

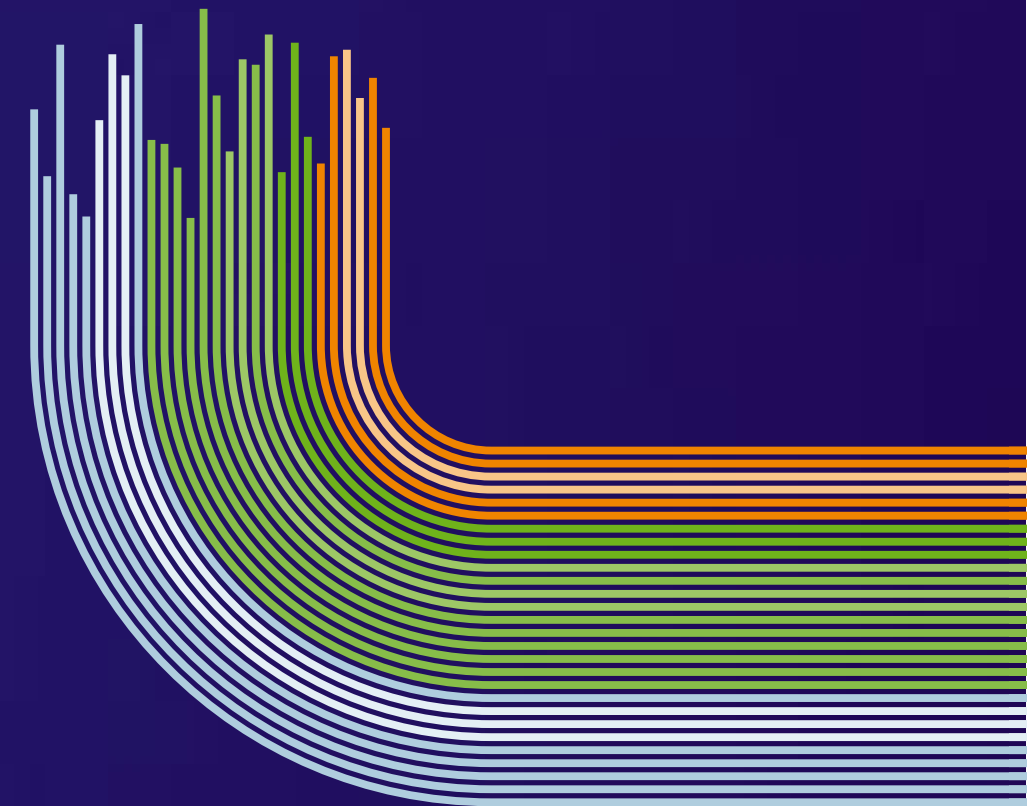
DAIMLERCHRYSLER

360



360 DEGREES • SUSTAINABILITY 2006

F A C T S





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Editorial



Dear readers,

This is the premiere of this report. It is the first time DaimlerChrysler has published an integrated sustainability report. In creating it, we combined two corporate publications, each with a long tradition: our Environmental Report and our Social Responsibility Report. We decided to launch this new publication because we realized that the economic, social and ecological issues affecting our company are closely related. All three are important dimensions that shape our thinking and actions. For us, sustainability calls for a holistic approach. In addition to pursuing long-term business success as a fundamental goal, we are committed to protecting the environment and meeting social needs within our company and in society in general. This Sustainability Report provides information about DaimlerChrysler’s activities within this triad of priorities.

We have given the report the subtitle “360 DEGREES” because it looks at our activities to promote sustainability around the globe. DaimlerChrysler operates worldwide and we take our global responsibility seriously. The Sustainability Report also takes a sweeping, wide-angle look at the various relationships a company of our scope maintains with individuals, organizations and business partners. At DaimlerChrysler, these include our shareholders, whose trust in our company we want to repay; our customers, whose loyalty to us often spans decades; and, last but not least, the 368.000 men and women who presently work for us worldwide. Without their motivation, creativity and daily commitment to outstanding performance, we would not be able to maintain our leading position in the automotive industry in the long term.

Our commitment to the three key areas I have cited is not always in perfect harmony. Our efforts to balance business success, social responsibility and environmental protection sometimes require us to make difficult trade-offs – for example, when we need to downsize our workforce in order to maintain our long-term competitiveness. In these situations we believe we must do our utmost to come up with fair solutions. The values we uphold every day at DaimlerChrysler – including integrity and mutual respect – play an important role in guiding such difficult decisions. Because we are making good progress on all three sustainability fronts, we have confidence in our future.

First, let us consider the economic dimension and our business results. On the strength of new products, and thanks to our efficiency-boosting programs and the New Management Model, we have set the course for further improving our competitiveness in the years ahead. After all, our approach to sustainability also calls for creating and preserving tangible value in the long term. A key strategic area here is research and development, in which we will invest €15.5 billion over the next three years. Another pillar of our plan to safeguard the future involves training programs for young people. DaimlerChrysler spent more than €240 million on training and professional development programs last year alone in Germany. In fact, we are training about 40 percent of the German automotive industry’s trainees. This shows the importance we put on helping young people become trained and qualified as they embark on their careers.

Our environmental initiatives, the second part of the triad, are also aimed at future generations. We believe climate protection is one of the greatest challenges automakers face today, and our goal is to continue to improve our vehicles and production processes in order to further reduce pollutant emissions. Here are four examples:

- In the passenger car segment, we will launch the E-Class with our BLUETEC technology – the world’s cleanest diesel engine – in the U.S. market in September. And in the commercial vehicle segment, we have sold more than 22,000 trucks with BLUETEC clean diesel technology to our customers.
- For two years now, we have been offering our customers buses with hybrid drive systems, and we are the undisputed market leader in this area. Several hundred of these vehicles are now in daily service in major cities, including New York, Toronto and San Francisco. And thanks to hybrid technology, we are now also offering the FUSO Eco Canter Hybrid – the world’s cleanest and most fuel-efficient light-duty truck.
- We have put more fuel cell-powered vehicles on the road than any other producer of passenger cars and commercial vehicles.
- As part of a voluntary program, we have committed ourselves to reducing the specific carbon dioxide emissions of our production plants in the United States by ten percent over the period from 2002 to 2012.

The third pillar of our approach – our social commitment – is our way of living up to our responsibility as a good corporate citizen.

As a world citizen we feel obliged to help solve social problems in the regions in which we live and work. One example is the material and financial assistance we provided last year to areas in need around the world, from Afghanistan to New Orleans. Another instance is the work we are doing to limit the HIV/AIDS pandemic in South Africa, where we have been continually building on our initiatives over the years. There are clearly many areas where these three goals – business success, environmental protection and social responsibility – are interconnected. That is why I’m delighted to present this report, which puts our many initiatives in these areas into context. For us, sustainability is not an abstract concept but a key factor that shapes our daily work. It involves an intense dialogue on our values and on the decisions we continually face as we strive to live up to them. I would like to invite you, our readers, to join us in this dialogue. We look forward to your feedback and your support as we face the challenges of the future together.

Yours sincerely,

Dieter Zetsche


Chairman of DaimlerChrysler AG and Head of the Mercedes Car Group


Global Group and Global Citizen

DaimlerChrysler is one of the world’s leading automakers. Our Group’s commercial success is founded on people’s trust in all the countries where it operates. That’s why our vision is one of sustainable development – worldwide.


Mercedes Car Group

MAYBACH






Mercedes-Benz




Chrysler Group




DOODGE


CHRYSLER




Jeep




Truck Group, Buses & Vans




Mercedes-Benz




FREIGHTLINER




FUSO




STERLING TRUCKS




WESTERN STAR TRUCKS



THOMAS



SETRA



ORION

DaimlerChrysler Financial Services

DaimlerChrysler Bank

DaimlerChrysler Finance

Mercedes-Benz Financial

DaimlerChrysler Truck Financial

Global Group and Global Citizen

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Additional information (indicated by the www symbol and an index number) is available online at:

www.daimlerchrysler.com/sustainability

1.0 Our Group

DaimlerChrysler AG was created in November 1998 through the merger of Daimler-Benz AG and Chrysler Corporation. The Group can look back on a tradition that stretches back over more than a hundred years and is marked by the pioneering achievements of both predecessor companies. Today, DaimlerChrysler is a leading supplier of superior passenger cars, SUVs, sports tourers, minivans and pickups, as well as the world’s largest manufacturer of commercial vehicles. In addition, DaimlerChrysler holds a an interest in the European Aero-nautic Defence and Space Company (EADS), one of the world’s leading companies in the aerospace and defense technology sector.

With its strong brands and a comprehensive portfolio of automobiles ranging from small cars to heavy-duty trucks, supplemented by customized financial services along the entire automotive value chain, DaimlerChrysler is active in nearly all countries of the world. DaimlerChrysler operates production plants in a total of 20 countries. The worldwide networking of research and development activities and of its production and sales locations gives the Group considerable efficiency potential and thus advantages in a competitive global environment.

Of DaimlerChrysler’s total revenues of €149.8 billion in 2005, 31 percent was generated by the Mercedes Car Group, 33 percent by the Chrysler Group, 26 percent by Commercial Vehicles, 9 percent by Financial Services and 1 percent by the Other Activities segment. At the end of 2005, DaimlerChrysler employed more than 382,700 men and women all over the world.

2.0 Our products

The products supplied by the **Mercedes Car Group** range from the high-quality small cars of the smart brand to the premium vehicles of the brands Mercedes-Benz, Mercedes-Benz AMG and Mercedes-Benz McLaren, as well as the Maybach luxury sedans. Most of the vehicles are produced in Germany, but the division also has production facilities in the USA, France, South Africa, Brazil, India, Malaysia, Thailand, Vietnam, and Indonesia. Future production facilities will also include China. The Group’s most important markets in 2005 were Germany with 29 percent of unit sales, the other markets of Western Europe (35 percent), the United States (19 percent) and Japan (4 percent).

Corporate Facts	
<p>Company Ownership: DaimlerChrysler is owned by investors based in Europe, the USA and other countries all over the world. Approximately one billion shares are currently in circulation (status: December 31, 2005).</p> <p>Global Stock: DaimlerChrysler resolved in June 2006 to concentrate in future on the stock exchanges in Frankfurt, New York and Stuttgart.</p> <p>Chairman: Dr. Dieter Zetsche</p> <p>Board of Management: Consists of nine members, including the Chairman and the heads of the operating and functional divisions.</p> <p>Supervisory Board: Consists of ten shareholders' representatives and ten employees' representatives. The Supervisory Board appoints the Board of Management and approves important corporate decisions.</p>	<p>Market Capitalization: About €43.5 billion (as of December 30, 2005)</p> <p>Total Revenues: Business year 2005: € 149.8 billion</p> <p>Investments: In the planning period of 2006 through 2008, DaimlerChrysler will invest about €19 billion in property, plant and equipment, and €15.5 billion in research and development.</p> <p>Automotive Sales: Business year 2005: 4,029,800 passenger cars, 824,900 commercial vehicles</p> <p>Employees: 382,724 at the end of 2005</p> <p>Sales Organization: With its strong brands and comprehensive portfolio of automobiles, DaimlerChrysler is active in nearly all regions of the world.</p>

The **Chrysler Group** develops, produces and distributes passenger cars, sports tourers, minivans, sport-utility vehicles and light trucks under the Chrysler, Jeep® and Dodge brands. In addition, the Chrysler Group manufactures and markets spare parts and accessories for the MOPAR brand. Most of its production facilities are in the United States, Canada and Mexico. In 2005, 82 percent of its vehicles were sold in the United States, 8 percent in Canada and 4 percent in Mexico. 6 percent of its vehicles were exported to markets outside the NAFTA region.

Within a worldwide network, DaimlerChrysler’s **Commercial Vehicles** division develops and produces vehicles under the brands Mercedes-Benz, Freightliner, Sterling, Western Star, FUSO, Setra, Thomas Built Buses and Orion. The product range covers small vans, medium and heavy-duty trucks for local and long-distance deliveries and for construction sites, as well as tourist, urban and overland buses. It also supplies vehicles for special applications and the Unimog multi-function vehicle. The division’s most important sales markets are the United States, with 22 percent of unit sales in 2005, Germany (13 percent), the other markets of Western Europe (20 percent), Asia (22 percent), and South America (7 percent).

The **Financial Services** division supports the unit sales of the DaimlerChrysler Group’s automotive brands in 39 countries. Its product portfolio mainly comprises tailored financing and leasing packages for dealers and customers, but it also provides services such as insurance and fleet management. The focus of Financial Services’ activities is in North America and Western Europe. In Germany, in addition to automotive financial services, the division’s product portfolio also includes investment products and credit-card services. DaimlerChrysler Financial Services also holds a 45 percent interest in the Toll Collect consortium, which on January 1, 2005 launched an electronic toll system for trucks over 12 metric tons on autobahns in Germany.

The **Other Activities** segment primarily comprises our shareholding in the European Aeronautic Defence and Space Company (EADS).

3.0 Our strategy

DaimlerChrysler’s strategy has the goal of increasing corporate value through profitable growth. We intend to assume a leading role in the worldwide automotive industry. With regard to the quality of our products and services, the positioning of our brands and our profitability, we are striving to achieve a top position in international competition.

Our strategy is therefore based on the following strategic dimensions and our fundamental values:



Figure 1

Superior Products & Customer Experience: We aim to supply top-quality products supported by excellent services that our customers perceive as being superior to the competition. Some examples are fascinating vehicles such as the new S-Class, the R-Class and the B-Class from Mercedes-Benz, the Chrysler 300C, the Dodge Charger, the Actros heavy-duty truck, the Sprinter and the Citaro city bus. Our customers’ response to these vehicles and the numerous national and international awards they have won demonstrate their exceptional position.

Leading Brands: We strive to establish clearly positioned brands with excellent reputations, which complement each other to form a tremendous product portfolio. Consistent brand management ensures that the identity of the individual brands is protected while economies of scale are utilized.

Innovation & Technology Leadership: We aim to secure the mobility of tomorrow and set ourselves apart from the competition through innovation and technology leadership. Our highly qualified research and development engineers create the technological basis for innovations that set new trends and offer customers added value. Our innovation leadership is demonstrated by pioneering developments in safety such as PRE-SAFE® preventive occupant protection and DISTRONIC PLUS proximity and cruise control from Mercedes-Benz,

BLUETEC diesel technology and Active Brake Assist for commercial vehicles, and the innovative Stow’n Go™ seating and storage system offered by the Chrysler Group’s minivans. Most of these innovations benefit not just one of the Group’s brands, but create competitive advantages in worldwide competition for all of our vehicles.

Global Presence & Network: We are a strong, globally active automobile manufacturer with networked operations. This enables us also to participate in the dynamic growth of the emerging markets outside North America, Western Europe and Japan and to offer our customers products for the transport of persons and goods. We intend to achieve a sustained improvement in our cost position as a result of rising unit sales and our worldwide network of production plants and research and development facilities, in order to provide mobility for all on a competitive basis.

Prerequisites for the achievement of these strategic goals are:

Operational Excellence: We intend to attain a leading position in international competition with regard to operational excellence. We are therefore creating clear structures, lean processes and short paths in all areas of the company and at all stages of the value chain, and are making full use of the possibilities offered by standardization and modularization.

High-Performing, Inspired People: The creativity, motivation and commitment of our workforce is the foundation of our success.

We have defined four **fundamental values** which we live out at our company.

Enthusiasm – or “passion” – for our work and for our company. Whatever we do, we do it wholeheartedly.

Discipline. That means developing solutions in a focused manner, and consistently and rapidly implementing decisions once they have been made.

Respect. We can only be successful if we work as a team, recognize the efforts made by others and respect their opinions. Here, we are referring not only to our relationships with one another but also our relationships with suppliers and other partners – especially our customers.

Integrity – in other words honesty, fairness, and credibility in our dealings with one another. Our actions are oriented to high ethical standards, and we are committed to the principle of sustainability.

We are convinced that these values are the key to our company’s future success. They are the ground rules for internal and external cooperation throughout DaimlerChrysler.

4.0 Our responsibility for sustainable operations

At DaimlerChrysler, profitable growth and a sense of responsibility for society and the environment are two sides of the same coin. That’s why sustainability is an important guiding principle of our business operations – in the interests of our customers, employees, shareholders and society.

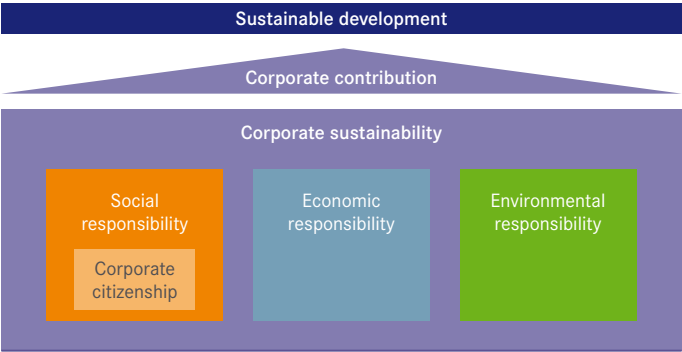
As a globally operating automaker, DaimlerChrysler bears a huge burden of responsibility. Several hundred thousand people are involved in manufacturing and marketing our products around the world. Our vehicles are on the road in almost every country in the world. They meet people’s need for mobility and provide a flexible means of freight transportation. By laying the foundation for individual mobility and independence, they play a significant role in modern societies.

On the other hand, the manufacture and use of our vehicles makes demands on our natural resources, and our business operations impact society in many ways. The increased networking of the global economy and people’s growing need for mobility are continuously changing our economic, ecological, social, and political environment. Striking the right balance between these conditions and DaimlerChrysler’s business success is a global challenge for the future.

A vision of sustainability. In order to safeguard our long-term success and the future of our company, while enhancing social acceptance for our operations, we have committed ourselves to a vision of sustainability. This vision encompasses three dimensions of responsibility:

- We bear responsibility for our Group’s business performance and long-term economic success.

Sustainability at DaimlerChrysler Figure 2



- We bear responsibility for the sparing use of our planet’s resources and for maintaining an intact environment – for present and future generations.
- And we bear responsibility for the people involved in or affected by our company’s business activities, and for society as a whole. Our company therefore strives to play a proactive role in shaping society.

5.0 Corporate governance structures:
DaimlerChrysler’s corporate bodies

Shareholders and the Annual Meeting. Shareholders exercise their rights and cast their votes at the Annual Meeting. Each DaimlerChrysler AG share carries one vote. Various important decisions can only be made by the Annual Meeting. For example, it resolves on the appropriation of net income, endorses the actions of the Board of Management and the Supervisory Board, and elects the annual auditors and the members of the Supervisory Board.

The Board of Management is responsible for setting the Group’s strategic focus and managing its business. It also represents the Group vis-à-vis third parties. The company’s business operations are run by the Board of Management, which has nine members (as of January 1, 2006), in accordance with the so-called principle of collegiality.

Under the German co-determination provisions, the DaimlerChrysler AG **Supervisory Board** has 20 members, half of whom are elected by the shareholders at the Annual Meeting. The other half are elected by the company’s employees in Germany. U.S. employees have also been voluntarily allotted one vote on the Supervisory Board by the German employee representatives.

Three committees have been established by the Supervisory Board. One of the key tasks of the Presidential Committee is to propose the nomination of Board of Management members. It also determines the compensation of Board of Management members and manages their contractual affairs. The Audit Committee deals with accounting and risk management issues. The Mediation Committee has the task of proposing Board of Management members if a previous proposal has failed to obtain the legally required majority.

→ Details on the corporate bodies can be found in the DaimlerChrysler AG 2006 Annual Report (page 104 ff) and in Figure 3.

6.0 The regulatory framework

6.1 Legal stipulations

DaimlerChrysler is a stock corporation with its domicile in Germany. The legal framework for corporate governance therefore derives from German law, particularly the Stock Corporation Act, the Codetermination Act and legislation concerning capital markets, as well as from the Memorandum and Articles of Incorporation of DaimlerChrysler AG.

As our shares are listed on the New York Stock Exchange (NYSE), we also have to adhere to those capital-market legislation and the listing requirements applicable at those stock exchanges. We are therefore in favor of the convergence of international stock-exchange regulations.

DaimlerChrysler is committed to the principles of good and responsible corporate governance. National and international investors rightly expect responsible, transparent corporate leadership and control on a long-term basis. We are oriented to these expectations and have established our Corporate Governance System on an international scale and in a transparent manner. A detailed description of our Corporate Governance Principles can be found on the Internet. [www 1](#)

6.2 The principles guiding our activities

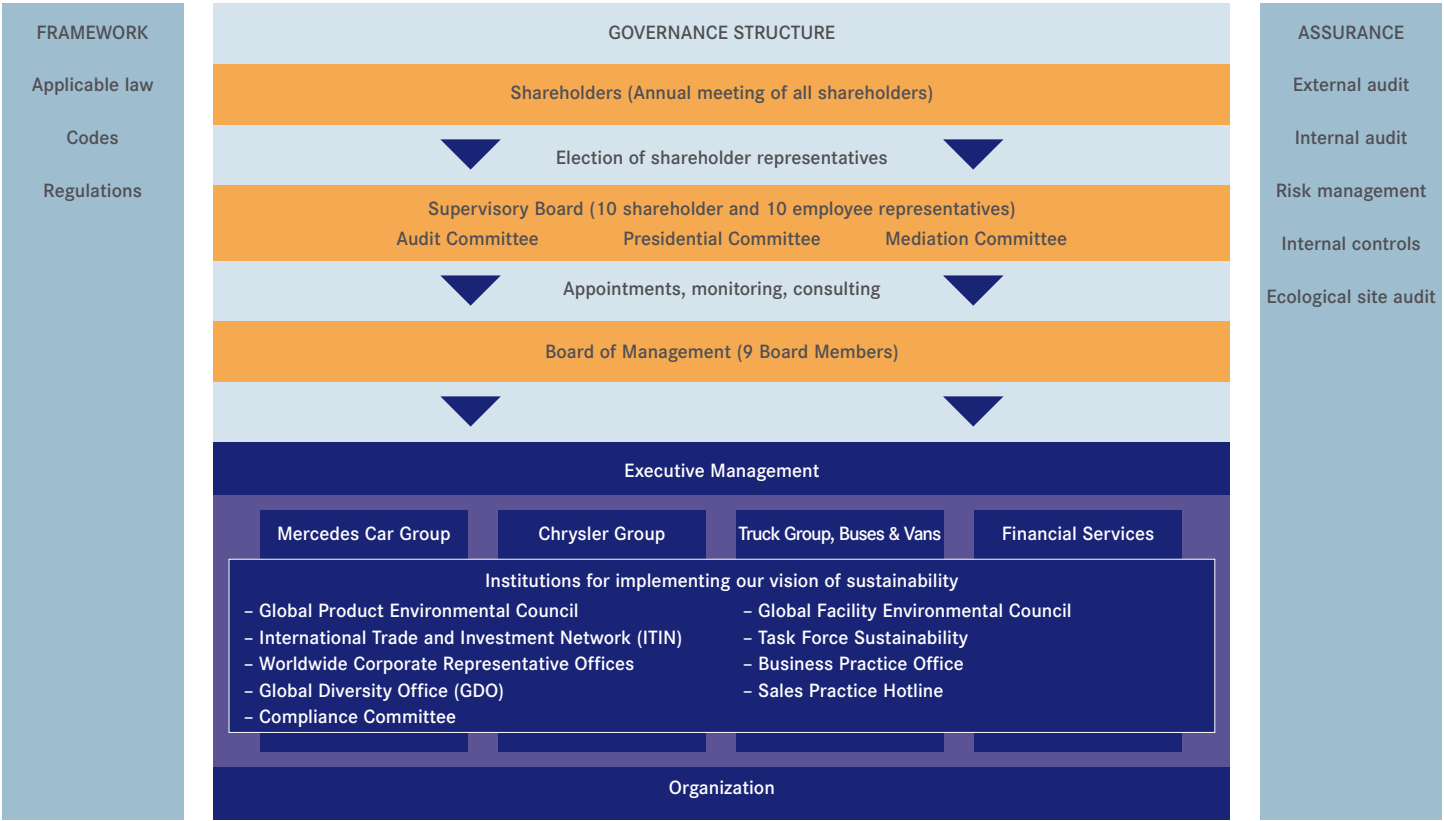
In order to meet the various external and internal demands associated with sustained business development, DaimlerChrysler has established an extensive system of principles, guidelines and regulations. This system of rules, which has been established over many years, offers employees guidance and enables us to effectively control and monitor our actions. The most important principles are listed below.

Integrity Code. The Integrity Code defines a binding framework for the actions of all our employees worldwide. Among other things, it covers rules of conduct in international business, handling conflicts of interest, equality issues, combating corruption, the role of internal monitoring systems, and the requirement to fulfill legal standards and other internal and external regulations.

