasing information, for example regarding prices and conditions, or joint procurement activities. That’s why all contracts and agreements previously valid for both of these former Group entities have been – or are being – reworked to ensure separation. We will continue to look for and exploit areas where we can cooperate with Chrysler to the extent that the associated activities make business sense and are legally permissible.

**Sustainable supplier relationship management.** We particularly wish to promote our collaboration with suppliers. That’s because we can only achieve our goals with the help of cooperative and reliable partners who share our views regarding sustainable partnership – not only economically, but also with respect to environmental protection and social concerns. To this end, a strategy group was established to more firmly integrate social responsibility and sustainability aspects in our procurement activities.

We communicate our principles and guidelines at our global Daimler supplier portal, which is accessible to around 40,000 registered users. One of the most frequently used applications is the globally standardized External Balance Scorecard (EBSC), which translates our strategic goals for purchased products and services into measurable figures, thus enabling the employees at our procurement department and our suppliers to make objective comparisons. It is of crucial importance to Daimler that its suppliers implement its code of conduct and strive to perform in line with the aforementioned four value drivers that are employed for the EBSC. Other aspects can also be included in the evaluation, including human rights issues, and environmental and social concerns, such as the development of environmentally-friendly materials and production methods.

Because we take our responsibilities seriously, we responded to the drop in earnings experienced by many automotive suppliers last year by closely monitoring their business development as part of our supplier risk management activities. If a supplier is in difficulty, Daimler then decides whether it should institute support measures on its own or in concert with other automakers.

Our procurement department is represented at more than 30 locations worldwide.

More information on the global Daimler supplier portal is available at [http://daimler.covisint.com](http://daimler.covisint.com)
Environmental protection, innovation, and safety. Our efforts to achieve sustainable mobility focus on using resources efficiently, reducing emissions, and enhancing road safety. Our innovations have a key role to play in all of these areas.
Dear readers,

We believe that one of our core missions is to make mobility sustainable and future-oriented. After all, we invented the automobile and we are passionate about shaping its future. We are ready and willing to accept a pioneering role when it comes to clean and safe automobiles. We therefore increased our investments in environmental protection by more than ten percent to € 1.85 billion in 2007.

The strategic approach we have described in our “road map for sustainable mobility” is based on three pillars:

– the ongoing optimization of our vehicles with innovative internal combustion engines;

– the additional improvement of efficiency through hybridization – in other words, the combination of a combustion engine with an electric motor;

– and zero-emission driving with fuel cell and battery drive systems.

One focus of our road map is the reduction of our vehicles’ fuel consumption and thus their CO₂ emissions as well. In fact, because of our holistic approach our goal is to reduce all emissions across the board.

For example, through our innovative BLUETEC technology for diesel engines we have set worldwide benchmarks. This technology effectively reduces all emissions, especially nitrogen oxides, and makes diesels as clean as gasoline engines. Since the introduction of BLUETEC in our commercial vehicles in 2005, we’ve sold more than 150,000 BLUETEC trucks in Europe. We introduced this innovative technology in our passenger vehicles in the U.S. in October 2006. In Europe, BLUETEC has been available since the end of 2007 in the E 300 BlueTEC.

BLUETEC diesel vehicles have the potential to generate even fewer emissions than the world’s most stringent emissions standards. In recognition of this achievement, the E 320 BlueTec in the U.S. was named “World Green Car of the Year 2007.” BLUETEC has helped the diesel engine to stage a comeback in the U.S. that may have been surprising to many. For our passenger car model series with a diesel option, the proportion of diesels sold in the U.S. in 2007 was already 16 percent, and the success of our BLUETEC trucks in Europe shows that our environmentally friendly high-tech innovations are also winners in the market. The focus of our “Road to the Future” strategy is to enhance the fuel economy and reduce the emissions of our vehicles through modular technological concepts. We are successfully doing just that through our BlueEFFICIENCY models, for example, which we will introduce in various model series starting in 2008. This campaign was launched in February 2008 when we presented our two C-Class models, the C 180 KOMPRESSOR BlueEFFICIENCY and the C 200 CDI BlueEFFICIENCY.

BlueEFFICIENCY consists of various packages of measures, from aerodynamic fine-tuning to energy management. Depending on the model in question, these measures generate fuel savings of up to 12 percent compared to the basic model without any reduction of safety or comfort. Starting in 2009 we will also successively launch various hybrid models on the market: BlueHYBRIDs with a gasoline engine and BlueTEC HYBRIDs with a diesel engine. The combination of an internal combustion engine and an electric motor makes it possible to reduce fuel consumption by up to 30 percent.

A central role is played here by lithium-ion battery technology, a field in which we recently achieved a significant breakthrough. We are the world’s first manufacturer to have succeeded in adapting lithium-ion technology to the demanding requirements of automotive applications. The technology was previously used primarily in the field of consumer electronics. We have safeguarded this achievement by taking out 25 patents, and we will launch our development on the market as early as 2009 in the S 400 BlueHYBRID.

Dr. Thomas Weber
Member of the Board of Management
Group Research and Development Mercedes-Benz Cars

Prof. Dr. Herbert Kohler
Vice President Group Research and Advanced Engineering
Vehicle and Powertrain, Chief Environmental Officer
1.0 Environmental protection in the product lifecycle

As a globally operating automobile manufacturer, we have a special responsibility to help design viable systems for mobility in the future. Our overriding goal here is to continually and consistently improve the environmental soundness of our products and business activities. To this end, we focus on the environmental impact of our products over their entire lifecycle, from development and production to service and recycling. We thus pursue a holistic approach that takes into account all aspects and lifecycle phases of our automobiles. We refer to this approach at Daimler as “TrueBlueSolutions” for sustainable mobility.

The following chapters review the individual stages of the product lifecycle and describe the measures we employ in each one to conserve resources and minimize pollutant emissions. 1

2.0 Innovation, development, and safety

The key objectives associated with sustainable mobility include the reduction of fuel consumption and CO₂ emissions, the minimization of other pollutant emissions, and the further optimization of our vehicles’ safety features. Daimler has made significant progress in all of these areas over the last few years and will continue to do so in the future. To this end, approximately 18,000 men and women are currently employed by our research and development departments. At the moment, our development activities are centered on achieving further reductions in CO₂ emissions. In order to achieve this goal, the Group is focusing on two fields of activity: vehicles and powertrains on the one hand (core activities), and fuels on the other (support activities). 2

2.1 Sustainable mobility strategy and implementation for passenger cars. The Group’s long-term strategy for passenger cars involves the consistent further development of economical and environmentally friendly vehicles that make no sacrifices in terms of safety and comfort. Here, we’re pursuing a three-stage approach in order to conserve resources throughout the entire value creation process and minimize pollutant emissions (see chart: “Daimler’s road map to sustainable mobility”).

1. Concerted development and optimization of our internal combustion engines.
2. Further enhanced efficiency through hybridization.
3. Emission-free driving with fuel cell and battery-powered vehicles. 3

The combustion engine and its hybridization will continue to play a key role on the path to zero-emission mobility. The innovations and technologies that contribute to further reductions in fuel consumption and CO₂ emissions are summarized below:

- Optimized combustion engines. CGI (stratified charge gasoline injection). Second-generation gasoline direct injection systems ensure optimal fuel utilization, thereby generating fuel economy potential. Here, fuel is sprayed around the spark plugs in the shape of a hollow cone, which enables precise fuel dosages and thus optimized combustion. For example, as a result of the CGI system the Mercedes-Benz E 350 CGI now consumes 8.7 to 9.2 liters of fuel per 100 kilometers – around 10 percent less than a vehicle equipped with a conventional V6 gasoline engine that operates with duct injection. The CLS 350 CGI, which was introduced in April 2006, was the world’s first vehicle to feature spray-guided direct injection, a system that was then implemented in 2007 in the E 350 CGI as well. We will begin converting our four-cylinder gasoline engines to this direct injection system in 2009.

DIESOTTO. DIESOTTO is a completely new engine concept from Mercedes-Benz that combines the best features of diesel and gasoline engines. In particular, it boasts outstanding fuel economy and thus reduced CO₂ emissions as well as lower nitrogen oxide emissions (NOₓ). The technology used is based on the principle of operating a gasoline engine in certain situations with auto ignition, like a diesel. The system also includes CGI gasoline direct injec-
Electric drives with fuel cells and battery.

Fuel cell. Hydrogen-powered fuel cell vehicles offer the most promising possibility for zero-emission drive system concepts from both an economic and an ecological perspective. Natural gas contains less carbon than normal gasoline or diesel fuel, for example, and its combustion also produces less pollutant emission. Our NGT vehicles are equipped with a bivalent drive system that enables them to operate on either natural gas or premium-grade gasoline. The technology has been available since mid-2004 in the Mercedes-Benz E 200 NGT. A new model – the B 170 NGT BlueEFFICIENCY – will be launched in the summer of 2008.

“BlueEFFICIENCY” package. Our “BlueEFFICIENCY” package of innovative measures is based on a holistic approach to vehicle optimization and the use of intelligent solutions for improving the fuel economy of our vehicles even further. All of the measures employed are optimally aligned with one another, thereby resulting in substantial fuel savings totaling approximately 10 percent. These measures include for example an extended gear ratio, a lower chassis, extremely low rolling resistance tires, and aerodynamic improvements. The first BlueEFFICIENCY models – the Mercedes-Benz C 180 Kompressor BlueEFFICIENCY and the C 200 CDI BlueEFFICIENCY – will be launched on the market in June 2008. 

Model-specific hybrid modules. The combination of optimized combustion engines and customized hybrid modules enables further reductions in fuel consumption and CO₂ emissions. The first of three different hybrid solutions developed by the Group for the passenger car market has been available since October 2007 in the smart fortwo micro hybrid drive (mhd) model. The vehicle’s economical three-cylinder gasoline engine is linked with an intelligent start/stop function that reduces fuel consumption from 4.7 to 4.3 liters per 100 kilometers. That corresponds to CO₂ emissions of 103 grams per kilometer. Additional models equipped with hybrid modules will be launched on the market in 2009.

Electric drives with fuel cells and battery.
mobility that conserves resources, especially if the hydrogen used is produced from renewable sources. Inside a fuel cell, the chemical reaction between hydrogen and oxygen is converted into electrical energy, producing only water vapor as a byproduct in the process. At the same time, the vehicle-internal efficiency of fuel cell drives is around twice as high as that of today’s combustion engines.

The latest generation of hydrogen-powered vehicles – the A-Class F-Cell, fuel cell Sprinters, and Citaro urban buses – is now proving itself in a global testing program. Daimler operates the largest fuel cell fleet of all manufacturers worldwide. Every day, these vehicles deliver vital data that will flow into the development of the next generation of vehicles and future fleet tests. In the summer of 2010, Mercedes-Benz will launch the B-Class F-Cell – the world’s first series-produced car with a locally emission-free fuel cell drive.

Battery operation. Along with fuel cells, electric drive systems with batteries form an integral part of our sustainable mobility strategy. With energy consumption of only 12 kilowatt-hours per 100 kilometers, the smart fortwo ed with electric drive is the most economical and climate-friendly vehicle alternative for urban driving. The electric two-seater can travel approximately 115 kilometers on a fully charged battery, and dead batteries can be recharged up to 1,000 times or more using any 230-volt socket. The battery can therefore last as long as ten years. The first 100 smart ed models ever produced have been undergoing tests under everyday conditions in London since November, and in February 2008 the Group handed over its first smart ed test vehicle for Germany to the fleet of the energy supply company RWE. Our goal here is to begin series production of the model as soon as lithium-ion technology that meets all of our expectations becomes available. 

2.2 Sustainable mobility strategy and implementation for commercial vehicles. Freight transport volume continues to increase, and the rate of expansion is particularly high for its most flexible form, road transport. Experts are predicting that the transport volume will have doubled from its 2000 levels by the year 2030. Ensuring that efficient mobility remains the foundation of social development for future generations as well will require us to use our resources wisely, reduce emissions, and provide for the highest possible levels of traffic safety. Daimler’s commercial vehicle units are shaping the future of mobility with clean and efficient drive systems and alternative fuels. Their efforts in these areas are combined in the “Shaping Future Transportation” initiative. The “road map to sustainable transportation,” involves numerous steps that focus on four main areas (see chart below):

- Resolute further development and optimization of our internal combustion engines. Experts are certain that diesel engines will remain the backbone of heavy-duty commercial vehicle drive systems for decades to come. This certainty stems from the fact that a comprehensive global infrastructure for diesel fuel and diesel engine production and servicing already exists – not to mention the great reliability and unsurpassed economy that diesel engines offer. The BLUETEC technology that has been available in our commercial vehicles since January 2005 saves between 1,500 and 2,000 liters of diesel fuel in long-distance truck operation per vehicle and year, as compared to other exhaust-gas treatment systems. This means that trucks equipped with BLUETEC, which currently number about 150,000, save approximately 300 million liters of fuel per year. Further fuel economy improvements can also be achieved by optimizing transmissions and powertrains. For example, the current generation of Mercedes PowerShift automated transmissions in Mercedes-Benz trucks leads to very low levels of fuel consumption.

- Natural gas is a good alternative to diesel drive systems in urban applications. The Mercedes-Benz Citaro CNG (compressed natural gas) is built as both a single and an articulated bus with a natural gas engine; there are currently around 900 such busses in use. The Citaro CNG was the first urban bus with a natural gas drive to comply with the strict EEV (Enhanced Environmentally Friendly Vehicle) emissions standard. Today there are 600 Mercedes-Benz Econic NGT models throughout Europe that are used for garbage collection and other municipal applications, and also serve as delivery vehicles. Like the Citaro CNG, the Econic NGT has lower emissions than those required by the Euro V or EEV standards, and also stands out through its low noise emissions. The use of natural gas vehicles does remain limited, however, by the complexity involved in storing their fuel in heavy pressurized tanks, as well as by the lack of a fuel infrastructure.

- Hybrid vehicles. Hybrid drive systems display their superior fuel efficiency most clearly in everyday use in city traffic. Urban buses with hybrid drives are more fuel-efficient than today’s combustion engines.

- Research, development, and production of high-quality and alternative fuels. Daimler’s road map for sustainable transportation

| Emission-free drives on the basis of the fuel cell and purely electrical drives |
| Hybrid vehicles |
| Research, development, and production of high-quality and alternative fuels |
| The resolute further development and optimization of our internal combustion engines |
environmentally friendly, and if they are equipped with a storage battery they even operate emission-free over short stretches. Hybrid drive systems can also reduce the fuel consumption of light trucks for short-range distribution and heavy-duty long-distance trucks, depending on the topography involved. For the future, Daimler is also considering testing hybrid operation in long-haulage trucks and touring buses.  

- **Emission-free drives on the basis of the fuel cell and purely electrical drives.** A major test of 36 Mercedes-Benz Citaro fuel cell buses in ten European cities, as well as in Beijing (China) and Perth (Australia), has demonstrated that fuel cell drives function reliably under a broad range of practical conditions. In the next stage of development, the Citaro G BlueTec Hybrid model will serve as the basis for a Citaro fuel cell hybrid bus.

**2.3 Fuels for the future: New fuels will replace fossil fuels.** High-quality and alternative fuels represent a further component in the effort to achieve an optimal environmental balance for the overall drive system. Our path to the fuel of the future will take us from clean conventional fuels to second-generation synthetic biofuels and the use of hydrogen to power fuel cell drive systems.

**Bioethanol and biodiesel as additives.** The current practice of blending fossil fuels and crop-derived fuels such as ethanol and biodiesel is already helping to enhance the environmental balance sheet for road traffic. Daimler has committed itself to supporting activities that exploit the potential of biofuels more consistently than has previously been the case. More specifically, Daimler is committed to creating technologies which ensure that vehicles can run on fuels with up to 10 percent of biofuel admixtures. All of the gasoline engines in our current Mercedes-Benz and smart models are already suitable for operation with biogenic fuels containing up to 10 percent ethanol (E10). Plans call for such fuels to be introduced in Germany in mid-2008. By far the majority of all older Mercedes-Benz and smart models can also run on E10 fuel. Excluded here are vehicles with first-generation four-cylinder gasoline direct injection engines from the years 2002-2005. Also excluded are models produced ex works without a three-way catalytic converter, or with a carburetor. These vehicles are generally more than 23 years old.

