

Corporate Governance



The new Setra ComfortClass 500:
convincing in terms of economy, safety and comfort.

Daimler's Board of Management and Supervisory Board are committed to the principles of good corporate governance. All of our activities are based on the principles of responsible, transparent and sustainable management.

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Report of the Audit Committee

Dear Shareholders,

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

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

As independent members of the Audit Committee, both the Chairman of the Audit Committee, Dr. h. c. Bernhard Walter, and Dr. Clemens Börsig have expertise in the field of financial reporting, as well as special knowledge and experience in the application of accounting principles and internal methods of control.

The six meetings of the Audit Committee in 2012 were attended by, in addition to the members of the Audit Committee, the Chairman of the Supervisory Board, the Chairman of the Board of Management, the members of the Board of Management responsible for Finance and Controlling and for Integrity and Legal Affairs, and the external auditors. The heads of specialist departments and other experts were also present for the appropriate items of the agenda. In addition, the Chairman of the Audit Committee held regular individual discussions, for example with the external auditors, the members of the Board of Management responsible for Finance and Controlling and for Integrity and Legal Affairs, the Monitor and the external compliance advisor of the Audit Committee, and the heads of Corporate Accounting, Internal Auditing, Group Compliance and Legal Affairs. The Chairman of the Audit Committee informed the Audit Committee about the results of those bilateral discussions in each case at the next available opportunity. The Chairman of the Audit Committee also informed the Supervisory Board about the activities of the Committee and about its meetings and discussions in the following Supervisory Board meetings.

In a meeting in early February 2012 attended by the external auditors, the Audit Committee dealt with the preliminary figures of the annual company financial statements and the annual consolidated financial statements, as well as with the dividend proposal made by the Board of Management. The preliminary key figures were published at the Annual Press Conference on February 9, 2012.

At the end of February 2012, also in a meeting attended by the external auditors, who reported on the results of their audit and were available to answer supplementary questions and to provide additional information, the Audit Committee examined and discussed the annual company financial statements, the annual consolidated financial statements and the combined management report for Daimler AG and the Daimler Group for the year 2011, which had been issued with an unqualified audit opinion by the external auditors, as well as the proposal on the appropriation of profits. In preparation, the members of the Audit Committee were provided with comprehensive documentation, including the Annual Report with the consolidated financial statements according to IFRS and the combined management report for Daimler AG and the Daimler Group, the corporate governance report and the remuneration report, the annual financial statements of Daimler AG, the proposal made by the Board of Management on the appropriation of profits, the audit reports of KPMG on the annual company financial statements and the annual consolidated financial statements according to IFRS of Daimler AG, each including the combined management report, and the drafts of the reports of the Supervisory Board and of the Audit Committee. The audit reports and important issues related to financial reporting were discussed with the external auditors. In this context, the Audit Committee of Daimler AG also dealt with the monitoring of the financial reporting process, the effectiveness of the internal control system, the risk management system and the internal auditing system, as well as questions of compliance. Following an intensive review and discussion, the Audit Committee recommended that the Supervisory Board approve the annual financial statements and adopt the recommendation of the Board of Management to pay a dividend of €2.20 per share entitled to a dividend.



Dr. Bernhard Walter, Chairman of the Audit Committee.

Also in this meeting, the Audit Committee discussed the report on the fee paid to the external auditors in the year 2011 for auditing and non-auditing services, and – subject to the consenting vote of the shareholders in the Annual Shareholders' Meeting – the proposal on fees to be agreed for the year 2012.

Furthermore, the Audit Committee approved the Report of the Audit Committee for the year 2011. With due consideration of the results of the independence review and the discussion of the quality of the external audit, the Audit Committee decided to recommend to the Supervisory Board, and subsequently to the Annual Shareholders' Meeting, that KPMG be engaged to conduct the annual external audit and the external auditors' review of interim financial reports. Finally, on the basis of its responsibility, the Audit Committee dealt with the draft agenda for the 2012 Annual Shareholders' Meeting and the annual audit plan of the Internal Auditing department.

In the meetings during the year 2012 relating to the quarterly results, the Audit Committee discussed the interim financial reports before their publication with the Board of Management, dealt with the respective risk reports, and received activity reports from the Group Compliance and Corporate Audit departments. The Audit Committee regularly communicated with the independent Monitor. In this context, it was also involved in setting and evaluating the annual compliance targets for the Board of Management, and dealt on a quarterly basis with notifications received confidentially, and if desired anonymously, through the Group's own whistleblower system and processed internally by the Business Practices Office. The whistleblower system was expanded in February 2012 with an external, independent, neutral mediator as an additional contact person. Employees can personally approach the neutral mediator in confidence, without being recognized as a whistleblower within the Daimler Group.