Code of Ethics. The Code of Ethics, which was approved in July 2003, addresses Board of Management members and a large number of other managers who have a material influence on planning and reporting in the context of annual and quarterly financial statements. The provisions of the code aim to prevent incorrect behavior by the

Corporate governance at DaimlerChrysler

Figure 3



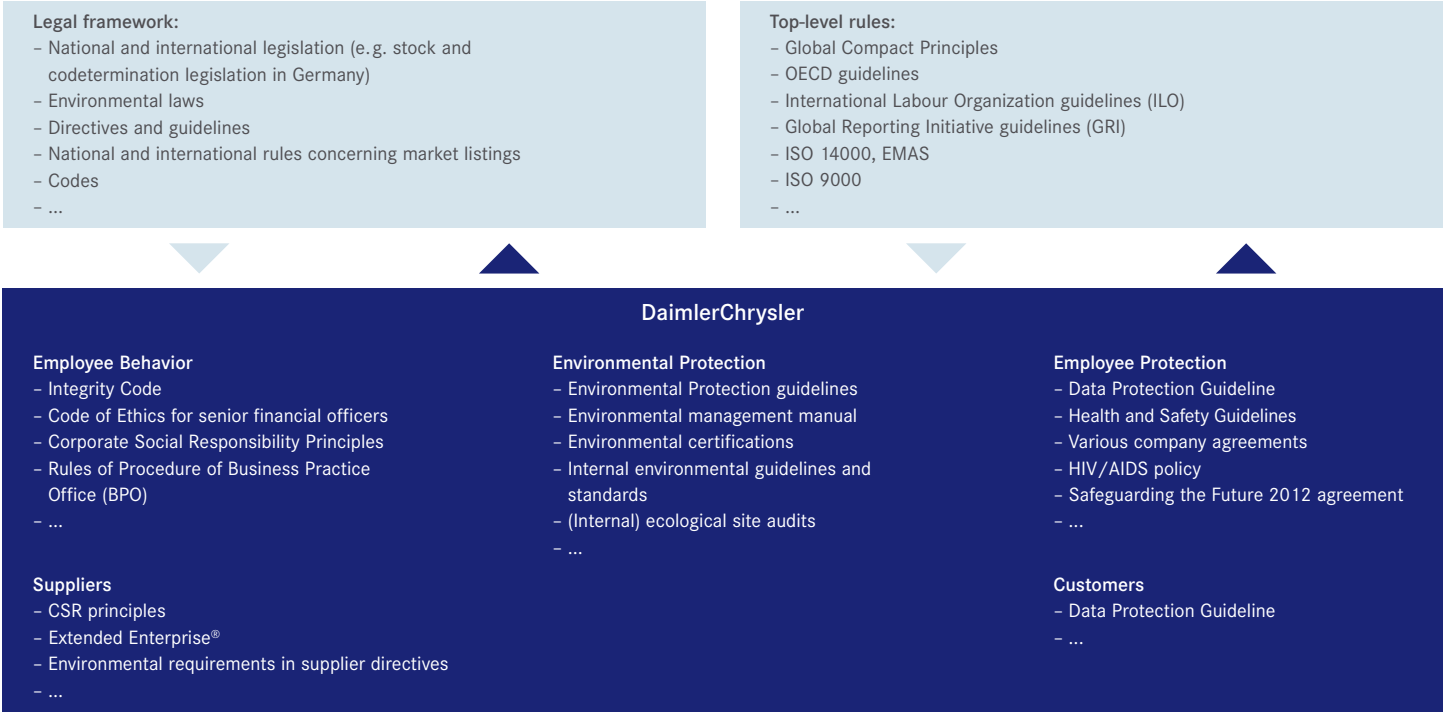
persons addressed and to promote not only ethical behavior but also complete, appropriate, accurate, timely and understandable reporting of corporate information. Details of the Code of Ethics can be found in the DaimlerChrysler 2006 Annual Report (page 106) and at [www 2](#)

US GAAP and HGB – accounting principles. The consolidated financial statements of the DaimlerChrysler Group are prepared in accordance with United States Generally Accepted Accounting Principles (US GAAP). The year-end financial statements of DaimlerChrysler AG, which is the parent company, are prepared in accordance with the accounting guidelines of the German Commercial Code (HGB). Both sets of financial statements are audited by an independent company of auditors. More information on this topic can be found in the DaimlerChrysler 2006 Annual Report (page 134 ff) and at [www 3](#)

All new facts that are communicated by DaimlerChrysler to financial analysts and institutional investors are simultaneously also made available to all shareholders and the interested public (fair disclosure). If any information is made public outside Germany as a result of the regulations governing capital markets in the respective countries, we also make this information available without delay in Germany in the original version, or at least in English. Further information on this topic can be found in the DaimlerChrysler 2006 Annual Report (page 107).

OECD guidelines. DaimlerChrysler wants to help ensure that globalization is both just and humane. This is why our actions are also based on the OECD Guidelines for Multinational Enterprises, in which the 33 signatory states have established behavioral rules for global companies. [www 4](#)

Framework Figure 4



ILO guidelines. The conventions and rules of the International Labor Organization (ILO) also serve as a basis for our internal guidelines, such as those governing social responsibility and occupational safety management.

Global Compact. As one of the foundation members of the Global Compact, DaimlerChrysler is committed to its principles. This UN initiative is dedicated to bringing the benefits of globalization to people all over the world. We promote the goals of the Global Compact through a variety of activities and rigorously apply its ten principles regarding work, human rights, environmental protection, and corruption.

[www 5](#) and [globalcompact.org](#)

Principles of Social Responsibility. The Global Compact’s principles serve as the basis of our internal regulations and the principles behind our actions, with our Principles of Social Responsibility playing a key role here. These principles are binding for the entire Group and apply

worldwide. We respect and support internationally recognized human rights, condemn child and forced labor practices, and are committed to the principles of equal opportunity and “equal pay for equal work.” Occupational safety and health protection in the workplace is a key issue and a fixed element of our corporate policy when making investments. We ensure appropriate standards of remuneration, working hours, and training worldwide. The right to freedom of association and pay negotiations is also anchored in the principles. We expect our suppliers to adhere to comparable principles as the basis for sustained business relationships. In addition, compliance with the Occupational Safety and Health Act (OSHA) is mandatory for all suppliers based in the USA. Among other things, OSHA requires companies to provide ongoing training for their workforce. The assessment of working conditions and workplace safety is an element of the audits DaimlerChrysler conducts at its suppliers’ business locations.

Environmental Protection Guidelines. DaimlerChrysler believes that environmental protection is a necessary precondition for sustained

business success. The way we see our role in protecting the environment is set down in our Environmental Protection Guidelines, which were signed off by the Board of Management in 1992. These guidelines apply to all DaimlerChrysler Group sites worldwide (see page 32). [www 6](#)

Group Environmental Management Handbook. The Group Environmental Management Handbook, which is binding for all Group companies, defines a mandatory framework and minimum standards for activities at DaimlerChrysler that impact the environment. It also ensures a comprehensive and consistent environmental management system at all Group levels. [www 7](#)

ISO 14001. This international standard defines requirements for environmental management systems, thereby enabling such requirements to be objectively audited. It also provides information on how to implement appropriate auditing measures. The standard provides DaimlerChrysler with a framework within which it can not only systematically establish and expand a Group-wide environmental management system but also pursue an environmental strategy that is geared toward continual improvement. [www 8](#)

ISO 9001. Certification of our Quality Management System according to ISO 9001 ensures that, above and beyond product quality assurance, all processes will be systematically measured against defined quality criteria and subsequently improved if necessary.

Data protection guideline. With its data protection guideline, “Data Protection and Privacy – The DaimlerChrysler Code of Conduct,” the Group has created a standardized data protection regulation that is valid across the company. The Code, which applies to all personal data relating to employees, customers, and suppliers, is in compliance with the provisions of the European Data Protection Guideline and other national regulations. It defines the conditions under which data may be compiled, processed, and used as well as the regulations that are to be observed when conducting such activities. Under the direction of the Chief Officer Corporate Data Protection, a worldwide network of local data protection coordinators ensures compliance with the regulations. All reports of suspected violations of the Code are investigated in detail.

Principles of occupational health and safety. In February 2006, Group management and global labor representatives agreed on the establishment of comprehensive and integrated principles governing

occupational health and safety as a means of protecting employees from health risks, accidents and occupational hazards. These principles are valid throughout the entire Group and binding for all managers and employees.

Guideline for combating HIV/AIDS. The Global HIV/AIDS Policy we implemented in December 2005 offers recommendations for effectively combating HIV/AIDS in the workplace. DaimlerChrysler rejects all forms of discrimination against those afflicted with the disease and guarantees complete confidentiality. It also supports and promotes preventive measures. While recommending consultations and tests, the company emphasizes that such tests must be voluntary and may not violate the affected employees’ right to privacy.

GRI guidelines. DaimlerChrysler’s reporting on sustainability issues is based on the Global Reporting Initiative’s guidelines (GRI), which are internationally recognized. These guidelines apply to the printed “Sustainability Profile 2005” and our Internet articles on this topic.

7.0 Risk management and instruments for internal controlling and monitoring

DaimlerChrysler uses a wide range of instruments to implement the principles and agreements that have been described above. These instruments include various tools and institutionalized regulations that govern monitoring, planning, and auditing by the Corporate Auditing department and by the Corporate Compliance Operations department, which was established in 2005. The most important of these instruments are described below; more detailed information can be found at [www 9](#)

7.1 Instruments for controlling and monitoring risk management

The DaimlerChrysler ScoreCard. The DaimlerChrysler ScoreCard makes use of conventional financial performance measures as well as non-financial parameters including quality statistics, customer and employee satisfaction, brand image, market share and productivity developments. Key performance indicators are used to assess these parameters at the divisional level. The DaimlerChrysler ScoreCard helps us to achieve our goals, so that we can continue to increase DaimlerChrysler’s corporate value through profitable growth.

In order to further improve the transparency, measurability, and control of our human resources work worldwide, we are currently

introducing a “Global Human Resources ScoreCard.” The defined performance indicators include employee satisfaction and our image as an employer, which are also part of the DaimlerChrysler ScoreCard.

Global Diversity Office. The Global Diversity Office (GDO), an initiative of the Board of Management, was established in May 2005. This office not only serves as the initiator and driving force behind a process of change under the motto “Diversity & Inclusion,” but also acts as a strategic partner and consultant to the divisions in this regard. As initiator of Diversity and Inclusion Management on the basis of a change management process, the GDO acts as a strategic and consulting partner for the divisions. In the “Global Diversity Council” (GDC) members of the top management – among them three Board members – define the strategic diversity dimensions and the respective activities for the whole Group. On the divisional level the executive management teams established “Divisional Diversity Councils” and so-called “Divisional Diversity Officers” in order to define the specific needs for action and implement the required diversity activities in each division.

Sustainability Working Group. DaimlerChrysler further refined its sustainability management system in 2005 by establishing a Sustainability Working Group. The goal of this body, which strategically links sustainability-related activities at the company and consists of representatives from all relevant Group functions, is to further improve DaimlerChrysler’s sustainability performance. The first measures undertaken by the working group involve optimization of the existing sustainability-reporting system within the framework of the “Sustainability Profile 2005.” Further plans call for the development of concrete sustainability goals and measures that will improve the company’s performance in terms of its economic, ecological, and social responsibilities.

7.2 Corporate compliance

DaimlerChrysler has not only established corporate bodies for identifying and preventing criminal activities but has also introduced the processes necessary for monitoring such activities. In addition to the Corporate Auditing and Corporate Security departments, these bodies include the Business Practices Office (BPO), the Corporate Compliance Operations department, and the Sales Practices Hotline. The responsibilities of these organizations include the documentation, investigation, and monitoring of allegations that legal regulations or internal guidelines may have been violated. They also report on a quarterly basis on the results of these activities to the Board of Management and to the Audit Committee of the Supervisory Board.

Business Practices Office. In 2003, the Audit Committee of the Supervisory Board established a Business Practices Office (BPO) at the DaimlerChrysler Group, with contact centers in Stuttgart and Auburn Hills. Group employees can submit confidential complaints to the BPO concerning suspected violations of accounting regulations or the Integrity Code. The BPO files these complaints, protecting the anonymity of the employees who submit them, and arranges for the Corporate Auditing department or other relevant bodies to conduct an investigation, which the BPO then monitors.

[www 10](#)

Corporate Compliance Operations. At the beginning of 2006, the Corporate Compliance Operations department was established with the objective of providing a standardized, Group-wide compliance organization. Alongside ensuring that DaimlerChrysler’s business practices are examined in detail throughout the entire Group, this organization will also ensure that guidelines are updated and implemented as necessary. Possible violations of anti-corruption laws, internal guidelines, and codes of conduct are examined, necessary countermeasures are initiated, and the successful implementation of such countermeasures is monitored. Compliance managers will be assigned to DaimlerChrysler subsidiaries and certain regions. In addition, training programs with a focus on corporate compliance will be introduced worldwide. The corporate compliance organization reports directly to the Chairman of the Board of Management of DaimlerChrysler.

Sales Practices Hotline. Established in 2005, the Sales Practices Hotline is also allocated to the corporate compliance organization. By means of several events and written communications, our executives have again been notified of the Integrity Code’s special significance for our company. The Sales Practices Hotline team is particularly responsible for replying to questions from sales personnel regarding the correct business approach to public-sector institutions. In this context the hotline also accepts information on questionable dealings, which are then further investigated.

Reports on complaints received by the BPO and the Sales Practices Hotline are regularly submitted to the Audit Committee of the Supervisory Board.

External audit. One of the most important tasks performed by the external auditor elected by the Annual Meeting – and it is a task required by law – is to determine if financial statements, consolidated financial statements or the Management Report contain incorrect information. Such an evaluation ensures that information published

about the state of the company or associated risks is reliable and can thus be used as a basis for making investment decisions. As objective reports on the state of the company, the annual audit and the interim reviews of quarterly financial results are of utmost importance to the Supervisory Board and the Audit Committee. The Audit Committee therefore continually monitors the qualifications, suitability, and independence of the external auditing companies.

DaimlerChrysler’s Environmental Management System is also subject to external audits. Today, 96 percent of our employees already work at locations with an Environmental Management System that has been certified according to the ISO 14001 international standard.

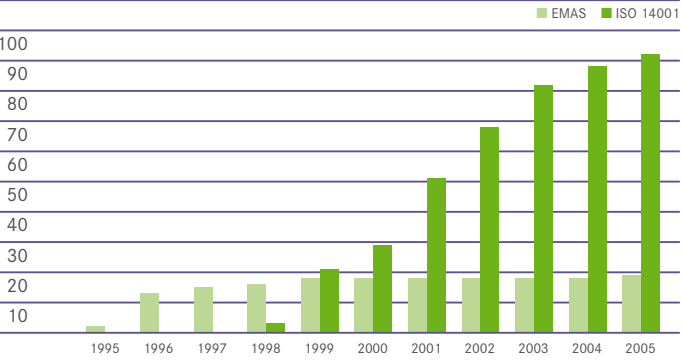
7.3 Risk management

DaimlerChrysler uses a risk-management system that is commensurate with its position as a globally operating company. The risk-management system is an integral part of our 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 Chairman of the Supervisory Board maintains regular contact with the Board of Management, not only to review the Group’s strategy and business development, but also to discuss the issue of risk management. The Corporate Auditing department conducts targeted audits to ensure compliance with legal regulations, internal guidelines and other Group requirements. This department also implements any measures that may be needed to deal with violations. Such measures can include the dismissal of individuals found to have violated regulations. A systematic feedback process ensures that measures agreed upon as a result of the audits are in fact implemented.

This overarching risk-management system is supported by divisional or site-based systems, including management systems for the prevention of environmental risks, such as ecological plant assessments (see page 34). The risk-management system is also supplemented by DaimlerChrysler’s Corporate Security Policy when the company’s security is involved.

Risk management in procurement. A reliable and uninterrupted supply of materials is very important for our worldwide procurement activities. In view of the increasing number of suppliers who are now facing business difficulties, and a rising number of bankruptcies, we decided quite some time ago to introduce instruments that enable us to analyze our suppliers’ financial strength at regular intervals. We further refined this system in recent years, and these improvements

Number of DaimlerChrysler production locations with certified environmental management systems Figure 5



are enabling us to introduce appropriate measures in a timely manner to ensure the continuity of production processes in our plants, and thus substantially reduce DaimlerChrysler’s financial risks. In addition, close cooperation with our supplier partners has enabled us to minimize the impact of production losses due to financial difficulties at our suppliers. Our risk-management process is a key to our success in this regard.

In view of the ongoing strong demand for raw materials, increasing speculation on raw materials markets, and unpredictable natural disasters, a successful strategy for managing continually rising raw materials prices has become a key competitive factor. For this reason, we are constantly working to improve products and processes in close cooperation with our suppliers in order to achieve sustained price reductions. Where necessary, we also enter into long-term contracts that guarantee deliveries and limit the impact of future price increases.

8.0 Dialogue with interest groups

8.1 Our stakeholders

For DaimlerChrysler it is vitally important that contact is maintained with relevant social interest groups and that their interests are adequately represented. We are also well aware that relations between companies and social groups are reciprocal in nature. This is why we are continually engaged in a dialogue with decision-makers from politics, the business sector, and key social groups, as well as with employee representatives and shareholders around the world. One of the critical factors influencing the identification and evaluation of our stakeholders is whether, or to what extent, a specific group of people is affected by our company’s activities or areas of work. On this basis, we have identified a number of key groups of stakeholders (see Figure 6).

8.2 How we organize our stakeholder dialogue

Principles. Basically, we conduct our stakeholder dialogue in accordance with regional and national conditions and demands. In emerging markets and developing countries, we see our involvement as a long-term contribution to political and economic stability. In return, this approach will enable DaimlerChrysler to enter such markets on a basis of mutual trust. The principles defining this type of dialogue include:

- **Materiality:** What are the important issues for the company and the stakeholders?
- **Completeness:** What type of influence do we have, and how do stakeholders assess this influence?
- **Responsiveness:** Do we respond adequately to challenges we view as important?

We strive to strengthen existing relationships on the basis of these principles and initiate new dialogue. And we do so in order to implement further steps that will promote sustainable development with partners willing to engage in such dialogue. Many pressing global issues that also affect the interests of the company can only be addressed through cooperation, which is why we seek to enter into partnerships with various stakeholders. These partnerships foster trust, reduce alienation, build bridges between cultures and help reconcile contrasting value systems (see Figure 6).

Responsibilities. Dialogue with stakeholders is conducted by various units and departments throughout the Group:

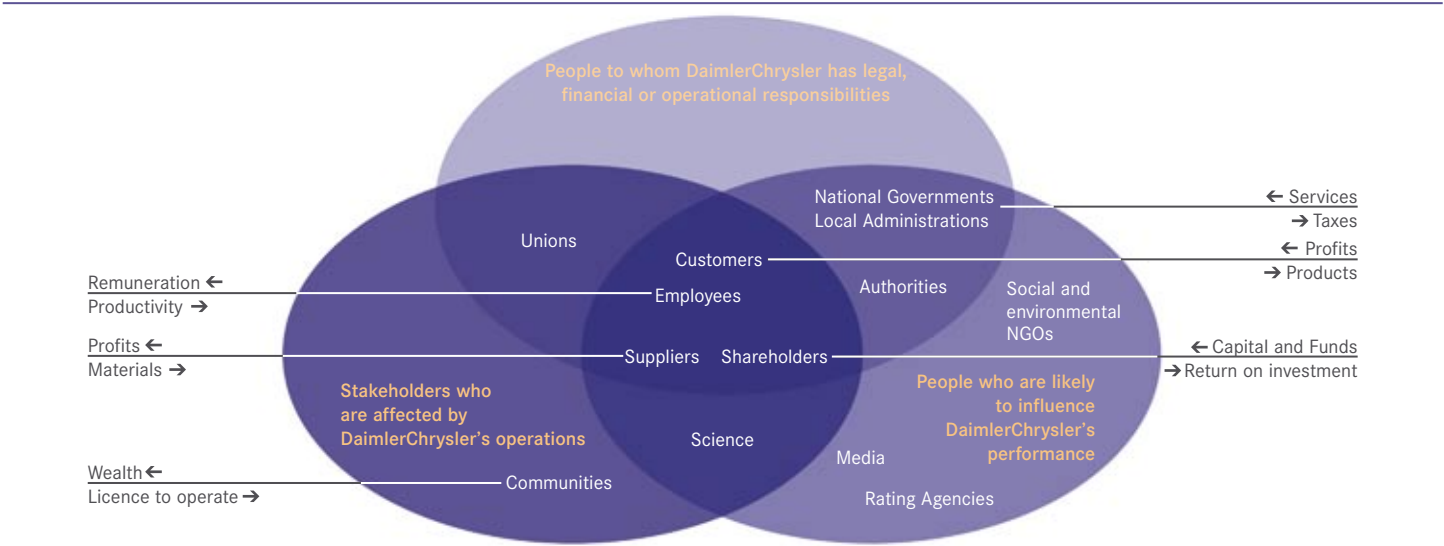
- Most notably by the Corporate Strategy, External Affairs & Public Policy, and Communications departments, which maintain a world-

- wide network of contacts with national and international political and administrative bodies, multinational organizations, social initiatives and media representatives.
- Our national subsidiaries, manufacturing plants, branch offices and sales companies also engage in dialogue with regional organizations and local communities.
 - In addition, our specialist departments – for environmental protection, investor relations, human resources or procurement, for example – maintain contact with interest groups in their respective fields.
 - Cooperative undertakings between stakeholders and other partners from within the company also arise within the framework of our numerous other areas of responsibility, projects and initiatives.

Monitoring. We plan to further enhance our stakeholder dialogue. Here we will also rely on our issues-management process, which serves to continually heighten public awareness of the company and its activities. We have also developed an integrated stakeholder survey in order to evaluate the company’s reputation among various stakeholder groups.

DaimlerChrysler stakeholders – Two-way relationships

Figure 6



9.0 Our view on current topics of corporate ethics

9.1 Legal proceedings and investigations

Like every globally operating company, DaimlerChrysler has to deal with a variety of legal issues. In some cases the company itself seeks clarification in court, whereas in others such clarification is required by outside parties, e.g. in the course of investigations.

Several legal proceedings against DaimlerChrysler are currently pending. These primarily consist of routine legal disputes related to the company’s business activities. They affect various aspects of our business operations, such as issues of corporate, securities and competition law or product liability. You can find a comprehensive list of pending legal proceedings of financial relevance in our Annual Report for 2005 (p. 182 ff).

In August 2004, the U.S. Securities and Exchange Commission (SEC) opened a formal investigation into possible violations by DaimlerChrysler of the anti bribery, record keeping and internal control provisions of the U.S. Foreign Corrupt Practices Act (FCPA). The U.S. Department of Justice (DOJ) has also requested information in this regard. DaimlerChrysler is voluntarily sharing with the DOJ and the SEC information from its own internal investigation of certain accounts, transactions and payments, primarily relating to transactions involving government entities, and is providing the agencies with information pursuant to outstanding subpoenas and other requests. You can find comprehensive information on this topic in our Annual Report for 2005 (p. 185 ff), in our Report “Annual Report on form 20-F-2005” and at www.11

9.2 Social responsibility issues

Dealing with the company’s history during the Nazi period.

DaimlerChrysler played a pioneering role among the German companies which opened up their corporate history during the Nazi regime to public scrutiny. The company has faced up to its history and supports numerous projects which help us to derive lessons from the past. For example, we helped to establish the German business sector’s initiative “Remembrance, Responsibility and Future” and provided it with significant financial support. The total contributions of German businesses, which amounted to approximately €2.5 billion, flowed into the foundation of the same name, which was established

jointly with the German government. These funds have meanwhile been distributed to former forced laborers and other victims of the Nazi regime. To date, more than 1.6 million people who were forced to work in Germany during the Nazi era have received humanitarian assistance from this foundation totaling almost €4.3 billion. The Future Fund, which is one part of the foundation, supports a broad range of projects that promote human rights, international understanding and exchange programs for young people.

No production of landmines. The topic of landmines has been repeatedly raised by some shareholders in connection with our company. However, no part of DaimlerChrysler has ever produced landmines or anti-personnel mines as defined by the Ottawa Agreement. We do not produce such landmines today, nor will we ever do so.

Economy

Our primary economic goal is to create value for our shareholders, customers and employees. Achieving this goal requires a solid economic and financial foundation, as this enables us to invest in the future of our company and thus maintain and expand our position on global markets.



Bodo Uebber

Dear readers,

Only a financially sound company can make a positive contribution to social and environmental development over the long term. That is our firm conviction. On the other hand, sustainable financial success is possible only if it is based on a sense of responsibility toward society and the natural environment. That's why we always view DaimlerChrysler's business activities within the context of the social and environmental responsibility they require.

DaimlerChrysler is one of the world's leading automakers. In 2005 we sold a total of 4.8 million vehicles and boosted our company's revenues by five percent to approximately €150 billion. However, we're still not satisfied with our company's profitability. To be sure, we posted an operating profit of €5.2 billion in 2005, but our return on net assets (RONA) was only 6.6 percent. In other words, we did not recoup our capital costs. Our aim is to achieve sustainable profitability for DaimlerChrysler. Only by achieving sustainable profitable growth can we create the basis for increasing our company's value in the long term, and thus make a positive contribution to the value of DaimlerChrysler shares.

In order to reach our goals, we have initiated a far-reaching process of transformation throughout the entire company. This involves instituting leaner and faster processes while at the same time enhancing quality and lowering costs. And we are working to improve our cost structures to the point where we match the level of our best competitors. Nonetheless, it would be a mistake to think only in terms of costs. The true focus of our activities is on our products. And this is where we want to improve our performance – by using our resources more efficiently.

Between 2006 and 2008, we will be launching approximately 35 vehicles on the market. To this end, we will be investing almost €35 billion over the next three years in these models, as well as in the areas of research and development.

By divesting ourselves of activities that are not part of our core business, we have resolutely implemented our strategy of focusing on what we do best. In March 2006 we decided to reduce our 30-percent share in EADS, the European Aeronautic Defence and Space Company, to 22.5 percent.

There's no doubt that DaimlerChrysler has the potential to create sustainable added value over the long term – for our shareholders, our customers, our employees and society as a whole.

Bodo Uebber

Member of the Board of Management
responsible for Finance & Controlling / Financial Services

Economy

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Additional information (indicated by the www symbol and an index number) is available online at:

www.daimlerchrysler.com/sustainability

Key Figures DaimlerChrysler Group

Figure 7

	2005	2004	2003	05/04
Amounts in millions of €				Change in %
Revenues	149,776	142,059	136,437	+5
Western Europe	47,337	48,845	51,157	-3
of which: Germany	20,948	22,315	24,182	-6
NAFTA	77,611	73,266	73,477	+6
of which: United States	67,015	64,232	64,757	+4
Other markets	24,828	19,948	13,736	+24
Discontinued operations	-	-	(1,933)	-
Employees (at year-end)	382,724	384,723	362,063	-1
Investments in property, plant and equipment	6,580	6,386	6,614	+3
Research and development expenditure	5,649	5,658	5,571	-0
Cash provided by operating activities	12,353	11,060	13,826	+12
Operating profit	5,185	5,754	5,686	-10
Net income	2,846	2,466	448	+15
per share (in €)	2.80	2.43	0.44	+15
Total dividend	1,527	1,519	1,519	+1
Dividend per share (in €)	1.50	1.50	1.50	0

1.0 Business development in 2005

1.1 The world economy and the automotive industry

Following a period of strong growth in 2004, the pace of global economic development slowed in 2005. Whereas development of the economies of North America, Japan and most emerging markets remained relatively favorable, the Western European economy failed to live up to expectations. Developments in the Euro Zone, and in Germany in particular, were disappointing.

In line with worldwide economic developments in 2005, growth in global automotive markets slowed overall last year as well. This was due to factors such as sharply rising oil prices, which reduced customers' purchasing power. In such an environment, automakers' product and price strategies played a greater role than ever before in the development of demand. At the same time, a high level of investment activity led to further growth in global commercial vehicle markets last year.

1.2 Sales development

In 2005, DaimlerChrysler sold 4.8 million vehicles worldwide, surpassing the prior-year result by 3 percent. The Group achieved new record unit sales for passenger cars and commercial vehicles.