**Biomass-to-liquid (BTL) – the second, latest generation of biofuels.** The testing of Mercedes-Benz diesel engines has shown that switching to synthetic fuels such as BTL would reduce particulate emissions by as much as 30 percent and cut emissions of carbon monoxide and hydrocarbons by up to 90 percent. BTL fuels are manufactured through the gasification of all types of biogenic waste materials, which means that their production does not compete with food crop cultivation. BTL fuels can also be used with all current and future diesel engines without any need for retrofitting.

**Drive technologies from Daimler**

<table>
<thead>
<tr>
<th>Percentage share</th>
<th>Vehicles with gasoline engine</th>
<th>Vehicles with diesel engine</th>
<th>Vehicles with hybrid drive</th>
<th>Vehicles with fuel cell drive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe¹</td>
<td>31.4</td>
<td>68.5</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>NAFTA</td>
<td>61.2</td>
<td>38.9</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Japan</td>
<td>44.6</td>
<td>55.4</td>
<td>x</td>
<td>x</td>
</tr>
</tbody>
</table>

¹ Approximately 0.4 percent of the vehicles with gasoline engines manufactured for Europe were manufactured as natural gas variants.
² 0.05 percent of the vehicles sold worldwide were equipped with hybrid drive systems.
³ Daimler operates the largest fuel cell vehicle fleet (cars, vans, and buses) of all manufacturers worldwide.

Daimler and Volkswagen have been shareholders in CHOREN Industries GmbH in Freiberg, Germany, since October 2007. CHOREN is pursuing the market introduction of climate-friendly second-generation synthetic biofuels produced through gasification. CHOREN developed SunDiesel® fuel, which has a high cetane number and thus delivers much better ignition performance than conventional diesel. SunDiesel® is completely free of sulfur and aromatics and significantly reduces pollutant emissions. SunDiesel® can also be used without any adjustment of existing infrastructure or engine systems, and the fuel is largely CO₂-neutral as well. The environmental “balance sheet” of SunDiesel shows that, compared to conventional fuels, as much as 90 percent of CO₂ emissions can be prevented along the entire BTL value chain comprising cultivation, fuel production, and use. Mercedes-Benz intends to fill the tanks of all new diesel vehicles leaving its production plants with SunDiesel® as soon as an adequate supply of the fuel is available.

CHOREN commissioned the world’s first commercially operated BTL production facility in April 2008. When it reaches full capacity, the plant, which is located in the German state of Saxony, will produce 18 million liters of BTL fuel per year. That’s enough to fill the tanks of 15,000 passenger cars. A second facility with an annual capacity of 250 million liters is now being planned.

**Hydrogen – the fuel of the future.** Before the fuel cell drive can be brought to market, progress has to be made regarding the production of hydrogen from renewable sources and the establishment of a suitable hydrogen supply infrastructure. Both of these tasks call for extensive cooperation between governments, the oil industry, the energy sector, and other potential investors. In order to promote such an effort, Daimler is taking part in the Clean Energy Partnership (CEP) in Europe.
Daimler’s fuel road map

1. Conventional fuels such as gasoline and diesel will continue to be used in the years ahead, which is why they must be continually optimized. The goal here is the worldwide use of sulfur-free fuel that contains low levels of aromatic compounds.

2. Daimler believes that **CNG** (compressed natural gas) is a viable option for certain applications, because it contains less carbon than gasoline or diesel.

3. Beside BTL (biomass-to-liquid) fuels, **GTL (gas-to-liquid) fuels** are the cleanest and highest-quality fuels for diesel engines. This is because GTL diesel is free of sulfur and aromatic compounds – although not CO₂-neutral – and can be adapted to meet many of the requirements associated with internal combustion engines.

4. **Hydrogen** will power the fuel cell vehicles of the future. In the fuel cell, the hydrogen reacts with oxygen to form water. Global hydrogen requirements have until now been largely met through steam reformation from natural gas. However, since this process still gives rise to CO₂ emissions due to the carbon content of the gas, suitable economically viable processes for H₂ production from renewable sources must be developed.

5. **Bioethanol and biodiesel** are intelligent options for the short to medium term when blended with conventional fossil fuels. However, such crop-derived fuels have a lower energy content, so their fuel economy is not as favorable as that of fossil fuels. In addition, the aggressiveness and viscosity of biodiesel, and a more pronounced clogging of the particulate filter, make its use in pure form prohibitive in modern diesel automobiles.

6. **BTL fuels made from biomass** will soon grow in importance, initially as an admixture blended with gasoline and diesel fuel. The Group is currently working on ways to further the development and use of largely CO₂-neutral synthetic biofuels. These fuels represent the optimal use of biomass, contain no sulfur or aromatic compounds, and their production does not compete with the cultivation of food crops. In addition, they can be excellently matched to the requirements of internal combustion engines.

7. The fuel of the future is **hydrogen from renewable sources**, which in combination with the fuel cell will guarantee mobility free of emissions and CO₂. Suitable production processes involve electrolysis using electricity derived from renewable sources (hydroelectric, wind, solar, and geothermal power) or from the gasification of biomass.

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### Daimler’s fuel road map

<table>
<thead>
<tr>
<th>Fuel Type</th>
<th>Description</th>
<th>Stage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Improved conventional fuels</strong></td>
<td>Sulfur-free, low aromatics content</td>
<td>1</td>
</tr>
<tr>
<td><strong>First-generation biofuels</strong></td>
<td>(biodiesel, bioethanol, ...)</td>
<td>2</td>
</tr>
<tr>
<td><strong>Second-generation biofuels</strong></td>
<td>(BTL)</td>
<td>3</td>
</tr>
<tr>
<td><strong>Hydrogen</strong></td>
<td></td>
<td>4</td>
</tr>
<tr>
<td><strong>Gas-to-liquid (GTL)</strong></td>
<td></td>
<td>5</td>
</tr>
<tr>
<td><strong>Natural gas (CNG)</strong></td>
<td></td>
<td>6</td>
</tr>
<tr>
<td><strong>Based on regenerative energy</strong></td>
<td></td>
<td>7</td>
</tr>
<tr>
<td><strong>Based on biomass</strong></td>
<td></td>
<td>6</td>
</tr>
<tr>
<td><strong>Based on crude oil</strong></td>
<td></td>
<td>7</td>
</tr>
<tr>
<td><strong>Based on natural gas</strong></td>
<td></td>
<td>5</td>
</tr>
<tr>
<td><strong>Lower emissions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Less CO₂</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**
- **1 via steam reformation**
2.4 Environmentally responsible product development. The continual improvements made to the environmental compatibility of Daimler vehicles are now part of our development specifications. Serving as a cross-divisional team, the Group’s DfE (Design for Environment) experts are involved in all stages of the vehicle development process. Their job is to evaluate new component and vehicle concepts for future Mercedes-Benz passenger cars and commercial vehicles by developing overall lifecycle assessments.

**Materials used in the C-Class station wagon according to VDA 231-106**

<table>
<thead>
<tr>
<th>Material</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Polymers</td>
<td>19.5</td>
</tr>
<tr>
<td>Other</td>
<td>3.2</td>
</tr>
<tr>
<td>Electronics</td>
<td>0.1</td>
</tr>
<tr>
<td>Non-ferrous metals</td>
<td>2.0</td>
</tr>
<tr>
<td>Process polymers</td>
<td>0.7</td>
</tr>
<tr>
<td>Service fluids</td>
<td>4.8</td>
</tr>
<tr>
<td>Special metals</td>
<td>&lt; 0.01</td>
</tr>
<tr>
<td>Light alloys</td>
<td>8.4</td>
</tr>
<tr>
<td>Steel/iron</td>
<td>61.2</td>
</tr>
</tbody>
</table>

Environmentally responsible product development begins with the selection of suitable raw materials and ends with recycling-friendly design and production processes. These make it possible to reuse or recycle used components at a later stage. Thanks to efficient disassembly and recycling concepts, Daimler is forced to dispose of fewer and fewer parts from end-of-life passenger cars and commercial vehicles. Wherever possible, high-quality secondary (recycled) raw materials are used in place of expensive and precious primary resources. In the plastics sector, preference is given to recycled raw materials or recyclable materials. To date, the Group has successfully tested the use of recycled raw materials for approximately 10 percent of the volume of plastics employed in its vehicles. These materials have subsequently been approved for series production applications.

**Environmentally responsible car development.** In 2005 the Mercedes-Benz S-Class became the world’s first automobile to receive an environmental certificate. The certificate, which is issued by TÜV Management Service GmbH in Munich, was also granted to the new C-Class in 2007, thereby confirming that the model was developed in line with high environmental standards. Compared to the previous version, the new C-Class station wagon model has made advances across the entire product lifecycle with regard to important aspects such as fuel consumption, exhaust emissions, and choice of materials.

2.5 Safety. Vehicle safety is a central component of Daimler’s product strategy, and it’s also one of our core areas of expertise. No other manufacturer worldwide
invests more in the development of life-saving driver assistance and safety systems. For more than 60 years, Daimler’s developments have led the way in vehicle safety for passenger cars, trucks, vans, and buses.  

Daimler regards its commitment to enhancing road safety as a responsibility toward society that is also in the interest of all road users. The Group is therefore committed to turning the “vision of accident-free driving” step by step into reality. These efforts will also serve to support the European Union’s goal to cut the number of road fatalities in half in the period between 2001 and 2010, despite drastically increasing traffic volumes.

Mercedes-Benz” integral safety philosophy” defines safety as a holistic goal whose achievement involves much more than successfully completing standardized crash tests. This philosophy focuses on four safety-critical phases:

Safe driving: Avoiding danger, timely warnings, and assistance functions. Preventing accidents is the overriding goal of our safety philosophy – and systems like ESP® and the Brake Assist System BAS are already making an important contribution to enhanced traffic safety. Our Adaptive Brake Light system helps prevent rear-end collisions by blinking rapidly to warn drivers following behind when a vehicle in which the system is installed initiates an emergency braking maneuver. The Intelligent Light System incorporates five different lighting functions, which are configured for typical driving and weather conditions and provide the driver with a significantly longer range of visibility. The system thus helps to reduce the high risk of nighttime accidents in particular. Safety during night driving is also considerably enhanced with Night View Assist. The road ahead is optimally illuminated by infrared headlights, and the image is presented in the instrument cluster display. A further, newly developed assistance system from Mercedes-Benz provides even greater protection during lane-changing. The system recognizes when another vehicle is driving in a parallel lane of traffic in the exterior mirror’s “blind spot.” In such situations, the system alerts the driver first with a visual signal, and then additionally by means of an audible warning.

Hazardous situations: The PRE-SAFE® preventive occupant protection system. A major focus of our work involves creating synergy effects between active and passive safety systems. The key component of such networking for accident prevention goes by the name of PRE-SAFE®, a system that uses vehicle safety features such as ESP® and Brake Assist in combination with system sensors as a basis for registering an impending accident; it then optimally prepares the vehicle’s occupants for an impact: Electric actuators prepare the mechanical seat belt tensioners for deployment, the seat squab and backrest are brought into a position that ensures maximum safety, and the sliding roof and windows are closed. If a collision is avoided at the last moment, the vehicle can immediately continue driving normally, since all precautionary PRE-SAFE® measures are reversible. Mercedes-Benz has provided PRE-SAFE® in the new C-Class since its launch in 2007.

When accidents happen: Occupant protection on multiple levels. In the development of safety systems, Mercedes-Benz is guided by data generated during 38 years of accident research; our objective is “real-life safety” – in other words, vehicle safety that is relevant to the everyday hazardous situations encountered in road traffic. Mercedes-Benz also carries out a large number of different crash tests that go far beyond meeting the requirements of legislation and ratings, in order to conduct differentiated analyses of various types of collision.

Mercedes-Benz models have attained an exemplary degree of safety over the years, thanks to the development and introduction of the airbag, automated seatbelts, seatbelt tensioners, seatbelt force limiters, and many other innovations. Today, the new C-Class station wagon comes with seven airbags as standard equipment. The crash-active NECK-PRO head restraint is yet another special safety feature offered in the new C-Class and in many other Mercedes-Benz model series. Like other brand innovations, NECK-PRO’s development was also...
Environmental protection, innovation, and safety

At the beginning of 2007, Mercedes-Benz received the “Car of the Year Award” from the British magazine “What Car” for the brand’s pioneering safety achievements. That same year, Rodolfo Schöneburg, head of Passive Safety Development at Mercedes-Benz, was honored by the National Highway Traffic Safety Administration (NHTSA) in the U.S. for the outstanding contribution he has made to vehicle safety. These awards make it clear to us that we are on the right track as we move closer to attaining accident-free driving.

Commercial vehicles. According to experts, Daimler produces the world’s safest vehicles in its commercial vehicle market segments for trucks, buses, and vans. Nevertheless, safety technology will only be put to appropriate use by transport companies if it proves to be economical. High quality safety technologies, their universal application, and their economy thus constitute an integral whole that forms a key focus of Daimler’s activities as the world’s largest commercial vehicle manufacturer.

Many systems introduced to the market by Mercedes-Benz have subsequently been adopted by other automakers. The resulting widespread use of these systems has helped to prevent many accidents, or to mitigate the effects of those that do occur, which has reduced costs to the overall economy as well. The innovative safety solutions from Daimler thus not only offer immediate advantages to the Group’s own customers; they also benefit society as a whole over the long term.

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Assistance systems for active safety

Based on analysis of actual accidents. The system is equipped with sensors that register rear-end collisions of a predefined impact force, which is followed by the release of pre-tensioned springs in the headrests, causing the upholstery inside to shift forward and upward in just a few milliseconds, thus supporting the heads of the driver and front passenger in time to prevent injury.

After an accident: Ensuring faster response by rescue personnel, preventing wake-effect collisions.

This safety phase involves preventing even more damage or injury following an accident, and getting help to accident victims as quickly as possible. The sedan and station wagon versions of the new C-Class, for example, are equipped with a system that automatically cuts off the flow of fuel to the engine in the event of a serious accident. The same system also automatically engages the hazard lights to warn approaching vehicles and prevent further accidents. If the front airbags have inflated, the front windows will automatically open slightly in order to air out the interior. At the same time, the door locks will be released so that injured passengers can be rescued more quickly.

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Mercedes-Benz has already introduced pioneering driver assistance systems to the market that help drivers avoid accidents in critical situations, or minimize the severity of the consequences of accidents that do occur. More systems were added in 2006, including Adaptive Cruise Control and the Lane Assistant for touring buses. The Active Brake Assist system for the Mercedes-Benz Actros truck initiates an emergency braking manoeuvre in the event. As passive safety measures for the protection of the driver and other road users, the company has also developed crash-optimized cabs, belt tensioners, front underride protection elements, and improved load securing systems for trucks.
While safety technology must be controllable for drivers, it should not divest them of their responsibility for safe driving. Safety is thus not merely a question of technology but also of training: For 40 years, Mercedes-Benz has been offering training and driving safety courses for professional truck and bus drivers. Together with the German technical inspection association DEKRA, Daimler has also initiated a “Safety Plus” certification for vans and trucks. “Safety Plus” is awarded in two versions – one for the safety characteristics of the vehicle itself, the other for drivers with appropriate training. A number of insurance companies have acknowledged this measure by offering reduced premiums.

Daimler was honored with several awards for its innovative safety technologies in 2007. The Mercedes-Benz Actros Safety Truck, for example, which is equipped with the Mercedes-Benz Brake Assist system, was chosen for the “Geiβer Engel 2007” award presented by the German automotive association ADAC, and the “Safety Award 2007” issued by the Belgian Association of Motoring and Commercial Vehicle Journalists. In addition, Jürgen Trost, who developed the Active Brake Assist system for commercial vehicles, was awarded the European Safety Prize in 2007.

Improved road safety, reduced fatalities, and increased economy – attaining these ambitious goals requires the concerted efforts of many sectors of society. As the leading producer of commercial vehicles, Daimler has taken the initiative and created the appropriate basis with active and passive safety technology. As a result, the trucks, vans, and buses produced by the Group demonstrate the high levels of safety that are already attainable today.

**The social responsibility as an automotive manufacturer.** Daimler provides a wide range of services to encourage the responsible use of its products, thereby promoting sustainable mobility solutions.

**Safe and environment-friendly driving.** In training courses, Daimler demonstrates to its customers how they can make their own contribution to safe, environment-friendly vehicle use:

- **Mercedes-Benz passenger cars.** Mercedes-Benz has been offering its customers driving safety courses for more than three decades. During this time, Mercedes-Benz personnel have trained customers in over 20 countries. The driving programs are a significant element of our integrated safety philosophy, and they play an important role in accident prevention. The Group also began offering eco-training courses in environment-friendly driving as early as 1995.

