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PART I - Theoretical study

I. Introduction

This work intends to fulfill my master thesis, focused on the subject of Corporate Sustainability.

One of sustainability's first approaches was made by Brundtland Commission's Report ("Our Common Future") which described sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". The aiming to grow without damaging future generations prospects is becoming more and more central to business philosophies.

My research proposal is to study a more confined concept of sustainability focused in "corporate sustainability" considered to be a business approach that enables companies to thrive in the long term. It creates long-term consumer and employee value not only by creating a "green" strategy aimed towards the natural environment but also by taking into consideration every dimension of how a business operates in the social, cultural, and economic environment.

Drivers generally accepted in corporate sustainability are: *Transparency* - Having an engaging and open environment within the company as well as in the community will improve performance and increase profits. This open environment promotes employee involvement regarding innovation and creative processes. *Employee Development* - People are the most important renewable resource and therefore, are the strongest asset to any organization. A strong development program could be the main factor for a company's success or failure. Programs should reward the best performers, foster the creative learning process and provide comprehensive training and evaluating. *Resource Efficiency* - Companies should be prepared with upgraded technology that can convert the product rather than throw away old products and materials. The best way to reduce costs and increase profits is improving recycling and waste redirecting. In my research I will consider other drivers beside the ones mentioned before.

This thesis is divided in two parts: in the first the theory is analysed (theoretical study) while in the second part a practical case is presented (practical study).

The first part can be divided in six steps. Firstly twenty authors that developed corporate sustainability models are analysed. Secondly a grid is designed to analyse the consistency of author's sustainability models, according to abstract, sustainability definition, drivers, model and applicability. Subsequently those authors are classified based on this grid. As a result the authors with the best classification in terms of consistency are analysed in the fourth step and compared based on a simple framework in the fifth step. Finally, a proposal for a corporate sustainability model is designed.

In the second part of this thesis a specific company, Daimler, is studied. I decided to study this company since it is one of the manufacturers of the company where I currently work, which is the biggest Mercedes-Benz dealer in Portugal, and I believe it is interesting and benefic for my daily work. The steps comprised in this second part are: characterization of Daimler, heightening sustainability performance in Daimler, applying the model to Daimler, positioning Daimler in accordance to the model and finally the conclusions.



II. Methodology Note

The first part of the work was carried out using an inductive logic in order to investigate the existence and formation of corporate sustainability, which provides greater insight into its complexity and allows the identification of different kinds of sustainability that members of different organizations have in common. This methodology had an issue focus to serve as stimulus for eliciting sustainability cognitions, to channel and narrow the potentially broad exploration, introducing a reference point so that the information could be compared.

In this inductive viewpoint certain principles were taken into account, namely field of work and definition of methodology. A “research question” is wide-ranging in the sense that the goal is to achieve a model supported on drivers apt to position and direct companies in terms of corporate sustainability.

Therefore, and as a first step (in the theoretical study) in this work I’ll identify 20 authors whose work I will analyze, subsequently I will define a grid (abstract, sustainability definition, drivers, model, applicability) to use in the analysis, in the third step I will study these author’s following the grid defined, fourthly I will select the authors that present consistent models and in the fifth step I will compare these models supported with a simple framework. Finally I will design a proposal of a model of corporate sustainability.

Having accomplished that stage of the study and with the model defined in stage two of the work, the aim is to use the model to explore a company through a case study (the practical study). Although the study is based upon assumptions, values and experience of the author, it can be established to be valid once it is supported by the experience of twenty other authors and is in compliance with the model obtained in the field.

The case study refers to a survey research related to a single case and conducted in order to reveal important features about its nature. It is an intensive study by qualitative interviewing of a single case.

III. Study of a list of author’s with a pre-defined grid

In this section I will describe, with a help of a grid, 20 papers that I read. Each one of these with five analysis points of study: abstract, sustainability definition, model that supports the article, drivers and finally the applicability of the model. The criteria of selection of these was their appearance during bibliographic review, since their likelihood seemed to be the most important ones and due to their recently achievement.