The **Mercedes Car Group** maintained its excellent position in the market for high-end passenger cars in 2005 by selling 1.2 million vehicles, roughly the same number as in the prior year. In addition to introducing the new S-Class and M-Class model ranges in 2005, Mercedes-Benz also entered the new sports tourer segment with the B- and R-Class. Despite difficult market conditions in some regions, worldwide sales of Mercedes-Benz brand vehicles rose 2 percent to 1,092,500 units in 2005. A total of 143,100 smart passenger cars were also sold in the year under review (2004: 139,600).

The **Chrysler Group** occupies an excellent position in the North American market for minivans and SUVs. In the year under review, the Chrysler Group continued its product offensive with attractive models such as the new Dodge Charger, the Jeep® Commander and the new Dodge Ram Mega Cab pickup. Unit sales increased by 1 percent to 2.8 million Chrysler, Jeep® and Dodge brand vehicles.

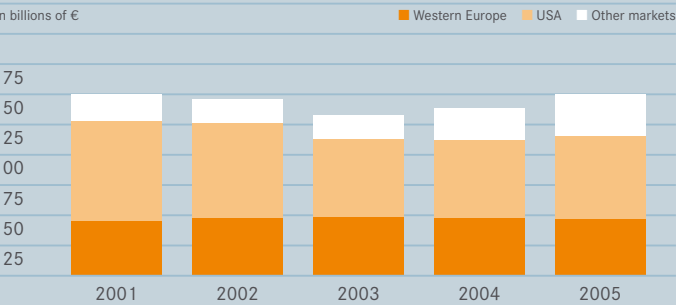
DaimlerChrysler is the world's leading manufacturer of trucks and buses over six metric tons GVW and the market leader for such vehicles in North America, Western Europe and Latin America. In 2005, our **Commercial Vehicles** division continued its excellent development from the prior year, increasing sales by 16 percent to a new record of 824,900 trucks, vans and buses. This positive result was largely due to continued favorable market conditions and the division's attractive range of products.

1.3 Development of revenues

DaimlerChrysler's total revenues increased by 5 percent to €149.8 billion in 2005, with all divisions contributing to this improvement. Revenues in the NAFTA region rose 6 percent to €77.6 billion. At €47.3 billion, revenues in Western Europe were down slightly (-3 percent) from the prior year's result, while business volume in all other markets increased by 24 percent to €24.8 billion.

Consolidated Revenues

Figure 8



Revenues

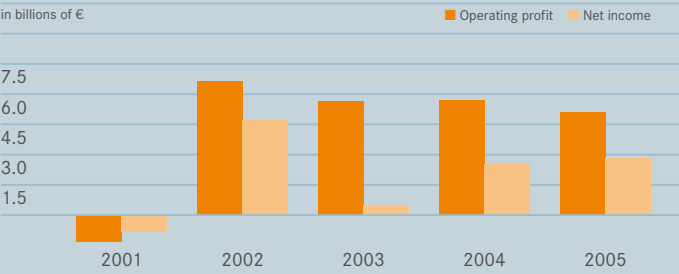
Figure 9

	2005	2004	05/04
in millions of €			% change
DaimlerChrysler Group	149,776	142,059	+5
Mercedes Car Group	50,015	49,630	+1
Chrysler Group	50,118	49,498	+1
Commercial Vehicles	40,634	34,764	+17
Financial Services	15,439	13,939	+11
Other Activities	2,396	2,200	+9

1.4 Profitability

Despite generally difficult market conditions and substantial charges generated by structural measures, DaimlerChrysler achieved its earnings target in 2005, recording an operating profit of €5.185 billion (2004: €5.754 billion). The operating profit would have actually increased significantly if not for the charges associated with the realignment of the smart business model. The Mercedes Car Group's operating result was negative due to charges associated with personnel adjustments and implementation of the new smart business model. The Chrysler Group increased its operating profit; the Commercial Vehicles division posted record results; and the Financial Services division also improved its operating profit.

Development of Earnings Figure 10



Net income at the DaimlerChrysler Group rose 15 percent to €2.846 billion in 2005. The Annual Meeting of DaimlerChrysler AG, which was held on April 12, 2006, resolved to distribute a dividend to shareholders of € 1.50 per share for the year 2005. This corresponds to a total dividend payout of € 1.5 billion.

2.0 Financial position and assets

2.1 Cash flow and net liquidity

We further strengthened the company’s financial position in the year under review. For example, free cash flow from the industrial business (DaimlerChrysler Group excluding Financial Services), which is our standard indicator of financial strength, increased by €0.3 billion to €2.1 billion in 2005. Net liquidity from the industrial business (liquidity after subtracting debt on the balance sheet date) increased by €5.1 billion to €7.3 billion.

2.2 Stockholders’ equity

At the end of 2005, stockholders’ equity totaled €36.4 billion (2004: €33.5 billion). This increase was primarily due to higher net income, as well as currency translation effects. An opposite effect was generated by the dividend payment for 2004 and the earnings-neutral valuation of derivative financial instruments. The equity ratio, adjusted for the proposed dividend distribution for the 2005 financial year (€ 1.5 billion), remained nearly unchanged at 17.3 percent (2004: 17.5 percent). The equity ratio for the industrial business amounted to 24.8 percent (2004: 25.2 percent).

On December 31, 2005, DaimlerChrysler had 1,018,172,696 registered ordinary shares of no par value issued and outstanding (2004: 1,012,824,191). The increase from the end of 2004 was due to the issuance of new shares in connection with the exercise of option rights as part of the Stock Option Plan 2000 (Tranche 2003). Each share represents a nominal value of €2.60 of the capital stock. In 2005, DaimlerChrysler purchased 0.7 million DaimlerChrysler shares (2004: 0.8 million; 2003: 1.3 million) and distributed them to employees within the framework of its employee stock program. Due to the exercise of stock options, the number of shares may increase further in the future. This depends, however, on overcoming certain option-right exercise hurdles with regard to the share price.

2.3 Accrued liabilities

Accrued liabilities increased in 2005 by €4.6 billion, to €46.7 billion, mainly due to currency translation effects. The increase in other accrued liabilities was caused by the changed market valuation of derivatives due to the appreciation of the dollar against the euro, as well as higher accruals for product warranties. The increase in accruals for product warranties was in turn related to the quality offensive at the Mercedes Car Group.

Accrued Liabilities Figure 11

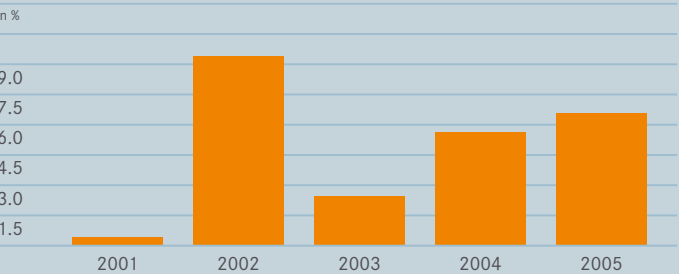
	At December 31, 2005		At December 31, 2004	
	Total	Due after one year	Total	Due after one year
in millions of €				
Pension plans and similar obligations	15,482	12,845	13,923	12,634
Income and other taxes	3,396	1,166	3,344	1,884
Other accrued liabilities	27,804	11,839	24,671	8,771
	46,682	25,850	41,938	23,289

2.4 Financial liabilities

DaimlerChrysler’s financial liabilities amounted to €80.9 billion at the end of 2005. Of this figure, €9.1 billion was related to short-term commercial paper, €47.4 billion to bonds, and €17.5 billion to bank loans. The weighted average interest rate was 5.70 percent for bonds, 4.08 percent for commercial paper and 4.54 percent for bank loans. The leasing and sales financing business accounted for about 95 percent of financial liabilities. DaimlerChrysler Financial Services offers leasing and sales financing in 39 countries. Its total contract volume amounts to €117.7 billion.

Due to a financial flexibility of some €50 billion and investment-grade ratings, DaimlerChrysler is well positioned to react to changing market conditions. We make use of refinancing markets worldwide through credit obtained in various currencies and with various maturity terms.

Return on Net Assets (RONA) DaimlerChrysler Group (after taxes) Figure 12



risk-related costs and lower charges from the division’s involvement with Toll Collect led to an increase in return on equity to 16.2 percent (2004: 14.8 percent). As a result, the minimum required rate of return was once again significantly surpassed.

4.0 Opportunities and risks of future development

4.1 Expectations for revenues, sales and earnings

Most of the growth in worldwide demand for vehicles in the coming years will take place in the emerging markets of Asia and South America, and increasingly in Central and Eastern Europe. This will be due to the dynamic growth in purchasing power and the generally increasing need for mobility in those regions. The limited scope for growth in the major automotive markets of North America, Western Europe and Japan, combined with manufacturers’ high production capacities worldwide, is likely to further intensify competition in all market segments. Additional factors will be stricter environmental and safety regulations, while compliance with these regulations will generate substantial costs for all producers. Against this backdrop, a global presence and an ability to stand out from the competition by means of innovation and strong brands will become increasingly important.

On the basis of the divisions’ planning, we expect DaimlerChrysler’s unit sales in 2006 to be on a par with those of the prior year. We anticipate positive sales impetus in the following years, primarily as a result of the new products launched by the Chrysler Group and upcoming new products from the Mercedes Car Group.

The DaimlerChrysler Group anticipates a slight increase in revenues in 2006. In the following years, we expect revenues to increase significantly in line with rising unit sales. In regional terms, the main source of growth will be the dynamic markets of Asia. We expect DaimlerChrysler to record an operating profit of more than €6 billion in 2006. This figure includes charges associated with the implementation of the new management model, the focus on the smart fortwo, and the headcount reductions at the Mercedes Car Group.

3.0 Controlling instruments

3.1 Performance measures

The performance measures used at the DaimlerChrysler Group are oriented toward our investors’ interests and expectations, and they provide a basis for value-based management. For purposes of performance measurement, DaimlerChrysler differentiates between the Group and the division level. Value added is one element of the performance measurement system at both levels, and it is calculated as the difference between the operating result and the cost of capital of the average net assets in the period in question. The figure for value added (VA) shows the extent to which the Group has created new value.

The profitability ratio known as return on net assets (RONA) has a special significance as a fundamental component of value added. RONA makes it possible to accurately assess the return on capital achieved by the Group and the industrial divisions. On the other hand, return on equity (ROE) is used to assess the profitability of the financial services business.

The required rate of return on capital used, and thus the cost of capital, are derived from the minimum returns that investors expect on their invested capital. Due to their long-term financing character, unfunded pension obligations are included, in addition to equity and debt, when calculating the Group’s cost of capital. The DaimlerChrysler Group’s minimum required rate of return is 7 percent after taxes. For the industrial divisions, the current cost of capital is 11 percent before taxes. For the financial services business, a cost of equity of 14 percent before taxes is used. Value is created when these minimum hurdle rates are exceeded.

3.2 Development of return on net assets

DaimlerChrysler achieved a RONA of 6.6 percent after taxes in 2005 (2004: 5.7 percent). Value added thus increased by € 1.1 billion, but nevertheless remained negative (– €0.2 billion).

The Mercedes Car Group’s return on net assets in 2005 (–3.8 percent) was lower than the minimum required rate of return. The decrease compared with the prior year was primarily a result of changes in earnings due to the realignment of the business model at smart and expenses relating to the headcount reduction program. The Chrysler Group’s return on net assets of 18.2 percent, and the Commercial Vehicles division’s RONA of 19.0 percent, significantly surpassed the minimum required rate of return. At Financial Services, lower

4.2 Product development and investments in the future

The DaimlerChrysler Group invested a total of €6.6 billion in property, plant and equipment in 2005. The focus of this capital expenditure was on investments related to the launch of new vehicles and engines by all the industrial divisions. We also invested in our production plants to enhance their efficiency and flexibility.

In the planning period of 2006 through 2008, DaimlerChrysler expects to invest a total of €19 billion in property, plant and equipment. At the Mercedes Car Group, the focus of investment will be on advance outlays for the successor models to the present C-Class and E-Class. Principal investments by the Chrysler Group will be in the modernization of its plants and the continuation of its product offensive. At the Truck Group, major investments are planned in connection with the new modular platforms for heavy-duty and medium-duty trucks, as well as for a new family of engines for heavy-duty trucks. In addition, we are continually investing in the modernization of our range of buses and vans. DaimlerChrysler also plans to invest substantial funds in further expansion of its business activities in China.

Research and development expenditure at the Group totaled €5.5 billion in 2005. During the period of 2006 through 2008, DaimlerChrysler will invest a total of €15.5 billion in its research and development activities. As a result of targeted efficiency improvements, the annual expenditure will be slightly below the level of recent years in all of the automotive divisions. One focus of DaimlerChrysler’s research and development expenditure will be on the new models planned by the Mercedes Car Group and the Chrysler Group. Key projects at the Truck Group, Buses and Vans include new truck platforms and new engines complying with future emission regulations in the United States, Western Europe and Japan. The development of new bus and van models is also a top priority. In addition, significant expenditure is planned for new technologies, which we intend to use to improve the safety, environmental compatibility and economy of road vehicles.

5.0 Global procurement

Our Global Procurement & Supply organization is responsible for purchasing the products and services DaimlerChrysler needs. This organization operates worldwide to ensure that it is always close to our suppliers. It comprises the following units: Mercedes Car Group and Vans Materials Procurement, Chrysler Group Purchasing and Procurement, and Truck Group and Buses Materials Procurement. It also includes International Procurement Services, which is responsible for purchasing non-production materials and services.

Our key objective in all of our procurement activities is to increase corporate value through optimized purchasing systems and processes. To this end, we have established an effective global supplier network in order to further improve the quality, technology, costs and logistics associated with the procured materials and services. This approach has been successful, as demonstrated by the fact that the Association Materials Management, Purchasing and Logistics (AMMPL) presented its coveted Innovation Award to our International Procurement Services unit (IPS) for its globalization concept, which has led to a sustained increase in the efficiency of the unit’s procurement processes and tools. And on May 8, 2006, IPS was honored with the R. Gene Richter Award for Leadership and Innovation in Supply Management 2006 from the Institute of Supply Management (ISM), whereby the unit’s benchmark performance was also honored on the basis of criteria valid in the USA (see also p. 52).

In order to safeguard and expand our competitive position over the long term, we and our suppliers are focusing on the following three areas:

Global scale leverage: Our high global procurement volume enables our suppliers to achieve substantial economies of scale. In addition, we have combined our purchasing volumes worldwide with the goal of further increasing our procurement volume. This offers our supplier partners global growth opportunities as well.

Global supply base management: In the area of our global supply base, we are optimizing the distribution of procurement volumes between the various suppliers while taking cost-risk aspects into consideration. To ensure our success in this effort, we engage in regular and intensive dialogue with existing and potential suppliers.

Global infrastructure and processes: To strengthen our business relations with the world’s best suppliers, we have further developed the Extended Enterprise® supplier philosophy. One of the key elements is a system for the evaluation of supplier performance. With our global procurement management, long-term contracts with key suppliers, and close collaboration with reliable partners, we benefit from a broad spectrum of instruments that allow us to secure deliveries to our plants and limit the impact of rising raw-materials prices on our production costs – even in the face of the current challenging situation on the international raw-materials markets.

5.1 Supplier relations

The foundation for clear and consistent management of global relations between DaimlerChrysler and its suppliers is our Extended Enterprise® program, which is based on a link between the evaluation of key supplier data and expectations regarding supplier conduct. Within the framework provided by Extended Enterprise®, the performance of each supplier is analyzed and assessed from a global perspective. Initially, the analysis focuses on four main value drivers: quality, technology, costs, and logistics. These criteria are contained in the globally standardized External Balanced Scorecard (EBSC), which translates our strategic goals regarding purchased products and services into measurable data. Procurement employees and suppliers alike can access the EBSC via a Web-based application. In addition to ensuring that suppliers always have a clear picture of their own performance, this also motivates suppliers to consistently and continually improve their performance in the global competitive field.

The four value drivers are supplemented by three conduct-related aspects derived from our Principles of Social Responsibility: communication, commitment, and integrity. Active implementation of these conduct-related aspects in our partnerships with suppliers is of central importance for us. We also expect our suppliers to incorporate these aspects into their dealings with their suppliers. Alongside documenting such compliance in our procurement guidelines, we review the issue with our partners in joint procurement discussions throughout the year. The expectations we have in this regard are supplemented internally by the binding application of, and adherence to, the DaimlerChrysler Integrity Code.

Every year, we also present our best global suppliers with our Global Supplier Award in the categories of Powertrain, Exterior, Chassis, Interior, Electrical/Electronics, General Goods and Services, Manufacturing Products and Services, and Logistics. With these special awards, DaimlerChrysler honors exceptional performance on the basis

of criteria defined in the External Balanced Scorecard, as well as in the areas of communication, commitment, and integrity. In this way, we honor above-average achievements and solidify the foundation for long-term added-value partnerships at the highest level, while at the same time providing motivation for further efforts to achieve continual improvement.

DaimlerChrysler also draws up supplier plans for key global suppliers. These plans contain thorough, in-depth analyses of our suppliers and their cooperation with the Group. The purpose of this analysis, which covers several business units within the Group, is: to extensively study at an early stage the core issues for our medium- to long-term collaboration, to document the results, and to discuss them with our suppliers’ top management. The scope covered includes the suppliers’ overall strategy, core competencies, financial position, and a wealth of other aspects related to collaboration with DaimlerChrysler. Ecological issues, such as the development and utilization of environmentally friendly technologies, materials, and production techniques, are also analyzed, evaluated, and discussed. These comprehensive analyses enable us to identify and discuss potential challenges before they become an issue. In this way, we can initiate effective corrective measures before a concrete response is required.

Another key supplier management instrument is the Supplier Portal, which gives our suppliers access to nearly all applications at the Group that are relevant to procurement. Suppliers who use the portal can go online and call up all data related to their partnership with DaimlerChrysler. With this system, we now offer over 50,000 active suppliers access to more than 160 applications for procurement and delivery. What’s more, other companies interested in doing business with DaimlerChrysler can obtain a comprehensive overview of the Group’s purchasing strategy. The Supplier Portal also supports the “one face to our partners” approach emphasized by DaimlerChrysler.

6.0 Our shareholders

DaimlerChrysler has a broad shareholder base consisting of about 1.5 million shareholders. The largest shareholder at the end of 2005 was the Kuwait Investment Authority, which owned 7.2 percent of DaimlerChrysler stock. Institutional investors owned 70.4 percent of our share capital at the end of last year, while 22.4 percent was owned by private investors. Around 74 percent of our share capital was in the hands of Europeans; U.S. investors held approximately 17 percent. In 2005, Deutsche Bank reduced its financial stake in DaimlerChrysler from 10.4 percent to less than 5 percent.

Statistics per Share

Figure 13

	2005	2004	05/04
	€	€	% change
Net income (basic)	2.80	2.43	+15
Net income (diluted)	2.80	2.43	+15
Dividend	1.50	1.50	-
Stockholders' equity (Dec. 31)	35.80	33.10	+8
Share price: year-end	43.14 ¹	35.26 ¹	+22
high	45.92 ¹	39.41 ¹	+17
low	29.78 ¹	31.63 ¹	-6

¹ Frankfurt Stock Exchange

6.1 DaimlerChrysler shares

DaimlerChrysler’s share price rose significantly in 2005. The stock closed in Frankfurt at the end of the year at €43.14, an increase of 22 percent compared with the end of 2004. This development was due not only to a more favorable stock market environment but also to growing confidence that the CORE program for boosting efficiency at the Mercedes Car Group would be successfully implemented, and that positive business developments would continue at the Commercial Vehicles and Financial Services divisions. The capital markets also responded positively to the Chrysler Group’s increase in earnings compared to the previous year, despite a difficult market environment.

Due to changes in the shareholder structure, the free float increased by 10.4 percentage points from the prior year, reaching 92.8 percent. The weighting of DaimlerChrysler shares in various indices rose as a result. In the German DAX 30 index, DaimlerChrysler’s shareswere ranked in fifth place at the end of 2005, with a weighting of 7.0 percent.

In the Dow Jones Euro Stoxx 50 index, our stock was represented with a weighting of 2.2 percent. Global trading volume in DaimlerChrysler’s stock amounted to around 1.7 billion shares in 2005 (2004: 1.5 billion), of which approximately 111 million were traded in the United States (2004: 123 million) and 1.577 billion in Germany (2004: 1.336 billion).

Sustainability/CSR rating agencies and indices

Rating Agencies	2005/2006	Previous year	
Sustainable Asset Management (SAM)	Evaluated (09/2005)	Evaluated (09/2004)	
Vigeo	Evaluated (04/2006)	Evaluated (10/2004)	
Imug/eiris	Evaluated (11/2005)	Evaluated (11/2004)	
Ethibel/Stock&Stake	In preparation	Evaluated (03/2004)	
SiRi (scoris) – DAX30 sustainability rating	In preparation	Second place (06/2005)	
Oekom research – automotive industry	Fifth place (06/2006)	Fourth place (08/2003)	
Core Ratings – automotive industry	Evaluated (2005)	Evaluated (2004)	
Covalence – automotive industry ranking	Third place (01/2006) – first ever published		

Indices	2005/2006	Previous year	Internet address
Dow Jones Sustainability Index	Listed (09/2005)	Not listed	www.sustainability-indexes.com
ASPI Index	In preparation	Listed (10/2004)	www.vigeo.fr
FTSE4Good Index	Not listed	Not listed	www.ftse.com/ftse4good/

Statistics

Figure 14

	End of 2005	End of 2004	05/04
			% change
Capital stock (in millions of €)	2,647	2,633	+1
Number of shares (in millions)	1,018.2	1,012,8	+1
Market capitalization (in billions of €)	43.9	35.7	+23
Number of shareholders (in millions)	1.5	1.7	-12
Weighting in share indices			
DAX 30	7.0 %	6.4 %	
Dow Jones Euro Stoxx 50	2.2 %	1.9 %	
Long-term credit ratings			
Standard & Poor’s	BBB	BBB	
Moody’s	A3	A3	
Fitch	BBB+	BBB+	
Dominion Bond	A-	A-	

The DaimlerChrysler share reappeared in the Dow Jones Sustainability Index (DJSI) in September 2005. More than 50 portfolio managers with an investment volume of over €3 billion use the DJSI as a point of reference for their investment decisions. DCX is also represented in the European Dow Jones STOXX Sustainability Index. The inclusion of DaimlerChrysler in the DJSI is based on the results of the best-in-class analysis conducted by the Swiss company SAM (Sustainable Asset Management) Group.

Figure 15

7.0 Economic significance of our business activities

7.1 Jobs and income

At the end of 2005, DaimlerChrysler employed more than 382,000 men and women worldwide, including approximately 10,000 trainees. Our business locations also contribute to economic development and prosperity in regions outside of North America and Western Europe (see Figure 16).

Personnel expenses amounted to €25.7 billion in 2005. Despite a high proportion of external sourcing of parts and components, the automotive industry still has a substantial percentage of in-house production. The largest share of our personnel expenses is devoted to the development, production, and sale of our vehicles. With more than 70 percent of the total workforce employed in Germany and the United States, personnel expenses are chiefly incurred in these two countries.

Personnel Expenses

Figure 16

	2005	2004	2003
in millions of €			
Wages and salaries	19,750	18,750	18,897
Social security and payroll costs	3,371	3,294	3,178
Net pension cost	1,131	948	837
Net postretirement benefit cost	1,331	1,173	1,290
Other expenses for pensions and retirements	148	51	85
	25,731	24,216	24,287

Nearly all hourly workers and salaried employees at DaimlerChrysler have pension guarantees. Group pension obligations at the end of 2005 totaled €41.5 billion, almost all of which were covered by plan assets totaling €34.3 billion and provisions of €5.3 billion.

Certain DaimlerChrysler operations in the USA and Canada provide post-retirement health and life insurance benefits to their employees. The obligations resulting from these benefits totaled €17.7 billion at the end of 2005, €9.8 billion of which was covered by provisions and €1.9 billion by plan assets.

However, the total effect of DaimlerChrysler’s business activities on employment and income is significantly greater in scope than suggested by the figures alone. This is because every job at DaimlerChrysler results in several other jobs in upstream and downstream economic sectors. For example, according to an analysis conducted by the German Association of the Automotive Industry (VDA), one of every seven jobs in Germany is dependent on the automotive sector.

The situation is similar in developing countries and emerging markets, where our activities and the supplier companies associated with these activities make a tremendous contribution to industrial development, and thus to prosperity and employment.

7.2 Taxes on income and earnings

DaimlerChrysler’s tax outlay totaled €1.3 billion in 2005. However, this figure represents only a fraction of the tax payments resulting from DaimlerChrysler’s business activities. Additional payments to governments are made in connection with the wages and salaries that we pay to employees. Taxes also are paid on dividend distributions, and in the form of sales taxes on the products we sell. In addition, tax revenue is generated by all upstream and downstream business activities, such as those conducted by the supplier industry, our vehicle financing companies, and our sales and service outlets.

7.3 Research and development activities

DaimlerChrysler’s research and development activities also have a significant effect on the overall economy. For example, the Group spends more than €5 billion per year on research and development, and we employed more than 28,000 men and women in our research and development departments around the world at the end of 2005. What’s more, DaimlerChrysler’s pioneering innovations have spearheaded numerous new technologies and processes in the automotive industry (see 2005 Annual Report, page 94 f). One indicator of our innovative strength is the number of patents registered worldwide; these amounted to more than 5,000 overall in 2005.

A large portion of our research and development activities is geared toward improving road safety and lowering emissions and fuel consumption. DaimlerChrysler therefore makes a key contribution to minimizing the unavoidable negative effects associated with individual mobility.

Ecology

Making mobility sustainable – that is our most important goal in the ecological sector. We are busy optimizing the environmental compatibility of current vehicles, working on alternative powertrains, using eco-friendly production processes, and promoting the development of alternative fuels. All of these activities are fundamental for ensuring sustainable mobility in the 21st century.



Dr. Thomas Weber



Prof. Dr. Herbert Kohler

Dear readers,

The mobility of people and goods is an essential prerequisite for every area of economic development. In view of limited resources and continually increasing transport volumes, companies in the transportation sector are obligated to structure this mobility in ways that are as sustainable and as environmentally friendly as possible.

DaimlerChrysler is meeting this challenge proactively and investing considerable resources – €1.5 billion in 2005, for example – to continually enhance its products and production processes and to use product and process innovations to reduce the environmental impact of our activities step by step. We are firmly convinced that only companies that integrate environmental considerations into their strategic planning can enjoy sustained success over the long term.