The Audit Committee received the report on non-audit services provided by the external auditors in its meeting in June 2011. In this meeting, the important audit issues for the external audit of the year 2012 and the framework of approval for engaging the external auditors to provide non-audit services was determined. This meeting was also used to analyze the audit for the year 2011 and the performance of the Audit Committee's monitoring duties with regard to the financial reporting process and the functional capabilities of the internal control system, the risk management system and the internal auditing system. In this context, on the basis of the statements of the external auditors as assessed by the Audit Committee, the internal control system was also dealt with. As well as the area of financial reporting, the internal control system also includes internal control and risk management with the areas of internal auditing and compliance management. The Committee discussed the activity reports on the internal control system and dealt in particular detail with changes to the system and its further development.

Furthermore, the Audit Committee received information during this meeting on new developments in accounting and financial reporting and other relevant areas, on the status of legal risks, on the further development of the global treasury system, on the funding status of pension obligations and on other current topics.

In the meeting in July 2012, on the basis of the report by the Group's data protection executive, the Audit Committee dealt with key topics and current developments in the field of data protection. In its meeting in October 2012, the Audit Committee was also informed about the main contents of the Monitor's follow-up report, including the certification of the compliance program. In this context, the Audit Committee was once again convinced of the careful design and thorough implementation of compliance processes at Daimler. Subsequently, the Audit Committee was informed about the Group's ongoing activities with regard to integrity and about the newly created guidelines on behavior, the Integrity Code, which sets out the principles of behavior and guidelines for ethical conduct at Daimler.

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

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

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

As in previous years, the Audit Committee once again conducted a self-evaluation of its own activities in 2012. This did not result in any need for action with regard to the Committee's tasks, or with regard to the content, frequency or procedure of its meetings.

Stuttgart, February 2013

The Audit Committee



Dr. h. c. Bernhard Walter
Chairman

Integrity and Compliance

Daimler wants to do decent business, and in both senses of the word: We aim to be financially successful – but not at any price. We want to achieve our business success with decency, in other words, by respectable means. Integrity is therefore one of our four corporate values, which form the foundation for our business activities. We are convinced that doing business decently brings us sustained success, and is also good for society as a whole. As a group with global operations, we accept responsibility and want to be a pioneer in terms of ethical business conduct.

UN Global Compact. We orient our business conduct towards the principles of the Global Compact of the United Nations. Daimler is a founding member of this initiative by Kofi Annan and is a member of the LEAD Group. [see page 182](#)

Group-wide “Integrity Dialog” and revision of the Integrity Code. Our goal is to permanently establish integrity in our corporate culture. But ethical principles cannot simply be dictated. They must be put into practice on the basis of an inner conviction. Daimler therefore promotes integrity through a variety of measures and through continuous dialog on the subject. [see page 72](#) Our new “Integrity Code” that we created in 2012 reflects the results of our Group-wide “Integrity Dialog”. The principles of behavior and guidelines for everyday conduct set out in the Integrity Code are therefore based on a shared understanding of values. [see page 182](#)

Creation of the Advisory Board . For the course we have set to achieve a culture of integrity at the Daimler Group, in addition to the numerous measures we have already taken, we also regard a view from outside as helpful. We have therefore established an “Advisory Board for Integrity and Corporate Responsibility” to support the integrity process at Daimler critically and constructively. We have been able to gain external personalities from various fields with valuable experience in questions of ethical conduct. [see page 72](#)

Integrity goes beyond what we at Daimler understand by compliance. Integrity is more than adherence to the law, internal rules and voluntary commitments. We understand integrity to include acting responsibly and in accordance with ethical standards, through which we not only secure our company’s success for the long term, but also create benefits for society.

6.01

Members of Daimler AG’s Advisory Board for Integrity and Corporate Responsibility

Name	Function
Stefan Aust	Journalist, publicist and author
Professor Kai Bussmann	Head of Economy & Crime Research Center, Martin-Luther-Universität, Halle-Wittenberg
Professor Helmut Holzapfel	Head of the Department for Integrated Traffic Planning and Mobility Development, University of Kassel
Renate Hornung-Draus	Managing Director of the German Employers’ Association (BDA), Head of the Department of the European Union and European Social Policy
Professor Michael Kittner	Former Professor of Business, Labor and Social Law, University of Kassel and legal advisor for IG Metall
Professor Julian Nida-Rümelin	Professor for Philosophy, Ludwig Maximilian University, Munich
Pierre Sané	Board Member, UN Global Compact
Sylvia Schenk	Attorney in Frankfurt, Board Member of Transparency International Germany and German Olympic Academy
Professor Ernst Ulrich von Weizsäcker	Environmental scientist, Climate expert and former Member of the Bundestag

Compliance is the sustained establishment of conduct in conformance with rules. Our compliance-management system is intended to ensure that Daimler and its employees always conduct themselves in conformance with rules. Complying with anti-corruption regulations as well as maintaining and promoting fair competition have the highest priority for the Daimler Group and serve as a benchmark for our staff and management. To give further emphasis to this goal, compliance and integrity are taken into consideration in our executives' annual target agreements and assessments of target fulfillment. Particular attention is paid to individuals' correct conduct in conformance with rules and ethics.