- **Commercial vehicles.** The Daimler Trucks division has been providing training courses in economical driving and safety worldwide since the beginning of the 1990s. These courses have been attended by more than 65,000 professional drivers from 50 countries each year, and this figure includes special package courses for entire shipping companies. In 2007 alone, a total of 800 bus drivers participated in safety training courses, while an additional 300 attended eco-training sessions. Customers who purchase a new Sprinter, Vito, or Viano van receive a coupon allowing them to take part in a special training course. In addition to teaching participants how to effectively use modern safety technology, the training also focuses on development of an economical and anticipatory driving style. In addition, the Group is certified as a trainer for advanced training courses for professional commercial vehicle drivers, which will be mandatory as of 2009.

**Road safety.** Although vehicle safety is one of Daimler’s core competencies, the company has nevertheless adopted an approach that extends far beyond basic vehicle safety:

- Daimler supports the European Road Assessment Programme (EuroRAP), which is setting out to make the entire road system safer – for example, by pointing out and eliminating accident hot-spots. EuroRAP has proved so successful that the number of participants has now risen from the four original countries to 20 (including the U.S. and Australia).

- By means of numerous programs and initiatives based on sound scientific principles (e.g. the Global Road Safety Partnership, MobileKids, Road Ready Teens, Seat Check, Mothers against Drunk Driving), Daimler also prepares children for safe conduct in traffic, enhances parental awareness of safety, and stages road safety campaigns for the general public.

### 3.0 Suppliers

Daimler’s aim of making production operations as environmentally compatible as possible is not restricted to its own production facilities, but also applies to materials and components purchased from suppliers. Special attention is paid in this respect to material selection criteria and recycling requirements. An integral focus of the discussions with top management from the supplier companies thus involves a joint effort to ensure environmentally compatible production processes that conserve resources. Many of our suppliers have been certified according to the ISO 14001 standard.

### 4.0 Logistics

Vehicles that transport deliveries to and from production plants also have an environmental impact. Daimler’s goal in this area is to minimize the emissions they produce by ensuring the most efficient logistics...
systems possible – and the inclusion of railroad and ship transport. In 2007, approximately 4.4 million tons of commodities destined for production in Daimler’s German car and commercial vehicle plants, and at the Group’s facility in Vitoria, Spain, were transported by trucks over a total of 151 million kilometers (not counting door-to-door deliveries). Based on the current handbook on emission factors for road traffic (HBEFA 2.1), this translates into approximately 133,000 tons of CO₂ emitted into the atmosphere, which corresponds to around five percent of the total CO₂ emissions generated through production activities at all plants receiving such deliveries.

5.0 Production

5.1 The production-related environmental strategy.

Daimler sees itself as a company that sets the pace for eco-compatible innovations in production and process engineering. In line with the third environmental guideline, the corporate goal is to make all stages of production as environmentally sound as possible. The main environmental fields of activity for the Group in the production sector are climate protection, air pollution prevention, and resource conservation. In concrete terms, this means

- reducing direct and indirect CO₂ emissions
- reducing solvent emissions
- raising resource efficiency and avoiding production of waste materials.

In order to reach these goals, Daimler has established control processes that are embedded in the certified environmental management systems at its production plants. The production locations that have been certified according to the European EMAS system for environmental auditing publish certified annual environmental reports concerning their environmental policies, their targets and implementation measures, and their environmental data. I 13, 14

Resource consumption, emissions and production waste are largely determined by production volume. For better comparison purposes, data is therefore collected on the specific figures for each vehicle produced. I 15

5.2 Energy and climate protection. To reduce energy consumption at its plants, and thus CO₂ emissions, Daimler employs a dual approach that calls not only for ensuring the most environmentally sound energy supply processes possible for the production plants, but

<table>
<thead>
<tr>
<th>Total energy consumption</th>
<th>GWh</th>
<th>2006</th>
<th>2007</th>
<th>Change in %</th>
</tr>
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<tbody>
<tr>
<td>of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>electricity</td>
<td>GWh</td>
<td>4,636</td>
<td>4,695</td>
<td>1.3</td>
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<tr>
<td>natural gas</td>
<td>GWh</td>
<td>4,505</td>
<td>4,168</td>
<td>-7.5</td>
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<tr>
<td>district heating</td>
<td>GWh</td>
<td>1,055</td>
<td>923</td>
<td>-12.5</td>
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<tr>
<td>heating oil, LPG</td>
<td>GWh</td>
<td>325</td>
<td>219</td>
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<tr>
<td>coal</td>
<td>GWh</td>
<td>225</td>
<td>180</td>
<td>-19.9</td>
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<th>CO₂ emissions</th>
<th>mill. t</th>
<th>2006</th>
<th>2007</th>
<th>Change in %</th>
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<tr>
<td></td>
<td></td>
<td>3.885</td>
<td>3.782</td>
<td>-2.7</td>
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<th>Emissions into the atmosphere</th>
<th>t</th>
<th>2006</th>
<th>2007</th>
<th>Change in %</th>
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<tr>
<td>Solvents [VOC]</td>
<td>7,077</td>
<td>7,719</td>
<td>9.1</td>
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<tr>
<td>Sulfur dioxide (SO₂)</td>
<td>59</td>
<td>51</td>
<td>-13.0</td>
<td></td>
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<tr>
<td>Carbon monoxide (CO)</td>
<td>2,049</td>
<td>2,310</td>
<td>12.7</td>
<td></td>
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<tr>
<td>Nitrogen oxides (NO₃)</td>
<td>932</td>
<td>873</td>
<td>-6.4</td>
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<tr>
<td>Dust (total)</td>
<td>203</td>
<td>257</td>
<td>27.1</td>
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<th>Waste volumes</th>
<th>t</th>
<th>2006</th>
<th>2007</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waste for disposal</td>
<td>84</td>
<td>74</td>
<td>-11.7</td>
<td></td>
</tr>
<tr>
<td>Waste for reuse (without scrap metal)</td>
<td>195</td>
<td>199</td>
<td>2.1</td>
<td></td>
</tr>
<tr>
<td>Scrap metal for reuse</td>
<td>768</td>
<td>801</td>
<td>4.4</td>
<td></td>
</tr>
<tr>
<td>Hazardous waste for disposal</td>
<td>26</td>
<td>21</td>
<td>-18.9</td>
<td></td>
</tr>
<tr>
<td>Hazardous waste for reuse</td>
<td>84</td>
<td>70</td>
<td>-16.1</td>
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<table>
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<tr>
<th>Water consumption</th>
<th>mill. m³</th>
<th>2006</th>
<th>2007</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drinking water (externally supplied)</td>
<td>8.78</td>
<td>8.99</td>
<td>2.4</td>
<td></td>
</tr>
<tr>
<td>Well water (derived on site)</td>
<td>5.32</td>
<td>5.56</td>
<td>4.5</td>
<td></td>
</tr>
<tr>
<td>Surface water</td>
<td>0.64</td>
<td>0.64</td>
<td>0.1</td>
<td></td>
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<table>
<thead>
<tr>
<th>Costs related to environmental protection</th>
<th>€ mil.</th>
<th>2006</th>
<th>2007</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments</td>
<td>57</td>
<td>85</td>
<td>50.5</td>
<td></td>
</tr>
<tr>
<td>Current expenditure</td>
<td>452</td>
<td>434</td>
<td>-4.0</td>
<td></td>
</tr>
<tr>
<td>R&amp;D expenditure</td>
<td>1,187</td>
<td>1,418</td>
<td>19.4</td>
<td></td>
</tr>
</tbody>
</table>

13 I Additional data on environmental protection: sustainability2008.daimler.com /sr/16
14 I Additional information on certified environmental management systems at our plants: sustainability2008.daimler.com /sr/17
15 I Details on environmental data collection: sustainability2008.daimler.com /sr/18
also efficient use of energy in production. The Group’s production locations are heated with natural gas, which is a low-carbon energy carrier, for example, and one plant uses shredded waste wood to achieve nearly CO₂-free heating. Coke is used only where technologically necessary, which means for smelting cast iron. Many production plants are supplied with heat and power by highly efficient cogeneration plants operated either by Daimler or by regional power companies. For its new construction, expansion, and modernization projects, Daimler makes use of innovative low-CO₂ energy supply concepts and electricity generated from renewable sources. A new photovoltaic system at the Gaggenau plant, for instance, and existing photovoltaic facilities in Bad Cannstatt (Untertürkheim) and Sindelfingen (MTC Design building) regeneratively produced nearly 900 megawatt-hours of electricity in 2007.

Daimler’s worldwide energy consumption totaled 10.2 million megawatt-hours in 2007, a decrease of 5.2 percent from the previous year. Along with generally mild weather, this reduction was mainly due to improvements in energy efficiency brought about by many energy-saving projects at our production plants. One outstanding example of our energy-saving achievements is offered by our Untertürkheim plant. Here, a facility-wide interdisciplinary project team set itself the goal of exploiting all possibilities for reducing energy consumption in areas as diverse as machine and facility planning, production infrastructure, and building systems, while also addressing the impact of employee behavior on energy use. The team approved and implemented a wide range of measures that proved very successful:

- Raising the temperature of cooling lubricants cut the annual electricity consumption of refrigeration machinery by 15,000 megawatt-hours, without any detrimental effect on production quality. This same measure also significantly reduced cooling-water consumption.
- Optimization of heat recovery equipment by means of improved controls, adjustments in line with requirements, and use of alternative heat sources led to annual heat energy savings of 11,000 megawatt-hours. Current plans call for further heat recovery savings totaling 18,000 megawatt-hours.
- Another very successful measure involved a reduction of suction flow volumes in processing machines with the help of computer-based simulation calculations. The optimizations achieved here lowered such flow volumes by 20–30 percent, saving 30,000 megawatt-hours of energy.
- Ventilation at one production hall was adjusted to conform to actual needs by using a more efficient ventilation system and new electronically controlled motors. This resulted in annual savings of 1,200 megawatt-hours of electricity and 3,800 megawatt-hours of heat.
- A key administrative measure was a synchronization of ventilation and lighting with actual production times, using an operating-time system. This led to annual savings of 21,000 megawatt-hours of electricity and 27,000 megawatt-hours of heat.
- Increased employee awareness of the need to conserve energy also yielded savings, with Intranet campaigns and posters and flyers sensitizing employees and encouraging them to get involved.
- A newly introduced sticker identifies “disengageable machines,” making staff more aware of equipment that can be completely shut down when not being used for production.

Altogether, in 2007 the energy efficiency project in Untertürkheim reduced electricity consumption by 51,700 megawatt-hours and heat consumption by 130,200 megawatt-hours compared to the reference year of 2005. The project also cut water consumption by 500,000 cubic meters. In recognition of these accomplishments, the project team was presented with Daimler’s Environmental Leadership Award (ELA) in November 2007.  

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16 I ELA – an award for employees dedicated to environmental protection: p. 18
17 I Other successful energy savings projects at individual facilities: sustainability2008.daimler.com /sr/19 and Magazine p. 50 ff.


Environmental protection, innovation, and safety

CO₂ emissions. Total energy-related CO₂ emissions at all plants decreased by 2.7 percent to 3.78 million tons in 2007 (see chart above). The lower decline in emissions compared to energy consumption was due to the fact that particularly high savings were achieved in the areas of fuels and district heating requirements, while consumption of electrical energy, which accounts for a high proportion of indirect CO₂ emissions, rose slightly.

The graph above left, which shows CO₂ emissions from production plants in relation to the number of vehicles produced, makes it clear that energy-saving projects at the Mercedes-Benz Cars were already beginning to have an impact in the second year of implementation. Thanks to new and efficient production equipment and a sharp increase in production, the Group’s “Vans, Buses, Other” segment once again recorded lower specific CO₂ emissions than in the prior year. At the same time, the specific CO₂ figures for Daimler Trucks rose due to the decline in production at that division.

Emissions of other greenhouse gases, such as coolants, are negligible. The greenhouse effect resulting from such gases is less than one one-thousandth of the total figure for greenhouse gas emissions generated by Daimler. ¹

5.3 Air pollution control. Production processes employed at Daimler plants lead to the creation of several air pollutants, most notably in the form of solvents (VOC) that are released from the paint shops. Other pollutants, such as sulfur dioxide (SO₂), carbon monoxide (CO), nitrogen oxides (NOₓ), and dust, are produced primarily through combustion processes in furnaces and at engine test beds. It remains the company’s goal to maintain the low level of emissions achieved in recent years, and to reduce emissions even further wherever this is technically and economically possible.

The introduction of water-based paints had already reduced solvent emissions by some 70 percent at the passenger car production plants as early as the 1990s. In the year under review, solvent emissions per manufactured vehicle increased by 2.8 percent at Daimler Trucks plants and by 1.4 percent at plants operated by Mercedes-Benz Cars compared to the prior year. Such increases are technically related to new production launches and remain within normal annual fluctuation corridors. The substantial rise in solvent emissions at Vans resulted from a change made to the measuring technique used at the Argentinian production location. Only a limited comparison can thus be made with the figure from the prior year. Further efforts to reduce solvent emissions will need to be made at commercial vehicle production locations especially. Several projects, such as the one involving UV hardening in the axle paint shop at the Mercedes-Benz plant in Gaggenau, have already been initiated to this end.

5.4 Waste prevention and recycling. When it comes to waste management, Daimler believes that prevention and recycling are better than disposal. Accordingly, the reconditioning and reuse of raw, process, and operating materials has been standard practice at the Group for many years now. Moreover, innovative technologies and eco-friendly production planning processes are used in order to avoid the creation of waste from the outset.

Total waste resulting from production-related activities in 2007 amounted to 1.166 million tons, which was roughly the same level as in the previous year. Of this total, 69 percent consisted of almost completely recycled scrap metal, 23 percent was industrial waste (73 percent of which was recycled), and 8 percent was hazardous waste (77 percent of which was recycled). The substantial increase in the percentage of waste that was recycled as compared to the previous year resulted primarily from a decline in the share of the total waste (both hazardous and non-hazardous) that had to be disposed of.

5.5 Water protection. Daimler’s aim in terms of water protection is to use this precious commodity as sparingly as possible and to avoid contaminating water resources. In order to conserve water, resource-efficient techniques such as closed-loop systems are used. As a result, the specific water consumption per vehicle built at Daimler has fallen dramatically in recent years.

¹ More information on how CO₂ values are calculated: sustainability2008.daimler.com/sr/20
In 2007, Daimler consumed 15.2 million cubic meters of water. Compared with the previous year (14.7 million cubic meters), this represents an increase in consumption of approximately 3 percent, which was largely due to new production launches.

Most of the production plants do not channel their wastewater into rivers, but instead into local water treatment plants through the public sewer system. However, because of the multitude of possible materials contained in wastewater and the differences between local regulations, Daimler does not comprehensively document the relevant statistics. Detailed local figures can, however, be found in the environmental reports of the various production plants.

5.6 Soil conservation and remediation. Keeping soil and groundwater clean is one of the most important aspects of environmental protection at Daimler. The primary goal in this area is to prevent any contamination from the outset. Technical equipment such as catchment trays, double-walled containers, sealed floor coverings, and leakage warning systems help prevent water-polluting fluids from leaking into the ground. Because legal stipulations vary greatly worldwide, the Group has put together internal guidelines that will establish minimum standards for soil and groundwater protection at all of its facilities around the globe.

5.7 Noise abatement. Daimler has set itself the aim of reducing as far as possible the noise levels to which its employees and the neighbors of its production locations are subjected. When planning new facilities, the Group’s noise abatement concepts ensure that noise is prevented to the greatest extent possible. Sound sources and levels at Group production sites are also closely monitored and reduced where possible by the installation of sound-absorbing elements and noise abatement walls, for example.

6.0 Sales and dealerships

Environmental protection activities at sales outlets are also based on the Daimler Group’s Environmental Guidelines. Within this strategic framework, the Mercedes-Benz German Sales Organization (MBVD) has its own environmental policy, which it pursues with great commitment, practicing proactive environmental protection at its Berlin headquarters, company-owned sales and service outlets, and dealerships. As part of the MBVD environmental policy, company-owned sales and service outlets set their own local environmental targets and determine the activities required to reach them. A total of 20 MBVD centers with 54 outlets, as well as the organization’s headquarters in Berlin, have already had their operations officially certified in line with the European Eco-Management and Audit Scheme (EMAS).