At DaimlerChrysler, it's standard procedure to integrate ecological requirements such as fuel consumption data, emission levels, recyclability and the proportion of renewable raw materials into the specifications of our vehicles, as is monitoring these aspects throughout the entire product creation process. At certain points in the development process, called "quality gates," the actual environmental key figures and other key figures of the current state of development are compared with the target figures, and corrective measures are initiated if necessary.

The world's first environmental certificate for an automobile, the Mercedes-Benz S-Class, marks the endorsement of this integrated approach by an independent external certifying agency. And we are pursuing a similar approach as we enhance and define our production processes. Here too, environmental topics – including solvent emissions, energy and water consumption and the protection of soil and groundwater – are integral elements of the processes for plant construction planning and investment decision-making.

The preliminary work for the formulation of DaimlerChrysler's strategic approach is performed by two committees that are headed by our Chief Environmental Officer: the Global Product Environmental Council and the Global Facility Environmental Council. These efforts then lead to specific decisions concerning products, investments and related research and development projects.

In recent years we have made considerable progress with regard to the emissions produced by our products and production processes. For example, over the past decade we have reduced the emissions of our passenger cars by 70 percent – in some cases, such as with

particulates, we have even cut emissions by more than 95 percent. What's more, since 1990 we have reduced the fuel consumption of the entire fleet of DaimlerChrysler passenger cars in Germany by 30 percent, thus making an above-average contribution to reaching the VDA's goal of a 25 percent reduction. We reached another milestone in Europe's key markets in April 2005, when we introduced the world's first series-production diesel-powered passenger cars with particulate filters that meet the Euro 4 emission standard. Yet another milestone was our introduction of BLUETEC technology in trucks. This makes it possible for our trucks to already fulfill the Euro 5 emission limits, which are not scheduled to take effect until October 2009. In retrospect, the success of these vehicles on the market confirms that the specifications we defined many years ago were decisions that were sustainable and correct in terms of both economy and ecology.

We have also developed modular BLUETEC technology for diesel-powered passenger cars to the series-production level. Starting this fall, our customers in the United States will be able to see for themselves the benefits of this new generation of very clean and highly efficient diesel-powered cars. By 2008 at the latest, we will also be offering BLUETEC technology in a passenger car in Europe. This will bring us a giant step closer to our goal of reducing emissions of diesel-powered passenger cars to the emissions level of gasoline-powered cars. What's more, this innovative technology is also exploiting the potential for reducing fuel consumption in diesel-powered vehicles in countries outside of Europe. Because further reductions in fuel consumption are certainly our biggest challenge on a global scale, the use of BLUETEC in passenger cars is vitally important.

Dr. Thomas Weber

Member of the Board of Management responsible for Group Research and Development Mercedes Car Group

Prof. Dr. Herbert Kohler

Vice President Group Research and Advanced Engineering Vehicle and Powertrain, Chief Environmental Officer

Ecology

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Additional information (indicated by the www symbol and an index number) is available online at:

www.daimlerchrysler.com/sustainability

1.0 Environmental strategy and policy

Protecting the environment is a primary objective of the DaimlerChrysler Group. It is a fixed element of our corporate strategy for boosting our company's value over the long term. The Environmental Protection Guidelines approved by our Board of Management define the environmental policy of the DaimlerChrysler Group and describe our commitment to integrated environmental protection that begins at the roots of environmental impacts, assesses in advance the ecological implications of production processes and products, and takes these findings into account in corporate decision-making. The Environmental Protection Guidelines are binding for all of the Group's employees and at all corporate locations.

The Environmental Protection Guidelines of the DaimlerChrysler Group

– 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.

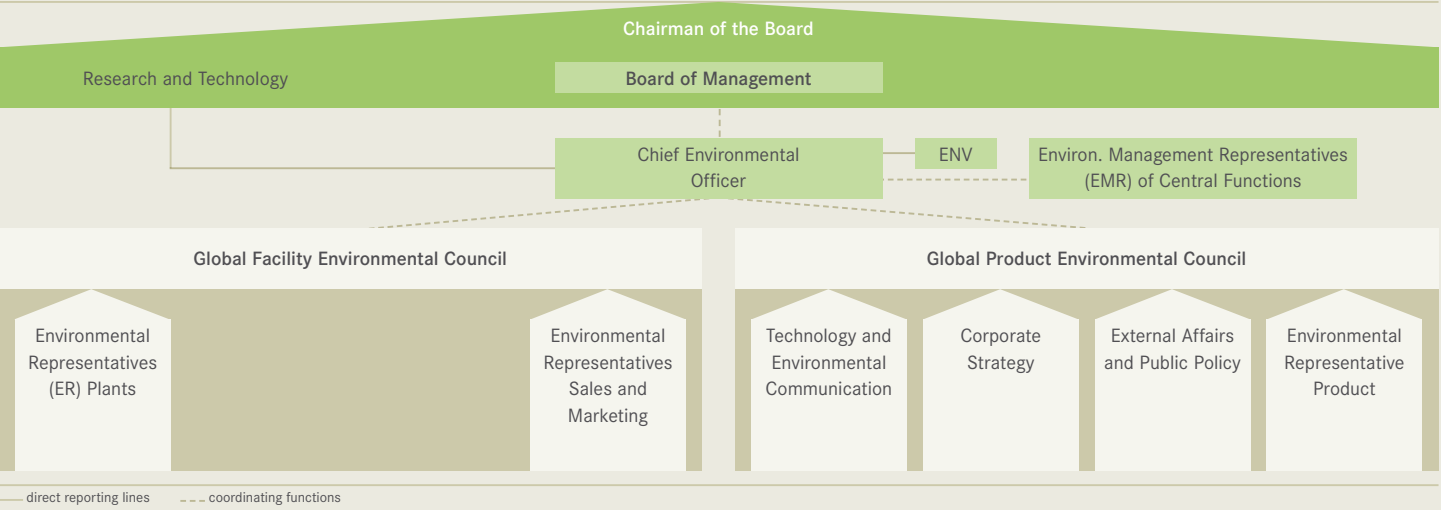
– We endeavor to achieve exemplary environmental performance worldwide.

– We provide our employees and the public with comprehensive information on environmental protection.

1.1 Environmental organization and environmental management

In order to implement our environmental policy, reach our targets, and ensure continuous improvement in environmental protection performance we have established clear structures, processes, and areas of responsibility. The certification of all our sites around the world in line with ISO 14001 and the additional EMAS validation of our European sites are important elements of our environmental management system. The efficiency of the system is regularly validated worldwide by international experts. Today, more than 96 percent of our workforce is employed in production facilities with certified environmental management systems. A comprehensive system of ecological auditing at our company locations evaluates compliance with prescribed methods and regulations and ensures that corrective measures are initiated where necessary.

Environmental organization at corporate level



1.2 Group environmental protection structures

On behalf of the Board of Management of DaimlerChrysler, the Member responsible for Group Research and Mercedes Car Group Development is also charged with the company's environmental matters. In addition, a Chief Environmental Officer is appointed to coordinate activities across the Group. The Chief Environmental Officer also represents the Board of Management with respect to the central environmental management system. To assist in this task, the following

bodies have been set up at the Group level: the Central Environmental Protection function (ENV); the Global Product Environmental Council, which includes the environmental officers for products (responsible for environmentally compatible product design and processes) and representatives of the Corporate Strategy and Communications, External Affairs and Public Policy functions; and the Global Facility Environmental Council, which represents the regional working groups of the environmental officers who are responsible for environmentally compatible business processes.

Core tasks and responsibilities	
<div>Group Chief Environmental Officer</div> <div><div>– Coordination of environmental protection and environmental management across the Group and participation in strategic planning</div><div>– Regular reporting to the Board of Management (BoM)</div><div>– Assuring internal and external environmental reporting</div><div>– Advising the Board of Management on environmental matters</div></div>	<div>Global Facility Environmental Council</div> <div><div>– Regional and global coordination of production-related environmental protection activities</div><div>– Identification of measures required at cross-facility level</div><div>– Initiation and processing of joint projects</div></div>
<div>Global Product Environmental Council</div> <div><div>– Analysis of product-related environmental matters and preparation of coordinated statements concerning the impact of Group products on the environment</div><div>– Definition and development of product-related environmental targets and programs</div><div>– Coordination of cross-functional or cross-divisional environmental protection tasks and initiation of cross-functional or cross-divisional environmental projects</div></div>	<div>Central Environmental Protection Function (ENV)</div> <div><div>– Analyzing and ensuring compliance with legal requirements</div><div>– Assuring internal and external environmental reporting</div><div>– Advising the Board of Management on environmental matters</div><div>– Ensuring the proper functioning of the Environmental Management System</div><div>– Definition and monitoring of environmental targets</div><div>– Environmental risk management</div><div>– Initiation of preventive environmental protection projects; definition and stewarding of internal environmental standards</div></div>

Environmental Management Manual provides orientation.

The Environmental Management Manual adopted by the DaimlerChrysler Group in 2003 is a key tool for all Group facilities and units. It establishes a uniform framework for environmental management throughout the Group, ensuring the implementation of standardized processes and compliance with internal and external requirements.

Integrated management systems. The merging of the management systems for quality, health & safety, and environmental protection into a single system is one of our key tasks. This will enable us to integrate environmental protection tasks more fully into the core functions and processes of the respective departments, instead of dealing with them as separate processes. Since 2002, the Mercedes Car Group has been implementing an integrated concept in its production facilities in Germany and the USA. In the Commercial Vehicles division, EvoBus GmbH will begin to introduce integrated management in 2006. At the Chrysler Group plants, the environmental management system was introduced as an integral part of the existing Manufacturing Quality Assurance System, MQAS, in 2001.

Spotlight on sites. Ecological site audits help us apply uniform global parameters (environmental standards) as we identify environmental risks, reduce these risks using measures agreed on between the Board of Management and plant management, and raise all of our sites to a high environmental standard. These audits involve the regular and systematic monitoring and assessment of environmental management systems on site as well as the key areas of environmental protection (atmospheric emissions, effluents, waste management, soil/groundwater contamination, use of production materials).

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

Knowledge builds motivation. If our employees were not aware of relevant environmental issues and committed to resolving them, we could not achieve continuous improvements in environmental protection. Accordingly, we organize comprehensive environmental training programs.

Award for outstanding commitment. The objective of the Environmental Leadership Award (ELA) is to increase awareness regarding environmental issues within the Group and to motivate as many employees as possible to actively promote environmental protection. The Group-wide award is presented by the Board of Management in recognition of projects that advance environmental protection within the company. At the same time, through the ELA we aim to disseminate expertise and knowledge on exemplary technologies and concepts and to encourage imitation at as many locations as possible worldwide.

2.0 Product-related environmental protection

2.1 Our strategy for the sustainable mobility of the future

As an automobile manufacturer, DaimlerChrysler is committed to making a decisive contribution to the realization of an environmentally acceptable and sustainable form of mobility. Our key objective is clear: to further reduce CO₂ emissions and the consumption of fossil fuels. In order to reach this goal we are focusing on two fields of activity: technical innovations in the vehicle and powertrain sectors on the one hand (core activities), and fuels on the other (support activities). Through our technical innovations in the vehicle and powertrain sectors we are also pursuing another goal: we aim to achieve a further reduction in exhaust emissions from our products.

2.2 Research and product development

DaimlerChrysler invests about €6 billion a year in research and development. For us, innovation is a decisive way of building upon our technological leadership and safeguarding the future of our company. When we are drawing up visions of the car of the future, we also consider what the sustainable mobility of the future could – and indeed should – look like. Against this backdrop, our research and development activities are focused on three key objectives:

- **Visions for Tomorrow's Cars:** developing new, future-oriented drive and vehicle concepts
- **Innovative Fuels:** promoting the development of alternative, and in particular renewable, fuels
- **Accident-free Driving:** developing electronic assistance systems for greater traffic safety

2.2.1 Automotive visions: New drive and vehicle concepts

Today, diminishing fossil fuel reserves and the need to cut emissions of carbon dioxide are forcing the industry to rethink proven powertrain concepts. DaimlerChrysler aims to play its part in shaping the transition to alternative drive systems and renewable fuels.

Our powertrain strategy: Three steps toward the vehicle of the future

1. Internal combustion engines. In the short and medium terms, our most important goal is to optimize today's gasoline and diesel engines and make them even more efficient and lower in emissions.

2. We regard **hybrid drive systems** as an important technology that bridges the gap between conventional drive technologies and fuel cell vehicles. In certain driving cycles (primarily city driving), hybrid drive systems make it possible to save considerable amounts of fuel.

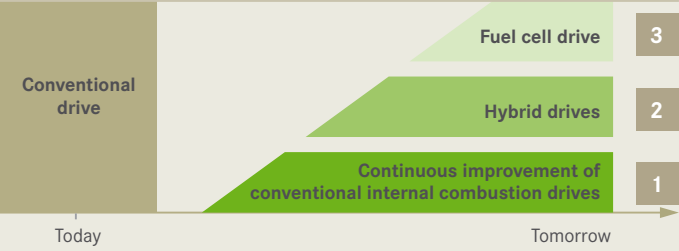
3. Fuel cell drive systems have around double the internal efficiency of today's internal combustion engines. They are thus an important milestone towards improving energy efficiency, which is one of our core objectives. What's more, fuel cell vehicles produce no harmful emissions. That's why we regard them as the most promising drive technology for the medium and long-term future. They offer clear overall environmental benefits, especially if the hydrogen they consume is produced from renewable energy sources.

2.2.1.1 Internal combustion engines

Gasoline and diesel engines with savings potential. DaimlerChrysler still sees considerable potential in optimizing current internal combustion engines. Our objective is to make gasoline engines as efficient as diesel engines, and diesel engines as clean as gasoline engines. After the introduction of the particulate filter, we now aim to further reduce nitrogen oxide emissions without sacrificing the fuel efficiency and economy of diesel engines.

Thanks to innovative modular BLUETEC technology, Mercedes-Benz CDI vehicles will be the cleanest diesel vehicles in the world. Nitrogen oxide emissions are reduced by means of a modified DeNOx storage catalytic converter and an SCR catalytic converter, or through a more complex and even more effective method: the injection of AdBlue. With the help of this additive and selective catalytic reduction (SCR), nitrogen oxide emissions from diesel cars can be reduced by up to 80 percent.

DaimlerChrysler drive strategy Figure 18



The newly developed spray-guided gasoline direct injection also significantly boosts fuel economy. This injection technology, which was presented in the CLS 350 CGI at the Geneva Motor Show in Switzerland in March 2006, results in fuel savings of 10 percent by comparison to the V6 gasoline engine with port injection.

Drive technologies from DaimlerChrysler Figure 19

Based on the number of passenger cars and commercial vehicles (vans, buses, trucks) sold in the triad markets in 2005

Percentage share				
	Vehicles with gasoline engine	Vehicles with diesel engine	Vehicles with hybrid drive***	Vehicles with fuel cell drive****
Europe*	37.8	62.2	x	x
NAFTA**	88.1	11.9	x	x
Japan	46.6	53.4	x	x

* Approximately 0.3% of the vehicles with gasoline engines manufactured for Europe were manufactured as natural gas variants.
** 1% of the NAFTA vehicles with gasoline engines were Flexible Fuel Vehicles (FFV).
*** 0.01% of the vehicles sold worldwide were equipped with a hybrid drive system.
**** With more than 100 vehicles (passenger cars, vans and buses) worldwide, DaimlerChrysler currently has the world's largest fleet of fuel cell vehicles in operation.

Natural gas engines as a viable alternative. From both the economic and the environmental perspective, natural gas is considered a sensible alternative to gasoline and diesel for specific applications (e.g. inner city transport). The large reserves of natural gas worldwide also make it likely that its use will be both sensible and viable for some years to come. Large numbers of natural gas-powered buses manufactured by Mercedes-Benz (Citaro CNG) and Fuso (Aero Star CNG) are in operation today. Also in demand are our natural gas-powered Mercedes-Benz vans and the E-Class E 200 NGT with bivalent drive. The E 200 NGT, the top-performing natural gas-powered sedan on the market, can run on either natural gas or unleaded premium gasoline. In the USA, our Orion and Thomas Built Buses brands offer a number of buses with natural gas propulsion systems, while on the truck front, Freightliner, Sterling, and Western Star have several natural gas trucks in their product portfolios.

Flexible fuel vehicles. Since 1998 DaimlerChrysler has sold nearly 1.5 million flexible fuel vehicles (FFVs) in the USA. The vehicles are designed to run on E85 fuel, a fuel made up of 85 percent ethanol and 15 percent conventional gasoline. In line with the political target of reducing the American dependence on foreign oil, we are planning to enlarge our FFV program.

2.2.1.2 Hybrid drive systems

Hybrid technology basically means the use of at least two different drive systems within one vehicle: an internal combustion engine operating in combination with one or more electric motors. Consequently, the technical complexity and the costs of a hybrid drive system are always higher than those of conventional diesel or gasoline engines. The increased expense pays off for the customer if the cost of the fuel and the operation of the vehicle throughout its entire lifecycle is lower than the cost of a comparable CDI diesel engine. Lower emissions of some pollutants represent a further possible advantage for the customer and the environment.

As yet, hybrid vehicles have only managed to reduce fuel consumption in city traffic. As a result, the test vehicles and series-produced hybrid vehicles delivered to customers by DaimlerChrysler in 2005 have been delivery and transport vehicles such as the Mercedes-Benz Sprinter with hybrid drive and hybrid city buses such as the Fuso Aero Non-Step HEV and the Orion VII. More than 300 of these buses are on the road today in regular service. By next year, more than 800 hybrid diesel buses will be operating in New York City, San Francisco and Toronto. Hybrid drive may also prove to be a viable solution for heavy-duty commercial vehicles used for short-radius delivery. Our development activities in this area are focusing on further reducing fuel consumption and drastically lowering emissions for vehicles that are used all over the world in inner-city areas with particularly limited access for traffic.

In order to more effectively use the advantages of innovative hybrid technology in passenger cars as well, three companies – DaimlerChrysler, General Motors and BMW – have pooled their technological expertise in a strategic alliance. The centerpiece of their joint development efforts is an electronically controlled transmission that connects an internal combustion engine and two electric motors with the drive module. The electronic control of the power flow between the drive systems and the wheels enables the vehicle to start up and accelerate dynamically (with high torque) but also to operate economically over long distances (on secondary roads and highways). DaimlerChrysler will market this two-mode system in the Dodge Durango starting in early 2008.

2.2.1.3 Fuel cell drives

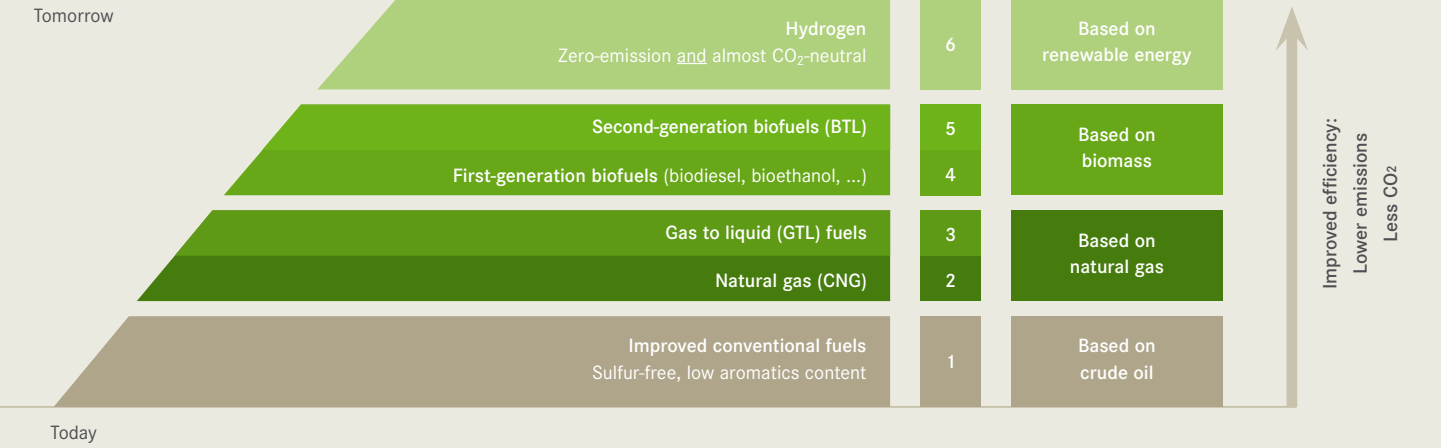
DaimlerChrysler considers hydrogen-operated fuel cell vehicles the last step in its phased plan to implement emission-free mobility that helps preserve natural resources. Today, the current generation of hydrogen-powered vehicles – the A-Class F-Cell, the fuel cell Sprinters and the Citaro urban buses – is proving itself in a global testing program. With more than 100 fuel cell vehicles on the road worldwide, DaimlerChrysler operates the largest such fleet in the automotive industry. Our fleet of fuel cell vehicles has covered a total of more than 2.2 million kilometers (1.4 million miles) in over 100,000 hours of operation. Every day, these vehicles deliver vital data that will flow into the development of the next generation of vehicles and future fleet testing.

Comparison of the F-Cell and F 600 HYGENIUS Figure 20

	F-Cell	F 600 HYGENIUS
Year of production	2004	2005
Fuel consumption	Hydrogen consumption corresponds to an equivalent of 3.8 liters of diesel fuel per 100 km	Hydrogen consumption corresponds to an equivalent of 2.9 liters of diesel fuel per 100 km
Content of hydrogen tanks	1.8 kg H ₂	4 kg H ₂
Operating range	160 km	More than 400 km

In November 2005 Mercedes-Benz presented its F 600 HYGENIUS concept car, which had more than double the range of previous A-Class Fuel-Cell vehicles. Thanks to improvements to the cold-start operation of the fuel cell stack, the F 600 HYGENIUS can be started with ease even at temperatures below freezing. Future technological challenges to be mastered before the vehicle is ready for series production include the storage of hydrogen inside the vehicle and a comprehensive network of hydrogen filling stations. Together with other automakers, DaimlerChrysler aims to achieve total sales of 100,000 fuel cell vehicles in 2015. Experts believe that by that time the technical problems will have been solved and the technology will have become economically feasible.

DaimlerChrysler fuel roadmap Figure 2



2.2.2 Fuels for the future: New fuels replacing fossil fuels

The current practice of blending fossil fuels and crop-derived fuels such as bioethanol and biodiesel is already helping to enhance the environmental balance sheet for road traffic. In the Magdeburg Declaration of November 2005, DaimlerChrysler stated its commitment to supporting activities that exploit the potential of biofuels more consistently than has previously been the case. More specifically, we are committed to creating the technologies that will enable vehicles to run on fuels with up to ten percent admixtures of biodiesel or bioethanol. We intend to support the environmentally compatible cultivation of biomass for biofuels by developing a “seal of sustainability.” In terms of strategic planning for our passenger car and commercial vehicle activities, we are also placing a strong emphasis on the fuels of the future.

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Bioethanol and biodiesel – fuels from plants. All Jeep® Liberty CRD vehicles leave the factory with an initial filling of B5 biodiesel. This fuel contains a five-percent blend of biodiesel from soy beans.

Our roadmap points the way to the fuels of the future

- 1. Conventional fuels such as gasoline and diesel** will continue to be used in the years ahead, which is why they must be continually improved. The goal here is the worldwide use of sulfur-free fuel that contains low levels of aromatic compounds.
- We believe that **natural gas** is a viable option for certain applications, because it contains less carbon than gasoline and diesel.
- 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 sulfur-free, contains no aromatic compounds and can be adapted to meet many of the requirements associated with internal combustion engines.
- Bioethanol and biodiesel** are intelligent options for the short to medium term when blended with conventional fossil fuels. Fossil fuels offer better fuel economy than crop-derived fuels, however, because their energy content is higher; in addition, the aggressiveness and viscosity of biodiesel and the more pronounced clogging of the particle filter make its use in pure form prohibitive.
- BTL fuels made from biomass** will soon grow in importance, initially as an admixture blended with gasoline and diesel fuel. We are 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 are very suitable for use in internal combustion engines.
- Hydrogen** will be the energy source that powers the fuel cell vehicles of the future. However, some time will pass before these vehicles become a regular sight on the roads. Before this vision becomes a reality, it will also be necessary to develop suitable and efficient processes for producing hydrogen from renewable sources and to create an extensive hydrogen supply infrastructure.

Biomass-to-Liquid (BTL) – the second generation of biofuels. No sulfur, no aromatic compounds and far less CO₂ – the properties of SunDiesel, the biogenic diesel fuel developed and produced by CHOREN Industries in cooperation with DaimlerChrysler and Volkswagen, have won over engineers and environmentalists alike. The environmental “balance sheet” – compared to conventional fuels – shows that as much as 90 percent of CO₂ emissions can be prevented along the entire BTL value chain comprising cultivation, transport, fuel production and use. Testing of Mercedes-Benz diesel engines has also 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 as much as 90 percent.

In addition to strongly supporting efforts by the German government and the EU to increase the use of renewable fuels, 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. In Freiberg, in the German state of Saxony, CHOREN is currently constructing the world’s first commercial facility for the production of SunDiesel. Beginning in 2007, this location will produce 16.5 million liters of fuel annually. Over the medium term, CHOREN is planning to build five facilities, each with an annual production volume of 225 million liters of fuel.

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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 construction of a hydrogen supply infrastructure. Both of these tasks call for global cooperation among governments, the oil industry, the energy sector and other potential investors. As a partner in such efforts, DaimlerChrysler is taking part in the Clean Energy Partnership (CEP) in Europe and in the FreedomCar and Fuel Partnership initiative in the United States.

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2.2.3 Environmentally responsible product development

The improvements in our vehicles’ environmental sustainability have become development specifications. Serving as a cross-divisional team, our 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 life cycle assessments.

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, DaimlerChrysler has to dispose of fewer and fewer parts from passenger cars and commercial vehicles. Wherever possible, we use high-quality secondary (recycled) raw materials in place of expensive and precious primary resources. In the plastics sector, we give preference to recycled raw materials or recyclable materials. To date, we have successfully tested the use of recycled raw materials for approximately 10 percent of the volume of plastics we employ in our vehicles. These materials have been approved for series production applications.