“Ling, A., Howard, A., Fox, M. & Epperly, M. (2010). *Crossing the Rubicon: Our Investment Framework for the next decade, Report of GS Sustain, Goldman Sachs*”

Abstract:

This author claims that the world is changing more rapidly and profoundly than ever before. He develops a model/framework created (“GS SUSTAIN”) by Goldman Sachs that seeks to understand it, getting ahead of that change by identifying the best managed companies around



the globe that will succeed on a sustainable basis. The model tries to provide an objective, quantifiable framework linking the impacts of structural trends in the global economy, society and environment on global industries to investment conclusions on a sector-by-sector basis.

Sustainability Definition:

The author’s definition is implicit in these lines: “Companies compete against a backdrop of accelerating structural change in the global economy, society and environment. Competitive pressures in each industry are intensifying, driving increasing bifurcation between well and poorly positioned companies. Investing in large cap companies that are able to sustain superior returns over the long term has consistently generated outperformance, particularly over longer holding periods. In the other hand, in fast growing emerging industries, Goldman Sachs found that valuation and shareholder returns are closely linked to the growth that companies deliver.”

Drivers:

The Goldman Sachs Investment Profile provides investment context for a security by comparing key attributes of that security to its peer group and market. The four key attributes depicted are: growth, returns, multiple and volatility. Growth, returns and multiple are indexed based on composites of several methodologies to determine the stocks percentile ranking within the region's coverage universe. The precise calculation of each metric may vary depending on the fiscal year, industry and region but the standard approach is as follows:

Growth - is a composite of next year's estimate over current year's estimate, e.g. EPS, EBITDA, Revenue.

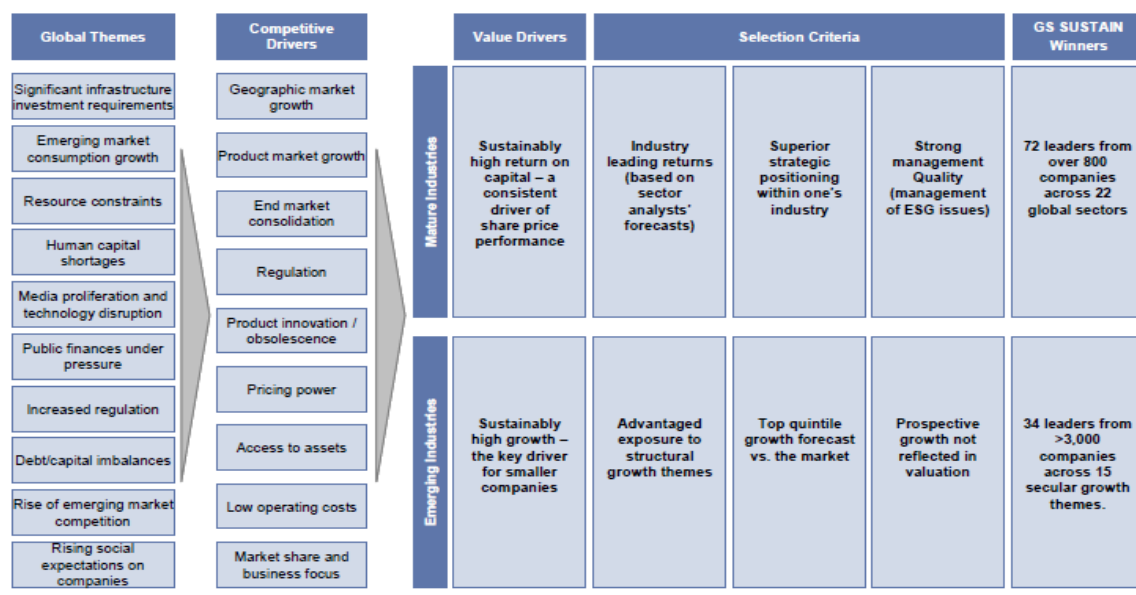
Return - is a year one prospective aggregate of various return on capital measures, e.g. CROCI, ROACE, and ROE.

Multiple - is a composite of one-year forward valuation ratios, e.g. P/E, dividend yield, EV/FCF, EV/EBITDA, EV/DACF, Price/Book.

Volatility - is measured as trailing twelve-month volatility adjusted for dividends.

Model:

The author’s model has the following characteristics:



Source: Goldman Sachs Research.

Figure 1: GS Sustain model





Applicability:

GS Sustain analysis of mature industries includes sectors such as energy, consumer products and banks. By looking at companies within these sectors, the model allows to analyze the way they manage their social and corporate obligations, their return on capital and their strategic positioning relative to sector competitors. The emerging industries GS Sustain focus on include alternative energy technology and biotechnology and look for differentiated business models and positive exposure to fast-moving structural trends.