7.0 Products and product use

7.1 Fuel consumption and CO2 emissions. The Group has already made substantial progress in reducing fuel consumption and CO2 emissions in both its passenger cars and commercial vehicles through continual optimization of the internal combustion engine.

Reduced fleet consumption. Daimler has reduced the average fuel consumption of its fleet of newly registered passenger cars and station wagons in Germany by 32 percent since 1990. In 2007, fleet consumption also declined 3 percent compared with the previous year, to 7.0 liters per 100 kilometers. Average CO2 emissions fell to 174 grams per kilometer.

CO2 emissions of Daimler’s fleet in Europe have fallen by 21 percent since 1995; this reduction is nearly 50 percent higher than the average decrease for all European manufacturers. Overall average CO2 fleet emissions in Europe totaled 181 grams per kilometer in 2007 (Mercedes-Benz Cars, including vans).
These savings were made possible for example by the introduction and refinement of CDI diesel technology and of second-generation gasoline direct injection, by downsizing concepts with superchargers, and by the seven-speed automatic transmission 7G-TRONIC.

Reasons for the specific reduction in 2007 included the launch of the new C-Class, which boasted significantly better fuel economy than the predecessor model, and the launch of the new smart fortwo. The measures and technologies described in Chapter 2.1 will help us further reduce the fuel consumption and CO₂ emissions of our fleet. ¹ ¹⁹, ²⁰

In the U.S., the Corporate Average Fuel Economy (CAFE) standards set the legal framework for improving energy efficiency. According to these standards, manufacturers’ passenger car fleets are weighted in line with sales. For model year 2008, they must have average values below 8.6 liters per 100 kilometers (27.5 miles per gallon) for cars, and 10.6 liters per 100 kilometers (22.2 miles per gallon) for light trucks. Standards for both passenger cars and light trucks have been tightened in the U.S. in recent years. As a result, the requirements will gradually be increased in the period between 2011 and 2020 to an average of 6.7 liters per 100 kilometers (35 miles per gallon). ¹ ²¹

Average fuel economy for each model year is determined by the number of vehicles sold and the fuel economy value for each. Manufacturers that fail to achieve the set economy value must pay US$5.50 per every 0.1 miles per gallon they fall below the standard. Last year, the Group thus had to pay penalties totaling US$30.3 million for slightly more than 200,000 Mercedes vehicles imported into the U.S. by Mercedes-Benz in 2006, due to the fall in the number of FlexFuel vehicles in connection with model realignment measures.

In Japan, the “Top Runner” concept has fixed binding upper limits for fuel consumption from 2010 on for nine passenger car classes grouped according to gross vehicle weight. This standard will be extended to 16 car classes in 2015. The targets for 2010 have already been achieved in two vehicle classes.

With long-distance trucks like the Mercedes-Benz Actros, Daimler has been leading the field for years in terms of fuel economy. Refined and even more efficient engines, improvements to tires and aerodynamic properties, variable axle drive ratios, and the introduction of BLUETEC technology have all led to substantial reductions in the fuel consumption of our commercial vehicles over the last few years. Orion VII hybrid buses, for example, consume up to 45 percent less fuel than conventional diesel buses, while the Mitsubishi Fuso Canter Eco Hybrid consumes 20 percent less fuel than a conventional truck.

**Impact of driving style on fuel consumption.** Studies have shown that when a driver tries to anticipate events and drives with economy in mind, he or she can achieve fuel savings of as much as 10 percent over the long term. Exploiting such savings potential is the goal of the eco-training courses offered by Mercedes-Benz to drivers of both passenger cars and commercial vehicles. ¹ ²²

**7.2 Airborne emissions.** Besides carbon dioxide and water vapor, automobile exhaust emissions include carbon monoxide (CO), nitrogen oxides (NOₓ), and hydrocarbons (HC). Diesel vehicles have the same emissions plus particulates. Vehicle emissions have a significant impact on air quality, especially in cities with heavy traffic.

In recent years, Daimler has significantly reduced the various types of emissions across its entire passenger-car range with the help of improved engine designs and highly efficient emission control systems. Since 1995, for example, NOₓ emissions have been cut by about 70 percent and diesel particulate emissions by more than 95 percent.
than 95 percent. Over the course of the past decade, the Group has also succeeded in dramatically reducing emissions of nitrogen oxides, hydrocarbons, and particulates in its commercial vehicles by improving the control of combustion processes in engines, and by optimizing carburation. The aim now is to apply state-of-the-art technologies to achieve further reductions and thus be able to comply as far in advance as possible with future emission limits in Europe, Asia, and the U.S.

Low-emission passenger cars. The EU regulation governing the Euro 5 and 6 emission limits went into effect in July 2007. The Euro 5 standard will become valid for new models on September 1, 2009 and for all commercial vehicles on January 1, 2011, and will have more stringent particulate and NOx limits for new passenger cars and vans. Euro 6, which sets significantly lower limits for NOx emissions from diesel vehicles, will come into force for new models on September 1, 2014 and for all commercial vehicles on September 1, 2015.

In order to combine all technical solutions for reducing diesel engine emissions into a sensible package, Daimler is implementing a multi-staged plan that includes the following points:

- **Optimized engine and combustion processes** reduce raw emissions to the greatest extent possible. This includes the use of electronic engine control systems, four-valve technology, third-generation common-rail direct injection with piezo injectors, turbocharging with variable geometry, and exhaust gas recirculation systems.

- **Oxidizing catalytic converters** minimize emissions of carbon monoxide (CO) and uncombusted hydrocarbons (HC).

- **Diesel particulate filters** reduce particulate emissions by up to 98 percent. As a result, such emissions are significantly lower than the current Euro 4 particulate limits and already meet the Euro 5 and Euro 6 limits. The currently valid emission standards in the U.S. are also met in combination with the BLUETEC exhaust treatment system. Since the summer of 2005, all Mercedes-Benz diesel passenger cars sold in Germany, Austria, Switzerland, and the Netherlands have been equipped with particulate filters as standard. In addition, Mercedes-Benz now offers maintenance-free retrofitting systems for reducing particulate emissions in all A-, C-, and E-Class models with four-cylinder diesel engines, and in M-Class models with five-cylinder diesel engines. We also offer retrofitting solutions for nearly all CDI models in cooperation with partners.

The new smart fortwo cdi already complies with legal requirements (Euro 4), even without a diesel particulate filter. In addition, the smart fortwo cdi is being equipped with a diesel particulate filter (open system) as standard in Germany, Italy, and Switzerland. Starting in 2008, the fortwo cdi will also be offered with a closed system, whose incorporation into the engine control system basically permits an even higher reduction of particulates in the exhaust than an open particulate filter system.

**BLUETEC** is helping us achieve our goal of making diesels as clean as gasoline engines and thus ready for future emission limits worldwide.

In the BLUETEC system, Daimler brings together various technical features for reducing all relevant emission components in diesel passenger cars and commercial vehicles. The system includes optimized combustion engines, an oxidizing catalytic converter, and a diesel particulate filter. It also uses innovative technologies to reduce nitrogen oxide emissions (either an enhanced DeNOx storage catalytic converter with an SCR catalytic converter, or the latter plus injection of an additive known as AdBlue).

In October 2006, the world's first BLUETEC passenger car – the Mercedes-Benz E 320 BlueTEC (with a DeNOx storage catalytic converter and an SCR catalytic converter) – was launched on the North American market.
Environmental protection, innovation, and safety

Cleaner diesel

Extracting maximum performance out of every drop of diesel fuel burned, while at the same time minimizing pollutant emissions, is a challenge Mercedes-Benz is addressing with its fuel-efficient diesel engines and revolutionary BLUETEC diesel technology. BLUETEC is a modular exhaust gas treatment system that combines engine-internal and downstream aftertreatment measures in order to minimize emissions.

Daimler has developed two versions of BLUETEC: In passenger cars like the E 320 BlueTEC and E 300 BlueTEC, the system comprises an oxidizing catalytic converter, an enhanced DeNOx storage catalytic converter, and a diesel particulate filter with an SCR (selective catalytic reduction) catalytic converter. The E 320 BlueTEC, which has been available in the U.S. since the fall of 2006, thus boasts emissions lower than the maximum permitted by the Bin 8 standard. With consumption of 6.7 liters per 100 kilometers, it’s also the most fuel-efficient vehicle in its class in the country. The same technology from the E 320 BlueTEC is utilized in the E 300 BlueTEC, which was launched in Europe in December 2007 and already meets the Euro 5 emission standard, which won’t go into effect until 2009.

The second version of BLUETEC, which has been proving its worth in the truck and bus segment since 2005, will also be featured in the new GL-, ML-, and R-Class models to be launched in the U.S. in 2008. Here, an additive known as AdBlue is injected into the exhaust gas flow in order to release ammonia, which reacts with nitrogen oxides in the downstream SCR catalytic converter to form harmless nitrogen and water. This second BLUETEC version is thus even more effective, and the vehicles that use it not only meet the stringent Bin 5 standard but also have the potential to achieve emission levels below the limits stipulated by the future Euro 5 and Euro 6 standards.

Further information on BLUETEC system functionality: sustainability2008.daimler.com/nb/25
It was followed in December 2007 by the E 300 BlueTEC in Europe. Starting in 2008, three other BLUETEC models will be offered on the U.S. market – in the R-Class, the M-Class, and the GL-Class. All three will initially be available in the U.S. only, where they meet the extremely stringent Bin 5 and ULEV emission standards. Mercedes-Benz is thus the first manufacturer able to offer diesel SUVs in all 50 U.S. states. Beginning in 2010, BLUETEC will also be available as a technology package in combination with a hybrid module, initially in the E 300 BlueTEC HYBRID and the S 400 BlueTEC HYBRID.

Low-emission commercial vehicles. Thanks to BLUETEC, Daimler commercial vehicles already comply with the Euro V emission limits that will not go into effect until 2009 for new vehicles. With this technology base, such vehicles are also ready for the next phase of emission legislation – Euro VI. We’re also utilizing the technology to ensure that our commercial vehicles and buses comply with the stringent emission limits that will go into effect in the NAFTA region and Japan (EPA 10 and JP 09, respectively).

The foundation for BLUETEC is provided by further optimized engines featuring higher peak pressure and compression ratios that result in cleaner combustion, fewer particulates, and – depending on the engine variant – higher output. Such engines also consume up to 6 percent less fuel than those installed in Euro III vehicles.

Once exhaust gases leave the engine, they are brought into contact with AdBlue that is injected from a special tank into the hot exhaust gas flow, where it reacts to form ammonia. The gases are treated in an SCR catalytic converter before they are emitted into the atmosphere. Here, a catalytic reaction transforms nitrogen oxides into harmless nitrogen and water. The AdBlue itself is stored in a separate tank that can be refilled using a normal pump. Around one liter of AdBlue is required for 25 liters of diesel fuel.

More than 150,000 commercial vehicles equipped with the AdBlue system have been handed over to customers since series production of BLUETEC technology was launched at the end of 2004. Starting with heavy-duty long-distance trucks, we have gradually expanded our range of BLUETEC 5 vehicles right down to light trucks for short-range distribution.

7.3 Noise emissions. Along with the airflow, a vehicle’s axles, steering system, tires, engine, and powertrain also have a major impact on acoustic comfort. Cooperation between aero-acoustic experts and vehicle body and engine developers has led to a reduction in both interior and exterior noise emissions in Daimler vehicles. The problem of traffic-related noise cannot be solved by measures affecting the vehicles alone, however. Other important factors here are increasing traffic densities, construction along roadways, driving habits, the surfaces and conditions of roads, and tire properties. In general, the main contributory factors to noise in commercial vehicles are the mostly rough tread patterns on truck tires, as well as vehicle bodies and the loads the trucks carry. Low-vibration design, optimum engine encapsulation, and aerodynamically efficient cabs are key parameters that Daimler can directly influence. The Group also works closely with body manufacturers to achieve optimum alignment of the entire vehicle with a view to reducing noise emissions to a minimum.

8.0 End of life

MeRSy conserves resources. The Mercedes-Benz Recycling System (MeRSy) helps ensure that a growing number of end-of-life parts are recycled on a voluntary basis, thus reducing the volume of waste. Old vehicle fluids are also reprocessed. In 2007, for example, we recycled around 630,000 liters of coolant and brake fluid each. MeRSy also manages the collection and recycling of auto parts and end-of-life materials from passenger car and commercial vehicle service centers for the Mercedes-Benz and smart brands. What began in a few workshops in 1993 is today well established throughout Germany, Austria, and Switzerland. In 2007, MeRSy collected a total of 29,720 tons of end-of-life parts and materials for recycling.

Take-back network for end-of-life vehicles. Daimler is establishing a take-back network for end-of-life vehicles in cooperation with local importers and national disposal companies in all EU countries. This ensures that the Group’s customers can dispose of their vehicles easily and conveniently. It also guarantees not only the high quality of all recycling operations but also that they conform with applicable laws.
Our environmental commitment: Activities and goals

One of the key environmental challenges involves the impact of human beings on the climate and the air quality in the major metropolitan areas of the industrialized world and – more importantly – in the megacities of emerging markets and developing countries. We are addressing this challenge, and others. We therefore have an obligation to develop product and process innovations that reduce the environmental impact of our business activities.

We have made substantial progress in reducing production-related emissions of CO₂ over the last few years through the utilization of lower-carbon energy sources and heat-power co-generation units, as well as through energy conservation, efficiency gains, and heat recovery systems. Integrated and downstream measures such as the introduction of water-based paints have also helped reduce solvent emissions. Through our “Road to the Future” and “Shaping Future Transportation” initiatives, we are working hard to lower the fuel consumption and exhaust gas emissions of our passenger cars and commercial vehicles. CDI technology, gasoline direct injection (CGI), our seven-speed automatic transmission, and the new-generation smart fortwo offer examples of technologies and products that have already led to a significant improvement in the fuel economy of our passenger cars. Our innovative BLUETEC technology, which we introduced initially in our commercial vehicles and now also in our diesel passenger cars, has made a major contribution to reducing particulate and nitrogen oxide emissions. And the technology package of BLUETEC combined with hybrid modules will lower vehicle emissions even further in the future. Hybrid technology is becoming more important in the commercial vehicle segment as well, where it can reduce diesel fuel consumption by as much as one-third, depending on how the vehicle in question is used.