Environmentally responsible car development. The new S-Class is a perfect example of the effectiveness of our DfE concept. It is the world’s first car with an environmental certificate. Issued by TÜV Management Service GmbH in Munich, this certificate confirms that the luxury sedan was developed in line with high environmental standards. Here it was even possible to make significant progress in many areas related to environmental protection. The S-Class is an exemplary vehicle in terms of its low exhaust emissions and noise levels, for example. The new S 350 more than meets the currently valid Euro 4 emission limits, with values as low as approximately 15 percent of the permissible nitrogen oxide levels and approximately 25 percent of the permissible level of hydrocarbons.

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Environmental profile of the new Mercedes-Benz S-Class

Consumption of energy from primary sources:
Over an entire life cycle, the consumption of energy from primary sources has been reduced from 1,445 gigajoules (GJ) to 1,360 GJ. The savings correspond to the energy content of about 2,500 liters of gasoline.

Emissions:

Carbon dioxide:	– 7 percent
Nitrogen oxides:	– 14 percent
Sulfur dioxide:	+ 8 percent
Carbon monoxide:	+ 11 percent
Volatile hydrocarbons:	– 11 percent

Recycling:
The new S-Class meets the 85 percent reuse and recovery quota that will be required throughout Europe starting in 2006. The specified reuse and recovery quota of 95 percent to take effect from 2015 can be met with the use of new recycling technologies.

Comparative overview of materials used:
Steel and iron make up slightly less than 53 percent of the total weight of the new S-Class. Light alloys represent about 16 percent of the total, and plastics account for just under 19 percent of the overall weight.

Use of recycled materials:
All in all, 45 components with a total weight of 21.2 kilograms can be made from recycled plastics. The overall volume of recycled components approved for use was thus increased by about four percent.

Renewable raw materials:
Twenty-seven components with a total weight of 42.7 kilograms are produced using natural materials, including coconut, wood, flax and cotton fibers in combination with a variety of polymer materials. This means that the total weight of parts and components produced using renewable raw materials has increased by about 73 percent.
(Data in comparison to the predecessor model)

Material composition of the Mercedes-Benz S-Class according to VDA 231-106

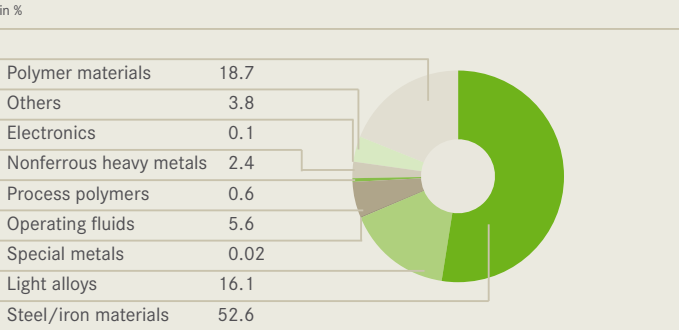


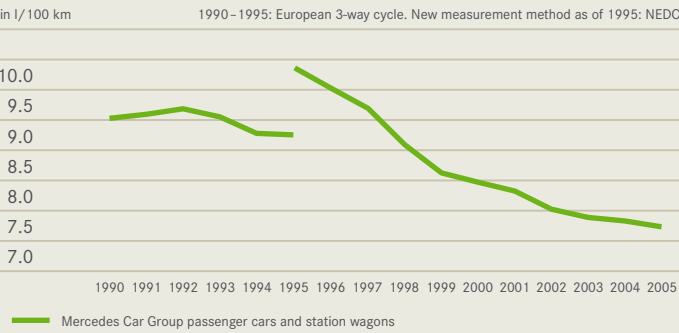
Figure 22

Environmentally responsible development of commercial vehicles. The DfE team has to take into account a special set of circumstances in the commercial vehicle sector, since economic factors play a much greater role for commercial users such as haulage firms or mass transit operators than is the case in the passenger car sector. However, when it comes to goals such as cutting fuel consumption, economic and ecological aspects go hand in hand. The same applies to lightweight design concepts which reduce the weight of the vehicle and thereby increase the potential payload.

2.3 Products and product use

A clean environment is a priceless asset. Reducing resource consumption and the strain on the environment is only possible if everyone involved contributes to the effort – and that includes legislators, public authorities, automakers, and drivers. DaimlerChrysler is aware that it has a responsibility to cooperate with these groups, and takes this responsibility very seriously. This is why our goal is to make our vehicles even more environmentally compatible from one generation to the next and to improve the environmental balance sheet for these vehicles over their entire life cycles. We believe that the most important element in these efforts today is to further reduce fuel consumption and CO₂ emissions. Other important priorities include reductions in our vehicles’ pollutant and noise emissions.

Fuel consumption in Germany 1990–2005 Figure 23



2.3.1 Fuel consumption and CO₂ emissions

We have already made substantial progress in recent years by optimizing the internal combustion engine. For example, the average fuel consumption for our newly registered cars and station wagons in Germany has fallen by 30 percent since 1990. In recent years we have also achieved substantial reductions in fuel consumption in the commercial vehicle sector. With long-distance trucks like the Mercedes-Benz Actros, for example, DaimlerChrysler has been leading the way for years in terms of fuel economy. Maximizing the scope for improvement still offered by internal combustion engines is one of the focal points of our research and development efforts. One major challenge here is to successfully combine low fuel consumption with customer appeal and acceptable costs. Fuel consumption is also affected by driver-related factors, which means that a far-sighted, environmentally aware approach to driving can lead to significant savings. In order to promote this approach, DaimlerChrysler has been offering ECO driving courses to its customers in the passenger car and commercial vehicle sectors since 1999.

Fleet consumption down. In 2005, DaimlerChrysler further reduced the average fuel consumption of its fleet of newly registered cars and station wagons in Germany to 7.19 liters per 100 kilometers (32.7 miles per gallon) (measured over the New European Driving Cycle, NEDC). This represented a 1.4 percent reduction compared to the previous year. In 2003 we had already outperformed the target of 7.7 liters per 100 kilometers (30.5 miles per gallon) that we had set ourselves for the year 2005 in line with the commitment by the Association of the German Automotive Industry (VDA) to cut average fleet consumption. In other words, between 1990 and 2003, we reduced fuel consumption by 25 percent. In 2005, the average CO₂ emissions for the fleet were cut to 179 grams per kilometer.

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At the European level, the members of the European Automobile Manufacturers Association (ACEA) agreed to voluntarily reduce the average CO₂ emissions of all new passenger cars sold in the EU between 1995 and 2008 to 140 grams of CO₂ per kilometer – a reduction of 25 percent. By meeting the ACEA target for 2003 – between 165 and 170 grams of CO₂ emissions per kilometer – DaimlerChrysler has played its part in this effort. And we will continue to improve our vehicles’ fuel efficiency in the future as well.

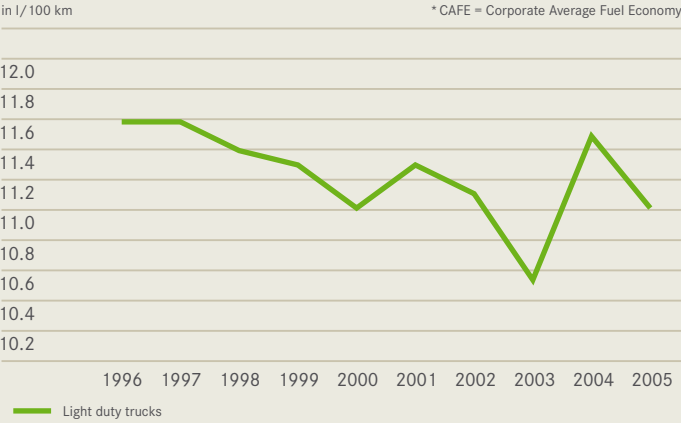
It will not be possible to achieve further significant CO₂ emission reductions without appropriate support from the oil industry, our customers and politicians. In addition to improved vehicles, the introduction of alternative fuels in an integrated approach, improved transport infrastructure and, for example, more environmentally compatible driving behavior can also play important roles in cutting CO₂ emissions.

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In the United States, the standards of the Corporate Average Fuel Economy (CAFE) create a legal framework for improving energy efficiency. According to these standards, manufacturers’ passenger car fleets are weighted in line with sales, and for model year 2006 they must have average values of at least 27.5 miles per gallon for passenger cars and 21.6 miles per gallon for light-duty trucks.

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DaimlerChrysler CAFE* – Values for light duty trucks in the USA 1996–2005 Figure 24



Since 1996, DaimlerChrysler has continually improved its fleet values for passenger cars and light-duty trucks. During this period, fleet consumption for our passenger cars has fallen by about five percent, while our light-duty trucks fleet has consumed around six percent less fuel. The more stringent standards recently approved for light-duty trucks starting with the model year 2007 represent a challenge that we will meet by focusing on technological development.

CAFE standards for light-duty trucks in the USA Figure 25

Model year	2006	2007	2008	2009	2010
mpg	21.6	22.2	22.5	23.1	23.5
l/ 100 km	10.9	10.6	10.5	10.2	10.0

In the U.S., manufacturers of passenger cars (not including mini-vans, SUVs or pickups) with a fuel economy exceeding 22.5 miles per gallon are subject to a “gas-guzzler tax.” This tax is intended to reduce the production and sale of vehicles with poor fuel efficiency in the U.S. Due to its high percentage of premium-segment vehicles, DaimlerChrysler paid a total of US \$8.5 million in these gas-guzzler taxes in 2005 for passenger cars it imported into the U.S. from Europe.

In Japan the “Top Runner” concept has fixed binding upper limits for fuel consumption for nine classes of vehicle, grouped according to gross vehicle weight. The new limits will come into effect in 2010. In 2005 DaimlerChrysler improved its average consumption across all vehicle classes by three percent compared with the previous year. The targets for 2010 have already been achieved in two vehicle classes.

2.3.2 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. In recent years, DaimlerChrysler has reduced the various types of emissions across its 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. Over the course of the past decade, we have also succeeded in dramatically reducing emissions of nitrogen oxides, hydrocarbons, and particulates in our commercial vehicles by improving the control of combustion processes in engines and optimizing carburetion. Our 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 USA.

Percentage share of Mercedes-Benz and smart diesel passenger cars sold in Europe in 2005 that meet mandatory and planned emissions standards Fig. 26

	Limit values		Percentage share of Mercedes-Benz and smart diesel passenger cars that meet the respective limit values**
	NO _x in g/km	Particulates in g/km	
Euro 4	0.25	0.025	43.4%
Euro 5 (planned)*	0.20	0.005	40.9%

* The Euro 5 particulate limit has already been politically determined. For NO_x the EU-Commission has proposed a limit of 0.2 g/km.
** For Euro 5 the limit values which are already decided were used.

Approximately 41% of the Mercedes-Benz and smart passenger cars sold in Europe in 2005 already complied with the Euro 5 particulate limit values planned for 2009.

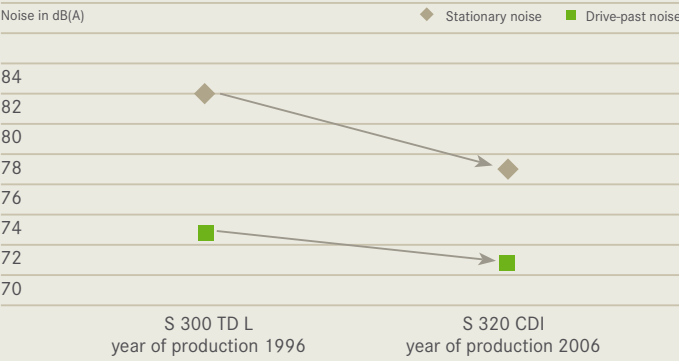
In order to combine all technical solutions for emission reduction into an optimized package, Mercedes-Benz is implementing a multi-staged plan to reduce diesel engine emissions.

- The first step involves the introduction of **optimized engine and combustion processes** that 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, turbochargers with variable geometry, and exhaust gas recirculation systems.

- **Oxidizing catalytic converters** are also being employed to minimize emissions of carbon monoxide (CO) and unburned

Noise reduction in the Mercedes-Benz S-Class compared to the previous model

Figure 27



hydrocarbons (HC).

- **Particulate filters** reduce particulate emissions by up to 98 percent. As a result, such emissions are significantly lower than the current Euro 4 limits and also meet currently valid emission standards in the USA.

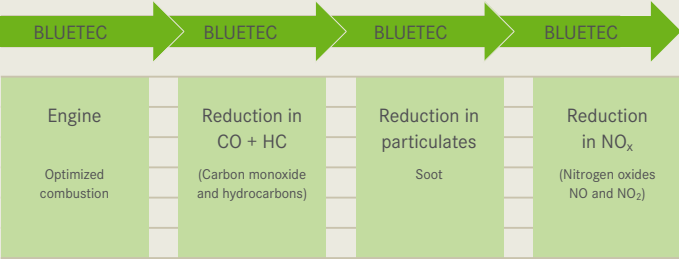
Since the summer of 2005, all Mercedes-Benz diesel passenger cars sold in Germany, Austria, Switzerland, and the Netherlands have been equipped with particulate filters as standard. The smart fortwo cdi has also been available with a diesel particulate filter (open system) as standard equipment since the beginning of 2006. In addition, since December 2005 Mercedes-Benz has been offering a retrofitting solution for C-Class and E-Class diesel models that substantially reduces particulate emissions. The system requires no maintenance and is suitable for installation into vehicles with any four-cylinder diesel engine manufactured since June 2003.

- **BLUETEC** is a system that reduces nitrogen oxides (whose concentration in raw emissions is higher in diesel engines than in gasoline engines due to the nature of diesel engine design) to such an extent that vehicles equipped with it can meet even the most stringent emission limits in the world.

BLUETEC brings together various technical features for reducing all relevant emission components in diesel passenger cars. The system includes an oxidizing catalytic converter and diesel particulate filter, as well as innovative technologies for reducing nitrogen oxide emissions. This system uses either an enhanced DeNOx storage catalytic converter with an SCR catalytic converter, or the injection of an additive known as AdBlue. The latter solution is more complex and expensive, but also more efficient. The AdBlue dilute urea solution is used as part of the selective catalytic reduction (SCR)

BLUETEC technology at DaimlerChrysler

Figure 28



process, which transforms nitrogen oxides into molecular nitrogen and water. This is currently the most effective method for exhaust gas treatment, and it can reduce nitrogen oxide emissions by up to 80 percent. The AdBlue injection variant is currently being tested in the Vision GL 320 BLUETEC and the Jeep® Cherokee BLUETEC and is being developed into a mass-production system for use in passenger cars. The first series-produced BLUETEC passenger car will be the Mercedes-Benz E 320 BLUETEC, which will be launched in the USA in the fall of 2006. The first vehicles in Europe are not scheduled to appear until 2008 due to the differing requirements placed on such systems by the European Driving Cycle.

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Low-emission commercial vehicles. The BLUETEC systems in our commercial vehicles employ SCR-based technology. With BLUETEC, our vehicles can meet the Euro 4 and Euro 5 emission limits. NOx emissions can be cut by more than 80 percent through BLUETEC, while fuel consumption is also reduced. A total of 9,500 Mercedes-Benz trucks equipped with the new exhaust gas technology were delivered in 2005. In other words, more than 98 percent of our commercial vehicle customers opted for a truck that already meets the Euro 5 emission standard that will not go into effect until October 2009. We are also now looking into introducing this system in Japan. New emission standards for commercial vehicles will be going into effect in the USA in 2007. In order to be able to comply with these standards, we will have to increase the efficiency of current exhaust gas recirculation systems by up to 25 percent. In addition, as a direct improvement to the engine, we will be introducing a flexible injection system that will help our vehicles comply with the future NOx and particulate limits.

[www 20](#)

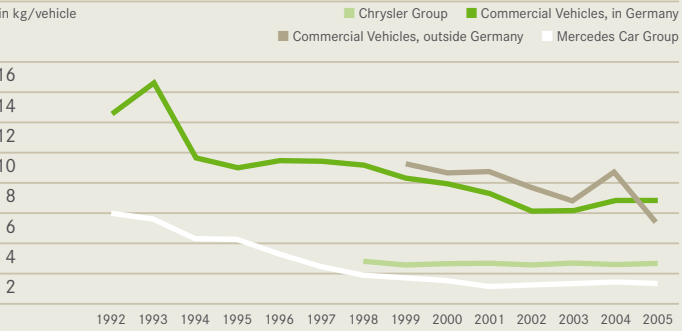
2.3.3 Noise emissions

As early as the design phase for the new S-Class, aero-acoustic experts and vehicle body and engine developers were already working together on creating the design conditions that would bring about significant reductions in aero-acoustic noise emissions. Along with the airflow, a vehicle's axles, steering system, tires, engine, and powertrain also have a major impact on acoustic comfort. The result of the collaboration has been a reduction in both interior and exterior noise emissions in the S-Class.

The problem of traffic-related noise cannot be solved by measures affecting the vehicles alone, however. Other important factors here are increasing traffic density, construction along roadways, driving habits, the surfaces and conditions of roads, and tire properties.

Specific emissions of solvents

Figure 29



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 DaimlerChrysler can directly influence. We also work closely with body manufacturers to achieve optimum integration of the entire vehicle with a view to reducing noise emissions to a minimum.

2.3.4 Service and maintenance

We take an active approach to informing our customers about the environmentally relevant properties of our products and provide advice on how to use them in an environmentally responsible way.

MeRSy conserves resources. Our customers in the passenger car and commercial vehicle sectors can not only rely on receiving the best possible service, but can also rest assured that environmental aspects will be taken into account. One example of how this works is provided by our recycling management scheme, MeRSy, which ensures that a growing number of end-of-life parts are recycled on a voluntary basis, thus reducing the volume of waste destined for landfills. We also recycle old vehicle fluids. Every year, approximately 800,000 liters of coolant and 480,000 liters of brake fluid are recycled. MeRSy 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, smart, Chrysler and Jeep® brands. What began in a few service centers in 1993 is now conducted at all locations throughout Germany, Austria, and Switzerland; in 2005, MeRSy collected and recycled 33,000 metric tons of end-of-life parts and materials.

[www 21](#)

Take-back network for end-of-life vehicles. In order to comply with the European Union's End-of-Life Vehicle Directive, DaimlerChrysler is now establishing a take-back network in cooperation with its local importers and national disposal companies in all EU countries. This ensures that our customers can dispose of their end-of-life vehicles easily and conveniently, and that all recycling operations are performed well and in conformance with applicable laws.

2.3.5 Sales and dealerships

Environmental protection activities at sales outlets are also based on the DaimlerChrysler Group's Environmental Protection Guidelines. Within this strategic framework, DaimlerChrysler's German Sales Organization (DCVD) 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 DCVD environmental policy, the company-owned sales and service outlets set their own local environmental targets and lay down the activities required to reach them. Today, vehicle service centers can also have their operations officially certified in line with the European Environmental Management and Audit Scheme (EMAS). A total of 19 DCVD branches, 55 workshops and the central sales office in Berlin have already received EMAS certification. Further information on environmental protection at DCVD can be found in the DCVD Environmental Report.

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3.0 Production-related environmental protection

3.1 Our production-related environmental strategy

DaimlerChrysler sees itself as a company that sets the pace for eco-compatible innovations in production engineering. Our goal is to make all stages of production as environmentally sound as possible. The main environmental fields of activity for us in the production sector are air pollution prevention, climate protection, and resource conservation. Our core environmental goals in these three fields are to

- **reduce solvent emissions**
- **lower CO₂ emissions**
- **raise resource efficiency and avoid the production of waste materials**

Because resource consumption, emissions, and production waste are largely determined by production volume, we collect data on the specific figures for each vehicle produced. Details on data collection and the related figures can be found at

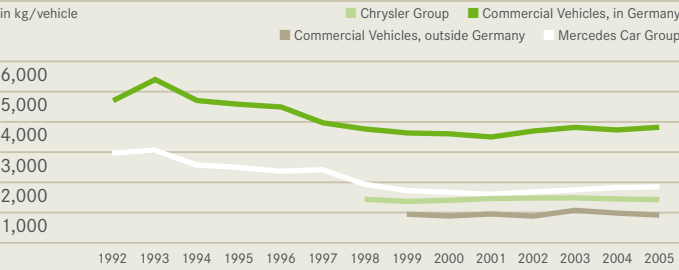
[www 23](#)

3.2 Air pollution control

By their very nature, the production processes employed at DaimlerChrysler plants lead to the creation of several air pollutants, most notably in the form of solvents (VOC) that are released from our 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, as well as at engine test stands. Through the use of new technologies and clean fuels,

Specific CO₂ emissions from production

Figure 30



DaimlerChrysler has already significantly reduced emissions of all of these pollutants in recent years. It remains our goal to maintain this low level of emissions, and to achieve further reductions where technically and economically possible.

One focus of our activities here remains the reduction of solvent emissions. At the passenger car production plants in the 1990s, we already reduced solvent emissions by some 70 percent through the introduction of water-based paints. Our commercial vehicle plants abroad posted particularly significant reductions in this area in 2005. However, because absolute emissions at foreign commercial vehicle plants have remained more or less constant, the dramatic decrease in emissions per vehicle produced is partially due to the inclusion of commercial vehicle manufacturing activities at FUSO for the first time. In particular, it is due to the lack of data on this parameter for FUSO. Without the inclusion of FUSO, the reduction would have been less substantial.

3.3 Energy and climate protection

In order to reduce CO₂ emissions at our plants, we strive to utilize energy as efficiently as possible and, where feasible, also use energy sources such as natural gas that are low in carbon. Despite the use of innovative technologies, it is becoming increasingly complicated and expensive to increase our energy efficiency above and beyond the already high levels that have been achieved.

In 2005, DaimlerChrysler’s total worldwide energy consumption amounted to 20.7 million MWh, 1.9 percent more than in the prior year. If the figures for FUSO are not included, the Group’s total energy consumption actually fell by 1.8 percent. Despite a higher production volume, the Chrysler Group reduced its consumption of energy by 0.3 percent. Due to new production launches at van plants, total energy consumption for all Group commercial vehicle plants in Germany rose 2.4 percent, while the Mercedes Car Group consumed 3.2 percent less energy, due among other things to lower production volumes.

The representation of absolute CO₂ emissions in Figure 31 differentiates between direct emissions (combustion of natural gas, heating oil, coal and liquefied gas) and indirect emissions associated with external power stations (generation of electricity and district heating). The significant increase in the share of direct emissions accounted for by oil were due to the FUSO plants in Japan.

Figure 30 shows CO₂ emissions from production plants in relation to the number of vehicles produced. The figures bear out the fact that a number of measures were already introduced in the 1990s at the MCG plants to improve energy efficiency.

Emissions of other greenhouse gases, such as those produced by coolants, can only be estimated on the basis of the amounts of such coolants that are replenished at German plants. The greenhouse effect resulting from such gases is less than one-thousandth of the total figure for greenhouse gas emissions generated by DaimlerChrysler. For information on how the CO₂ values are calculated, go to [www 24](#)

3.4 Waste prevention and recycling

When it comes to waste management, DaimlerChrysler believes that prevention and recycling is better than disposal. Accordingly, the reconditioning and reuse of raw, process and operating materials has been standard practice at DaimlerChrysler for many years now. We are also making a great effort to increasingly manufacture our vehicles with parts derived from recyclable raw materials. Moreover, in order to avoid the creation of waste from the outset, we use innovative technologies and eco-friendly production planning processes.

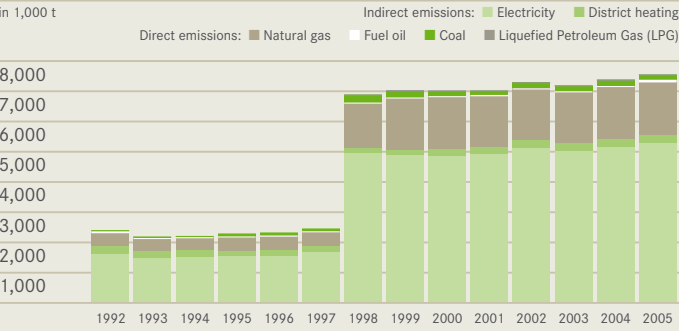
Total waste resulting from production-related activities in 2005 amounted to 2.09 million metric tons (2004: 2.04 million metric tons). Of this total, 68.9 percent consisted of almost completely recycled scrap metal, while 27.3 percent was accounted for by industrial waste (79 percent of which was recycled), and 2.8 percent by toxic waste (75 percent of which was recycled). The increase in total waste is due to the inclusion of FUSO plants in the statistics. The Chrysler Group achieved a reduction in specific waste volume by 15 percent (without scrap).

3.5 Water protection

Our 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, we make use of resource-efficient techniques such as closed-loop systems. As a result, specific water consumption per vehicle built at DaimlerChrysler has fallen dramatically in recent years.

Direct and indirect CO₂ emissions from production

Figure 31



3.8 Delivery traffic and logistics

Vehicles making deliveries to and from our production plants also have an environmental impact, and our goal in this area is to limit the emissions they produce to the lowest possible level. The most effective way to accomplish this is to reduce traffic volume through optimized logistics concepts.

An analysis of the figures for the plants contained in the central logistics database shows that in 2005, trucks traveled a total distance of 111 million kilometers (70 million miles) to transport some 3.2 million metric tons of goods and materials for the manufacturing processes at our German passenger car and commercial vehicle plants. Based on the current emission factors for Germany (HBEFA 2.1), this translates into approximately 95,000 metric tons of CO₂ emitted into the air – which corresponds to 3 percent of total CO₂ emissions generated at all of our German plants. Even though these emissions are only indirectly attributable to production, we are making every effort to reduce them further by optimizing vehicle loads, shortening transportation routes, and using rail and ships. Collection of data remains incomplete due to technical problems, but we will be improving data collection systems and updating all data on a yearly basis.

Some 19 percent of the passenger cars we produce in Germany are directly handed over to customers at our Customer Centers in Bremen, Rastatt and Sindelfingen; 27 percent are sent by rail to ports for export overseas, and 54 percent are delivered by truck to sales centers in Germany and other European countries.

3.9 Suppliers and environmental protection

Our aim of making production operations as environmentally compatible as possible is not restricted to the Group’s 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. To ensure due consideration of ecological aspects in our cooperation with suppliers, we analyze and assess their utilization of environmentally friendly technologies, materials and production techniques within the framework of our supplier plans. An integral focus of our discussions with top managers from our supplier companies involves a joint effort to ensure environmentally compatible production processes that conserve resources. Many of our suppliers have already been certified according to the ISO 14001 standard. In fact, such certification is mandatory for companies that supply our plants in the USA.

Employees and Society

As a good corporate citizen, DaimlerChrysler strives to play a proactive role in shaping society and act responsibly worldwide. This fundamental approach embraces its relations with all of our stakeholders, primarily with our customers, employees and neighbors.