The author believes that key drivers of the world economy – the shift of economic growth to the BRICs countries, a rapidly expanding global population, mass urbanization and the pace of development in emerging economies – will become increasingly pronounced, and will reward the world's most forward-thinking companies.

“Berns, M., Townend, A., Khayat, Z., Balagopal, B., Reeves, M., Hopkias, M. & Kruschwitz, N. (2009). The Business of Sustainability, Boston Consulting Group”

Abstract:

The report presents high-level findings from the survey responses and thought leader interviews and offers interpretation and analysis of the results, along with a diagnostic tool to help companies assess where they stand with their own sustainability efforts. BCG identified the impact on a company's image and brand as the principal benefit of addressing sustainability, but corporate executives in the thought leader group rarely cited this factor or emphasizing instead a broad continuum of rewards that were grounded more in value creation particularly sustainability's potential to deliver new sources of competitive advantage. Leaders offered other provocative ideas about the potential benefits of addressing sustainability- For example, some suggested that leadership in sustainability might be viewed as a proxy for management quality.

Sustainability Definition:

Sustainability is surviving the downturn. “The early movers” approaches have several key characteristics in common and incorporate a comprehensive set of data into a robust business case, which they then integrate throughout all relevant aspects of their operations to deliver measurable financial results. While sustainability's novice practitioners thought of the topic mostly in environmental and regulatory terms, with any benefits stemming chiefly from brand or image enhancement, practitioners with more knowledge expanded the definition about sustainability well outside the “green” silo. They tended to consider the economic, social, and even political impacts of sustainability-related changes in the business landscape. Simply put, they saw sustainability as an integral part of value creation.

Drivers:

Table stakes – Public relations, compliance, efficiencies;

Good business practices – Transparency, supply chain productivity;

Competitive differentiation - Product redesign, new market entry, new organizational models;

Game-changing innovation – Reframed economic models, partnerships with stakeholders.

Model:

The framework looks at sustainability through two lenses: the time horizon for the sustainability effort and the degree to which the drivers and impacts of the effort are specific to



a company or are shared more broadly among the corporate community. This framework categorizes sustainability efforts into one of four quadrants.

In the first quadrant (lower left) are short-term actions called table stakes: the minimum, lowest-cost sustainability actions that all companies can - and in many cases must - take, such as complying with regulatory demands or capturing easily attainable cost efficiencies.

In the second quadrant are actions that go beyond the broad, basic steps companies can take; these sustainability efforts make good business sense because they capture unique opportunities or mitigate unique threats posed by near-term sustainability issues. Examples in this category include the \$500 million energy-efficient retrofit of the Empire State Building in New York, along with improving resource productivity and eliminating waste across supply chain as Unilever and Wal-Mart have sought to do.

In the third quadrant are actions geared toward capturing competitive advantage via sustainability. These efforts include innovations and longer-term bets that are difficult for competitors to imitate and that often require organizational rewiring so that a company can achieve the full impact of its sustainability efforts. Reimagining how products are made and used and what happens to them when they expire is an example of a strategy in this category.

The fourth quadrant encompasses future innovations that all companies can undertake as long as they form broader alliances with external stakeholders and rethink economic frameworks, because payoffs occur over a longer time frame.