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<th>Goals</th>
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<tr>
<td>Fleet consumption</td>
<td>Our efforts to reduce fuel consumption will be further intensified. Here, downsizing and turbocharging will play an important role with regard to the engine. The principal measures include:</td>
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<td>- rollout of direct gasoline injection in our four-cylinder gasoline engines as of 2010 (consumption reduction potential approx. 10 percent) – this technology has already been available in the CLS 350 since 2006 and the E 350 CGI since 2007 and will be available in the C 350 CGI by the end of 2008.</td>
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<td>- introduction of start-stop systems, initially in the smart (2007), followed by the A-/B-Class (consumption reduction potential approximately 8 percent);</td>
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<td>- four-cylinder gasoline and diesel engines with optimized consumption as of 2008/2009 (savings potential 5 – 10 percent);</td>
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<td>- development of the so-called DIESOTTO concept (consumption reduction potential of 15 – 20 percent) – 1st stage by 2012;</td>
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<td>- improvement of energy management (5 – 10 percent)</td>
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<td>Compared with the reference year 1995, the average fuel consumption of Mercedes vehicles has been reduced by 21.3 percent as a result of various measures; this reduction rate is almost 50 percent higher than the ACEA average.</td>
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<td>We are employing technical measures to improve the efficiency of the drive train – e.g. new combustion processes. The fuel consumption of the gasoline engine with stratified direct injection, also available in the E-Class since 2007, is around 10 percent lower. The high injection pressure and newly developed seven-hole injectors of the latest-generation CDI engine, introduced in the new-generation smart fortwo in 2007, make for a 13-percent reduction in fuel consumption. With the launch of BlueEFFICIENCY vehicles (starting with the C-Class in 2008) we will reach, and in some cases clearly surpass, our reduction targets for the medium and upper-range segments.</td>
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<td>The C 200 CDI BlueEFFICIENCY launched in April 2008 boasts a CO₂ emission level 17 percent lower than that of the predecessor model, and the CO₂ emissions of the C 180 KOMPRESSOR BlueEFFICIENCY (also launched in April 2008) have been reduced by 15 percent.</td>
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Daimler aims to be “best in class” in terms of the CO₂ emissions of its vehicles. Beginning in 2007, the Group plans to introduce at least one vehicle per year in each of the large-volume series (S-, C-, E-, A-/B- and M-Class and smart) with CO₂ emissions significantly lower than those of the respective predecessor model from 2006. Reductions will total at least 8 percent for the small-car segment (smart, A-/B-Class) and at least 15 percent for the middle and upper-range segments.
### Goals Activities/status Goal attainment Page

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<th>Goals</th>
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<td><strong>Climate protection</strong></td>
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| Beginning in 2007: Introduction of various hybrid solutions to be offered either individually or in combination, depending on vehicle class, type of use, and customer requirements. | - An alliance has existed with General Motors, Chrysler, and BMW since 2005 for the joint development of a hybrid drive system in the U.S.  
- Since March 2007 the BMW Group has collaborated with Daimler AG to develop a hybrid module for rear-wheel-drive passenger cars in the premium segment.  
- Series production launch of the Citaro G BlueTec Hybrid bus in 2009.  
The smart mhd (micro hybrid drive) with a start-stop system was launched on the market in October 2007 (consumption reduction 8 percent). Orion hybrid buses and the Fuso Eco Canter truck are already being used by customers. Daimler is the world market leader for hybrid buses. The introduction of the Fuso Aero Star Eco Hybrid in September 2007 marked the launch of the second generation of Mitsubishi Fuso hybrid buses. | Goal still applies | 31, 33 |
| Further development of fuel cell vehicles with the aim of increasing vehicle range and achieving series-production capability for passenger car fuel cell drives. | - Increasing the range of the fuel-cell passenger car trial fleet from 177 km today to 400 km by 2010.  
- Launch of small-lot production of the B-Class F-Cell in early 2010.  
- The second generation of fuel cell buses in the form of Citaro fuel cell hybrids based on the Citaro BlueTec Hybrid is launched. In 2005 we presented the F 600 HYGENIUS research vehicle featuring an optimized fuel cell system with a smaller but more powerful stack and excellent cold-start properties. | Goal still applies | 32, 33 |
| Continual reduction of specific production-related CO₂ emissions at Mercedes-Benz Cars, Daimler Trucks, and Vans, Buses, Other. | Data collection and evaluation have been improved and the method of calculating CO₂ emissions has been standardized throughout the Group. Benchmarking and savings projects have already led to success at all business units. We are now conducting feasibility studies on measures for improving energy efficiency as well as on other issues such as cogeneration, biomass, and photovoltaics. At the plant level, we have launched programs to exploit specific potential for improving energy efficiency and reducing energy consumption and CO₂ emissions at each location. Compared to the period 2006 – 2007, CO₂ emissions per vehicle manufactured declined by 6 percent at Mercedes-Benz Cars and by 11 percent at Mercedes-Benz Vans. At Daimler Trucks, on the other hand, specific CO₂ emissions rose 3 percent due to a drop in production. Absolute CO₂ emissions for the Group as a whole fell by 1.9 percent during the same period. | Goal still applies | 39 – 40 |
| **Air pollution control** | | | |
| Commercial vehicles: Cutting NOₓ emissions by launching BLUETEC in Mercedes-Benz trucks and buses sold in Europe, and advance compliance with the Euro IV emission standard (valid from October 2006) via BLUETEC 4 vehicles, and Euro V (valid from October 2009) via BLUETEC 5 models. | Gradual introduction of BLUETEC for Euro IV and BLUETEC for Euro V. Development of engines to further increase efficiency and thus fuel economy, while retaining at least the same long service life. Following the launch of BLUETEC in the Mercedes-Benz Actros, the technology is now available in all commercial vehicle and bus models. More than 150,000 Mercedes-Benz trucks and buses equipped with the new exhaust gas technology have been delivered to customers since early 2005. | Goal still applies | 44 – 46 |
Daimler at the “Tipping Point”: The Group’s Future Success Hinges on Effective Climate Protection.

When used in connection with the global climate, the term tipping point refers to the point in time when indicators of climate change suddenly give way to drastic negative events. From the perspective of the Institute for Applied Ecology (Öko-Institut) in Germany, Daimler’s executive management team has also reached a tipping point, as the priority assigned to climate protection in the transportation sector by both governments and businesses in the near future will have a decisive impact on the Group’s success over the long term.

The following report details Daimler’s climate protection achievements and outlines the challenges that remain. The report marks the fourth time that Daimler has asked the Institute for Applied Ecology to comment on the company’s progress in this area and identify the strategic changes that still need to be made. Our institute has been pointing out for quite some time that sustainable mobility and climate protection are issues that need to be more closely monitored and coordinated by executive management bodies. We therefore expressly welcome Daimler’s establishment of a Sustainability Board. We also recognize that by restructuring its procurement system through a strategy committee, Daimler is seeking to enhance its systematic sustainability management and promote environmental protection in its relationships with its suppliers. Outfitting the Sustainability Board with all the necessary authority and incorporating social stakeholder groups into the process will also play a role in determining how successful the cooperation with established bodies will be for the achievement of ambitious goals, such as climate protection targets for production, logistics, and the supply chain, which we unfortunately once again find lacking this year.

Nevertheless, the “Roadmap” Daimler has presented for its product range, which includes the introduction of 19 new models for its high-volume series by 2011, does create the impression that the Group now realizes just how important climate protection is. The associated positive message being sent that many technologies – up to and including diesel hybrid drives – will be ready for market launch in the near future underscores Daimler’s determination to be a technology leader in this area as well. Whether or not the planned technology packages can actually enable Daimler to achieve its “best-in-class” objective remains questionable. The models presented to date still do not live up to this claim.

The current controversy regarding the proper strategy for increasing the share of biofuels in the fuel mix is putting additional pressure on the company to further enhance the fuel efficiency of its vehicles as its primary objective. The nature of this debate does, however, confirm that Daimler is on the right track with its activities involving second-generation biofuels, such as its cooperation with CHOREN and its joint efforts with the WWF to establish sustainability standards for both domestic and, above all, imported biofuels.

In 2007 the Institute for Applied Ecology suggested that Daimler should target an fleet average of 130 – 140 g CO₂/km by 2012 for Mercedes-Benz and smart combined. According to independent studies, on the basis of the current EU draft directive Daimler’s target should be 136 g/km by 2012, which is 25 percent lower than today’s average. We welcome the fact that Daimler plans to achieve this EU fleet target in spite of uncertainties regarding the specifics of how this should be done. Still, it is difficult to believe that average fleet consumption for Mercedes Benz and smart can be reduced by more than 25 percent over the next few years, when only two of 13 engine variants of a new model series are offered as BlueEFFICIENCY versions, as is the case with the new C-Class sedan. This is particularly the case in view of the fact that the 11 other more powerful engine variants in the C-Class have emissions up to 80 percent higher than those of the C 200 CDI BlueEFFICIENCY.

It will not be possible to lower fleet consumption without the successful marketing of BlueEFFICIENCY models. Such successful marketing in turn requires the Group to focus its business model more strongly on fuel-efficient high-volume model series. The responsible and successful marketing of fuel-efficient vehicles will also require clearer advertising messages. In 2007, for example, Daimler promoted the E 320 BlueTEC in Germany with the slogan “climate protection as standard.” This highlighted the model’s contribution to climate protection, despite the fact that BLUETEC technology primarily aims to lower nitrogen oxide emissions. While we are very pleased by the successful transfer of BLUETEC technology from commercial vehicles to passenger cars, as this is an important contribution to improving air quality, we must nevertheless point out that marketing campaigns such as the one used for the E 320 BlueTEC can mislead customers.

We know very well that an automaker’s model policy is a sensitive issue that is frequently considered “untouchable.” However, the possibility of an approaching tipping point of the global climate leaves little room for taboos. Whether or not it will be possible in the future to continue defining premium-segment comfort and luxury solely in terms of engine output and vehicle size is a question Daimler also has to answer for itself as it seeks to develop a business model that will keep the Group successful over the long term.

Christian Hochfeld
Berlin, May 2008
Employees. Innovative measures for safeguarding the future, effective health management, occupational safety, and the targeted promotion of diversity are key elements of our sustainable human resources policy.
Dear readers,

Our employees play a key role in our business success, which is why Daimler’s commitment to social responsibility begins with the men and women who work for us. Even in the aftermath of the Chrysler demerger, Daimler remains a globally operating company with more than 272,000 employees. We took on more than 13,000 new members of staff around the world in 2007, 5,500 of whom were hired in Germany. At the same time, some 14,500 employees left the company in 2007 (5,400 in Germany) either voluntarily or after having reached retirement age. Restructuring measures remain necessary for maintaining our competitiveness. Only by achieving business success can we continue to develop jobs over the long term.

The Human Resources department makes an important contribution to the sustained positive development of the company. That’s why we have created the HR Sustainability Committee, which will address key personnel issues and developments more closely in the future. The professional development of our employees will be a major focus here, which is why we’re investing heavily in the associated measures. If we are able to further promote employees’ talents and their intercultural and personal skills in line with our present and future needs, we will remain successful as an organization. Daimler has also been making substantial investments to assist families with children through our high-quality “Sternchen” daycare centers. In addition, our strategic human resources planning units are currently assessing our future personnel needs in terms of both quality and quantity. By comparing today’s situation with future scenarios that take into account the coming demographic changes, we are obtaining the knowledge we need in order to plan future hiring operations, training measures, health management policies etc. Providing excellent training opportunities remains a permanent obligation at the Group, one that also benefits society as a whole. As a result, Daimler will continue to account for almost 40 percent of all trainee positions available in the German automotive industry.

Our corporate pension system is taking on much greater importance at the company as a result of demographic developments. We are therefore cooperating with employee representatives to modernize this system and prepare it for the future. The diversity of our workforce also requires professional management – and this is especially true in Germany with regard to the percentage of women in managerial positions.

Another important human resources issue at Daimler is employee satisfaction, which we regularly measure through employee surveys. Our overall employee satisfaction results in 2007 matched those of the prior year, and in order to ensure that we continue to make progress in the future, we will utilize the survey results to develop and implement specific measures.

Our employees are our future. They not only make our company what it is but also help to shape society in a variety of ways, both inside and outside the organization. At the moment, for example, 96 Daimler staff members are teaching at universities while continuing to perform their jobs at our company.

Günther Fleig
Member of the Board of Management
Human Resources and Labor Relations Director
1.0 Workforce

1.1 Workforce development. On December 31, 2007, Daimler had 272,382 employees worldwide (2006: 274,024). Of these, 166,679 were employed in Germany (2006: 166,592) and 24,053 were employed in the United States (2006: 27,629). The number of trainees in 2007 was 9,300 (2006: 9,352). The decrease in workforce numbers compared with 2006 was primarily due to implementation of the New Management Model and other efficiency enhancement measures.

Mercedes-Benz Cars employed 97,526 people at the end of last year (2006: 99,343). The development of staffing levels varied within the Daimler Trucks division. Whereas headcounts in Europe and Brazil increased sharply as a result of strong demand, we had to reduce employment levels in North America due to the market downturn. At the end of 2007, Daimler Trucks employed 80,067 persons (2006: 83,237). At 6,743, the number of employees at Daimler Financial Services in 2007 was 1 percent lower than in the prior year (6,813). Especially as a result of strong worldwide demand for the Sprinter model, we significantly increased the headcount at Mercedes-Benz Vans to 17,524 employees (2006: 15,591), above all at the Düsseldorf plant. The number of employees at Daimler Buses also increased, to 17,286 (2006: 16,884).

Implementation of the New Management Model, presented in January 2006, continued according to plan in 2007 – administrative functions around the world were consolidated and processes standardized. Workforce adjustments in administrative departments also proceeded on schedule.

1.2 Fluctuation. The Daimler Group's worldwide employee fluctuation rate in 2007 was 7.1 percent, a decrease of 0.7 percentage points from the prior year. The fluctuation rate in Germany was 3.6 percent (2006: 7.8 percent), while in the U.S. it was 17.8 percent (2006: 5.5 percent), and in the rest of the world 10.9 percent (2006: 9.1 percent). These figures include human resources measures such as early retirements, voluntary severance agreements, part-time phased early retirement contracts (especially in Germany), and layoff contracts in the U.S. The decline in the fluctuation rate in Germany was primarily due to the conclusion of CORE restructuring measures. The sharp increase in fluctuation of 12.3 percent in the U.S. resulted from workforce reductions related to the aftereffects of advanced purchases due to the introduction of the more stringent EPA 07 emission limits.

1.3 Flexible use of human resources. Thanks to many tools that promote flexibility, Daimler can react to fluctuations in demand by increasing or decreasing its human resources capacities without having to adjust its core workforce. These tools include a variety of worktime models, employee delegation via “Dmove” (an internal personnel exchange system), and the hiring of employees with limited-term contracts. Another tool is provided by flexible approaches to organizing worktime. The number of part-time employees at the Group’s German locations has decreased: A total of 8,006 employees (2006: 8,299) – in other words, 5.2 percent of the total workforce (2006: 5.4 percent) – worked part-time in 2007.

Workforce capacity requirements at the plants are subject to variation. In order to react to fluctuations in a versatile manner, the Group has agreed with the General Works Council on the “Safeguarding the Future 2012” program for regulating the number of temporary
employees associated with demographic developments is the declining number of skilled potential employees in Germany. Daimler is relying on two proven packages of measures to address these issues: One of these involves furthering the performance capabilities of our employees, no matter what their age, while the other aims to safeguard the knowledge possessed by the entire workforce (see table below).

Beyond that, we also launched an HR Resource Management Project at several Group locations in 2007 in order to increase the transparency of our resources at the company and initiate the required developmental steps for improvement. At one organizational unit, the Group’s complete expertise and demographic distribution are registered and assessed. These factors are categorized in accordance with criteria such as the vehicle model mix or technological developments. This enables us to determine our recruiting and training requirements in a timely manner, and then act accordingly.

### Social Security: Retirement Benefits and Health Care

A sound financial base, coupled with adequate risk assessments, forms the foundation of Daimler’s provisions for a secure retirement, or for the event that employees become unable to work anymore. The “Global Pension Guidelines” outline the way these goals should be reached. A special governance structure controls the Group’s worldwide pension plans, and any Group company wishing to change an existing pension scheme or introduce a new one must obtain approval to do so from the Global Pension Committee.

### The “Aging Workforce” Initiative

Current demographic developments present strategic challenges for the Group’s human resources management system. A shifting age structure and the German government’s raising of the retirement age to 67 will increase the average age of the Daimler workforce over the next 10 years from 42 to approximately 47. The elimination of government subsidies for part-time work by employees approaching retirement will reduce the opportunities for such part-time employment. Another challenge as-

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**Provisions for retirement benefits and health care**

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<tr>
<td>Provision for retirement benefits and health care</td>
<td>19.0†</td>
<td>3.9</td>
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<td>of which in Europe</td>
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<td>NAFTA countries</td>
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<td>rest of world</td>
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† 2006 incl. Chrysler  All data acc. to IFRS

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**Demographic development as a strategic challenge – our instruments**
For example, at our Wörth pilot plant, we adjusted the number of professions for which training is offered – as well as the structure of the training programs themselves – in line with the strategic requirements of the future, and then initiated targeted measures for the further training of our existing workforce. We also ensured that skilled production workers were given permanent employment contracts, and that qualified production trainees were offered positions at the company once they completed their programs.

2.0 Workforce and management relations

2.1 Dialogue with employee representative interest groups. Daimler cooperates closely with internal and external employee representatives in works councils and trade unions, within and beyond national boundaries. The most important bodies here are the World Employee Committee (WEC), which was formed on a voluntary basis in 2002, and the European Works Council, which dates back to 1996. In Germany, ten members of the Daimler AG Supervisory Board are employee representatives, in accordance with German co-determination legislation.

Daimler recognizes the basic right of workers to organize themselves in trade unions in accordance with the labor laws of each country. The Group also ensures that freedom of association is guaranteed at its facilities, even in countries that do not explicitly grant such freedom. All of these policies are laid out in our Principles of Social Responsibility, where our expectation is also formulated that such principles be introduced at our suppliers as well. Any business partner who violates one of these principles will be warned by the Group. Daimler also reports regularly to the WEC on such violations.

2.2 Performance and remuneration. Daimler rewards good work by means of performance-oriented and success-oriented compensation in line with local conditions. Binding Group-wide remuneration agreements are in force for employee assignments abroad and for retirement benefits. This system ensures that we remain competitive and attractive in diverse markets. It also allows us to take into account what are in some cases very different economic conditions in various locations. Expenditures for human resources at Daimler in 2007 totaled €16 (€20.3) billion, most of which was accounted for by wages and salaries. Of that total, €11.4 billion was spent in Germany, €1.7 (€6) billion in the NAFTA region, and €2.9 billion in the remaining countries. All figures in brackets represent human resources expenditure that includes Chrysler up until deconsolidation on August 7, 2007.