Günther Fleig

Dear readers,

It is people who take on responsibility, and DaimlerChrysler products and services are backed up by our international workforce of presently 368,000 men and women. These employees contribute their knowledge, abilities, commitment, and creativity to make our company successful. And it is their efforts that give sustainability a human face at DaimlerChrysler. This is why it's crucial for our company to create the working conditions that our employees need. At DaimlerChrysler, our strong commitment to social responsibility begins with the men and women who work here.

That's why we are engaged in an ongoing dialogue with organizations for worker representation, including the World Employee Committee, the European Works Council and representatives of regional and local works councils. In addition, the HR Executive Committee, on which the company's top human resources managers are represented, regularly coordinates policy related to issues that are vitally important for DaimlerChrysler's sustainability management worldwide.

Only companies that are financially successful can offer their employees secure jobs. We are obligated to do our utmost to ensure that this is the case, even if it ultimately involves the elimination of some jobs. And our approach to doing this is the best proof that we're not merely paying lip service to the idea of social responsibility. The workforce reductions in Germany are being carried out in line with the "Safeguarding the Future 2012" agreement. All over the world, we are pursuing a strategy of adequate, job-oriented and – for our German workers covered by collective bargaining agreements – voluntary options for leaving the company. We're doing this in the interest of maintaining our business locations, in which we will continue to invest.

In spite of the reduction of our workforce, in 2006 we will further increase by five percent the number of traineeships we offer in our plants and at our headquarters in Germany. DaimlerChrysler employed approximately 10,000 trainees at the end of 2005, and that number has not fluctuated. In this way, we are working together to act on our responsibility for society and for our shared future.

Günther Fleig
Member of the Board of Management,
responsible for Human Resources & Labor Relations



Robert G. Liberatore

Dear readers,

DaimlerChrysler is more than a global manufacturer of the world's finest automobiles. It is also a social institution with broader responsibilities. That is why we care for and invest in the communities in which we operate. It is why we engage in and support democratic political processes. And our success as a company allows us to promote excellence in the full range of cultural activities and, when needed, direct our core competency – transportation – to deliver aid in the wake of natural disasters such as Hurricane Katrina.

We bring to these activities a strong set of core values and principles, and a management committed to implement them. And we have the management and mechanisms, such as our corporate representative offices and the DaimlerChrysler Corporation Fund, to accomplish our mission effectively.

As the world's largest transatlantic company – deeply rooted both in Baden-Württemberg and in Michigan – we proudly underwrite a lively dialogue that brings together officials, business leaders, academics and non-governmental organizations from Europe and the U.S. to discuss issues of the day. We search the world for solutions to tomorrow's sustainable mobility, and have launched projects in India, Brazil and South Africa, among other locations, to develop renewable materials for our vehicles. Our HIV/AIDS treatment and prevention program in South Africa remains the benchmark in its area.

Corporate Social Responsibility and Sustainability continue to be core concepts, linked economically, environmentally and socially to the bottom line.

We are under no illusions about the size or difficulty of some of the challenges ahead. In addressing them communities can count on us to be a good neighbor, and institutions of government can depend on us to be a credible and reliable partner.

Robert G. Liberatore
Group Senior Vice President Global
External Affairs and Public Policy

Employees and Society

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Additional information (indicated by the www symbol and an index number) is available online at:

www.daimlerchrysler.com/sustainability

1.0 Our employees

The products and services offered by DaimlerChrysler are the result of the efforts of presently 368,000 employees around the world. A sense of responsibility toward our employees is an integral aspect of our corporate philosophy. Our employees themselves are expected to think and act with sustainability in mind at all times, both inside and outside the workplace.

Most important Guiding Principles (see pages 12ff)
– Principles of social responsibility
– Commitment to equality of opportunity
– Maintenance of long-term and sustainable relations with employee representatives (e.g. voluntary foundation of the World Employee Committee 2002)
– Appropriate working conditions

The “Safeguarding the Future 2012” agreement. In the summer of 2004 we adopted a package of reforms for the German production plants of DaimlerChrysler AG known as the “Safeguarding the Future 2012” agreement. These reforms are improving the competitiveness of our German production facilities, increasing the flexibility of our workforce and thus safeguarding jobs in the long term. To this end, the workforce made concessions on pay, working hours and labor flexibility. In return, management agreed to avoid forced redundancies until 2012. In cases of a structural personnel surplus, an agreement with employee representatives defines a solution in several steps. In the first step, the employees in question will be offered the option of entering into voluntary severance agreements. The workforce adjustment measures currently being implemented at the Mercedes Car Group and in areas where a personnel surplus has resulted from worldwide implementation of the New Management Model are being carried out on a voluntary basis for employees covered by collective bargaining agreements in accordance with the “Safeguarding the Future 2012” agreement (see 1.1). The other core elements of the reform package include principles for the implementation of a standard remuneration agreement for hourly and salaried employees, a collective service staff agreement with longer and more flexible working hours at lower compensation levels, and DCmove, a “clearing house” for the flexible deployment and exchange of personnel capacity between plants.

1.1 Employment trends in 2005

DaimlerChrysler is a globally operating company with a global production network. On December 31, 2005, DaimlerChrysler employed 382,724 people worldwide (2004: 384,723). Of this total, 182,060 worked in Germany (2004: 185,154) and 97,480 in the United States (2004: 98,119). The number of trainees throughout the Group totaled 9,880 (2004: 10,047). The Commercial Vehicles division posted a particularly large increase in the number of employees compared to last year (+2 percent). Thanks to the strong demand for trucks, especially in the Trucks Europe/Latin America and Trucks NAFTA units, we hired many new employees in this division. At the Mercedes Car Group (– 1 percent) and Financial Services (– 1 percent) the number of employees was slightly below last year’s figure.

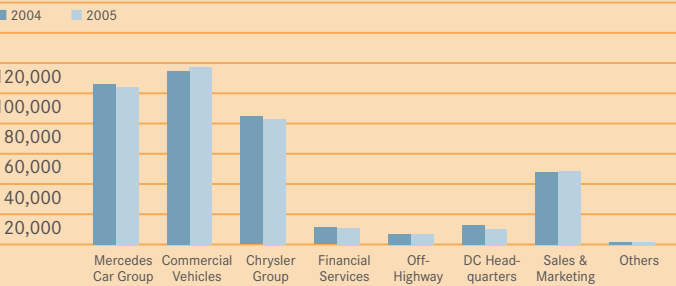
Total workforce by region

382,724 employees (status December 31, 2005)	
Europe: 212,273	
of which in Germany: 185,154	
North America: 123,664	Asia: 22,361
of which in the USA: 97,480	
Africa: 7,106	
Latin America: 15,336	
Australia: 1,984	

In September 2005 we decided to ensure the competitiveness of the Mercedes Car Group by cutting 8,500 jobs by October 2006. These workforce adjustments are necessary because our costs at all stages of the value chain are considerably higher than those of our leading competitors. By the end of 2005 approximately 5,000 employees of the Mercedes Car Group had voluntarily signed severance agreements, and by March 31, 2006, that number had risen to 7,800. The workforce reductions are in accordance with the “Safeguarding the Future 2012” agreement.

In addition, a new management model was approved at the beginning of 2006 in order to further improve the Group’s competitiveness. This new initiative, which will be implemented by 2008 at the latest, aims to further integrate the company’s functions, focus the operating units on their respective core processes, encourage internal collaboration

Total workforce at year-end 2004 and 2005 by division

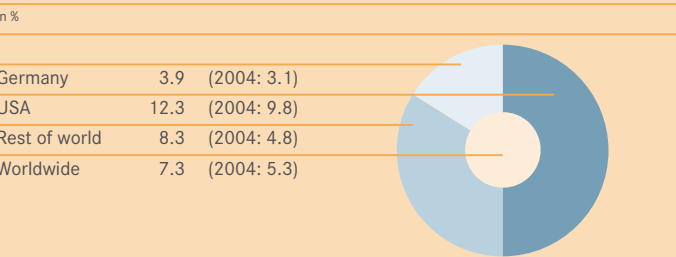


and reduce administrative costs. Due to the elimination of redundancies, consolidation of administrative functions and optimization of processes, the headcount will be reduced by about 6,000 employees over the next three years. Approximately 20 percent of administrative positions worldwide will be eliminated. The workforce reductions for employees covered by collective bargaining agreements in Germany are in accordance with the “Safeguarding the Future 2012” agreement.

1.2 Fluctuation

At 7.3 percent, the DaimlerChrysler Group’s annual global employee turnover rate for 2005 was 2 percentage points above that of the previous year. This figure also includes human resources measures such as early retirements, voluntary severance agreements and – specifically in Germany – part-time phased early retirement contracts.

Employee turnover rate 2005



1.3 Union membership of employees

DaimlerChrysler has a tradition of valuing its good and dependable working relations with internal and external employee representatives in works councils and trade unions, within and beyond national boundaries. In order to give employees security and a positive future outlook, especially in this era of globalization, we voluntarily set up a World Employee Committee in 2002. Another important body alongside the World Employee Committee is the European Works Council, which was created in 1996. In Germany there is also legislation regarding codetermination on the supervisory board: Ten members of the Supervisory Board of DaimlerChrysler AG are employee representatives. In Germany, some 95 percent of DaimlerChrysler Group employees are represented by a trade union. Outside Germany, the workforces of almost all production plants with more than 1,000 employees have trade union representation.

1.4 Flexibility in the use of human resources

DaimlerChrysler employs a number of different flexibility tools so that it can react flexibly to fluctuations in demand and safeguard the continuous development of the core workforce. By employing these tools the company can gain leeway in flexibility averaging approximately ± 25 percent. The focus is on two processes that are documented in an agreement with the General Works Council and go beyond legal requirements:

- 1. Adjustment of the size of the workforce in line with company needs, and employee flexibility. In DaimlerChrysler AG’s German production plants diverse work time models are being developed in cooperation with the employees in order to provide individualized work time solutions. Other tools include support measures affecting all production locations, such as the delegation of employees, the new “DCmove” personnel rotation program and the hiring of additional employees with limited-term contracts.
- 2. Working time organization, or flexible working-time models: The number of part-time employees has been steadily rising at DaimlerChrysler in Germany over recent years. In 2005, 8,794 employees were in part-time employment, which amounts to 5.2 percent of the active workforce (2004: 8,082). Working times can also be flexibly adjusted by means of working-time accounts and part-time or compensatory shift models.

1.5 Performance and remuneration

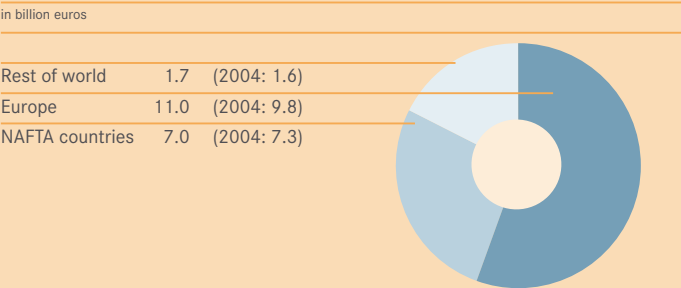
DaimlerChrysler rewards good work by means of performance-oriented and success-oriented compensation. At the same time the base salary is always set so that, in market comparisons, it represents an appropriate return for work. For above-average performance – be it individual or as part of a team – remuneration may also be increased through other variable components. The same applies when the company as a whole performs well. The rate of the variable compensation grows in line with an employee’s increased level of responsibility.

Binding Group-wide framework agreements are in force for employee assignments abroad and for retirement benefits. A uniform worldwide model is used for the remuneration of managers. The allocation of variable remuneration and of performance phantom shares can be denied to an employee for, e.g., violations of the Integrity Code.

The level of cash compensation varies according to country or region. In this way DaimlerChrysler can safeguard its competitiveness and

attractiveness in every market and at the same time take account of the business options open to each respective company.

Expenditures for wages and salaries Figure 35



1.6 Social security: retirement benefits and health care

A sound financial base is a key factor in employees’ provisions for old age. The way to safeguard this financial base is set down in our “Global Pension Guidelines.” Since early 2005 the Pension Committee has been overseeing the development of pension plans worldwide in accordance with these guidelines.

Provisions for retirement benefits and health care Figure 36

in billion euros		
	2004	2005
Provisions for retirement benefits and health care	13.9	15.5
Social security contributions for the Group	3.3	3.4
of which in Europe	2.0	2.1
NAFTA countries	0.9	0.9
Rest of world	0.4	0.4

1.7 Diversity management and equal opportunities

1.7.1 Worldwide diversity management at DaimlerChrysler

As a globally operating company, we value the diversity of our employees. And it above all demographic, juristic and entrepreneurial facts that constitute the basis of our conviction that diversity management provides the opportunity to derive talents from a larger pool and to win over new consumer groups as customers. It is our aim to manage this diversity and include our diverse employees and management

in all business processes on all levels. As a strategic initiative set up in 2005, Global Diversity and Inclusion Management contributes to DaimlerChrysler’s success and is structured as follows:

- **The Global Diversity Council** consists of 16 representatives of the top management levels of all business units (including three members of the Board of Management). It meets four times a year in order to determine the strategic focus of diversity management at DaimlerChrysler.
- **The Global Diversity Office** steers and safeguards diversity management.
- **Divisional diversity officers** in each business unit ensure that the measures are implemented effectively and specifically.

The concept of diversity at DaimlerChrysler is comprehensive in nature and takes into account both regional and business unit-related priorities (see 360 DEGREES – MAGAZINE on Sustainability, page 96). Our aim is to be one of the most highly respected automakers with regard to diversity and inclusion management by 2010. In order to reach this target, we have set ambitious milestones for ourselves. We intend to make the most of the diverse qualifications, skills and points of view that are represented in our company so that we can make the best possible decisions. We also aim to expand the pool of top-quality talent within the company by taking the appropriate measures and to ensure that these employees remain in our company over the long term. Another major challenge will be to increase the proportion of women, especially at the management level and in Germany.

1.7.2. Increasing the proportion of women in management positions

We have set ourselves the goal of raising the proportion of women in management positions over the next three years, because the significance of women as managers within the Group and as automobile buyers will increase in the years ahead. In order to reach this goal, each business unit has voluntarily defined its own target corridors for the planned annual increase in the proportion of women in management positions through 2008.

Various support activities are being conducted to help increase the proportion of women in management positions worldwide (9.4 percent in 12/2005). These include mentoring programs for women, appointments and human resource development measures, networking, practical support for dual-career couples, diversity training, recruitment and retention.

Proportion of women employees at DaimlerChrysler AG Figure 37

in %	Dec. 31, 2005	Target corridor of the existing company agreement	Target corridor of the new company agreement (06–10)
		2000-2006	2006-2010
Workforce	12.50	12.5 – 15	12.5 – 15
White-collar	24.44	–	–
Trainees	19.27	18 – 20	20 –24
Technical apprentices	10.30	9 – 11	11 – 14
Level 4 management	9.64	8 –12	10 – 14

With regard to the women employees covered by collective bargaining agreements, all of the target corridors for 2005 that were set in the “General Works Council Agreement on the Promotion of Women at DaimlerChrysler AG” of 2000 were achieved. An agreement has also been reached with the General Works Council regarding goals beyond the year 2005.

1.7.3 Equal Opportunities at DaimlerChrysler AG in Germany

The “Joint Declaration on the Promotion of Equal Opportunities” exemplifies how the company is committed to ensuring equal opportunities by means of specific measures.

Career and family. Based on a works agreement on family leave that was concluded at the end of 2001, DaimlerChrysler formulated a series of award-winning measures (such as the “Family-Friendly Company” campaign) designed to create flexible childcare leave. In Germany, there are now in-house kindergartens at Stuttgart-Möhringen and Würth, and cooperative arrangements have been established with kindergartens in Untertürkheim and Sindelfingen. At other locations such as Düsseldorf, emergency childcare places are available.

Employment of the disabled. DaimlerChrysler employed 8,490 severely disabled people in 2005 (based on the integration agreement of 2002). This corresponds to 5.3 percent of the workforce – once again above the statutory target quota of five percent. Furthermore, the company voluntarily places orders with workshops for the disabled.

Fairness in the workplace. Equal opportunities, openness, fairness and mutual respect are among our core principles. Based on the principles of social responsibility and the Integrity Code, the senior management joined the Group Works Council and the Senior Managers’ Committee in signing a company agreement regarding fair behavior at the workplace. The objective of this agreement is to take a clear stand against discrimination, bullying and sexual harassment. Also included in the Group agreement are clear guidelines on cooperation in day-to-day interaction. Processes have been institutionalized and staff training programs have been conducted at various pilot locations.

1.7.4 Diversity management at the Chrysler Group

Diversity management and inclusion have for many years been firmly anchored in the strategy of the Chrysler Group. Ethnic minorities will account for around 32 percent of the U.S. population by 2010. Members of ethnic minorities today account for 29 percent of the total Chrysler Group workforce, and women for 22 percent. The share of female managers increased from 10.6 percent in 1999 to 18.5 percent in 2005.

Clearly defined policies will continue to ensure the success of diversity and inclusion, and will help to create a non-discriminatory working environment.

- The Chrysler Group has introduced effective policies concerning equal opportunities in order to prevent discrimination and promote fairness and respect in the workplace. These include the Freedom from Discrimination Policy, the Freedom from Harassment Policy and the Employment and Placement Policy.
- Regular training sessions are offered to employees and managers to communicate the principles of equal opportunity, anti-discrimination and diversity. All employees are required to attend training sessions dealing with diversity awareness and the prevention of sexual harassment. In addition, over 5,000 managers have taken part in a one-hour program called R.E.S.P.E.C.T. since 2004. This program promotes tolerant behavior in the workplace and was expanded this year.
- The Chrysler Group recognizes and supports six Employee Resource Groups, including the DaimlerChrysler African American Network, People of Diversity and the Women’s Forum.

Chrysler received 18 external awards in 2005 for its activities dedicated to diversity and inclusion, and Fortune magazine named it one of the top employers for minorities.

1.7.5 Supplier diversity

In connection with our purchasing activities, it is important for us to open up opportunities in the world’s markets for minority suppliers and disadvantaged social groups. To achieve this goal, the Chrysler Group supports organizations such as the National Minority Supplier Development Council (NMSDC) and the Canadian Aboriginal Minority Supplier Council (CAMSC). Furthermore, the head of Procurement at Chrysler, representing the DaimlerChrysler Corporation, is chairing the Michigan Minority Supplier Development Council in 2006 and 2007. The purchasing activities of the Chrysler Group alone sourced

goods and services worth over US \$3.8 billion from minority-owned suppliers in the U.S. in 2005. This represents an increase of US \$400 million compared to the previous year. Within the last seven years, Chrysler has almost doubled its purchases from minority suppliers. Our objectives are anchored in internal goal agreements.

We also expect our suppliers to increase their purchasing volume from minorities in the second-tier supply chain. To help them do so, the Chrysler Group conducts a wide range of activities. These include providing a new diversity website for suppliers and running a “Matchmaker” program, a Minority Enterprise Initiative and a Minority Supplier Mentoring program. In 2005, DaimlerChrysler presented awards to two minority suppliers whose active cooperation fulfilled our expectations to a particularly high degree. Firstly, the award for “Minority Business Enterprise of the Year” was given in recognition of an above-average share of purchasing volume sourced from minority suppliers in the second-tier supply chain. Secondly, the title “Supplier of the Year” went to a supplier that systematically maintains business relations with small companies headed by minorities or women.

Various leading publications and organizations presented us with awards in 2005 in recognition of our activities to encourage supplier diversity. DaimlerChrysler was once again named “Corporation of the Year” by the Michigan Minority Business Development Council, one of the “30 Best Companies for Supplier & Employee Diversity” by Black Enterprise magazine, and one of the “Top 50 Corporations for Supplier Diversity” by Hispanic Trends magazine.

1.7.6 Broad Based Black Economic Empowerment

To promote the economic development of South Africa’s historically disadvantaged black population in a sustainable manner, DaimlerChrysler South Africa is continuing its strategy of “Broad Based Black Economic Empowerment (BBBEE)” in conjunction with local suppliers. Since the launch of the BBBEE program in 2004, we have raised the quota of BBBEE suppliers from four to seven percent. The share of non-production material purchased from BBBEE suppliers came to 17 percent in 2005, matching the level of the previous year. With regard to production material, the number of local partners has doubled since 2004 to total 28 BBBEE suppliers.

1.8 Vocational training and professional development

Vocational training and professional development are strategically important factors for sustainable corporate success. DaimlerChrysler promotes lifelong learning through various programs – from basic vocational training to seminars for top management.

- It also operates more than 40 training centers worldwide.
- The Group invested €244 million in training and continuing education programs in Germany in 2005, compared to over €255 million the previous year.
- At the end of 2005, around 10,000 trainees were employed at DaimlerChrysler, more than 80 percent of them in Germany. This figure remains unchanged from 2004.
- Over 20 percent of qualification measures are linked to a particular workplace and the specific tasks of the employee involved.
- The training units in Germany conducted approximately 13,000 events in 2005.
- Approximately €8 million was invested in 2005 in special management programs offered by the DaimlerChrysler Corporate University (DCU) covering 5,765 participant days.

1.9 Executive development

The evaluation, development, and advancement of executives at DaimlerChrysler are implemented through a standardized and continuous process known as LEAD. Every year, this process is applied to managers at all levels, and comparable evaluation parameters are employed. For the employees concerned, the LEAD process lays the foundations for a fair and transparent evaluation of their performance and an assessment of their potential. As a result, LEAD provides the framework for targeted and systematic career advancement, thereby making an important contribution to assuring equal opportunities in practice at DaimlerChrysler.

1.10 Occupational health and safety

Our General Occupational Health and Safety Guidelines are based on our Health and Safety Principles. The guidelines are based on the current legislation for each federal state as well as on the guidelines issued by the International Labor Organization (ILO) for business management systems concerning occupational health and safety (ILO/OSH-MS 2001).

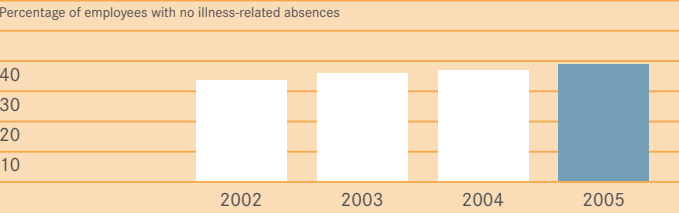
The company management and the World Employee Committee have agreed on a set of guidelines governing standardized, integrated occupational safety and health protection at DaimlerChrysler. These guidelines, which are binding for everyone, are designed to protect employees from health risks, accidents and work-related illnesses. The accident rates and sickness figures are carefully documented in all DaimlerChrysler plants. We aim to produce standardized key figures concerning occupational health and safety in 2007.

1.10.1 Germany

Sickness figures. In Germany the key indicators with regard to employee health have improved compared to the previous year.

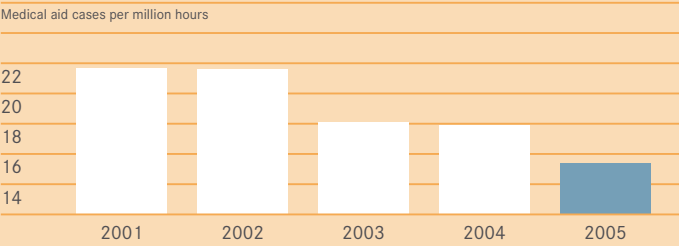
- In 2005, the number of employees who did not miss a single day through illness rose by two percentage points to 39 percent. This indicator has improved steadily in recent years.
- The number of illness-related absences fell by 0.2 percentage points to 4.4 percent. The sickness rate has fallen by around 17 percent since 2002.
- About 75 percent of illness-related absences were for periods of less than six weeks.

DaimlerChrysler AG employees with no illness-related absences Figure 38

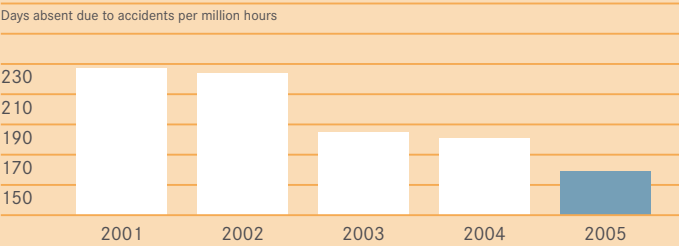


Occupational accidents. The accident rate at DaimlerChrysler plants has also fallen steadily over recent years, as reflected by the key indicators. In comparison with the previous year, accident-related costs in Germany dropped by six percent in 2005.

Incidence of accidents (Germany) Figure 39



Accident-related costs (Germany) Figure 40



Ergonomics in production and in the office environment. The Ergonomics Initiative launched in 2004 at DaimlerChrysler’s German plants was continued in 2005. For example, in current planning projects for production facilities, we determined key ergonomic indicators concerning the number of workplaces that had to be redesigned. Where necessary, technical or organizational measures were introduced to reduce the negative effects of the work environment. The implementation of the “Advanced Workplace” concept involved the installation of over 1,600 ergonomically standardized DaimlerChrysler workplaces in Stuttgart offices alone in 2005.

Corporate medical service. The corporate medical service helps to improve health protection within the company through a variety of campaigns and measures. More than 400 campaigns to promote good health and take health precautions were carried out in German locations in 2005. They focused in particular on the musculoskeletal system, determining risk factors and offering nutritional advice. DaimlerChrysler received various coveted awards in recognition of its high-quality medical service.

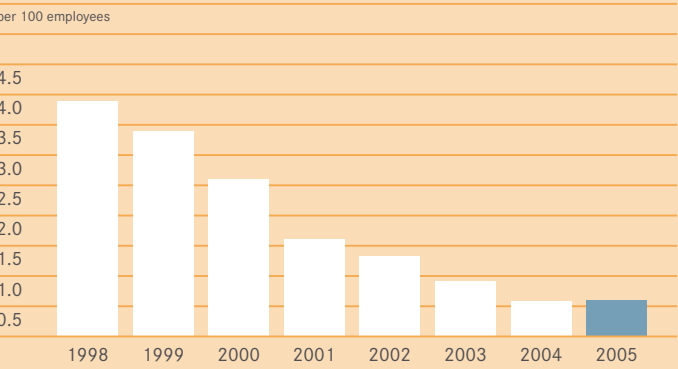
- It was awarded the quality seal of the Society for Quality Assurance in Company Medical Care (GQB), and its
- diabetes prevention program received the “Prix Santé et Enterprise” for Germany. Furthermore, a
- screening program for intestinal cancer took second place in its category of the Felix Burda Award.