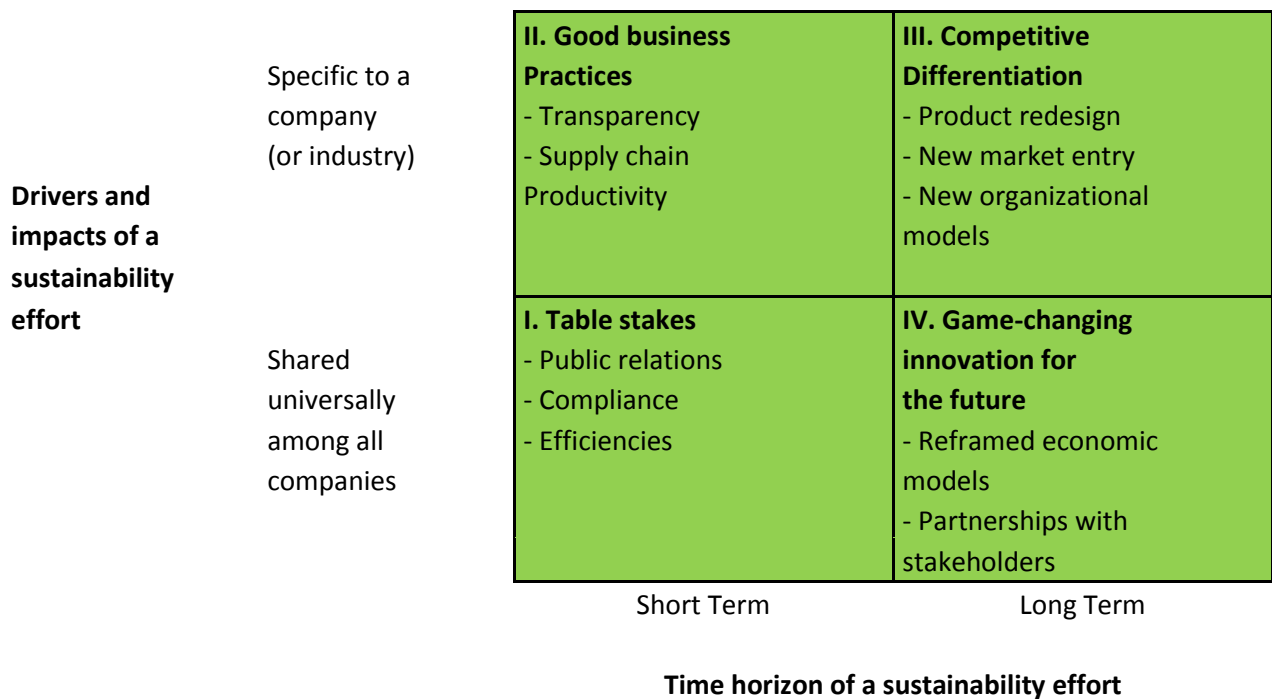


Figure 2: BCG Framework

Applicability:

This model applies to the following situations:

- Sustainability affects all aspects of a company’s operations - from development, manufacturing, and distribution to sales and support functions;
- Sustainability affects every value - creation lever over both the short and the longer term. Rarely has a business issue been viewed as having such a broad scope of impact;



- There is mounting pressure from stakeholders – employees, customers, consumers, supply chain partners, competitors, investors, lenders, insurers, nongovernmental organizations, media, the government, and society overall – to act;
- The solutions to the challenges of sustainability are interdisciplinary, making effective collaboration with stakeholders particularly critical;
- Decisions regarding sustainability have to be made against a backdrop of high uncertainty. Myriad factors muddy the waters because their timing and magnitude of impact are unknown. Such factors include government legislation, demands by customers and employees, and geopolitical events.

“Scott, J., (2010). *The Sustainable Business*, EFMD Business Magazine Volume 04 Issue 02 2010 , pp. 1-27”

Abstract:

This study is about the first steps to understand, implement and manage sustainability from a cost/profit perspective. The costs are associated with waste, the spiraling cost of raw materials and resource deficits (resulting from an increasingly affluent and growing population all of whom are competing for the world’s finite supply of resources), costs created or exacerbated by poorly designed products and production processes, the costs of climate change (e.g.: property damage and crop failure), and the costs of unemployment and underemployment. To manage this problem the author created an alliteration using seven words (all beginning with the letter P) to describe the waste-reduction aspects of sustainability in a business application context, the detailed explanation is in the model section.

Sustainability Definition:

Sustainability is often confused with the term ‘going green’. But broadly speaking, the capacity for continuance into the long-term (which is one of many sustainability definitions) is about more than the environment. The environment should be of paramount concern to all of us for the simple reason that every business (and life) resource comes from it. Sustainability is also about measuring and controlling expenses wherever they arise, whether through the husbanding of scarce raw material resources or the use of energy. Measurement and control are something that every businessman or businesswoman can understand.

Drivers:

The drivers are the 7 P’s: Preparation, Process, Preservation, People, Place, Product and Production.