A uniform worldwide model is used for the remuneration of managers. This model consists of both base and variable elements, with the rate of the variable compensation growing in line with a manager’s increased level of responsibility. Variable performance-based elements also include stock option packages. Daimler can deny allocation of variable remuneration and performance phantom shares to any employee who violates codes of conduct such as the Integrity Code, for example. 1

Remuneration for employees subject to collective bargaining agreements is based on regional or national agreements. All of the Group’s worldwide employees who are covered by collective bargaining agreements also receive full compensation for their mandatory and completed overtime.

In 2007, Daimler introduced a new uniform collective framework agreement for hourly and salaried employees in Germany. Known as ERA, it is based on the agreement reached in the German state of Baden-Württemberg, and is now binding at all Daimler locations in Germany. ERA eliminates the distinction between hourly and salaried employees, as the work performed by qualified specialists and many salaried employees has become increasingly similar as of late. Daimler now pays supplemental wage or salary components to ensure that no one in the workforce is disadvantaged by the introduction of ERA. The collective bargaining system remuneration component, which is an important part of ERA, is paid out to most of the workforce on the basis of performance. The level of compensation is determined on an annual basis by means of a new leadership process known as NAVI, which is designed to intensify dialogue between management staff and their employees. Start, status, and assessment meetings between an employee and his or her supervisor must each take place at least once a year as part of the NAVI program.

1 Additional information on phantom shares can be found in our Annual Report 2007, p. 116
2.3 Management development. The development and promotion of managers at Daimler is carried out in strict accordance with a uniform process at all levels of the company worldwide: the Leadership, Evaluation and Development Process, or LEAD for short. The goal of LEAD is to develop managers at all levels of the Group to such an extent that they possess both the business and personal skills required for their leadership tasks. \(^1\)

Daimler AG invested €213 million in training and qualification measures in Germany in 2007 (2006: €212 million). At the end of 2007, the Group had 9,300 trainees worldwide. We also gave jobs to about 2,600 trainees in Germany in 2007. The trainee hiring figure thus remained at the same high level as in the prior year. Daimler currently trains more young people than it needs within its own divisions in order to help meet the strong demand for traineeships in Germany. Last year, our “CAReer” program offered approximately 650 young people worldwide – including candidates who directly joined the company without completing a training program – a first-class start to their professional careers at Daimler.

The Group’s DAS training system, which will be launched initially in Germany at the end of 2008, will help improve training quality and reduce the differences between the various locations. DAS will cover aspects such as the selection and eventual hiring of trainees, the various career profiles to be made available, and training content and structure. The system will also provide instructors with online access to training concepts and all required data and media.

Daimler Corporate Academy. The new Daimler Corporate Academy, which was created between 2006 and 2007, combines the programs offered by the Leadership Academy (leadership and management qualification at all levels worldwide) and the Business Academy (specialist qualification in the corporate functions of Finance, Global Procurement, and Global Human Resources and Compliance, as well as interdisciplinary qualifications in Germany). It has thus become possible for the first time to provide education and training to employees around the world using efficient teaching architectures based on uniform Daimler standards. The consolidation of all activities in the Daimler Corporate Academy also expands the range of programs on offer, while significantly reducing the outlay required for external service providers.

Some 1,800 managers at more than 60 locations participated in Leadership Academy programs in 2007, and more than 12,000 employees attended the Business Academy. In addition, in 2007, some 2,500 interdisciplinary qualification events attracted more than 25,000 participants.

In 2008, the Daimler Corporate Academy will continue to focus on helping the divisions and corporate functions handle the change processes resulting from the Daimler Excellence process. \(^1\)

2.4 Vocational training and professional development. Vocational training and professional development are strategically important factors for sustained corporate success. Accordingly, Daimler promotes lifelong learning for its employees worldwide. In 2006, as part of a company agreement, the Group began offering a package of qualification and educational measures for all employees in Germany, with the exclusion of executive managers. Among other things, this agreement defines how an employee’s qualification requirements are to be determined in meetings with supervisors. One element of the system allows employees to leave the company for up to three years to pursue specific education and qualification goals, and then return to the Group once these have been achieved.

The development and qualification programs: an extent that they possess both the business and personal skills required for their leadership tasks. \(^1\)

2.5 Occupational health and safety. Daimler management has worked together with the World Employee Committee to develop basic principles for overall occupational health and safety at the Group. These principles are based on the current legislation for each country and the guidelines issued by the International Labour Organization (ILO) for occupational health and safety (ILO/OSH-MS 2001).

Our Group-wide Health & Safety unit combines all health management functions. To support its activities, all Daimler companies carefully document their accident rates and sickness figures. Current plans call for the Group to produce the first standardized key figures concerning occupational health and safety by the end of 2008. In 2007, the share of employees in Germany who did not miss a single day through illness remained at 36 percent. The sickness rate for the entire workforce was 4.5 percent (hourly employees: 5.4 percent; salaried employees: 2.7 percent). \(^1\)

\(^{1}\) Further information on the management development process can be found on p. 20

\(^{1}\) For more information on our training and qualification programs: sustainability2008.daimler.com /sr/28

\(^{1}\) Our Health & Safety Report: sustainability2008.daimler.com /sr/29
Health management. In a nationwide study of occupational health management systems in Germany, carried out in 2007 by the market research firm EuPD Research in cooperation with Handelsblatt magazine, Daimler was found to have the best health management program of all manufacturing companies in the country. Our exemplary health management system was also honored with the “Company Health Award” by the Move Europe campaign and we continue to work with various universities and institutions in order to expand our lead in health management. I

We are currently restructuring our international health management activities, whereby a new holistic approach for production locations worldwide is enabling us to not only exchange best practices but also to conduct performance assessments based on uniform criteria.

Occupational accidents. We have significantly reduced the number of accidents in Germany over the past few years. Despite numerous production start-ups, which involve new processes and therefore a higher risk of accidents, the figure for accidents in 2007 was once again slightly lower than in the prior year. Further information on other focal points for occupational health and safety can be found in the diagram. I

The fight against HIV/AIDS. Daimler has been actively involved in the fight against HIV/AIDS since the early 1990s. Cooperation with a South African regional chamber of commerce and Germany’s DEG development agency has enabled us to persuade many medium-sized companies to participate in our HIV/AIDS initiatives in South Africa. The fight against HIV/AIDS also continues in Germany, where information on AIDS forms part of the curriculum in all training programs. I

2.6 Diversity. Diversity management at Daimler. As a globally operating company, Daimler values the diversity of its employees and the variety of their personal skills, talents, and capabilities. Since 2005, the Group has pursued a diversity management approach designed to exploit employee differences and variety for the success of the company. Daimler aims to become one of the most highly respected automakers with regard to diversity and inclusion management by 2010. Our immediate objective in Germany is to increase the proportion of

I For further information on our activities in the fight against HIV/AIDS in various countries: sustainability2008.daimler.com /sr/31

I For further information on our health management scheme: Magazine, p. 66 ff.

I Our EVA occupational safety program: sustainability2008.daimler.com /sr/30

Incidence of accidents and accident-related costs (Germany)

<table>
<thead>
<tr>
<th>Year</th>
<th>Accidents leading to absence per 1 mil. h1</th>
<th>Days' absence per 1 mil. h2</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td>2004</td>
<td>180</td>
<td>160</td>
</tr>
<tr>
<td>2005</td>
<td>140</td>
<td>140</td>
</tr>
<tr>
<td>2006</td>
<td>120</td>
<td>120</td>
</tr>
<tr>
<td>2007</td>
<td>120</td>
<td>120</td>
</tr>
</tbody>
</table>

1 All accidents leading to at least 1 day’s absence (not only accidents subject to report)
2 New basis of calculation as of 2007: Daimler AG incl. affiliated companies, retrospective calculation for previous years.

Facts and figures on health care

<table>
<thead>
<tr>
<th>Type of Service</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion of first-aid trainees</td>
<td>approx. 4 percent</td>
</tr>
<tr>
<td>Safety officers</td>
<td>2.1 percent</td>
</tr>
<tr>
<td>SG Stern, Daimler sport association</td>
<td>33,000 members</td>
</tr>
<tr>
<td></td>
<td>772,000 participants</td>
</tr>
<tr>
<td>Social counseling contacts</td>
<td>approx. 4,600</td>
</tr>
<tr>
<td>Preventive medical check-ups by the corporate medical service</td>
<td>approx. 47,000</td>
</tr>
<tr>
<td>Offers for health training courses</td>
<td></td>
</tr>
<tr>
<td>shift workers</td>
<td>1,296</td>
</tr>
<tr>
<td>management staff</td>
<td>645</td>
</tr>
<tr>
<td>senior management staff</td>
<td>140</td>
</tr>
<tr>
<td>Offers for periods of preventive care treatment</td>
<td></td>
</tr>
<tr>
<td>shift workers</td>
<td>250</td>
</tr>
<tr>
<td>management staff</td>
<td>200</td>
</tr>
<tr>
<td>senior management staff</td>
<td>50</td>
</tr>
</tbody>
</table>
Employees

Health management activities

Protecting the health of non-smokers was a major health management issue at Daimler in 2007. As part of an agreement reached between the Board of Management and the General Works Council, smoking is now banned in all Group buildings, making Daimler a pioneer in the battle against second-hand smoke. We provide outdoor shelters for smokers to use in inclement weather; and as stipulated by German law, no one under the age of 18 may smoke within the perimeter of any Daimler facility. Smokers who wish to quit can receive help from staff at plant medical centers – a service that many employees are now taking advantage of.

The importance of occupational health and safety at Daimler AG is reflected by the fact that more than 250 employees and managers participated in the 2007 Health & Safety Forum in Stuttgart. Speaking at the event, Daimler Chairman Dieter Zetsche stressed the crucial role played by occupational health and safety at the company. Human Resources head Günther Fleig was on hand to present the Group’s Health & Safety Award to the Ludwigsfelde plant. The forum’s program also included a mixture of presentations, discussions with health and safety experts, a health and safety marketplace, and reports on actual programs. Participants were thus able to learn how experts from Health & Safety provide assistance and support at Group locations.
3.0 Human rights

Daimler is committed to upholding human rights, which is why we support the proliferation of such rights wherever possible and allow human rights issues to influence investment decisions. Reference texts include the ILO’s Tripartite Declaration Concerning Multinational Enterprises and Social Policy as well as the OECD Guidelines. Much of the content of these documents has been adopted in Daimler’s own guidelines for conducting business. Such content can also be found in our Integrity Code and Principles of Social Responsibility. In addition, Daimler is a signatory to the ten principles of the Global Compact.

Our suppliers need to act in an ethically correct manner as well. That’s why the global Daimler supplier portal contains our Environmental Guidelines, Principles of Social Responsibility, Integrity Code, and other information related to compliance issues. We realize that much work still needs to be done to raise awareness of human rights in many regions of the world, and that we must insist upon adherence to our social policy standards. We also plan to work with other automakers to develop effective guidelines for the supplier sector.

### Proportion of women employees at Daimler AG

<table>
<thead>
<tr>
<th>Category</th>
<th>Dec. 31, 2006</th>
<th>Dec. 31, 2007</th>
<th>Target corridor of the previous company agreement</th>
<th>Target corridor of the new company agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workforce</td>
<td>12</td>
<td>12</td>
<td>12.5 – 15</td>
<td>12.5 – 15</td>
</tr>
<tr>
<td>White-collar</td>
<td>24</td>
<td>24</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Trainees</td>
<td>19</td>
<td>19</td>
<td>18 – 20</td>
<td>20 – 24</td>
</tr>
<tr>
<td>Commercial-technical apprentices</td>
<td>11</td>
<td>11</td>
<td>9 – 11</td>
<td>11 – 14</td>
</tr>
<tr>
<td>Level 4 management</td>
<td>10</td>
<td>11</td>
<td>8 – 12</td>
<td>10 – 14</td>
</tr>
</tbody>
</table>


11 I Further information on the diversity strategy for procurement: sustainability2008.daimler.com /sr/33

12 I Further information on our standards, principles, and guidelines: sustainability2008.daimler.com /sr/34

13 I Further information on the Daimler supplier portal: http://daimler.covisint.com
Our responsibility as an employer: Activities and goals

As a globally operating automotive Group, we are active in an international marketplace that presents a broad spectrum of challenges. We have to act, for example, in the best interests of our more than 272,000 employees worldwide, who are committed to our company and have invested their trust in Daimler as an employer.

The development of our workforce is a key element for Daimler – and we invest in it on a grand scale. If we succeed in further developing our employees’ skills and intercultural and personal expertise in line with our needs and with the trends of the future, we will remain competitive and successful.

One important area of activity for Daimler as an employer is diversity, which must be dealt with in an unprejudiced – and thus productive – manner. Another one involves the challenges arising from demographic change, where we are adopting a more targeted approach to the different age groups in our workforce (age management). In addition, as an employer, Daimler also has a special responsibility for occupational health and safety.

<table>
<thead>
<tr>
<th>Goals</th>
<th>Activities/status</th>
<th>Goal attainment</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Using the CAReer program to ensure that enough young people are attracted to the company; targeted recruiting of women</td>
<td>Thanks to our CAReer training program, which was launched throughout the Group in 2007, we have created 300 new positions, 30 percent of which are occupied by women. We plan to offer 500 trainee positions worldwide in 2008, 35 percent of which are to be occupied by women.</td>
<td>New Goal</td>
<td>55</td>
</tr>
<tr>
<td>Increasing the proportion of women in top management positions Group-wide by 1 percent annually</td>
<td>Our most important measures: – Mentoring programs: by consulting with experienced managers, women in management positions can gain the knowledge they need to advance personally and professionally. – Diversity workshops for raising the awareness of all managers. It is important for male and female managers alike to have a greater awareness of diversity issues.</td>
<td>Goal still applies</td>
<td>58</td>
</tr>
<tr>
<td>Increasing the proportion of women in mid-level management positions</td>
<td>The share of women in mid-level management positions (Level 4) was increased by about 1 percent to nearly 11 percent in 2007 compared to the figure for the previous year. In addition to the aforementioned measures, target values were agreed upon with the General Works Council. According to the terms of this new agreement (for the period 2006 to 2010) the proportion of women should be between 10 and 14 percent by 2010.</td>
<td>Goal still applies</td>
<td>58</td>
</tr>
<tr>
<td>Increasing the proportion of women in the workforce as a whole</td>
<td>Overall, the proportion of women in the total workforce and among trainees and salaried employees remained stable compared to the level of the previous year (total workforce: 12 percent, trainees: 19.5 percent). See the measures above. Target corridors according to the new works agreement (2006 – 2010): total workforce: 12.5 – 15 percent; trainees 20 – 24 percent; technical apprentices: 11 – 14 percent.</td>
<td>Goal still applies</td>
<td>57 f., 65</td>
</tr>
<tr>
<td>Improving the ability to balance the demands of career and family</td>
<td>– Creation of daycare openings for 350 children at Daimler’s location in Germany in 2008. – Providing flexible work models.</td>
<td>Goal still applies</td>
<td>57 f., 65</td>
</tr>
</tbody>
</table>

Boosting the Group’s attractiveness as an employer

Daimler aims to move from a fifth place ranking to fourth place among engineering graduates, and from a tenth place ranking to eighth place among business graduates. Greater focus on target group-specific appeals and marketing events in areas of concrete needs. Plans call for measures including a new personnel image campaign, an expansion of in-house recruiting events, and a higher profile in media coverage.
### Responses to demographic change