Sports and fitness programs. Employees can take part in a wide range of sports and fitness activities. In 2005, the number of participants increased to around 725,000 compared to 670,000 the previous year. DaimlerChrysler’s SG Stern sports club had 31,000 members, up from 30,000 in 2004.

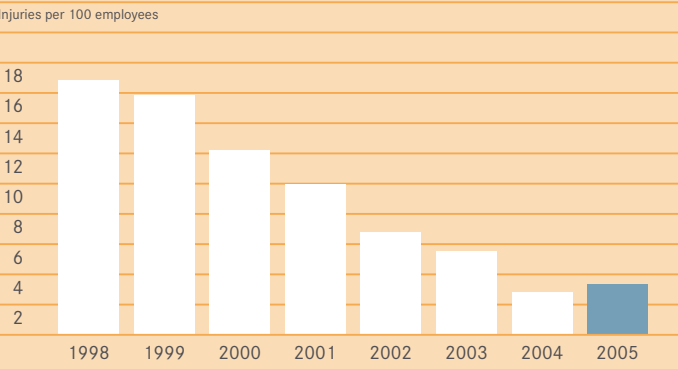
1.10.2 North America

In 2005, the Chrysler Group continued its efforts to promote occupational safety as a core principle. Its “Bringing Excellence to Safety Teams” (B.E.S.T.) program was successfully expanded, and the number of injuries leading to absences fell once again. The Chrysler Group received its fourth nationally renowned award in 2005 when it became the first automaker to be presented with the American College of Occupational Environmental Medicine’s Corporate Health Achievement Award.

Accident-related absences at the Chrysler Group (in working days) Figure 41



Chrysler Group accidents – incident rate Figure 42



1.10.3 Combating HIV/AIDS

The fight against HIV/AIDS has had a high priority at DaimlerChrysler since the early 1990s. In 2000, the company launched a workplace program for all of its approximately 5,000 employees in South Africa and their families. The program, which has received numerous awards, includes informational and preventive measures, voluntary tests and the distribution of antiretroviral drugs and medical treatment free of charge. Our involvement in the struggle against HIV/AIDS was further intensified in 2005, primarily on the basis of the experience gained from this project.

- Since mid-November 2005, DaimlerChrysler South Africa has been cooperating with the Border Kei Chamber of Business and the Deutsche Investitions- und Entwicklungsgesellschaft (DEG) to support small and medium-sized companies in the Eastern Cape Region in the struggle against HIV/AIDS. Approximately €560,000 have been made available to the companies for this purpose.
- In the run-up to World AIDS Day 2005, DaimlerChrysler introduced Group-wide guidelines for combating HIV/AIDS in the workplace.
- The Group has also begun to systematically develop customized workplace programs at subsidiaries in other countries, such as the Russian Federation, China, and Malaysia.
- In Germany, DaimlerChrysler has integrated the topic of HIV/AIDS prevention into its vocational training programs.
- DaimlerChrysler is continuing its involvement in the Global Business Coalition on HIV/AIDS and is also an active member of the Private Sector Delegation of the “Global Fund to Fight AIDS, Tuberculosis and Malaria”.

1.11 Aging Workforce

Through its “Aging Workforce” initiative, which was launched in 2001, DaimlerChrysler is implementing a future-oriented human resources and labor policy. The objective of this initiative is to adapt a holistic approach – extending from an employee’s recruitment, period of active employment and development, right up to his or her retirement – in order to reinforce the self-responsibility both of management and of the individual employee and to secure the Group’s long-term competitiveness in the face of a changing age structure. “Aging Workforce” is the concern not of one particular age bracket, but of the entire workforce. The initiative is designed to promote individual flexibility, create broader future opportunities, and take advantage of older employees’ valuable store of experience. After an in-depth analysis and an awareness-building phase, which included a forum for managers and the creation of an intranet site, “Aging Workforce”

is now taking shape. Of the many measures in place, a particularly striking example is the preventive “Aging-compatible Staff Assignment Concept” (APEK). This scheme adopts a preventive approach in order to secure performance in commercial operations under the given demographic framework conditions. It facilitates promoting individual versatility, creating new perspectives, and benefiting from the employees’ wealth of experience.

1.12 Employee satisfaction

In 2006, DaimlerChrysler conducted a representative survey of employee commitment in all of its divisions worldwide. The aim was to compile a Commitment Index that would serve as a source of information on various aspects of employee satisfaction and loyalty to the Group. As a result, activities to increase motivation and improve employee performance can be developed in DaimlerChrysler units where this index deviates markedly from the best values recorded.

For example, at the Truck Group, Buses and Vans it was decided to expand successful and well-established programs that foster a sense of group identity, such as the Family Days and Vintage Car Days, in order to further strengthen the employees’ feelings of solidarity. In other units, close attention is being paid to the effects of the work-force adjustment measures in order to identify and counteract any potential motivation problems at an early stage.

Examples of local support programs		
Germany (Mannheim plant)	Cooperation with 24 schools	Development of new training strategies and support of school students as they start their careers
Brazil (São Bernardo do Campo plant)	“Estrela Guia” program	Technical training for school students to help them start a career; computer courses (for the visually impaired)
Mexico	Communities in Guerrero and Conafe	Medical/social aid for 20 districts of Guerrero and 5,000 children (clothing and school materials) through the Consejo Nacional de Fomento Educativo

2.0 Our neighbors

The social, economic, and cultural differences between the various locations where DaimlerChrysler operates can be considerable. In Detroit in the USA, Sindelfingen in Germany, East London in South Africa, São Bernardo do Campo in Brazil, and Peking in China the company encounters different circumstances, in which distinctive regional factors have to be treated with great sensitivity. This background has helped shape the Community Care programs that embody our active involvement in the local environment. (See “Examples of local support programs”, below left.)

In the USA, Mexico, and Canada, the DaimlerChrysler Corporation Fund supports thousands of charitable organizations. In so doing, it targets mainly communities in which the company or its employees are actively involved. This commitment, to which the company allocated around US \$ 26 million in 2005, focuses on four key areas:



DaimlerChrysler Financial Services Americas also takes seriously its role as a corporate citizen and plays an active part in the communities in which the company does business. In this respect the financial services provider is following a long-term strategy designed to promote positive social development in the following areas: education, particularly in financial skills; community development; and art and culture.

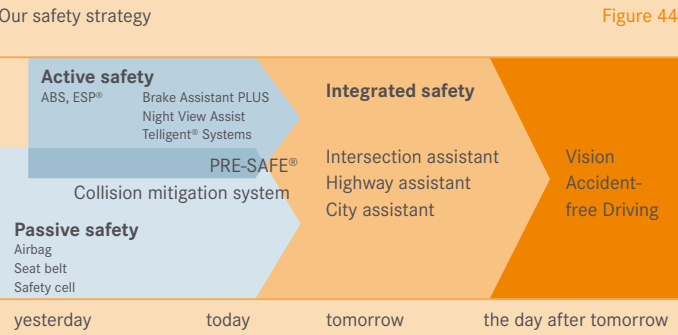
In order to meet the various requirements and demands in the areas in which our production facilities are located – be it in Europe, North America, Asia, South America or Africa – DaimlerChrysler relies on locally devised, flexible and individually tailored support programs. Those responsible at the individual plants plan and implement a variety of regionally customized initiatives in order to practice neighborhood involvement in the cities and regions where our production plants are situated. The table presents a number of selected examples.

You can find more information in “360 DEGREES – MAGAZINE on Sustainability 2006”, page 42, 60).

3.0 Our customers

3.1 Responsibility for safety

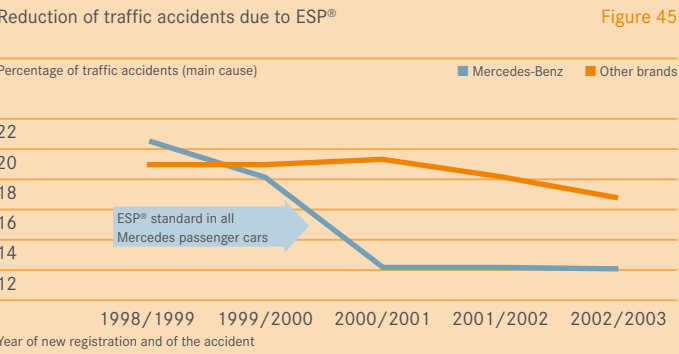
Automotive safety is one of our core concerns at DaimlerChrysler. We regard our commitment to increasing road traffic safety as a socially significant obligation and an expression of our sense of responsibility to the drivers of our vehicles, their passengers and all other road users. Few other manufacturers invest as much in safety research as DaimlerChrysler.



DaimlerChrysler is pursuing an integrated approach toward vehicle safety. The traditional distinction between active and passive safety is increasingly losing significance. New safety systems, such as the Mercedes-Benz PRE-SAFE® preventive passenger protection system, proactively intervene in the driving situation, even though they are pursuing a typical aim of passive safety systems: mitigating the effects of accidents. This distinction will continue to fade in the future.

Our strongest motivation is our vision of accident-free driving. The assistance systems of the future will analyze complex situations and know in advance whether a dangerous situation is developing. These intelligent assistance systems give the driver valuable time to react before an accident can occur.

Many milestones of automotive safety originated in our Group. Examples include the world’s first car body engineered for safety (1959), the airbag (1980), Brake Assist (1996), the introduction of the ESP® Electronic Stability Program as standard equipment (1999) and the PRE-SAFE® preventive safety system (2002). The technologies that we develop help prevent accidents and can mitigate their consequences for all concerned. For example, the accident rate for Mercedes-Benz passenger cars fell by 15 percent after the introduction of ESP® as standard equipment.



In the fall of 2005 we introduced an innovative radar system in the new S-Class that integrates information from the vehicle environment to enable dangerous situations to be reliably identified at an early stage. And the BAS PLUS preventive braking assistant is the first to utilize 24-GHz radar technology. But in spite of all this technical progress, we can not and do not wish to relieve the driver of responsibility for driving the vehicle. The technologies developed by DaimlerChrysler support the driver and help him or her to successfully cope with difficult driving situations.

In commercial vehicles too, the subject of safety is highly significant for DaimlerChrysler. As the world’s largest producer of commercial vehicles, we therefore develop a large variety of safety systems for our trucks, vans and buses. Just like the systems in passenger cars, these safety systems help drivers master critical driving situations and enable them to reduce the severity of accidents or avoid them entirely. All Mercedes-Benz vans are already equipped with the ESP® electronic stability program as standard. In addition, many of our commercial vehicles are also available with assistance systems such as the lane departure warning system, Telligent Stability Control and Telligent proximity cruise control. These systems have proved to be invaluable in a large number of vehicles.

In the Safety Truck, Mercedes-Benz shows the high level of safety that is already attainable. It combines all the currently available assistance and safety systems in a unique truck. The most recent high point of this development is the new Active Brake Assist (emergency brake assistant). However, this by no means represents the end of safety technology developments. There are already new assistance and safety systems around the corner, and they will be introduced by Mercedes-Benz in the coming years. Each of them brings us another step closer to our vision of accident-free driving.

3.2 Customer relationship management

Having satisfied customers all over the world is a top-priority corporate goal. The wishes and expectations of the buyers of all our passenger car and truck brands are the focus of all our activities – from vehicle development and sales to ongoing customer support and our various financial services, all the way to the environment-friendly disposal of used vehicles.

Focus on the customer at DaimlerChrysler

Figure 46



At the heart of our philosophy of customer relationship management is the effort to address existing and potential customers in the most suitable manner. We also aim to conduct this dialogue via all communication channels and at all levels of our sales network in line with the various needs of our customers, especially those in North America and western Europe, but also in all other regions of the world. We keep our customers’ service needs in mind even at the development stage of new models, and this approach pays off in the course of the vehicles’ life cycle through optimized repair processes, favorable accident insurance ratings and low maintenance costs.

We believe that our customers’ high degree of satisfaction and loyalty to our brands is a key to our success. That’s why our customer relationship management activities are aimed at creating the right framework for effective customer relations management so that we can further optimize our future activities to attract new customers and retain the loyalty of existing ones. We aim to live up to our claim of delivering premium performance in every area of customer service. To this end, we use tools such as:

- regular training sessions for employees at the regional, national and international levels
- regular internal and external audits (based on our own quality standards and external ones such as ISO 9000)
- management on the basis of a certified Integrated Management System (IMS)

All of these measures are subject to continual monitoring. Our controlling and monitoring processes focus on the establishment of key performance indicators that are relevant to controlling and the integration of CRM components into our margin system.

Managing customer relations at Mercedes-Benz and smart

The Mercedes-Benz and smart brands are pursuing a proactive and integrated CRM strategy. Standardized CRM processes and effective customer data management guarantee the professional implementation of their CRM activities throughout the customer or vehicle life cycle. Process management forms the basis of comparable and measurable CRM processes in all of these brands’ core markets in Europe and the rest of the world. In the area of data management, we aim to integrate all of our customer contact points. To reach this goal, we are currently creating a uniform customer database. The new system is already in operation in a number of European markets.

One important strategic task is to integrate the retail processes into the CRM activities. Here we are using active sales follow-up processes in order to measure and increase customer satisfaction. After-sales customer care begins right after a vehicle is sold. Our Global Service & Parts organization ensures the reliable supply of vehicle parts for all of our brands throughout the world, develops innovative methods for diagnosis and repair, defines high workshop standards and formulates global qualification profiles for our after-sales employees. Our workshop processes are continuously monitored and optimized. The central customer contact point in western Europe is the DaimlerChrysler Customer Assistance Center in Maastricht, the Netherlands.

A further key aspect of our success is the expertise of our employees. In order to guarantee this expertise worldwide, Mercedes-Benz has defined new job profiles for service employees and established a certification process. In the Mercedes-Benz Global TechMasters Passenger Cars world championship competition, which was first conducted in 2005 and was expanded in 2006 to include commercial vehicle specialists as well, the best technicians in Mercedes-Benz’ worldwide sales organizations competed to see which individuals best fulfilled their respective job profiles.

Customer relationship management at the Chrysler Group

The Chrysler Group’s goal is to hold on to its customers for a lifetime by means of strong products, stable brand loyalty and first-class service. We regard clearly defined, stable processes as a key to creating a profitable dealer network that guarantees effective sales channels.

Our customer loyalty activities begin when the vehicle is sold and provide the customer with support during the vehicle’s entire life cycle. These activities include welcoming packages handed over to the customer after the vehicle has been sold, which contain a wealth of useful information and vouchers for free oil and filter changes, as well as brand-related customer magazines and regular service-oriented communication that the dealer can customize to meet his or her special requirements. These are supplemented by a wealth of attractive service offers for customers. In order to provide efficient processes and achieve a high degree of customer satisfaction, we’ve defined high standards that we measure with the help of the Customer Service Index (CSI). Through training sessions, consulting and incentive programs we promote a positive approach to customers throughout the entire sales network. At our Customer Assistance Center, extensive analysis systems document the various stages of our customer surveys. These surveys show that 70 percent of our customers are satisfied with the service they receive. Tips and suggestions from the

Customer Assistance Center and our Technical Assistance Center are directly forwarded to the development and production units.

The “Five Star” dealer certificate we developed in 1988, which defines the high standards we set for the continual improvement of customer satisfaction, has become the benchmark for the automotive sector. More than 2,000 dealers have earned the “Five Star” certificate to date.

Customer relationship management at the Truck Group

For a shipping company, the expenditures connected with the purchase and operation of a truck are one of the main areas of investment. The key factors influencing the decision to buy are the price of the vehicle, its maintenance costs, its earning potential, the quality of service and the resale value. That’s why shipping companies enter into partnerships only with automakers who can convince them that their investment will be profitable and who present a range of products and services that precisely meets their needs.

According to a study conducted by the German Traffic Forum, a shipping company in the “old” EU member states must spend an average of €120,000 annually to operate a long-haul truck. At the same time, profit margins have shrunk as a result of increased fuel costs, competition from the new EU member states, increasing consolidation of the market and, especially in Germany, truck tolls.

Another factor is the growing market power of the major transport companies, e.g. in the NAFTA region, where less than 15 percent of the shipping companies control more than 70 percent of the transport vehicles. Customers who own between one and three vehicles make up only a very small percentage of buyers. That’s why in the future DaimlerChrysler must focus on companies with large and profitable vehicle fleets and expand its ties with these customers – without neglecting the segment of smaller customers. Economical operation, high product quality and truck longevity will play a key role in this effort.

Mercedes-Benz Trucks supports its customers throughout the vehicle’s entire lifecycle and helps them to optimally manage various factors that add up to success in the transportation business. For example, it offers a broad product portfolio that is unmatched by its competitors, as well as a comprehensive range of services. These services include leasing offers, rental vehicles to cover periods of peak demand, driver training courses and controlling instruments such as the following:

FleetBoard. Reliable technologies, long intervals between maintenance checks and flexible servicing arrangements ensure that vehicles are readily available. A comprehensive network of workshops throughout Europe is available to customers around the clock. Mercedes-Benz Trucks is also a leader when it comes to comfortable driver cabs and accident avoidance technologies (see page 57).

The Mitsubishi Fuso Truck and Bus Corporation (MFTBC) also focuses on comprehensive customer support – from vehicle development and production to sales and service – and strives continually to improve its partnerships with customers. The MFTBC service network covers all of Japan and is available to its customers around the clock, all year round. One of its special features is the “moving pit” possessed by every MFTBC workshop – a mobile workshop vehicle that travels directly to the customer to provide quick assistance in case of an emergency or simply to perform maintenance work.

Freightliner LLC has defined brand-specific targets for itself in order to optimize its customer relations. The current emphasis at the Freightliner brand is on improving relations with shipping companies that have large vehicle fleets by means of intensive key account management. For example, important customers are included in the process of developing new products and in product testing. At the Sterling and Western Star brands, which have a higher percentage of owner-operators and smaller fleets, the first step has been taken toward developing a CRM system tailored to this customer segment. Freightliner is pursuing a strategy of developing a uniform CRM solution.

4.0 Involvement in society

Dialogue and understanding are of fundamental importance to living together in a globalized world. And it is in this spirit – as well as for the sake of our own commercial interests, of course – that we pursue the goal of contributing to the dialogue between cultures and in doing so of improving people’s opportunities throughout the various regions of the world.

Basic understanding of our commitment to society. For a company to create added value, it must always focus on social values as well. However, this understanding can only be successful in the long term if a company’s social responsibility is defined as an integral part of its business strategy. Real acceptance of responsibility does not mean questioning the primacy of the political sphere, but rather

working together for global stability. Our commitment is focused on activities that utilize our expertise and experience as a global automobile manufacturer. Our focus is therefore on measures such as:

- **Supporting the democratic process.** DaimlerChrysler maintains strict compliance with the law when it comes to making contributions. Furthermore, all such donations are subject to the provisions of the DaimlerChrysler Integrity Code. In 2005 DaimlerChrysler contributed a total of €770,000 to the German political parties CDU, CSU, SPD and FDP. This total includes donations that were planned for 2006 but were paid out in 2005 because the German parliamentary election was moved forward to an earlier date. Consequently, no donations to German political parties are planned for 2006. In our second home market, the USA, contributions of corporate funds to politicians or political parties are not allowed. However, in 2005 the DaimlerChrysler Political Support Committee (DCPSC, our political action committee) paid total contributions of US \$569,590 to candidates and political party organizations. DCPSC receives its funding from voluntary contributions by our management staff.
- **Promoting sustainable mobility and road safety** through safe driving training courses for passenger car and commercial vehicle drivers and traffic safety initiatives for children in particular (e.g. the Global Road Safety Partnership; MobileKids in Germany, Egypt, and Southeast Asia; and signing the Road Safety Declaration for Poland)
- **Promoting education** in order to further social development in crisis-prone and economically disadvantaged regions (e.g. Afghanistan, Russia, Palestine, Kuwait, and Mongolia). As previously announced, DaimlerChrysler continued to expand its training network in 2005.
- **Promoting cultural dialogue** (e.g. the Young Arab Leaders exchange program and the South African Arts Award) and – because we are a German-American company – transatlantic dialogue in particular
- **Sponsoring art and culture** to promote lively cultural dialogue through projects ranging from the creative arts and theater to music, literature, and film
- **Sports promotion** by all business units, from professional sports to general programs for employees

Foundations		
Foundation (estd.) DaimlerChrysler Corporation Fund, USA (1953)	Focus of activities Supports hundreds of nonprofit organizations annually with an emphasis on community development, arts, culture, education, diversity, disaster relief and youth programs. The Fund's „Good Neighbor, Good Citizen®“ programs make a positive, lasting contribution to life in the communities where our employees, customers and neighbors live	Funds 2005 US-\$ 25.9 million (2004: US-\$ 23.7 million)
Gottlieb Daimler and Karl Benz Foundation (1986)	Funding science and research focused on the interrelationship between humanity, the environment and technology	EUR 2.5 million (2004: EUR 2.5 million)
DaimlerChrysler Fonds im Stifterverband für die Deutsche Wissenschaft (1975)	Sponsoring the research, training and international collaboration of science and technology students	EUR 1.8 million (2004: EUR 2 million)
DaimlerChrysler Foundation in Japan (2002)	Supporting cultural programs and philanthropic activities	JPY 33,306,386 (2004: not published)
DaimlerChrysler Mexico Foundation (1985)	Assisting health, educational, cultural and communal projects	US-\$ 2 million (2004: US-\$ 2.2 million)
DaimlerChrysler France Foundation (1986)	Promoting intercultural understanding between Germany, France and the United States	EUR 100,000 (2004: not published)

- **Supporting social projects, employee initiatives and short-term emergency relief.** Our key projects in this area in 2005 included assistance for people affected by the Tsunami in south-east Asia, hurricanes in the USA and earthquakes in Pakistan and Turkey. The volume of aid provided by DaimlerChrysler totaled more than €8 million (2004: €2 million). In addition, our employees around the world showed their solidarity with the disaster victims through generous donations of their own.
- **Foundations.** In some countries DaimlerChrysler supports its own foundations in order to consolidate the company’s activities directed toward social goals. (See table above.)

You can find more information in the magazine 360 DEGREES, and at [www 25](#)

Cooperation with policymakers. We regard it as our right and duty to make policymakers aware of the possible effects of planned measures, and to help ensure that the legitimate interests of the company, its shareholders and its workforce are represented in the political process. We therefore represent our position in all relevant discussions and actively seek dialogue with decision-makers, coordinating our efforts at the national and international levels with business associations in general as well as automotive industry associations.

Furthermore, DaimlerChrysler continues to be a leader in promoting stronger transatlantic relations. The company has sponsored a number of studies from leading research and scholarly institutions examining the importance and depth of the ties between the U.S. and Europe in a number of dimensions such as direct foreign investment and barriers to further integration and prosperity. DaimlerChrysler also underwrites and hosts dialogues that bring together leading government officials, parliamentarians, businesses, and non-governmental organizations to discuss the full range of issues important to the transatlantic community. These activities have helped cement DaimlerChrysler’s reputation as a credible partner among policymakers.

You can find more information in the magazine 360 DEGREES, page 23. [www 26](#)

Goals	Activities	Status	
3 Environmental management			
3.1 Location assessment: Introduction of systematic comparison of the status of environmental protection measures in the production plants in order to set Group-wide environmental goals for the production network over the medium term.	Continuation and expansion of the program to assess the environmental status of the DaimlerChrysler production plants.	The first analyses of the production plants of Mitsubishi Fuso Truck and Bus Corporation (MFTBC) in Japan and the Detroit Diesel Corporation (DDC) in the USA were carried out in 2005. In 2006, the MFTBC production plants outside Japan and the DDC production plants outside the USA will be evaluated, and the second round of assessments will be carried out at the Freightliner Corporation production plants.	Goal still applies
3.2 Environmental management system: Increased integration of the production plants outside Germany into the environmental management system. Certification of all production plants throughout the world in accordance with ISO 14001 by the end of 2005.	The implementation of DaimlerChrysler's environmental management systems was concluded at the Freightliner Corporation production locations in 2005. This completed the introduction and certification of the environmental management systems at all of the Group's major production locations. In order to continue the integration and networking of the production plants outside Germany, the Environmental Representatives Group was founded in the USA.	Approximately 96 percent of DaimlerChrysler employees now work at production plants with certified management systems. The implementation measures have now been concluded. Future implementation of the goal will be conducted only in case of changes of the Group's holdings and further acquisitions.	Goal achieved

Employees and society

Goals	Activities	Status	
1 Employees			
Establishing a consistent and strategically planned diversity management system. Our aim is to be one of the most highly respected automakers with regard to diversity and inclusion management by 2010.	Establishment of the Global Diversity Office, which reports directly to Günther Fleig, Board member responsible for Human Resources and Labor Relations. Increasing the proportion of women employees, especially at the senior management level and in Germany. Another goal is to increase the proportion of women at the various management levels over the next three years.	Measure implemented. All of the goals set forth in the collective works agreement "Promotion of Women" in jobs covered by collective bargaining agreements were achieved. Further goals were defined in cooperation with the General Works Council.	Goal still applies
Introduction of a Group-wide accident reporting system based on uniform definitions as an aspect of health and safety management.	Working out a uniform worldwide definition of accidents in order to facilitate centralized reporting; establishment of binding uniform worldwide guidelines for health and safety management in February 2006.	The accident rates and sickness figures are carefully documented at all DaimlerChrysler locations. The guidelines were agreed on with the World Employee Committee in February 2006.	Goal still applies
Further worldwide standardization of health and safety management.	Introduction of uniform key figures for occupational health and safety for all DaimlerChrysler locations by 2007.		Goal still applies
Long-term safeguarding of DaimlerChrysler's competitiveness within the context of extensive demographic change.	Working out an action plan as part of the Aging Workforce project.		Goal still applies

Employees and society

Goals	Activities	Status	
2 Neighbours			
Corporate Giving: step-by-step registration of all financial expenditures in this area worldwide to supplement the existing data on the NAFTA region.	Definition of uniform worldwide registration criteria and application of these criteria to the Group's business locations. Creation of a Corporate Giving database.		Goal still applies
3 Customers			
Further development, optimization and standardization of workshop processes. The focus is on improving the quality of workshop services and customer support at Mercedes-Benz and smart.	New workshop processes are currently being tested. They will be introduced in 11 markets (in Europe/USA/Japan) by the end of 2008 with the help of extensive supporting measures.		New Goal
Shortening lead times (customer waiting times) and offering fixed prices for clearly defined wearout repairs at Mercedes-Benz and smart.	ExpressService is currently being offered with good results at more than 100 locations in over 20 markets. Plans call for opening 50 additional ExpressService units by the end of 2006.		New Goal
Qualification and certification of after-sales personnel worldwide on the basis of clearly defined qualification profiles at Mercedes-Benz and smart.	Five job profiles were developed. Since 2005, employees have been trained, examined and certified in accordance with these job profiles. Plans call for this qualification initiative to be established at Group locations worldwide by 2008.		New Goal
4 Stakeholder involvement and dialogue			
Introduction of an internal process to coordinate all of the Group's policy-related contacts with government authorities; introduction of a corporate guideline for responsible lobbying.			New Goal
5 Society			
Expansion of the DaimlerChrysler training network into the emerging markets.	Further development of existing training locations, and the establishment of new ones, especially in locations where support for political and social stability is needed. Projects for locations including Palestine, Sudan and southern Africa are being planned.		Goal still applies
Involvement of additional national subsidiaries in the struggle against HIV/AIDS.	Group-wide guidelines for combating HIV/AIDS in the workplace have been introduced. The Group has also begun to systematically develop customized workplace programs at subsidiaries in other countries, such as the Russian Federation, China, and Malaysia.		Goal still applies

External Statement



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More speed in the competition for greater sustainability!