Worldwide establishment of divisional compliance organization. In order to effectively counteract the risks of our divisions and markets, we have altered the structure of our compliance organization in line with our divisions. Each division is now supported by a compliance officer. In addition, a regional compliance office was established in China in 2012, reflecting the special importance of the Chinese market. Furthermore, local compliance managers are active worldwide, advising on matters of compliance and ensuring observance of our compliance standards.

In order to guarantee their independence of the divisions, the compliance officers for the divisions and the compliance manager for the region of China and Northeast Asia report to the Group Chief Compliance Officer. He is responsible for the entire global organization and reports directly to the Member of the Board of Management who is responsible for "Integrity and Legal Affairs".

Analysis of compliance risks. Dealing with risks responsibly and assessing them effectively is a precondition for sustained business success. We therefore evaluate and classify compliance risks in a systematic risk analysis. We apply qualitative indicators such as an assessment of the business environment as well as quantitative indicators such as relevant shares of revenue and the number of contractual partners. In line with the risk assessment carried out in this way, measures are then defined jointly with the business units to minimize the recognized risks. Against this backdrop, for example, our sales activities in countries with an increased risk of corruption are subject to particularly intensive risk management. Responsibility for implementing the individual measures and the monitoring duty lie with the management of each business unit. This is supported by the Group Compliance department.

Further development of the compliance processes.

The focus of compliance activities in 2012 was on examining our business partners in the sales process (sales business partner due diligence). We apply high standards in the selection of our sales and business partners and expect them to act in accordance with our compliance rules and ethical principles. Based on a standardized risk assessment carried out in advance, the divisions decide, in addition to the specific risk factors, on the appropriate intensity for examining the respective business partner. The divisions carry out the examination in their own responsibility and with support from the Group Compliance department.

Stronger whistleblower system and Business Practices Office (BPO).

A functioning whistleblower system is an important source for us to recognize risks and infringements of rules. Information on possible serious infringements by employees and external parties is passed on to the BPO. In 2012, the management and employee representatives reached a company agreement on the reorganization of the Daimler whistleblower system. This agreement sets out a fair, transparent process affording equal protection to whistleblowers and the other persons involved. Furthermore, in addition to the existing reporting channels, in Germany we have commissioned an independent lawyer as a neutral mediator, who also accepts information on violations of rules. Due to his professional obligation to maintain confidentiality, it is assured that the whistleblowers remain anonymous vis-à-vis Daimler.

Compliance training and communication. The regular provision of information and targeted training courses supplement and support the effective and sustained anchoring of correct conduct at Daimler. We carry out face-to-face trainings for specific groups of employees as well as web-based trainings. We also offer these trainings to our business partners and sales partners, so that they can familiarize themselves with our ideas of integrity and compliance. In those courses, we train participants for example on the principles of corruption prevention and on competition law. Since 2010, we have trained more than 100,000 employees in business units and departments with a special risk situation using web-based courses and presence events. The focus was on employees in sales and sales-related functions.

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

The Board of Management and Supervisory Board of Daimler AG declare that the recommendations of the German Corporate Governance Code Commission in the Code version dated May 26, 2010, published by the Federal Ministry of Justice in the official section of the Federal Gazette on July 2, 2010, have been and are being applied since the last declaration of compliance issued in December 2011, with the exception of Clause 3.8 paragraph 3 (D & O insurance deductible for the Supervisory Board) and Clause 5.4.6 paragraph 2 Sentence 1 (Performance-based compensation of Members of the Supervisory Board). The recommendations of the German Corporate Governance Code in the version dated May 15, 2012 have been observed by Daimler AG since the time of their publication in the official section of the Federal Gazette, with the exception of a deviation from Clause 3.8 paragraph 3 (Deductible for D & O Insurance for the Supervisory Board) and a deviation from Clause 5.4.1 paragraph 2 (Specific objectives for the composition of the Supervisory Board) which was declared as a precautionary measure. Daimler AG will continue to observe these recommendations in the future, with the aforementioned deviations.

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

Specific objectives for the composition of the Supervisory Board (Clause 5.4.1 para 2 German Corporate Governance Code in the version of May 15, 2012). In its meeting held on December 12, 2012, the Supervisory Board elaborated and confirmed the target objective for the number of independent shareholder representatives anchored in its Rules of Procedure prior to the effective date of the German Corporate Governance Code version of May 15, 2012, published after the amendment of the Code. In this meeting, the Supervisory Board also differentiated the target objective for consideration of potential conflicts of interest in its composition in conformity with the new version of the German Corporate Governance Code. In the absence of any influence on the appointments for the employee representatives' side, the Supervisory Board limited itself to the corresponding target objectives for the shareholder representatives.