<table>
<thead>
<tr>
<th>Goals</th>
<th>Activities/status</th>
<th>Goal attainment</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Targeted career development for older employees</td>
<td>Implementation of a catalogue of activities as part of the Aging Workforce initiative</td>
<td>Goal still applies</td>
<td>53</td>
</tr>
<tr>
<td>Targeted HR planning of assignments for older employees</td>
<td>Integration of older employees in the existing processes by assessing employment opportunities that take aging aspects into account. Initial analyses and evaluations in 2008, as well as gradual implementation at all locations.</td>
<td>Goal still applies</td>
<td>53</td>
</tr>
<tr>
<td>Greater transparency and optimal coordination of existing and future HR needs</td>
<td>As part of the HR Resource Management Project, which was launched in 2007 at the Wörth, Mannheim, and Bremen locations, existing employee skills are evaluated in comparison with future workplace needs. Results from the analyses of the pilot plants are now available. These results served as a basis for measures designed to ensure a forward-looking approach to demographic challenges. Decisions regarding implementation are slated for the second quarter of 2008.</td>
<td>Goal still applies</td>
<td>53</td>
</tr>
<tr>
<td>Forward-looking planning for training and specialist personnel</td>
<td>Launch of a pilot project at the Untertürkheim plant; evaluation by March 2008, followed by a decision regarding an expansion to other locations.</td>
<td>Goal still applies</td>
<td>53</td>
</tr>
<tr>
<td>Stronger focus on the issue of demographics in the management process</td>
<td>Inclusion of the demographics topic in management discussions, for example concerning performance appraisal (NAVI) and qualifications. Definition of the prerequisites in the first half of 2008.</td>
<td>New Goal</td>
<td>54 f.</td>
</tr>
</tbody>
</table>

### Occupational health and safety

<table>
<thead>
<tr>
<th>Goals</th>
<th>Activities/status</th>
<th>Goal attainment</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improving Group-wide control of health and safety management</td>
<td>In 2007 the Health &amp; Safety activities were combined in an organizational unit of the same name.</td>
<td>Goal attained</td>
<td>55</td>
</tr>
<tr>
<td>Ensuring Group-wide compliance with country-specific requirements for occupational health and safety management</td>
<td>Improved control and a better basis for comparison are to be achieved by using and adopting best practices in Health &amp; Safety. Plans call for an analysis and planning phase in 2008.</td>
<td>New Goal</td>
<td>56</td>
</tr>
<tr>
<td>Introduction of a Group-wide accident reporting system</td>
<td>Definitions concerning accident statistics (database, basis for calculations) are to be determined. Initial data collection measures are scheduled for the pilot areas at Mercedes-Benz U.S. International and Mercedes-Benz South Africa by the end of 2008.</td>
<td>Goal still applies</td>
<td></td>
</tr>
<tr>
<td>Smoke-free workplace guarantee</td>
<td>Management and the General Works Council agreed to implement a general smoking ban in all Daimler AG buildings, effective September 1, 2007.</td>
<td>Goal attained</td>
<td>57</td>
</tr>
<tr>
<td>Preventing particularly frequent types of accident</td>
<td>Implementation of the program &quot;Changes in attitude and behavior for ensuring work safety&quot; (EVA) at selected production locations in Germany by 2008/2009.</td>
<td>Goal still applies</td>
<td>56</td>
</tr>
<tr>
<td>Continuing commitment to the struggle against HIV/AIDS</td>
<td>Overall approach and activities of the national subsidiaries in 2007: - in countries where there is a moderate rate of infection: concentration on education and raising awareness - in countries where the rate of infection is on the rise: concentration on prevention - in countries where there is a high rate of infection: a comprehensive workplace program</td>
<td>Goal still applies</td>
<td>56</td>
</tr>
<tr>
<td>Development of standardized integration management</td>
<td>Concept for optimizing the assignment of employees with health problems (comparison of the job requirement profiles of the workplaces and the abilities profiles of the employees = profile comparison process)</td>
<td>Goal still applies</td>
<td></td>
</tr>
</tbody>
</table>
External statement

Daimler’s responsibility to its employees. The Daimler AG Board of Management believes the Group’s business objectives can also be partially achieved by reducing personnel costs in order to increase productivity. The design of the programs developed to this end – Safeguarding the Future 2012, CORE, and New Management Model (NMM) – reflect the sense of responsibility the company has toward its employees. The extent of this responsibility is documented by the job security situation at the Group, as demonstrated by its pledge not to lay off employees for business reasons before December 31, 2011. It is also reflected by the income security that has been granted to the Group’s core workforce. Nevertheless, some of the measures implemented by the Group are problematic from a labor point of view.

For example, following workforce reductions and the associated higher demands placed on staff in terms of working hours and performance, it appears that the potential to further reduce personnel costs is limited, particularly as the volume of work remains high. The expanded use of flexibility instruments here could negatively affect employee motivation and product quality. The limitations placed on temporary work and short-term employment contracts should be supplemented by limits on the utilization of outside companies.

The introduction of the new uniform collective framework agreement (ERA) has redefined salary and wage groups. A portion of the workforce perceived this process and its results as an expression of a decline in management’s appreciation of their work – despite an agreement with the General Works Council that no employee would experience a loss of income. The results of the paygrade assignments led to a large number of employee complaints, most of which have been dealt with by now.

The specific targets for the workforce reductions, coupled with what in some cases were multiple offers to staff members to voluntarily leave the company, were taken by employees as a sign that they were becoming “redundant” and “superfluous.” According to the General Works Council, this attitude could lead to lower motivation and reduced feelings of identification with the company. A credible display of appreciation of its employees would be in the interest of the Group in terms of its business success. Human resources planning should therefore be geared more toward the long term and the goal of keeping workforce levels constant, rather than simply acting as a response to short-term business cycles.

In 2002, the World Employee Committee, the International Metalworkers’ Federation, and Daimler AG agreed on the “Principles of Social Responsibility,” which include obligations to suppliers and dealerships. A total of 16 complaints regarding violations of these principles has been lodged since that time, whereby the General Works Council reports that 14 of these have been satisfactorily settled. Two recent complaints are still being addressed. Although the Principles of Social Responsibility are based on the Global Compact and ILO conventions, the loose formulation of the principles appears to pose a problem. A special review of how to adhere to the principles and the obligations they stipulate toward second and third tier suppliers has yet to be conducted. The approach to be taken in countries that deny workers the right to organize in trade unions represents another key challenge.

Daimler is addressing these issues by negotiating to join the Automotive Industrial Action Group, which, for example, offers training programs for suppliers in emerging markets. Daimler has also been working with other European automakers since summer 2007 to develop uniform CSR standards for the entire supply chain. Employee representatives must be included in these processes, as they helped develop the principles in the first place.

Dr. Beate Feuchte
Düsseldorf, May 2008
Customers and society. Daimler views itself as an active member of society, which is why our commitment to our customers, neighbors, and other groups is geared toward their long-term satisfaction and well-being.
1.0 Customers

1.1 Improving and maintaining customer relations. Customer satisfaction is a key corporate goal at Daimler. Accordingly, the wishes of customers are taken into consideration throughout the entire product cycle – from product development right up to the environmentally compatible disposal and recycling of end-of-life vehicles. Through its customer relationship management (CRM) system, the Group has created an effective framework and developed key figures for customer satisfaction evaluation.

Focus on the customer at Daimler

1.2 Managing customer relations at Mercedes-Benz and smart. Integrated customer relationship management at Mercedes-Benz and smart sets out to win over new customers and to maintain the loyalty of existing customers over the long term. Of particular importance here is the development of an emotional bond on the part of the customer that goes beyond simple fascination for the vehicle. To this end, Daimler has introduced worldwide discussion programs that take into account individual customer requirements and preferences to an even greater extent.

In August 2006, we therefore launched the “CSI No. 1” program in order to systematically ensure customer satisfaction in sales and aftersales through targeted monitoring. The name “CSI No. 1” is derived from the term Customer Satisfaction Index. Our objective with the program is to attain the top position for customer satisfaction in the premium segment by the end of this decade.

CSI No. 1 groups together all initiatives that improve customer care in direct contact – i.e. where the customer can best experience personal appreciation – or by means of support in systems and processes.

Standards of conduct have been defined, for example, for customer care and for making contact with customers in sales (e.g. test drives, aftersales customer care) and in service (e.g. service orders, service follow-up). In addition to sustainable process and system optimization (such as the integration of all customer contacts in a uniform customer database), the focus here is on long-term ongoing training for all employees who have contact with customers. During the CSI No. 1 program’s initial phase, more than 35,000 management employees and staff from sales and service units took part in training sessions dealing with customer satisfaction topics. We also offer dealers onsite consulting to ensure a sustained focus on the customer.

Securing the top position in the premium segment is an ambitious goal. In order to achieve it, Mercedes-Benz already commissions regular audits by external and internal reviewers, and measurement and controlling methods for CSI No. 1 are also all standardized. Depending on the initial situation and national requirements, a market-specific CSI schedule is drawn up from a number of individual measures, and its implementation is then monitored.

Since the launch of CSI No. 1, we have succeeded in substantially improving our competitive position in sales in nearly all markets. In the U.S., for example, Daimler made a sharp improvement in the rankings of a very important comparative study, moving from 10th to 5th place. We also performed extremely well in similar studies in Japan (2nd place) and China, where we finished number one.

A comparative analysis of CSI figures for Mercedes-Benz aftersales service also shows improvement in customer satisfaction. Mercedes-Benz has moved up from 8th to 3rd place in passenger car aftersales service rankings in South Africa, and the brand has
also secured 2nd place in Japan, despite more intense competition in that country. Mercedes-Benz’ aftersales service in the Czech Republic improved from 4th to 1st in rankings in that country, while Mercedes-Benz Turkey rose four slots in its customer service rankings to reach 2nd place.

1.3 Customer relationship management for Mercedes-Benz trucks. These days, a decisive portion of a transport operator’s investment comprises expenditure on the purchase and operation of a truck. In addition to the price of a vehicle, purchasing decisions are therefore influenced by running costs and resale value. Emotional factors such as brand image, service quality, and a customer-friendly attitude also play a major role here, despite the fact that a truck is basically a capital good.

Another crucial factor is the sum of all costs incurred throughout the vehicle’s lifecycle (total cost of ownership). As a result, customers will only accept those manufacturers as partners who can show that an investment in their vehicle will be an economical one, and who can make offers precisely tailored to individual customer needs.

In comparison with competitor brands, Mercedes-Benz offers a product and service range of unparalleled diversity for all types of customer requirements. Reliable technology, long maintenance intervals, and a versatile range of services make for optimum vehicle availability.

All Mercedes-Benz trucks are fitted with fuel-saving BLUETEC technology, which has been shown to reduce costs, while at the same time lowering pollutant emissions. Trucks from Mercedes-Benz are also the market leaders in cab comfort and accident prevention, as they are equipped with assistance and safety systems that protect the driver, the vehicle, and its load, thus providing a stress-free atmosphere for truckers and a reduced risk of downtime.

In addition, Mercedes-Benz Bank can provide tailor-made financing and leasing packages to customers, while short-term requirements and order peaks can be addressed by renting vehicles from Mercedes-Benz CharterWay. Mercedes-Benz also offers special driver training courses for economical driving and resource conservation, and information and control instruments such as FleetBoard further enhance fuel economy and greatly facilitate vehicle fleet organization. CSI comparative analyses of aftersales activities at the Truck unit show improvement for Mercedes-Benz in countries such as Spain, where it now ranks 3rd.

1.4 Customer relationship management at the Mitsubishi Fuso Truck & Bus Corporation. “All for you” – the new slogan for Mitsubishi Fuso Truck & Bus Corporation (MFTBC) – was presented for the first time at the Tokyo Motor Show in the fall of 2007. The slogan underscores our determination to make MFTBC the number one company for customer satisfaction in its market segment. In order to achieve this goal, MFTBC incorporates customer requirements into the development process for new models from the very beginning, thereby ensuring that we can always offer the right products to those who need them. The products themselves are subjected to stringent quality checks within the framework of the Fuso Product Development System.

Based on global standards from Daimler, this development system ensures punctuality and excellent quality. Following their purchase, customers are supported by a comprehensive service network, both in Japan and around the world. In Japan, Mitsubishi Fuso also offers mobile service repair shops known as “Moving Pits,” some 100 of which are currently on the road to provide rapid assistance in the event of a breakdown. In October 2007, MFTBC restructured its sales organization in a manner that enables its 11 regional centers to implement brand initiatives more rapidly. The new structure also makes it easier to organize assignments at the 11 centers so as to ensure that service specialists are always available. For vehicle purchases, MFTBC Fuso Finance offers customized financing packages in cooperation with Daimler Financial Services.

1.5 Customer relationship management at Daimler Trucks North America. Daimler Trucks North America provides its dealers with efficient instruments for managing their relationships with customers. The Web-based Retail Prospect Management System (RPM), for example, enables a uniform market presentation of the three brands operated by Daimler Trucks North America (DTNA): Freightliner, Sterling, and Western Star. The...
system helps dealers find potential new customers in their region, and to this end it includes various applications, sector information, and other market data, all of which support dealers with initial customer contacts, and also facilitate further planning.

DTNA also incorporates important customers into critical phases of the product development process and works with them on testing new and updated models. Market launch of the Cascadia, the new heavy-duty Class 8 flagship truck, was for example preceded by such tests, thereby allowing us to better take customer wishes into consideration.

2.0 Social commitment

Daimler is a globally operating company, and we view this status as both an opportunity and an obligation to assume broad responsibility for society. Our objective here is to preserve an environment that helps foster dialogue and understanding in today’s globalized world in an atmosphere that allows us to create value for all of our stakeholders. To achieve this goal, we must, on the one hand, set clear Group-wide priorities, while at the same time responding in a flexible and sensitive way to special local and regional conditions. Because of the complex nature of this challenge, we focus on those activities where we can best put our knowledge and experience as a global automaker to work in a manner that will benefit society to the greatest extent possible. We work hard:

- **To support the locations where we are active.** We seek to promote a greater sense of community, which is why we cooperate closely with local authorities and nonprofit organizations. We also get involved in different kinds of projects, such as those for expanding childcare centers located near our plants. Daimler will therefore provide around 350 additional daycare slots in Germany for children under three by 2009.

- **Together with our employees.** Daimler knows it can count on the voluntary help of its employees in projects and programs like the “Day of Caring,” during which employees and managers helped renovate a youth center in Berlin, whereby Daimler Financial Services paid for all materials. The “Moved by Ideas” program, with which the Mercedes-Benz Bank supports and promotes voluntary social activities by its employees in Germany, carried out 16 charitable projects at various locations.

- **In a social and humanitarian manner all over the world.** Around the world – and even at home – there are people who suffer from poverty and illness, and who also often lack even the basic necessities of life. We try to help out where we can, and we’ve found we can be most effective in those communities where our production and service locations are situated and we are therefore familiar with the local situation. Our assistance takes the form of donations.

350 childcare slots

We plan to increase the number of daycare facilities located near our plants. To this end, we will make daycare available for an additional 350 children under the age of three at centers throughout Germany by 2009.
of both money and vehicles, and we also frequently participate in joint initiatives with partners from government, industry, and various associations.

One of our main areas of activity involves the provision of immediate assistance in the event of natural or man-made disasters. Examples in 2007 included financial donations and the provision of vehicles following extensive flooding in Indonesia and Tabasco, Mexico, and a cyclone in Bangladesh. The sum of €130,000 – made up of €80,000 from Daimler employees and a further €50,000 from the company – was donated through the reconstruction foundation “Daimler hilft e.V.” to rebuild the School of Hope in Sri Lanka, which had been destroyed in the 2004 tsunami and was officially reopened in January 2007.

To promote education and training beyond the confines of our plants. Our support for education and training primarily takes the form of public-private partnerships. In 2007, we further expanded our training network in selected regions and staged, among other things, Girls’ Days and special “Children’s University” events.

To educate children about the dangers of road traffic. The MobileKids road safety initiative for children is based on the principle of learning through play. We established MobileKids in 2001 in cooperation with international road safety experts. The MobileKids program includes the 3D animated TV series “The Nimbols,” the online city “Mokitown,” and the MobileKids Tour. The latter is an entertaining roadshow whose patron is Helmut Rau, Minister of Education in the German state of Baden-Württemberg. During the 2007/08 school year, the Mobile-Kids Tour stopped at 50 schools in Baden-Württemberg to visit third- and fourth-grade students.

For intercultural dialogue. As an internationally operating company, Daimler appreciates the importance of open relationships free of prejudices across all language and cultural barriers. It’s also true that such relationships are crucial to our business success. We therefore support projects that stimulate interest for other countries and establish a sense of cultural understanding, especially among young people. One of these is the Mondialogo initiative, which runs an international competition for school and university students. Daimler is also active in programs that provide stipends and exchange programs for gifted students.

To promote science and scientific exchange. It is very important to us to promote the transfer of knowledge between universities, research institutes, and industrial companies as a means of stimulating innovation. For many years, we have been one of the biggest supporters of the Donors’ Association of German Science, in which we maintain our own special Daimler Fund, which is used to endow, among other things, the German Future Prize, one of the most important scientific awards in Germany. Since 1986, we have also maintained the Gottlieb Daimler and Karl Benz Foundation to provide an interdisciplinary forum for addressing issues related to the interaction between mankind, the environment, and technology.

