

Integrity and Compliance.

A culture of integrity

Integrity is one of our four corporate values, which form the foundations for our business activities. We are convinced that doing business ethically brings us sustained success, and is also good for society as a whole. As a group of companies with global operations, we accept responsibility and want to be a pioneer in terms of ethical business conduct. Integrity is a permanent component of our corporate culture. The further development and permanent establishment of integrity is therefore also a component of the target agreements for Board of Management remuneration. Our business activities are also strongly guided by the ten principles of the UN Global Compact, of which Daimler is a founding member. We are also a member of the Global Compact LEAD Group.

We employ a broad range of measures that enable us to conduct a dialogue with our employees in order to foster a culture of integrity at the company. The regular exchange of opinions on questions of integrity brought about by this dialogue is an integral component of our everyday working life.

The most important result of our dialogue is our Integrity Code. The Code, which is based on a shared understanding of values that is derived from our dialogue with employees, lays out the principles for our everyday business conduct. Such principles include fairness, responsibility, mutual respect, transparency, openness, legal compliance and the honoring of rights. The Code is valid throughout the Group and is available in 22 languages. An intranet guide has been prepared for the application of the Code in everyday situations, providing answers to the most frequently asked questions. A team of experts is also available to answer questions on all aspects of the Code.

Training and communication. In September 2014, we introduced an online game known as “Monster Mission.” The game increases employee awareness of the principles contained in the Integrity Code by simulating typical everyday decision-making situations, and leads players to examine specific integrity-related issues. Employees from all over the globe can access the game anytime via the intranet and the extranet. The Integrity Code also forms the basis for the range of training courses we offer on integrity and compliance. Depending on the risk and the target group, we use classroom training or web-based training sessions. In this way we are helping to permanently anchor ethical and compliant behavior at the Group.

In 2013, we rolled out a new course of web-based training for more than 100,000 employees that clearly communicates our principles of behavior and our shared understanding of values. Just under 40,000 additional employees from various levels of the hierarchy completed a comprehensive web-based training program on integrity, compliance and legal issues in 2014.

Managers as a role model. Our Integrity Code also defines the expectations that Daimler has of its managers. Due to their role of setting an example, they have a special responsibility for the culture of integrity at Daimler. All manager-training seminars also include modules that address the topic of integrity. In addition, integrity and compliance are important criteria in the annual target agreements and in assessing the target achievement of our managers.

External perspective through the Advisory Board. The Advisory Board for Integrity and Corporate Responsibility that we established in September 2012 with external experts from various fields accompanies the integrity process at Daimler with a constructively critical approach. In 2014, the Board once again met three times to exchange information and opinions on current topics with representatives of the Company.

An expert dialogue that extends beyond Daimler. In 2014, we held two specialist conferences in order to promote a dialogue with society on key issues related to integrity. First, various stakeholder groups attended the “Automobile on the Data Highway” conference organized by the Corporate Data Protection department. At the conference, guests from the worlds of business and industry, science, politics and public administration, as well as representatives of various media companies and associations, discussed the various aspects of data protection with speakers and other representatives from Daimler. The participants all agreed that this dialogue should be continued. At the “Responsible Sponsorship” conference, experts from business and industry, the political realm, the scientific community and the world of sports spoke with specialists from Daimler about integrity in sponsorship.

Many of the participants at these conferences asked us about our experience with issues related to compliance. For this reason, we decided to offer a practical seminar on compliance – the Daimler Compliance Academy. The first seminar took place in April 2014 in Germany.

Whereas previous external training programs were designed solely for business partners and suppliers, the Academy marks the first time we've offered a seminar for compliance officers from companies active in all different sectors. The seminar also seeks to create a platform for exchanging experiences related to compliance trends and challenges.

Compliance

Compliance is an essential element of integrity culture at Daimler. For us, it is only natural that we adhere to all relevant legislation, voluntary commitments and internal rules, and that we act in accordance with ethical principles. We place the utmost priority on complying with all applicable anti-corruption regulations and on maintaining and promoting fair competition. We have set this out in binding form in our Integrity Code, and we intend to permanently establish integrity and compliance as fixed components of our value chain.