With the report “360 DEGREES – FACTS on Sustainability 2006” DaimlerChrysler is now for the second year in succession publishing an integrated report on sustainability that is oriented to the guidelines of the Global Reporting Initiative (2002) and the associated draft of the Automotive Supplement (2003). DaimlerChrysler is thus once more creating an important basis for promoting open discourse with its circle of stakeholders on its achievements in practicing social, ecological and economic responsibility. This report describes the company’s advances toward sustainable development. It documents to what extent the report “FACTS on Sustainability 2005” is already recognizable as a “compass and motor” for the future development of the DaimlerChrysler Group. As last year, DaimlerChrysler has once again called upon Öko-Institut to comment on the Group’s achievements against the background of the challenges of sustainable development and mobility, and to point out necessary further steps.¹

Institutional links to company management and strategy

To ensure that the challenges of sustainable development and mobility can be the “compass and motor” for long-term corporate strategy, firm institutional links to senior management and reinforced cooperation between all parts of the enterprise are required. The challenges

can be interpreted as entrepreneurial opportunities and risks that will be decisive for the competitiveness of automotive enterprises in the medium to long term. DaimlerChrysler has achieved a major organizational advance with the establishment of the “Sustainability Task Force” as a permanent body. A further step would be institutional linkage to the CEO and senior management through the establishment of a Sustainability Council. The purpose of such a body would be to transform the challenges of sustainable development and mobility for the activities of DaimlerChrysler into appropriate strategies and specific corporate objectives, and to constantly monitor their attainment. The Sustainability Council is a significant prerequisite for a successful strategy of responsible competition.

Involvement of civil society groups with the DaimlerChrysler Group (stakeholder engagement)

In order to achieve this, more intensive involvement especially of DaimlerChrysler’s civil society groups would be expedient in future. Already existing individual cooperations must be systematically extended over the next few years and be differentiated for the key markets. This can be helpful in devising a stable corporate policy – especially in central fields of sustainable mobility, with regard to which ongoing positioning is expected from DaimlerChrysler, such as sustainable mobility in emerging markets (e.g. China) or an all-encompassing climate protection strategy.

Development of alternative drive systems and non-fossil fuels

An important element of DaimlerChrysler’s climate protection strategy is the development of alternative drive systems and the promotion of non-fossil fuels. Öko-Institut expressly welcomes the extension of the activities and advances with reinforced cooperations for promotion of the use of biofuels from the “Magdeburg Declaration” and the joint memorandum of understanding with UNEP. Constant improvement of engine technology for the use of a higher blend of biofuels and the promotion of a “seal of sustainability” for the cultivation of biomass for biofuels, in particular of the second generation, are important steps toward tapping the potential of biofuels. Promoting the application of hybrid technology, particularly in combination with clean diesel technologies, also has the potential to immediately enhance the efficiency of fuel use.

Reducing fuel consumption

In keeping with the assurance of the German Association of the Automotive Industry (VDA), DaimlerChrysler had already in 2003 achieved



Öko-Institut, established in 1977 as a non-profit organization with currently around 3,500 members, has established itself as one of Europe’s leading independent research and consulting institutes for sustainable development. Over 100 employees at the institute are working on sustainable economic practice, among other things. In international networks and together with the commissioners and supporters,

the goals it set itself for a 25-percent reduction of fuel consumption from 1990 to 2005 for the Mercedes Car Group’s vehicles newly registered in Germany. On the other hand, DaimlerChrysler’s strategy for the reduction of fuel consumption and carbon dioxide emissions is lacking specific publicized objectives valid throughout the Group. If the reduction of fuel consumption through optimization of and innovations relating to the drive train and the vehicle are to be a key element of DaimlerChrysler’s strategy for a more sustainable mobility, it is not sufficient that objectives which can now only be attained with great additional effort from the automotive industry be publicized merely at the level of the European Automobile Manufacturers’ Association (ACEA).

A credible sustainability strategy requires transparent Group-specific objectives for an absolute reduction of fuel consumption, beyond the year 2008, from those vehicle categories and models that are taken into account in the corporate fleet consumption figures. The Group is now for the first time publicly presenting its objective of offering vehicles in various categories with optimized consumption, which thanks to measures on the vehicle have CO₂ emission levels up to 20 percent lower than the predecessor or basis models. This must be acknowledged as an important step in the right direction, the effectiveness of which can be transparently documented in future. This initiative should be extended to include the formulation of ambitious specific goals for all vehicle categories and models. With these objectives, DaimlerChrysler can present in a credible manner its responsibility toward the development of viable solutions for climate protection, and document that a joint suit of the Auto Alliance against the planned climate control legislation of California for the reduction of greenhouse gas emissions (AB 1493) is not justified in terms of content by DaimlerChrysler.

Promotion of ambitious exhaust standards: worldwide!

Öko-Institut welcomes specific objectives for the market introduction and permeation of BLUETEC for the reduction of noxious emissions from diesel vehicles. Basically, it would be desirable for DaimlerChrysler to introduce vehicle technologies and models with as low a fuel consumption as possible and which emit only a minimum of noxious exhaust, as early as possible on a uniform, global basis throughout the company, and to facilitate the political framework conditions for these high environmental standards. Öko-Institut is convinced that under these conditions, precisely the early introduction of low-consumption, low-emission vehicle technologies can lead to competitive advantages.

fundamentals and strategies are being devised on a sound scientific basis for meeting the challenges of sustainable development on a global, national and local scale. – Öko-Institut has been accompanying DaimlerChrysler for a number of years in transforming the challenges of sustainable development and mobility into corporate policy.
www.oeko.de

DaimlerChrysler can in future reinforce its endeavors along the entire value-creation chain for tapping further sustainability potential – from exerting influence on systems partners and suppliers and in sales up to vehicle use by customers.

Influence on suppliers’ sustainability performance

Whereas last year, advances were mainly achieved in the consolidation of purchasing processes throughout the Group and in the promotion of diversity/minority sourcing, the emphasis of future activities should lie in enhancing the suppliers’ environmental and social standards. Important steps here are registration of the suppliers’ sustainability performance, reinforced communication of DaimlerChrysler’s objectives, and systematic promotion of global sustainability standards in purchasing – right up to qualification of suppliers.

Enhancing sustainable mobility among customers

In order to tap some of the behaviorally conditioned potential for a more sustainable mobility, DaimlerChrysler should make its customers more aware of the challenges of mobile sustainability. Transparent information from the Group on the environmental characteristics of its vehicles, responsible marketing for vehicle models that are as environmentally compatible as possible, and motivating customers toward more environment-friendly operation of their vehicles are key success factors in this regard. A fuel-saving driving style, for instance, can bring about an immediate reduction in fuel consumption by up to 25 percent, depending on vehicle type.

The report shows that DaimlerChrysler has made advances toward sustainability in many areas. To improve on this further in the future, however, a stronger integration of the challenges of sustainable mobility into corporate strategy is indispensable. Against the background of current economic challenges, too, it must be borne in mind that the course is being set today for long-term competitiveness. Strategic integration of the ecological and social challenges of sustainable mobility today will decide whether these factors represent competitive opportunities or risks in the future. Therefore: More speed in the competition for more sustainability!

Christian Hochfeld

Berlin, July 19, 2006

¹ The External Statement of Öko-Institut does not include an attestation or audit opinion for the management systems presented or for the data acquisition processes or the quality of the data themselves.

GRI Index

As it already did last year, DaimlerChrysler is aligning this year’s report, “360 DEGREES – FACTS on Sustainability,” with the requirements set forth by the Global Reporting Initiative (GRI) guidelines. The GRI guidelines represent the globally recognized requirements to be met by companies in their reports on sustainability. We are complying with these guidelines in order to present our achievements in a transparent manner that makes it easy to compare them with those of other companies.

The GRI Index provides the connections between the DaimlerChrysler report “360 DEGREES – FACTS on Sustainability” and the various reporting elements and performance indicators contained in the guidelines of the Global Reporting Initiative (GRI), Part C. It lists all of the elements of Parts C1 to C3, as well as all of the core indicators in the

DaimlerChrysler and the UN Global Compact

The UN Global Compact (UNGC) represents a response to the challenges of globalization, an undertaking to make the benefits of globalization equally accessible to human beings in every part of the world. A major strength of this initiative by UN Secretary General Kofi Annan is that the UNGC voluntarily brings together companies, UN agencies, labor organizations and civil society in support of its ten principles covering human rights, labor, the environment and the fight against corruption.

DaimlerChrysler is a founding member of the UNGC, whose potential lies in the fact that it brings together interest groups from every part

The principles of the Global Compact

Human rights

- 1. Business should support and respect the protection of internationally proclaimed human rights; and
- 2. make sure that they are not complicit in human rights abuses.

Labor standards

- 3. Business should uphold the freedom of association and the effective recognition of the right to collective bargaining,
- 4. the elimination of all forms of forced and compulsory labor,
- 5. the effective abolition of child labor, and
- 6. the elimination of discrimination in respect of employment and occupation.

Human rights Labor standards Environment

area of Economic, Ecological and Social Performance. It also lists the supplementary indicators DaimlerChrysler has used to structure the present report. The performance indicators contained in the draft version of the Automotive Supplement of the GRI guidelines are also taken into account.

A comprehensive version of the GRI Index can be found online at <http://www.daimlerchrysler.com/sustainability>. This website contains a list of all the GRI indicators and supplementary indicators, as well as detailed information on the indicators that are not contained in the printed version of the report. Here DaimlerChrysler also presents the reasons why it has not reported, or cannot report, on some of the indicators.

of society in a voluntary alliance. This alliance provides an international reference for all members whilst encouraging them to poll their experiences and assist in revolving issues within their respective sphere of influence.

DaimlerChrysler supports the aims of the Global Compact through a large number of projects around the globe. Here we provide an index to our performance in demonstrating the UNGC’s ten principles in our work. The Index cross-refers to relevant GRI indicators, supporting our “Communication on Progress” (COP).

Environment

- 7. Business should support a precautionary approach to environmental challenges,
- 8. undertake initiatives to promote greater environmental responsibility, and
- 9. encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

- 10. Business should work against all forms of corruption, including extortion and bribery.

Anti-corruption

GRI reference	Indicator	Global Compact	Page	Print	Web
1. Vision and Strategy					
C 1.1	Statement of the organisation’s vision and strategy regarding its contribution to sustainable development	Principle 1-10	11, 12	•	•
C 1.2	Statement from the CEO (or equivalent senior manager) describing key elements of the report	COP	6, 7	•	•
2. Profiles					
C 2.1	Name of reporting organisation		9	•	•
C 2.2	Major products and/or services, including brands		8-10	•	•
C 2.3	Operational structure of the organisation		12	•	•
C 2.4	Description of major divisions, operating companies, subsidiaries, and joint ventures		8-10	•	•
C 2.5	Countries in which the organisation’s operations are located		-		•
C 2.6	Nature of ownership; legal form		28	•	•
C 2.7	Nature of markets served		-		•
C 2.8	Scale of the reporting organisation: including number of employees; products produced/services offered (quantity or volume); net sales; and total capitalisation broken down in terms of debt and equity		10	•	•
C 2.9	List of stakeholders, key attributes of each, and relationship to the reporting organisation		18, 19	•	•
C 2.10	Contact person(s) for the report, including e-mail and web addresses		74	•	•
C 2.11	Reporting period for information provided		72	•	•
C 2.12	Date of most recent previous report		72	•	•
C 2.13	Boundaries of report (countries/regions/products/services/divisions/facilities/joint ventures/subsidiaries) and any specific limitations on the scope		72	•	•
C 2.14	Significant changes in size, structure, ownership, or products/services that have occurred since the previous report		-		•
C 2.15	Basis for reporting on joint ventures, partially owned subsidiaries, leased facilities, outsourced operations, and other situations that can significantly affect comparability from period to period and/or between reporting organisations		-		•
C 2.16	Explanation of the nature and effect of any re-statements of information provided in earlier reports, and the reasons for such re-statements		-		•
C 2.17	Decisions not to apply GRI principles or protocols in the preparation of the report		68	•	•
C 2.18	Criteria/definitions used in any accounting for economic, environmental, and social costs and benefits		-		•
C 2.19	Significant changes from previous years in the measurement methods applied to key economic, environmental, and social information		72	•	•
C 2.20	Policies and internal practices to enhance and provide assurance about the accuracy, completeness, and reliability that can be placed on the sustainability report		72	•	•
C 2.2 1	Policy and current practice with regard to providing independent assurance for the full report		72	•	•
C 2.22	Means by which report users can obtain additional information and reports about economic, environmental, and social aspects of the organisation’s activities, including facility-specific information		9, 14	•	•
3. Governance Structure and Management Systems					
C 3.1	Governance structure of the organisation, including major committees under the board of directors that are responsible for setting strategy and for oversight of the organisation		12, 13	•	•
C 3.2	Percentage of the board of directors that are independent, non-executive directors		12	•	•
C 3.3	Process for determining the expertise board members need to guide the strategic direction of the organisation, including issues related to environmental and social risks and opportunities		13	•	•
C 3.4	Board-level processes for overseeing the organisation’s identification and management of economic, environmental, and social risks and opportunities		12-17	•	•
C 3.5	Linkage between executive compensation and achievement of the organisation’s financial and non-financial goals (e.g., environmental performance, labour practices))		-		
C 3.6	Organisational structure and key individuals responsible for oversight, implementation, and audit of economic, environmental, social, and related policies	all principles	13-17, 25, 33	•	•
C 3.7	Mission and values statements, internally developed codes of conduct or principles, and polices relevant to economic, environmental, and social performance and the status of implementation	all principles	13-17	•	•
C 3.8	Mechanisms for shareholders to provide recommendations or direction to the board of directors		12	•	•
C 3.9	Basis for identification and selection of major stakeholders		18	•	•

GRI reference	Indicator	Global Compact	Page	Print	Web
C 3.10	Approaches to stakeholder consultation reported in terms of frequency of consultations by type and by stakeholder group		18-19	•	•
C 3.11	Type of information generated by stakeholder consultations		-		
C 3.12	Use of information resulting from stakeholder engagements		-		
C 3.13	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	Principle 7	14	•	•
C 3.14	Externally developed, voluntary economic, environmental, and social charters, sets of principles, or other initiatives to which the organisation subscribes or which it endorses		14-15	•	•
C 3.15	Principal memberships in industry and business associations, and/or national/international advocacy organisations		-		•
C 3.16	Policies and/or systems for managing upstream and downstream impacts, including: supply chain management as it pertains to outsourcing and supplier environmental and social performance; and product and service stewardship initiatives		16, 26, 27, 45	•	•
C 3.17	Reporting organisation's approach to managing indirect economic, environmental, and social impacts resulting from its activities		11, 12	•	•
C 3.18	Major decisions, during the reporting period regarding the location of, or changes in, operations		72	•	•
C 3.19	Programmes and procedures pertaining to economic, environmental, and social performance		1 ff.	•	•
C 3.20	Status of certification pertaining to economic, environmental, and social management systems		15, 32, 45	•	•
4. GRI Content Index					
C 4.1	A table indicating location of each element of the GRI report content by section and indicator		68-72	•	•
5. Economic Performance Indicators					
EC 1	Net sales		21, 23	•	•
EC 2	Geographic breakdown of markets		21	•	•
EC 3	Cost of all goods, materials, and services purchased		-		
EC 4	Percentage of contracts that were paid in accordance with agreed terms, excluding agreed penalty arrangements		-		
EC 5	Total payroll and benefits (including wages, pension, other benefits, and redundancy payments) broken down by country or region		29, 50, 51	•	•
EC 6	Distributions to providers of capital broken down by interest on debt and borrowings, and dividends on all classes of shares, with any arrears of preferred dividends to be disclosed		28	•	•
EC 7	Increase/decrease in retained earnings at end of period		23, 24	•	•
EC 8	Total sum of taxes of all types paid broken down by country		-		
EC 9	Subsidies received broken down by country or region		-		
EC 10	Donations to community, civil society, and other groups broken down in terms of cash and in-kind donations per type of group		61	•	•
6. Environmental Performance Indicators					
EN 1	Total materials use other than water, by type		-		
EN 2	Percentage of materials used that are wastes (processed or unprocessed) from sources external to the reporting organisation	Principle 7,9	38	•	•
EN 3	Direct energy use segmented by primary source	Principle 7,9	44	•	•
EN 4	Indirect energy use	Principle 7,9	44	•	•
EN 5	Total water use	Principle 7,9	45	•	•
EN 6	Location and size of land owned, leased, or managed in biodiversity-rich habitats		-		
EN 7	Description of the major impacts on biodiversity associated with activities and/or products and services in terrestrial, freshwater, and marine environments		-		
EN 8	Greenhouse gas emissions	Principle 7	44	•	•
EN 9	Use and emissions of ozone-depleting substances		-		•
EN 10	NO _x , SO _x , and other significant air emissions by type	Principle 7,9	43	•	•
EN 11	Total amount of waste by type and destination	Principle 7,9	44	•	•
EN 12	Significant discharges to water by type		-		
EN 13	Significant spills of chemicals, oils, and fuels in terms of total number and total volume		-		
EN 14	Significant environmental impacts of principal products and services	Principle 7,8,9	39-43	•	•
EN 15	Percentage of the weight of products sold that is reclaimable at the end of the products' useful life and percentage that is actually reclaimed	Principle 7,9	39	•	•
EN 16	Incidents of and fines for non-compliance with all applicable international declarations/conventions/treaties, and national, sub-national, regional, and local regulations associated with environmental issues		41	•	•

GRI reference	Indicator	Global Compact	Page	Print	Web
7. Social Performance Indicators: Labor Practices and Safety					
LA 1	Breakdown of workforce, where possible, by region/country, status, employment type, and by employment contract		49		• •
LA 2	Net employment creation and average turnover segmented by region/country		49		• •
LA 3	Percentage of employees represented by independent trade union organisations or other bona fide employee representatives broken down geographically OR percentage of employees covered by collective bargaining agreements broken down by region/country	Principle 3	49, 50		• •
LA 4	Policy and procedures involving information, consultation, and negotiation with employees over changes in the reporting organisation's operations (e.g., restructuring)	Principle 3	48		• •
LA 5	Practices on recording and notification of occupational accidents and diseases, and how they relate to the ILO Code of Practice on Recording and Notification of Occupational Accidents and Diseases		53-55		• •
LA 6	Description of formal joint health and safety committees comprising management and worker representatives and proportion of workforce covered by any such committees		53-55		• •
LA 7	Standard injury, lost day, and absentee rates and number of work-related fatalities (including subcontracted workers)		53-55		• •
LA 8	Description of policies or programmes (for the workplace and beyond) on HIV/AIDS		56		• •
LA 9	Average hours of training per year per employee by category of employee		53		• •
LA 10	Description of equal opportunity policies or programmes, as well as monitoring systems to ensure compliance and results of monitoring		51-53		• •
LA 11	Composition of senior management and corporate governance bodies (including the board of directors), including female/male ratio and other indicators of diversity as culturally appropriate		51-53		• •
HR 1	Description of policies, guidelines, corporate structure, and procedures to deal with all aspects of human rights relevant to operations, including monitoring mechanisms and results	Principle 1	13-15		• •
HR 2	Evidence of consideration of human rights impacts as part of investment and procurement decisions, including selection of suppliers/contractors	Principle 1, 2	13-15		• •
HR 3	Description of policies and procedures to evaluate and address human rights performance within the supply chain and contractors, including monitoring systems and results of monitoring	Principle 1, 2	15, 26, 27		• •
HR 4	Description of global policy and procedures/programmes preventing all forms of discrimination in operations, including monitoring systems and results of monitoring	Principle 1 Principle 6	52		• •
HR 5	Description of freedom of association policy and extent to which this policy is universally applied independent of local laws, as well as description of procedures/programmes to address this issue	Principle 3	49, 50		• •
HR 6	Description of policy excluding child labour as defined by the ILO Convention 138 and extent to which this policy is visibly stated and applied, as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring	Principle 5	14, 15		• •
HR 7	Description of policy to prevent forced and compulsory labour and extent to which this policy is visibly stated and applied as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring	Principle 4	14, 15		• •
SO 1	Description of policies to manage impacts on communities in areas affected by activities, as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring		56		• •
SO 2	Description of the policy, procedures/management systems, and compliance mechanisms for organisations and employees addressing bribery and corruption	Principle 10	13, 16, 17		• •
SO 3	Description of policy, procedures/management systems, and compliance mechanisms for managing political lobbying and contributions		61		• •
PR 1	Description of policy for preserving customer health and safety during use of products and services, and extent to which this policy is visibly stated and applied, as well as description of procedures/programmes to address this issue including monitoring systems and results of monitoring		57, 58		• •
PR 2	Description of policy, procedures/management systems, and compliance mechanisms related to product information and labelling		-		
PR 3	Description of policy, procedures/management systems, and compliance mechanisms for consumer privacy and labelling		15		• •
P 1	Numbers of vehicles sold, broken down by fuels, power train technologies, and region	Principle 8,9	35		• •
P 2	Breakdown by region/country of compliance of vehicles sold with existing and planned emissions standards	Principle 8,9	41		• •
P 3	Percentage improvement of average standard fuel consumption by region using the year 2000 as the base year (i.e., 100%)	Principle 8,9	40, 41		• •
P 4	Percentage improvement of average standard CO ₂ emission by region using the year 2000 as the base year (i.e., 100%)	Principle 8,9	40, 41		• •
P 5	Breakdown by region/country of compliance of vehicles sold with existing and planned noise standards		42		• •
P 6	Weight of vehicle and percentage breakdown of generic, recyclate, and renewable material of sample vehicle	Principle 8,9	39		• •
S 1	Specify stipulated work hours per week and average hours worked overtime in production		-		
S 2	Percentage of employees not managed on an hourly basis with overtime compensation schemes		-		
S 3	Percentage of first-tier supplier facilities with independent trade union organisations or other bona fide employee-representatives		-		

Report Profile

This report provides an overview of DaimlerChrysler’s strategies, activities and progress with respect to sustainability. The period under review is the financial year 2005.

Based on the Global Reporting Initiative (GRI) guidelines

The report “360 DEGREES – Sustainability Profile 2006” and DaimlerChrysler’s online presentation on sustainability take their lead from the internationally recognized guidelines of the Global Reporting Initiative (GRI). We understand and acknowledge the guidelines of the Global Reporting Initiative as an important aid to orientation.

Our objective is to further enhance our sustainability reporting in the future. To this end, we have set ourselves goals such as the following:

- to make more comprehensive statements on topics with a bearing on sustainability
- to indicate concrete goals and measures for the further improvement of our sustainability performance and reporting
- to optimize our data acquisition systems in view of the scope of the report
- to involve additional relevant expert opinions and assessments in our reporting

Scope of reporting and data acquisition methods

Economy. The information on economic interrelationships presented in this report is essentially based on data from the 2005 DaimlerChrysler 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 Aktiengesellschaft. KPMG certified the Annual Report without qualification. [www 27](#)

Ecology. DaimlerChrysler 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 in which the DaimlerChrysler Group is the majority shareholder. Since 2002, the acquisition and analysis of the data has been handled with the aid of a database which can be accessed across the Group on the company intranet. The data in this report reflect the structure of the Group in financial year 2005 and include all relevant production plants.

This year’s report is the first to include the main production plants of Mitsubishi Fuso Truck & Bus Corporation. Six of these are located in Japan, one is in Portugal and one is in Thailand. 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 DaimlerChrysler is no longer the majority shareholder. For this reason, the timelines may differ from those of previously published data.

The environmental data for 2005 refer to a total of 87 entire or partial business locations. New parts of the company have been included from the time at which they became part of DaimlerChrysler. [www 27](#)

Employees and society. The facts and figures related to the topic of Employees/Human Resources are based on the 2005 DaimlerChrysler Annual Report. Data acquisition was primarily by means of the “eCorps” electronic management system, which only employs data from consolidated companies within the DaimlerChrysler Group. This information was complemented by data acquired separately or with the aid of the “e-people” electronic human resources management system. In the copy and diagrams in the “Our Employees” section, it is indicated whether the data relate to the entire Group or only to parts thereof.

Liability disclaimer

The compilation and processing of the data in this report has been carried out with extreme care. Nevertheless, errors cannot be entirely excluded. Insofar as this report also contains forward-looking statements in addition to a review of financial year 2005, these are based 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. As a result, any forward-looking statements made in this report are not to be taken as statements of fact. The content of the report was examined and released by the responsible professional staff. There was no examination by a third party. Rather, recognized sustainability experts were involved in the process of drafting, designing and aligning this report. DaimlerChrysler published the last Sustainability Report in July 2005 under the title “Sustainability Profile 2005”.

The editorial deadline for this report: July 19, 2006

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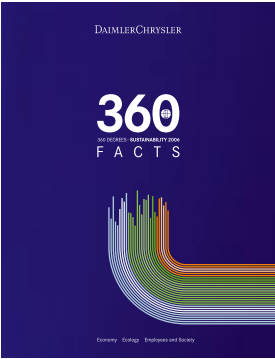


Economy
Environment
Employees and Society

Additional information (indicated by the www symbol and an index number) is available online at:

www.daimlerchrysler.com/sustainability

360 DEGREES – MAGAZINE on Sustainability 2006
The supplementary report “360 DEGREES – MAGAZINE on Sustainability 2006” offers further information and examples of best practice from all three dimensions of sustainability and complements the present report in the format of a news magazine.



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