To promote culture and the arts. Art and culture are an important part of social life. That’s why Daimler actively supports the fine arts, theater, music, literature, and film, and also organizes its own art and cultural events. Among other things, Daimler maintains one of the oldest and most important corporate art collections in Germany. We also present awards to up-and-coming artists and sponsor otherwise financially support a variety

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### Foundations

| Foundation | Focus of activities | Funds 2007  
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<tbody>
<tr>
<td>Gottlieb Daimler and Karl Benz Foundation (1986)</td>
<td>Funding science and research in the fields of mankind, environment, and technology</td>
<td>€1.5 million (2006: €1.2 million)</td>
</tr>
<tr>
<td>Daimler Fonds im Stifterverband für die Deutsche Wissenschaft (1975)</td>
<td>Sponsoring the research, training and international collaboration of science and technology students</td>
<td>€1.38 million (2006: €2.2 million)</td>
</tr>
<tr>
<td>Daimler Foundation in Japan (2002)</td>
<td>Supporting cultural programs and philanthropic activities</td>
<td>¥25,000,000 (2006: ¥29,300,000)</td>
</tr>
<tr>
<td>Mercedes-Benz France Foundation (1986)</td>
<td>Promoting intercultural understanding between France and Germany, support for up-and-coming young artists, communal projects</td>
<td>€81,500 (2006: €115,000)</td>
</tr>
</tbody>
</table>

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1 Further information:  
[www.mobilekids.de/tour](http://www.mobilekids.de/tour)  
[www.nimbols.com](http://www.nimbols.com)  
[www.mokitown.com](http://www.mokitown.com)  
[www.grsproadsafety.org](http://www.grsproadsafety.org)

2 Further information on Mobile-Kids worldwide: Magazine, p. 72 ff.

3 Further information on foundations:  
[www.stifterverband.de](http://www.stifterverband.de)  
[www.daimler-benz-stiftung.de](http://www.daimler-benz-stiftung.de)
of ensembles and cultural events, such as the Junge Musikpodium Dresden, the International Bach Academy in Stuttgart, the Ludwigsburger Schlossfestspiele, and the New Pop Festival in Rastatt. 

- **To promote sports and physical fitness.** Sports are not only good for one’s health; they also have a unique ability to bring people of the most diverse backgrounds together in friendly competition. Daimler therefore promotes athletic activities and projects on both the professional and private levels. The Group’s initiatives here include a Soccer Integration Award jointly presented by Mercedes-Benz and the German Football Association (DFB), a long-standing partnership with the International Olympic Committee, and support for the Laureus Sport for Good Foundation.

- **In various foundations.** In order to ensure that our funding is used for clearly defined long-term purposes, we have established our own foundations in several countries. These foundations support diverse activities ranging from research and education to the promotion of culture, health, and international understanding. In several countries, our foundations serve as the centers for all activities related to social commitment (see table on p. 66).

In 2007, we decided to reorganize our marketing practices to ensure a greater degree of social responsibility. Specifically, this means that instead of offering gifts to guests at vehicle presentations around the world, we will now donate the money we usually spend on such presents (approximately €90,000) to non-profit organizations. The donation for 2008 will be given to education projects for SOS Children’s Villages in France, the U.S., Austria, and Germany.

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**Development assistance through training**

Training skilled workers, offering young individuals solid prospects for the future, and contributing to social stability: The Daimler Automotive Academy Network is a global association of training centers that make available our core expertise in automobile production, thus making a valuable contribution to assisting local youth and providing support to underdeveloped regions.

The idea for the network originated in 1999, and the first training center was opened in Ulaan Baatar, Mongolia. Today, the network has accredited centers in Kabul (Afghanistan), Perm (Russia), and Kuwait, as well as more recently established centers in Hoedspruit (South Africa) and Beit Sahour (Palestine), both of which opened in 2007. All facilities are organized as public-private partnerships, which means financing from local governments supplements our own investment. The training centers offer courses in automotive repair, mechatronics, electronic systems, management, and marketing, some of which are combined with theoretical and practical internships in Stuttgart. Students also have the possibility to pursue a Master’s degree. Curricula are tailored to the conditions of each country, and the program’s conceptual design focuses on ensuring that academy graduates are able to go to work immediately, and that the facilities themselves can operate on their own after an initial period of approximately three years.

Further information on the Daimler Automotive Academy Network and individual training centers:

- sustainability2008.daimler.com/sr/36
- www.auto-academy.com (Kuwait)

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Further information:

- www.staatsgalerie.de
- www.junges-musikpodium.de
- www.schlossfestspiele.de
3.0 Public policy

Daimler maintains a consistent open dialogue with representatives from the political sphere on all issues that affect the Group’s operations. Our activities here are based on our Guidelines for Responsible Lobbying, which were drawn up in 2007. More specifically, our dialogue with the political sphere focuses on:

- Climate change, pollutant emissions, and environmental protection
- Transportation policy
- Road and vehicle safety
- International trade and investment issues
- Issues related to implementation of technical innovations
- Intellectual property rights
- Global harmonization of standards and regulations
- Economic development discussions

Along with political dialogue on a national level, Daimler also endeavors to make a contribution to the promotion of international, above all transatlantic, cooperation; to this end Daimler became a partner in the German Marshall Fund’s Brussels Forum in 2006. The forum sponsors an annually held series of meetings for political, business, and social leaders. Daimler also supports the Center for Transatlantic Relations in Washington D.C. in its annual study of the transatlantic economy, as well as programs at numerous think tanks worldwide.

3.1 Supporting the democratic process. When it comes to making contributions to political parties, Daimler maintains strict compliance with legislation and with the Group’s internal guidelines on political contributions that were introduced in 2006. In 2007, the Daimler Board of Management authorized the payment of contributions totaling €400,000 to the German political parties CDU, CSU, SPD, FDP, and BÜNDNIS 90/DIE GRÜNEN. In Daimler’s second home market, the U.S., contributions of corporate funds to politicians or political parties are not allowed. However, voluntary donations by management staff may be made via political action committees (PACs), and this practice is widely employed by companies with a strong business presence in the country. The company ensures that employees neither benefit from, nor are disadvantaged by, contributions to, or involvement in, political action committees.

In 2007 (up until the sale of its majority interest in the Chrysler Group), the “DaimlerChrysler PAC” donated a total of US$ 402,275 to political parties and candidates for political office in the U.S. Now known as the “Chrysler PAC,” this committee is no longer open to Daimler employees. Plans for the establishment of a Daimler PAC are currently being reviewed.
Our responsibility to our customers: Activities and goals

As an automaker and provider of vehicle-related services, we consider good customer relationships that are based on mutual trust to be an essential basis for our business. We see every decision to purchase a Daimler product not only as a confirmation of this trust, but also as an obligation. Our customers demand the highest standards, and they have a right to expect that we make the pledge contained in our brands a tangible experience.

Our aim is to offer clean, safe, and fascinating premium-segment passenger cars; efficient, environmentally friendly commercial vehicles; and outstanding services that complement all aspects of these products. With this in mind, we have, for example, defined six disciplines at Mercedes-Benz Cars in which we intend to be the industry leader. Excellence in these disciplines is essential when it comes to maintaining good customer relations. They are quality, safety, comfort, design, environmental friendliness, and customer satisfaction with our sales and service.

Our overall goal is to ensure that our customers can experience driving enjoyment with a clear conscience. And our CSI No. 1 program, which is designed to help us become the leader in customer satisfaction in the premium segment by 2010, stands for this commitment.

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<td>Customers</td>
<td>The “CSI No. 1” program for significant improvement in customer satisfaction was launched in 2006. It includes consistent controlling and planning instruments.</td>
<td>Goal still applies</td>
<td>63 f.</td>
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<tr>
<td></td>
<td>– The target values for 2007 were based on the values recorded for 2006 and on our competitive position. The internal Mercedes-Benz CSI targets were met or surpassed on nearly all markets. And the competitive position improved in almost all markets. The competitive position will also be used to determine the target values for the years ahead.</td>
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<td></td>
<td>– In the areas of sales and aftersales we have redefined the customer contact processes. We have also determined key indicators as target values for the European markets.</td>
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<td>– The lead times (customer waiting times) have been shortened. Here, we significantly exceeded the 2007 target values.</td>
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<td></td>
<td>– Aftersales personnel worldwide are to receive qualification and certification on the basis of clearly defined qualification profiles at Mercedes-Benz and smart by 2008.</td>
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<tr>
<td></td>
<td>– The workshop processes and logistics processes for improving service and customer care quality at Mercedes-Benz and smart will be enhanced and standardized by 2010.</td>
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</table>
Social responsibility: Activities and goals

Every company is a part of the society in which it operates. Business decisions often affect many people in tangible ways, while events and processes of change in society can also have an enduring impact on business success. Daimler believes it is the company’s best interest to be a good corporate citizen that actively contributes to society and supports worthy causes. Our objective is to consistently increase and strengthen our commitment in our area of influence, through our various areas of expertise as an international manufacturer of motor vehicles.

This is why we have defined the following focal points for efforts and initiatives that address social issues: commitment at our production and sales locations; volunteer activities on the part of our employees at our plants; road safety education for children; and the promotion of education, training, and scientific research – particularly in relation to our natural environment and technology. Our global business operations provide us with a heightened awareness of the great importance of mutual understanding between countries and cultures. This is why we are also engaged in intercultural dialogue and support cultural and sports activities. To ensure that we apply our energies and resources in the right way, and to provide funding that is based on clear criteria, we have further developed the areas of donations and sponsorships. Here, one of the measures implemented involved the creation of a database.

One major undertaking at present is a broadening of our dialogue with our stakeholders, as we are aware of the importance of having good, trusting relationships in the environments in which we operate. We intend to improve transparency and to conduct a more open dialogue with our partners.

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<td><strong>Stakeholder involvement and dialogue</strong></td>
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| Strengthening the stakeholder dialogue | – Hold a stakeholder dialogue event with the relevant interest groups by the end of 2008.  
– Introduce a channel of communication designed to regularly provide the relevant stakeholders with information regarding sustainability at Daimler (by the end of 2008). | New Goal | 20 f. |
| Redefinition of stakeholder contacts, especially in the NAFTA region | A restructuring is needed as a result of the sale of majority ownership of the Chrysler Group. An overall plan and initial steps are to be presented by the end of 2008. | New Goal | 20 f. |
| New approach for Daimler corporate volunteering | The restructuring is necessary due to the sale of majority ownership of the Chrysler Group. An overall plan and initial steps are to be presented by the end of 2008. | New Goal | 65 |
| Introduction of a corporate guideline for responsible lobbying | The development and internal discussion of the guideline was completed in 2007. | Goal attained | 16 |
| **Commitment to society** | | | |
| Donations and sponsorships: step-by-step registration of financial expenditures worldwide | The BoM Donations and Sponsoring Committee was constituted in September 2006. A Group-wide database is currently being set up, and collection of the relevant data has commenced worldwide. Data collection must be modified in the NAFTA region as a result of the sale of majority ownership of the Chrysler Group. | Goal still applies | 16 |
| Expansion of the Daimler training network into the emerging markets | In regions where contributions to social and political stability are needed, facilities that have been established since 2006 are to be enhanced (Palestine, South Africa) and new ones are to be built. Thanks to the creation of sustainable business processes, it will be possible for the training facilities to operate on their own after about three years. | Goal still applies | 66 f. |
The report 360 DEGREES – Facts on Sustainability 2008 (Facts 2008) provides an overview of Daimler’s activities with respect to sustainability. The period under review is the financial year 2007.

Facts 2008 takes its lead from the guidelines of the Global Reporting Initiative (GRI), which DaimlerChrysler joined in 2006 as an organizational stakeholder. In accordance with the new GRI guidelines Version 3.0 (G3), the information and data contained in this report were compiled in line with the principles of balance, comparability, accuracy, timeliness, reliability, and clarity. Facts 2008 has been classified as a Level A+ report in line with the G3 definition, as assessed and confirmed by the GRI.

A comprehensive version of the GRI Index can be found online at sustainability2008.daimler.com. This website contains a list of all the GRI indicators, as well as detailed information and explanations of all indicators. Our website also contains a GRI Global Compact Index, which cross-references the “communication on progress” as specified by the Global Compact with G3 reporting.

Scope of reporting and data acquisition methods

Economy. The information on economic interrelationships presented in Facts 2008 is essentially based on data from the 2007 Daimler Annual Report. The Management Report and Notes sections, from which we have quoted in this report, were audited by the financial auditing firm KPMG Deutsche Treuhand-Gesellschaft AG. (For details see Annual Report 2007, p. 2 ff.)

Ecology. Daimler has been systematically compiling key environmental data from its German plants since 1992. In 1997 and 1998 its data acquisition was gradually extended to include production plants outside Germany. Since 2002, the acquisition and analysis of the data have been handled with the aid of a database. The data in this report reflect the structure of the Group in financial year 2007 and include all relevant production plants. To ensure comparability with data for previous years as far as possible, the data for the entire period covered do not include those parts of the company in which Daimler is no longer the majority shareholder. For this reason, the timelines may differ from those of previously published data. New parts of the company have been included from the time at which they became part of Daimler. The environmental data for 2007 refer to a total of 62 entire or partial business locations.

Employees. The facts and figures related to the topic of Employees/Human Resources are based on the 2007 Daimler Annual Report. The reporting on human resources data is primarily conducted by means of the “HR ePARS” electronic human resources planning and reporting tool, which employs data from all consolidated companies within the Daimler Group. This information is complemented by data acquired with the aid of the “ePeople” electronic human resources management system. In the copy and diagrams in the “Workforce” section, it is indicated whether the data relate to the entire Group or only to parts thereof.

Current developments. This report focuses on the current situation with regard to sustainability for the business year 2007. The data from the period following the sale of the majority shares of Chrysler refer to the continued activities of the Daimler Group. Unless otherwise indicated, the corresponding Chrysler data have been removed from the calculations.

Liability disclaimer. The compilation of the data in this report has been carried out by Daimler with extreme care. Nevertheless, errors cannot be entirely excluded. Insofar as Facts 2008 contains forward-looking statements, these are based exclusively on data currently available and on assumptions founded on current forecasts. Although such projections are drawn up with the greatest care, a great variety of unforeseeable factors may lead to deviations. We neither intend nor assume an obligation to continually update statements concerning future developments. The content of the report was examined and released by the responsible professional staff. There was no examination by a third party, such as a financial auditing firm.

Please note that the term employee refers to both male and female staff members at Daimler.

Daimler published the last sustainability report in July 2007 under the title Facts on Sustainability 2007.

Editorial deadline for this report: May 15, 2008
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More information on the company: sustainability2008.daimler.com/sr/38

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Further graphics on the Internet:
- Consolidated revenue by division
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More information on economy: sustainability2008.daimler.com/sr/40

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### Environmental protection, innovation, and safety

Further graphics on the Internet:
- Product lifecycle
- Climate change
- Safety milestones at Daimler
- Energy consumption
- Water consumption
- Wastewater
- Greenhouse gas emissions
- Solvent emissions
- Sulfur dioxide emissions
- Carbon monoxide emissions
- Nitrogen oxide emissions
- Dust emissions
- Waste – scrap metal for reuse
- Waste
- Investments related to environmental protection
- Expenditure related to environmental protection
- R&D expenditure related to environmental protection
- Specific energy consumption
- Specific carbon dioxide emissions
- Specific water consumption
- Specific solvent emissions
- Specific waste disposal
- Specific hazardous waste disposal
- EU proposal for limiting mean CO\textsubscript{2} emissions of the European new car fleet to 130g/km
- CAFE standards for passenger cars and light trucks in the U.S.
- Development of the EU emissions limits for diesel-powered cars
- Development of the EU emissions limits for gasoline-powered cars
- Development of the EU emissions limits for trucks and buses (heavy-duty commercial vehicles)
- BLUETEC technology at Daimler

More information on environmental protection, innovation, and safety:
[link](sustainability2008.daimler.com/sr/41)

### Employees

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More information on employees:
[link](sustainability2008.daimler.com/sr/42)

### Customers and society

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More information on customers and society:
[link](sustainability2008.daimler.com/sr/43)

Our user-friendly specific online report “360 DEGREES – Facts on Sustainability 2008” offers you both the content of the printed version and numerous supplements:
[link](sustainability2008.daimler.com)

More information on sustainability at Daimler:
[link](daimler.com/sustainability)