Compliance management system (CMS) as a foundation.

Our CMS is based on national and international standards and helps us to ensure that we conduct ourselves in conformance with applicable laws and regulations in our day-to-day business. We continually review the effectiveness of the system (through our internal audits as well), and we adjust it to worldwide developments, changed risks and new legal requirements. In this way, we continuously improve its efficiency and effectiveness. In 2014, for example, we developed new processes for examining and complying with international sanctions and we also expanded measures for preventing money laundering in goods trading and the inadvertent financing of terrorist organizations.

Analysis of compliance risks. In 2014, we once again assessed the compliance risks of all our business units. Both qualitative and quantitative indicators were assessed, including the respective business model, business environment and type of contracting-party relationship. The results of this analysis are the basis for risk management. Together with the business units, we define measures to be taken to minimize risks. One focus of our activities is on sales companies in high-risk countries. The responsibility for implementing and monitoring these measures lies within the management of each business unit, which cooperates closely with the Group Compliance department.

Strengthening our worldwide structures. Our Compliance Organization is structured along the lines of our divisions. This structure has proved its worth and enables us to offer effective support and advice to the divisions. Among other things, the organization consists of divisional and regional compliance officers. In addition, local compliance managers throughout the world make sure that our standards are observed. In order to guarantee the divisional and regional compliance officers' independence from the divisions, the officers report directly to the Chief Compliance Officer. The latter reports directly to the Member of the Board of Management for Integrity and Legal Affairs and to the Chairman of the Supervisory Board.

We offer specific training courses to ensure compliance staff members remain up to date on the repeated changes made to laws and regulations. All new compliance employees also receive comprehensive orientation through a practical compliance seminar.

Whistleblower system. Our whistleblower system BPO (Business Practices Office) serves as a valuable source of information on possible risks and specific violations of rules. It's therefore an important instrument for good corporate governance, and it also helps prevent damage to our Company's reputation.

Our whistleblower system receives information on misconduct from employees and from external parties worldwide, around the clock, through various reporting channels and – if allowed by local law – also anonymously. The prerequisites for the acceptance of a whistleblower system are that it is organized in a fair manner, that it follows the principle of proportionality, and that the whistleblowers and the other parties involved are equally protected. We laid down these criteria in a corporate policy with worldwide validity in 2013. Since February 1, 2012, we have also commissioned an independent lawyer as a neutral intermediary in Germany. This intermediary also accepts information on violations of rules and, due to his or her professional duty of discretion, is obliged to maintain confidentiality.

Cooperation with our business partners. We regard our business partners' integrity and behavior in conformance with regulations as an indispensable precondition for trusting cooperation. In the selection of our direct business partners, we ensure that they comply with the law and observe ethical principles. We offer our business partners target group-focused training programs in line with the specific risks they face. In addition, we have clearly formulated the expectations we have of our business partners in the brochure "Ethical Business. Our Shared Responsibility." We reserve the right to terminate our cooperation with business partners who fail to conform to our standards.

Antitrust law

Our Group-wide antitrust-compliance program, which is oriented towards national and international standards, helps us to ensure adherence to antitrust laws in our business operations. By assessing qualitative and quantitative factors, we systematically analyze the antitrust risks of all our business units. The results of this analysis form the basis for our risk management and for the definition of the measures to be taken to counteract any risks related to antitrust law. We help our employees to recognize situations that might be critical from an antitrust perspective and to act in compliance with regulations in their daily work by means of training courses as well as written advice and practical examples. Our employees also have access at all times to an advisory hotline especially established by the Legal department for questions on antitrust and cartel matters. Our antitrust-compliance program defines a binding Daimler standard on how matters of competition law are to be assessed internally. In this context, we focus in particular on the strict standards of the European antitrust authorities and courts. Our standard is the basis for effective implementation of the program and allows us, guided and supported by our Legal department, to ensure a uniform level of compliance and advice throughout the Group. We regularly review our antitrust compliance program in order to continually adapt it to worldwide developments, new legal requirements and changing risks, and to constantly improve its effectiveness.