Performance-based Compensation of Members of the Supervisory Board (Clause 5.4.6, Paragraph 2, Sentence 1 in the version of May 26, 2010). The members of the Daimler AG Supervisory Board receive suitable remuneration, which includes fixed and function-based components, as well as attendance fees, but does not include any performance-bonus components. A base annual fee is set for each member, with corresponding fixed increases for the Chair or Deputy Chair of the Supervisory Board and in the case of committee membership, and special consideration to the Chair in the Audit Committee in accordance with the respective area of responsibility. In our view, a function-based system of remuneration is also more appropriate for the supervisory role of the Supervisory Board than performance-based remuneration since it eliminates possible conflicts of interest arising from decisions of the Supervisory Board that could influence performance criteria. Therefore, there is no performance-based remuneration.

This deviation from the German Corporate Governance Code no longer applies since the recommendation regarding the performance-based remuneration of the Supervisory Board is no longer contained in the new version of the German Corporate Governance Code of May 15, 2012.

Stuttgart, December 2012

for the Supervisory Board
Dr. Manfred Bischoff
Chairman

for the Board of Management
Dr. Dieter Zetsche
Chairman

Corporate Governance Report

At Daimler, good corporate governance goes beyond the mere fulfillment of statutory provisions. The Board of Management and the Supervisory Board have the goal of aligning the Group's management and supervision with nationally and internationally recognized benchmarks of good and responsible corporate governance, in order to secure the success and sustained value creation of the Group with its strong traditions.

The main principles applied in our corporate governance

German Corporate Governance Code. The legal framework for the corporate governance of Daimler AG is provided by German law, in particular the Stock Corporation Act (AktG), the Codetermination Act (MitbestG) and legislation concerning capital markets, as well as the Company's Articles of Incorporation. The German Corporate Governance Code gives recommendations and makes suggestions for the details of this framework. There is no statutory duty to follow these standards. But according to the principle of comply or explain, the Board of Management and the Supervisory Board of Daimler AG are obliged by Section 161 of the German Stock Corporation Act (AktG) to make a declaration of compliance with regard to the recommendations – not with regard to the suggestions – of the German Corporate Governance Code and to disclose and justify any deviations from the Code's recommendations. With the exceptions disclosed and justified in the declaration of compliance of December 2012, Daimler AG has followed and continues to follow the recommendations of the German Corporate Governance Code. The Corporate Governance Code and the declaration of compliance can be accessed on our website at daimler.com/dai/gcgc. Previous, no longer applicable, declarations of compliance from the past five years are also available there.

Daimler AG has also followed and continues to follow the suggestions of the German Corporate Governance Code as amended on May 15, 2012 with just one exception:

Deviating from the suggestions in Clause 2.3.4 of the German Corporate Governance Code, the Annual Shareholders' Meeting is not transmitted in its entirety on the Internet, but only until the end of the report by the Board of Management. Continuing the broadcast after that point, particularly broadcasting comments made by individual shareholders, could be construed as an unjustified infringement of privacy rights. When considering this matter, the interests of transmission do not automatically take precedence over shareholders' privacy rights. This is reflected by the statutory requirement for the entire transmission to have a legal basis in the Company's Articles of Incorporation or in the rules of procedure for shareholders' meetings.

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

Integrity Code. The Integrity Code came into effect in 2012 and replaced the guidelines that had previously been in effect since 1999. They define the principles of behavior and guidelines for everyday conduct at Daimler, and apply to interpersonal conduct within the company as well as conduct toward customers and business partners. Fairness, responsibility and compliance with legislation are key principles in this context. In addition to general principles of behavior, the Integrity Code includes requirements and regulations concerning the protection of human rights, dealing with conflicts of interest and preventing all forms of corruption.

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

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

Composition and mode of operation of the Board of Management, the Supervisory Board and its committees

6.02

Daimler AG is obliged by the German Stock Corporation Act (AktG) to apply a dual management system featuring strict separation between the Board of Management and the Supervisory Board (two-tier board). Accordingly, the Board of Management manages the company while the Supervisory Board monitors and advises the Board of Management. No person may be a member of the two boards at the same time.

Board of Management. As of December 31, 2011, the Board of Management of Daimler AG comprised eight members. Information on their areas of responsibility and their curricula vitae are posted on our website at daimler.com/dai/bom. The members of the Board of Management and their areas of responsibility are also listed on [pages 16 and 17](#) of this Annual Report. No member of the Board of Management is a member of more than three supervisory boards of listed companies outside the Daimler Group or of similar boards or committees with comparable requirements of companies outside the Daimler Group.

The Board of Management manages Daimler AG and the Daimler Group. With the consent of the Supervisory Board, the Board of Management determines the Group's strategic focus and decides on the corporate goals. The members of the Board of Management have joint responsibility for managing the Group's entire business. Irrespective of this overall responsibility, the individual members of the Board of Management manage their allocated areas within the framework of their instructions in their own responsibility. The Chairman of the Board of Management coordinates the work of the Board of Management.