Preparation – Setting the stage for change (physically and psychologically), accepting the breadth and depth of sustainability (e.g.: all the financial implications and the fact that sustainability is not about sacrifice or being independent) and understanding what the reformer is up against when trying to implement profitable, long-term practices (e.g.: apathy, ignorance, short-term thinking, and what Machiavelli called ‘the incredulity of mankind, who do not believe in anything new until they have had actual experience of it.’).

Preservation – encompasses two areas: internal (collecting and displaying real-time measurement) and external (keeping ahead of laws, pending legislation, trends, and developments).



Processes – sustainable belief systems, philosophies, business models and thought patterns that help match a business with customer demands, core capabilities and best practices.

People – accepting the importance of training and education and working diligently to avoid the wasting of people, specifically: employees (who seek security and motivation), stakeholders (who want a return on their investment), customers (who want safe, value-laden products), and the world community - including the two-thirds of humanity who are currently left out of the global economic loop (who desire jobs and inclusion) and who represent an economic force all their own.

Place – the buildings and places where work is performed and/or products are sold.

Product – goods and services that are free from unnecessary waste ('non-product') and toxins - and designed so that the materials, energy, and manpower that comprise them (and their packaging) are treated as investments and continuously reused.

Production – the physical, mechanical, biological, and chemical processes used to transform raw materials into products or services - and transport them.

Model:

The author created an alliteration using seven words, to describe the waste-reduction aspects of sustainability in a business application context (see the left column of figure 4) and the interplay they have on one another. Alliterations are never perfect. Briefly, the 7-P's are as follows:

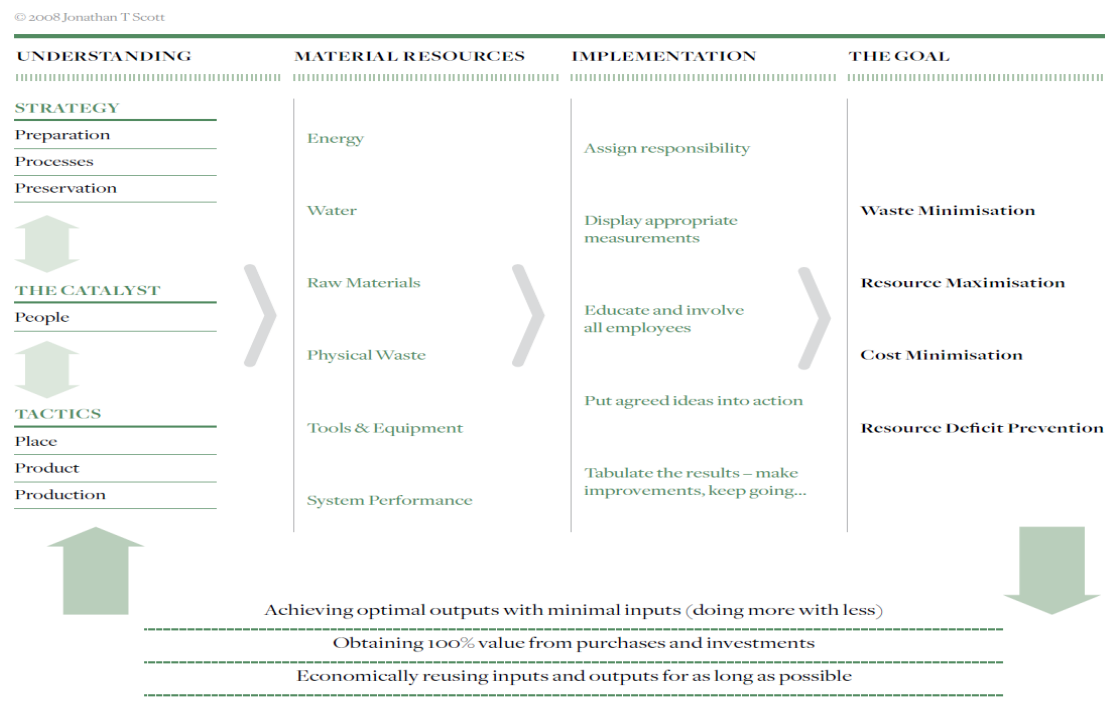


Figure 3: - The 7P's alliteration

Applicability:

The applicability of this model depends on stepping four items, which are the following:

- 1) Create a vision (promotes responsibility and respect and attracts the attention of customer and help create and inspiring vision for employees);
- 2) Decide on a mission;
- 3) Break the mission statement down into achievable objectives:



- a) To drive waste out of the company completely;
 - b) To emit only benign emissions;
 - c) To harvest old carpets into new carpets rather than use virgin raw materials;
 - d) To utilize only renewable energy in production processes;
 - e) To transport products from the factory to customers as efficiently and cleanly as possible;
 - f) To sensitize people and communities about sustainable practices;
 - g) To reinvent commerce itself using improved leasing services.
- 4) Formulate strategies to achieve objectives (better employee training, replacing outdated equipment and machinery with efficient alternatives, redesigning and so on).