The Board of Management prepares the consolidated interim reports, the annual company financial statements of Daimler AG, the annual consolidated financial statements and the management report of the Company and the Group. It is responsible for adherence to the provisions of applicable law, official regulations and the Group's internal guidelines, and works to secure compliance with those rules and regulations by the companies of the Group. The tasks of the Board of Management also include establishing and monitoring an appropriate and efficient risk management system.

The Board of Management requires the consent of the Supervisory Board for certain types of transaction of fundamental importance. At regular intervals, the Board of Management reports to the Supervisory Board on corporate strategy, corporate planning, profitability, business development and the situation of the Group, as well as on the internal control system, the risk management system and compliance. The Supervisory Board has specified the information and reporting duties of the Board of Management.

The Board of Management has also given itself a set of rules of procedure, which can be seen on our website at daimler.com/dai/rop. Those rules describe for example the procedure to be observed when passing resolutions and ways to avoid conflicts of interest.

The Board of Management has not formed any committees.

When making appointments to executive positions at the Group, the Board of Management gives due consideration to the issue of **diversity**, with regard for example to the criteria of age, internationality and gender. Diversity-management activities include diversity workshops, the development of internal networks, external cooperation with educational facilities, and membership of selected initiatives. A key area of action is the targeted promotion of women, by means for example of flexible working-time arrangements, setting up day nurseries close to workplaces, and a special mentoring program for women. The proportion of women in executive positions is currently 12% and is to be increased to 20% by the year 2020.

Supervisory Board. In accordance with the German Codetermination Act (MitbestG), the Supervisory Board of Daimler AG comprises 20 members. Half of them are elected by the shareholders at the Annual Meeting. The other half comprises members who are elected by the Company's employees who work in Germany. Information on the individual members of the Supervisory Board is available on the Internet at daimler.com/dai/supervisoryboard and on [pages 24 and 25](#) of this Annual Report. The members representing the shareholders and the members representing the employees are equally obliged by law to act in the Company's best interests.

6.02

Governance Structure

Shareholders (Annual Meeting of shareholders)

Election of shareholder representatives to the Supervisory Board

Supervisory Board (10 shareholder and 10 employee representatives), Nomination Committee, Audit Committee, Presidential Committee, Mediation Committee

Appointments, monitoring, consulting

Board of Management (8 Board members)

The Supervisory Board monitors and advises the Board of Management with regard to its management of the Company. At regular intervals, the Supervisory Board receives reports from the Board of Management on the Group's strategy, corporate planning, revenue development, profitability, business development and general situation, as well as on the internal control system, the risk management system and compliance. The Supervisory Board has retained the right of approval for transactions of fundamental importance. Furthermore, the Supervisory Board has specified the information and reporting duties of the Board of Management to the Supervisory Board, the Audit Committee and – between the meetings of the Supervisory Board – to the Chairman of the Supervisory Board.

The Supervisory Board's duties include appointing and recalling the members of the Board of Management. Initial appointments are usually made for a period of three years. In connection with the composition of the Board of Management, the Supervisory Board pays attention not only to the members' appropriate specialist qualifications, with due consideration of the Group's international operations, but also to diversity. This applies in particular to age, nationality, gender and other personal characteristics. The Supervisory Board also decides on the system of remuneration for the Board of Management, reviews it regularly, and determines the individual remuneration of each member of the Board of Management.

The Supervisory Board has the task of reviewing the annual company financial statements, the annual consolidated financial statements and the management report of the Company and the Group, as well as the proposal for the appropriation of distributable profits. Following discussions with the external auditors and taking into consideration the audit reports of the external auditors and the results of the review by the Audit Committee, the Supervisory Board states whether, after the final results of its own review, any objections are to be raised. If that is not the case, the Supervisory Board approves the financial statements and the management report. Upon being approved, the annual company financial statements are adopted. The Supervisory Board reports to the Annual Shareholders' Meeting on the results of its own review and on the manner and scope of its supervision of the Board of Management during the previous financial year. The Report of the Supervisory Board for the year 2012 is available on [pages 18 ff](#) of this Annual Report and on the Internet at daimler.com/investor-relations/reports-and-key-figures/reports.

The Supervisory Board has given itself a set of rules of procedure, which regulate not only its duties and responsibilities and the personal requirements placed upon its members, but above all the convening and preparation of its meetings and the procedure of passing resolutions. The rules of procedure of the Supervisory Board can be seen on our website at daimler.com/dai/rop.

Meetings of the Supervisory Board are regularly prepared in separate discussions of the members representing the employees and of the members representing the shareholders with the members of the Board of Management. Each Supervisory Board meeting includes a so-called executive session for discussions of the Supervisory Board in the absence of the members of the Board of Management.

The Supervisory Board is to be composed so that its members together dispose of the knowledge, skills, and specialist experience required for the proper execution of their tasks. Proposals of candidates for election as members of the Supervisory Board representing the shareholders of Daimler AG, for which the Nomination Committee makes recommendations, take not only the requirements of applicable law, the Articles of Incorporation and the German Corporate Governance Code into consideration, but also a list of criteria of qualifications and experience. They include for example market knowledge in the regions important to Daimler, expertise in the management of technologies, and experience in certain management functions. An important condition for productive work in the Supervisory Board and for being able to properly supervise and advise the Board of Management is the members' personal individual diversity with regard to age, internationality, gender and other personal characteristics.

With regard to its own composition, the Supervisory Board has set the following goals, which, while considering the Group's specific situation, also consider the international activities of the Group, potential conflicts of interest, the number of independent Supervisory Board members, an age limit to be set, and diversity, and allow for the appropriate participation of women:

- With regard to ensuring sufficient internationality, for example by means of many years of international experience, a proportion of more than one third of non-German members, that is at least four, is deemed to be an appropriate target. With Dr. Paul Achleitner, Sari Baldauf, Petraea Heynike, Gerard Kleisterlee, Lloyd G. Trotter and Lynton R. Wilson, this target is currently exceeded. The Supervisory Board has no influence on the appointment of members representing the employees. Nonetheless, the proportion of Supervisory Board members with an international background is currently further increased due to a member representing the employees, Valter Sanches.
- In order to ensure the independent advice and supervision of the Board of Management by the Supervisory Board, the Supervisory Board has stipulated in its rules of procedure that more than half of the members of the Supervisory Board representing the shareholders are to be independent as defined by the German Corporate Governance Code and that no person may be a member of the Supervisory Board who is a member of a board of, or advises, a significant competitor of Daimler AG or its subsidiaries. At present, all members of the Supervisory Board are to be regarded as independent. No member of the Supervisory Board is a member of a board of, or advises, a significant competitor.
- At least half of the members of the Supervisory Board representing the shareholders should have
 - neither an advisory nor a board function for a customer, supplier, creditor or other third party; nor
 - a business or personal relationship to the company or its boards whose specific details could cause the occurrence of a conflict of interests.

No potential conflict of interests currently exists for any member of the Supervisory Board.

- The rules of procedure of the Supervisory Board specify that candidates for election as representatives of the shareholders who are to hold the position for a full period of office should generally not be over the age of 68 at the time of the election. None of the members of the Supervisory Board currently in office who was proposed and elected for a full period of office exceeded this general age limit at the time of his or her election.
- With regard to the appropriate consideration of women, the Supervisory Board is guided by the Company's target of gradually increasing the proportion of women in executive positions to 20% by the year 2020. As of December 31, 2012, two of the members of the Supervisory Board are women: Sari Baldauf and Petraea Heynike. The proportion of women representing the shareholders has therefore already reached 20%, and will increase to 30% with Andrea Jung if the election proposal to be made by the Supervisory Board to the 2013 Annual Shareholders' Meeting is accepted.

The Chairman of the Supervisory Board, Dr. Manfred Bischoff, is a former member of the Board of Management. After stepping down from the Board of Management in December 2003, he was first elected to the Supervisory Board after a cooling-off period of more than two years in April 2006, and was first elected as the Chairman of the Supervisory Board after a cooling-off period of more than three years in April 2007. No member of the Supervisory Board is a member of the board of management of a listed company or has a board or advisory function for a significant competitor. The members of the Supervisory Board attend in their own responsibility such courses of training and further training as might be necessary for the performance of their tasks and are supported by the Company in doing so. Daimler AG offers courses of further training to the members of its Supervisory Board as required. Possible contents of such courses include subjects of technological and economic developments, accounting and financial reporting, internal control and risk management systems, compliance, new legislation and board of management remuneration.

Composition and mode of operation of the committees of the Supervisory Board. The Supervisory Board has formed four committees, which perform to the extent legally permissible the tasks assigned to them in the name of and on behalf of the entire Supervisory Board: the Presidential Committee, the Nomination Committee, the Audit Committee and the Mediation Committee. The committee chairpersons report to the entire Supervisory Board on the committees' work at the latest in the meeting of the Supervisory Board following each committee meeting. The Supervisory Board has issued rules of procedure for each of its committees. These rules of procedure can be seen on our website at daimler.com/dai/rop, as well as information on the current composition of these committees daimler.com/dai/sbc, which is also available on [page 25](#) of this Annual Report.

Presidential Committee. The Presidential Committee is composed of the Chairman of the Supervisory Board, his Deputy and two other members, who are elected by a majority of the votes cast on the relevant resolution of the Supervisory Board.

The Presidential Committee makes recommendations to the Supervisory Board on the appointment of members of the Board of Management and is responsible for their contractual affairs. It submits proposals to the Supervisory Board on the design of the remuneration system for the Board of Management and on the appropriate individual remuneration of its members, reports to the Supervisory Board regularly and without delay on consents it has issued, and once a year submits to the Supervisory Board for its approval a complete list of the sideline activities of each member of the Board of Management.