“Nidumolu, R., Prahalad, C.K. & Rangswami, M.R (2009). *Why Sustainability is Now the Key Driver of Innovation*, Harvard Business Review, Sep 09, pp. 56-64”

Abstract:

This study tries to demonstrate that is hard to find comparable companies and conditions that differ only in terms of their sustainability mandates and that sustainability strategies are evolving rapidly. Allow us to understand that a more realistic way is showing that the business case for individual sustainability initiatives is financially compelling.

Sustainability Definition:

Corporate sustainability is a “key driver” of innovation, it also yields real financial rewards rather than extra cost, a new study in the Harvard Business Review has found. “By treating sustainability as a goal today, early movers will develop competencies that rivals will be hard-pressed to match.”

Drivers:

The main drivers of this model are: Economy, Society and Environmental.

Model:

The model is a mix between the drivers: Economy, Society and Environmental. Its application depends on the implementation of the following steps:

Stage 1 - Viewing compliance as opportunity - Companies should develop the internal ability to anticipate and help shape regulations this requires working with other companies, including rivals, to develop industry standards.

Stage 2 - Making value chains sustainable - Learning to address carbon management, life-cycle assessments, and designing operations to use less energy and water, companies can discover sustainable sources of raw materials, components and energy. By addressing waste throughout the supply chain, a company will reduce its costs.

Stage 3 - Designing sustainable products and services - Companies should conduct a full product review to determine which ones are most harmful to the environment and then work to improve the product or phase it out, and this will help the company to be seen by the public as



a true “green” company, and not one that is engaged in greenwashing. Developing compact and eco-friendly packaging is a good first step.

Stage 4 - Developing new business models - Adopting more sustainable practices internally, a company begins to understand what today’s eco-minded consumer wants to purchase. Developing new delivery methods or technologies to save costs and creating monetization models that relate more to services than to products are opportunities that can’t be wasted. Companies also are urged to develop business models that combine digital and physical infrastructures.

Stage 5 - Creating next-practice platforms - By looking beyond its current core competencies with an eye toward sustainability, a company can begin to redefine itself as a next-generation operation that may even involve expansion into new and different industries. One of the key drivers in this stage is creating business platforms that enable customers, suppliers and partners to manage energy in radically improved ways. Another opportunity is to develop products that require less or no water, as compared to similar products that are water-intensive.

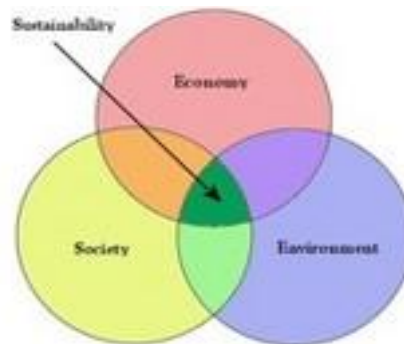


Figure 4: Sustainability is the key driver

Applicability:

Smart companies can address the sustainability problem by building sustainability into the design of the products, e.g., by end-of-life design thinking, reverse logistics processes for recycling and reuse, etc. If such after-use design and execution is not incorporated into the DNA of the enterprise, increasing waste due to cast-offs will be a massive and unsustainable problem. We need both top-down and bottom-up approaches. A mind-set of “sustainability = innovation” is essential to making a real transition to this new economy. Government incentives and regulations (top-down approaches) can help accelerate the process. Top-down change without bottom-up change is not going to be real. Bottom-up change without top-down change is not going to be fast enough.