In addition, the Presidential Committee decides on questions of corporate governance, on which it also makes recommendations to the Supervisory Board. It supports and advises the Chairman of the Supervisory Board and his Deputy, and prepares the meetings of the Supervisory Board.

Nomination Committee. The Nomination Committee is composed of at least three members, who are elected by a majority of the votes cast by the members of the Supervisory Board representing the shareholders. It is the only Supervisory Board Committee comprised solely of members representing the shareholders. It makes recommendations to the Supervisory Board concerning persons to be proposed for election as members of the Supervisory Board representing the shareholders at the Annual Shareholders' Meeting. In doing so, the Nomination Committee takes into consideration the requirements of the German Corporate Governance Code and the rules of procedure of the Supervisory Board, as well as the specific goals that the Supervisory Board has set for its own composition. Furthermore, it defines the requirements for each specific position to be occupied.

Audit Committee. The Audit Committee is composed of four members, who are elected by a majority of the votes cast on the relevant resolution of the Supervisory Board. The Chairman of the Supervisory Board is not simultaneously the Chairman of the Audit Committee.

Both the Chairman of the Audit Committee, Dr. h. c. Bernhard Walter, and Dr. Clemens Börsig have expertise in the field of financial reporting, as well as special knowledge and experience in the application of accounting principles and internal methods of control.

The Audit Committee deals with the supervision of the accounting process, risk management, the effectiveness of the internal control system and of the internal auditing system, the annual external audit and compliance. At least once a year, it discusses with the Board of Management and the external auditors the effectiveness, functionality and appropriateness of the internal monitoring systems and the risk management system. Also at least once a year, it discusses with the Board of Management the effectiveness and appropriateness of the internal auditing system and compliance management. Furthermore, it regularly receives reports on the work of the Internal Auditing department and the compliance organization. At least four times a year, the Audit Committee receives a report from the Business Practices Office, which has been established to deal with complaints and information about any breaches of guidelines, criminal offences or dubious accounting, financial reporting or auditing. It regularly receives information about dealing with these complaints and information.

The Audit Committee discusses with the Board of Management the interim reports on the first quarter, first half and first nine months of the year before they are published. On the basis of the report of the external auditors, the Audit Committee reviews the annual company financial statements and the annual consolidated financial statements, as well as the management report of the Company and the Group, and discusses them with the external auditors. The responsible auditor at KPMG AG Wirtschaftsprüfungsgesellschaft, the company of auditors commissioned to carry out the external audit, is Mr. Mathieu Meyer. It makes a proposal to the Supervisory Board on the adoption of the annual company financial statements of Daimler AG, on the approval of the annual consolidated financial statements and on the appropriation of profits. The Committee also makes recommendations for the proposal on the election of external auditors, assesses those auditors' suitability and independence, and, after the external auditors are elected by the Annual Meeting, it commissions them to conduct the annual audit of the company and consolidated financial statements and to review the interim reports, negotiates an audit fee, and determines the focus of the annual audit. The external auditors report to the Audit Committee on all accounting matters that might be regarded as critical and on any material weaknesses of the internal monitoring and risk management system with regard to accounting.

Finally, the Audit Committee approves services that are not directly related to the annual audit provided by the firm of external auditors or its affiliates to Daimler AG or to companies of the Daimler Group.

Mediation Committee. The Mediation Committee is composed of the Chairman of the Supervisory Board and his Deputy, as well as one member of the Supervisory Board representing the employees and one member of the Supervisory Board representing the shareholders, each elected with a majority of the votes cast. It is formed solely to perform the functions laid down in Section 31 Subsection 3 of the German Codetermination Act (MitbestG). Accordingly, the Mediation Committee has the task of making proposals on the appointment of members of the Board of Management if in the first vote the majority required for the appointment of a Board of Management member of two thirds of the members of the Supervisory Board is not achieved.

Shareholders and Annual Shareholders' Meeting

The Company's shareholders exercise their membership rights, in particular their voting rights, at the Shareholders' Meeting. Each share in Daimler AG entitles its owner to one vote. There are no multiple voting rights, preferred stock, or maximum voting rights. Documents and information relating to the Shareholders' Meeting can be found on our website at daimler.com/ir/am.

The Annual Shareholders' Meeting is generally held within four months of the end of a financial year. The Company facilitates the personal exercise of the shareholders' rights and proxy voting among other things by appointing proxies who are strictly bound by the shareholders' voting instructions. Absentee voting is also possible. It is possible to authorize the Daimler-appointed proxies and give them voting instructions or to cast absentee votes by using the so-called e-service for shareholders.

Among other matters, the Annual Shareholders' Meeting decides on the appropriation of distributable profits, the ratification of the actions of the members of the Board of Management and the Supervisory Board, the election of the external auditors, the election of the members of the Supervisory Board representing the shareholders and the remuneration of the Supervisory Board. The Annual Meeting also makes other decisions, especially on amendments to the Articles of Incorporation, capital measures, and the approval of certain intercompany agreements. Shareholders can submit counter motions on resolutions proposed by the Board of Management and the Supervisory Board and can challenge resolutions passed by the Shareholders' Meeting in a court of law.

The influence of the Shareholders' Meeting on the management of the Company is limited by law, however. The Shareholders' Meeting can only make management decisions if it is requested to do so by the Board of Management.

Deviating from the suggestions in Clause 2.3.4 of the German Corporate Governance Code, the Annual Shareholders' Meeting is not transmitted in its entirety on the Internet, but only until the end of the report by the Board of Management.

We maintain close contacts with our shareholders in the context of comprehensive investor relations and public relations. We regularly and comprehensively inform our shareholders, financial analysts, shareholder associations, the media and the interested public about the situation of the Group, and inform them without delay about any significant changes in its business.

In addition to other methods of communication, we also make intensive use of the Company's website. All of the important information disclosed in 2012, including annual and interim reports, press releases, voting rights notifications from major shareholders, presentations and audio recordings of analyst and investor events and conference calls, and the financial calendar, can be found at daimler.com/investors. All the dates of important disclosures such as annual reports and interim reports and the date of the Annual Shareholders' Meeting are announced in advance in the financial calendar. The financial calendar can also be seen inside the rear cover of this annual report. Information is published in English as well as in German.

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

At December 31, 2012, the members of the Board of Management held a total of 0.45 million shares or options of Daimler AG (0.042% of the shares issued). At the same date, members of the Supervisory Board held a total of 0.05 million shares or options of Daimler AG (0.004% of the shares issued).

In 2012, members of the Board of Management and the Supervisory Board and, pursuant to the provisions of Section 15a of the German Securities Trading Act (WpHG), persons in a close relationship with the aforementioned persons, conducted transactions with shares of Daimler AG or related financial instruments as listed in the table below. [➔ 6.03](#) Daimler AG discloses these transactions without delay after receiving notification of them. Current information is available on our website at daimler.com/dai/dd/en.

Risk management and financial reporting

Risk management at the Group. Daimler has a risk management system commensurate with its size and position as a company with global operations. [see pages 125 ff](#) The risk management system is one component of the overall planning, controlling and reporting process. Its goal is to enable the Company's management to recognize significant risks at an early stage and to initiate appropriate countermeasures in a timely manner. The Supervisory Board deals with the risk management system in particular with regard to the approval of the operational planning. The Audit Committee discusses at least once a year the effectiveness, functionality and appropriateness of the risk management system with the Board of Management and the external auditors. In addition, the Audit Committee deals with the risk report once each quarter. The Chairman of the Supervisory Board has regular contacts with the Board of Management to discuss not only the Group's strategy and business development, but also the issue of risk management. The Corporate Audit department monitors adherence to the legal framework and Group standards by means of targeted audits and initiates appropriate actions as required.

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

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

Corporate governance statement

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

6.03

Directors' dealings (pursuant to Section 15a of the German Securities Trading Act (WpHG)) in the year 2012

Date	Name	Function	Type and place of transaction	Number	Price	Total volume
12/12/2012	Prof. Dr. Heinrich Flegel	Member of the Supervisory Board	Sale of new shares, Frankfurt	8,000	€39.78	€318,240
12/12/2012	Prof. Dr. Heinrich Flegel	Member of the Supervisory Board	Acquisition of shares through exercise of options (over the counter)	8,000	€34.40	€275,200
07/30/2012	Andreas Renschler	Member of the Board of Management	Acquisition of shares, Frankfurt	3,970	€39.54	€156,974
7/26/2012	Andreas Renschler	Member of the Board of Management	Sale of new shares, Frankfurt	37,000	€37.25	€1,378,250
7/26/2012	Andreas Renschler	Member of the Board of Management	Acquisition of shares through exercise of options (over the counter)	37,000	€34.40	€1,272,800
7/30/2012	Prof. Dr. Thomas Weber	Member of the Board of Management	Acquisition of shares, Frankfurt	12,290	€39.55	€486,070
7/26/2012	Prof. Dr. Thomas Weber	Member of the Board of Management	Sale of new shares, Frankfurt	115,000	€37.25	€4,283,750
7/26/2012	Prof. Dr. Thomas Weber	Member of the Board of Management	Acquisition of shares through exercise of options (over the counter)	115,000	€34.40	€3,956,000
7/26/2012	Dr. Dieter Zetsche	Chairman of the Board of Management	Acquisition of shares, Frankfurt	13,000	€37.91	€492,830
7/26/2012	Dr. Dieter Zetsche	Chairman of the Board of Management	Sale of new shares, Frankfurt	250,000	€37.25	€9,312,500
7/26/2012	Dr. Dieter Zetsche	Chairman of the Board of Management	Acquisition of shares through exercise of options (over the counter)	250,000	€34.40	€8,600,000