“Grayson, D., Jin, Z., Lemon, M., Rodriguez, M.A., Slaughter, S. & Tay, S. (2008). *A New Mindset for Corporate Sustainability*, White Paper by BT and Cisco”

Abstract:

This paper draws on these early lessons, and builds on the solid foundations laid by initiatives including the Dow Jones Sustainability Index, all of those initiatives which have impressed upon the business world the need to look beyond shareholder value, to consider social and



environmental impacts, as well. This approach is called: “S2AVE” (Shareholder and Social Added Value with Environment restoration), to emphasize how organizations can successfully and profitably address all three elements of the ‘triple bottom line’ simultaneously – becoming increasingly agile and innovative as they do so.

Sustainability definition:

This view reflects that sustainability is not an objective but much more as a journey, one which may see the business undergo radical transformation. It is demonstrated how effectively wielded, innovation can help open the doors to radical new business models, engage profitably with previously untapped markets, and enable the business to become a truly agile, strategic entity through a systemic and integrated approach.

Drivers:

The drivers defined in this model are: Environment, society and economy.

Model:

Environmental, social and economic sustainability, will be among the most important drivers of innovation across their businesses as they move forward and transform their operations to make the most of it. The following steps outline guidance for companies willing to follow their example. Ten steps to turning your company into a sustainability-driven innovator:

1. Make innovation for sustainability a part of your company’s vision. Update your company’s stated vision, mission and list of values or principles to ensure that sustainability is at the heart, so that your company is publicly identified, internally and externally, as sustainability-driven.
2. Formulate a strategy with sustainability at its heart. To be really effective, sustainability must be included in a new formulation of your business strategy. Simply bolting it on to an existing strategy is likely to leave it marginal and insignificant.
3. Embed sustainability in every part of your business. Create an ongoing process to assure every part of the company recognizes and understands its environmental, economic and social impacts and uses that knowledge to innovate through a systematic and integrated approach.
4. Top leadership in the business has to believe in it. Staff and other stakeholders need to hear their leaders explain regularly what responsibility and sustainability means for the business and the innovation possibilities they hold, and see the actual programs implemented.
5. Set up a body with the power to make sustainability matter. Many of the leading sustainability-driven companies have a board committee devoted to the area assuring that things move ahead. Some companies have a leading non-executive director in charge, while others have a mixed committee of executives and non-executives. Whatever the arrangement it is essential that the company regularly addresses sustainability and its strategic opportunities at the very highest level of decision-making. The most effective sustainability committee fulfills the following purposes:
 - a) Consider, review, evaluate and supervise integrated environmental, social and ethical policies.
 - b) In collaboration with top management assure that responsibility and sustainability are taken into account during strategy formulation process.
 - c) Advise Board of Directors on responsibility and sustainability issues.
6. Set firm rules. Establish a code of conduct on sustainability covering both your employees and other stakeholders in your business; state clearly that anyone who doesn’t adhere to it has no place in your company, neither as an employee nor as a stakeholder.
7. Bring your stakeholders on board. Identify all the stakeholders in your business – shareholders, employees, suppliers, customers, the communities in which you operate – and



engage with them on thinking about sustainability. Actively encourage them to participate in your innovations and encourage them to develop sustainable opportunities themselves.

8. Make use of people power. Ensure that sustainability is a clearly stated value at every stage of your people management process, whether advertising for staff, hiring, induction, appraisal, or remunerating and promoting. Create a learning organization with a strong focus on creativity and innovation based on sustainability.

9. Join networks. A growing number of organizations, networks and other bodies dedicated to encouraging sustainable business are emerging. Get involved with groups such as the World Business Council for Sustainable Development, the UN Global Compact, the International Business Leaders Forum and similar bodies at local level. Take part in sustainability investment rankings such as the Dow Jones Sustainability Index and the Corporate Responsibility Index.

10. Act beyond reporting: align all business systems with the company's vision of sustainability. Corporate social responsibility reporting helps focus the business, but it should not be viewed as an end in itself. Sustainability should run through every core system, from talent management to supplier evaluation, customer relationship management (CRM), and, of course, the balanced scorecard. This approach should turn focus into coordinated actions that matters.

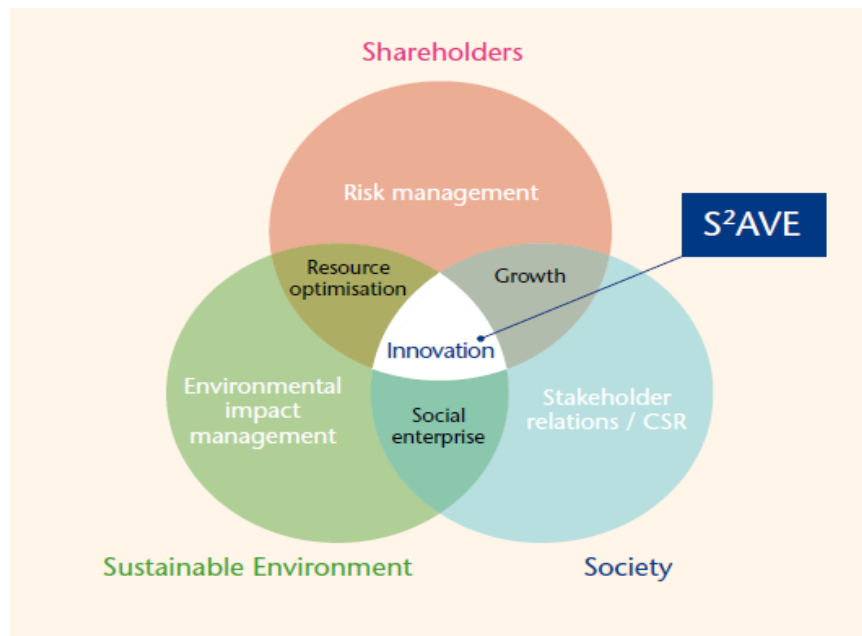


Figure 5: S²AVE - Shareholder and Social Added Value with Environment restoration

Applicability:

Corporate sustainability should be viewed more as a journey than an end-state. This journey has prompted many of the global enterprises profiled to radically alter their business models or consider strategic options which may have been taboo until now. As such, executives and investors need to be ready themselves for a further, extended period of radical change, which will see many of those who fail to take action suffer. The corporate mindset needs to change in order to unlock the opportunities presented. It requires leadership by example, meaningful action as well as words of encouragement. Whilst the view that “sustainable business is good business” has gained widespread favour in the West, companies in emerging markets have a harder mission. There is a widespread view that spending organizational resources on innovations driven by sustainability will place a business at a competitive disadvantage. Only when the leading companies in these regions implement their own initiatives in this direction does it become acceptable for the mainstream to follow. This view is increasingly being played



out in China. Some of its largest companies, including oil giant Sinopec and white goods manufacturer Haier Group, are now tracking their progress using an audit system. And he has trying to force China to follow a similar approach.

“Hansen, O.L, (2010) *United Nations Global Compact*”

Abstract:

The idea for developing this study included two main factors:

- To challenge and inspire companies to achieve higher levels of sustainability performance within the UN Global Compact;
- To evolve the UN Global Compact and its engagement opportunities to deliver more value to leading participants. Thus, the Blueprint was developed with the understanding that it would offer benefits and entail responsibilities for both business participants as well as the United Nations. Indeed, this is the very nature of a “compact” – all parties must contribute and benefit for such an agreement to be effective and sustainable. For corporate participants, the Blueprint would outline a model for corporate sustainability leadership that offers an aspirational but attainable strategy for companies to generate maximum value through the UN Global Compact.

Sustainability Definition:

This study states that first, advanced performance by leadership companies offers crucial inspiration for those at the lower rungs of the “sustainability pyramid”. A race-to-the-top is the result. And second, a new level of performance is needed in order to address key global challenges in a world of uncertainty, complexity and volatility and to deliver on the sustainability promise. This study has been developed in close consultation with a wide group of participating companies and stakeholders, UN entities, and other experts. Thus, this study was developed with the understanding that sustainability would offer benefits and entail responsibilities for both business participants as well as the United Nations. Indeed, this is the very nature of a “compact” – all parties must contribute and benefit for such an agreement to be effective and sustainable.

Drivers:

The fundamental criteria’s in this model are:

- CEO Commitment and leadership;
- Board Adoption and oversight;
- Stakeholder Engagement;
- Transparency.

Model:

The Blueprint offers a model for achieving higher levels of performance and generating enhanced value. It allows companies and their stakeholders to assess progress with respect to their commitment, strategy and implementation and to communicate effectively as they ascend the learning and performance curve. In the context of the Blueprint, corporate sustainability is defined as a company’s delivery of long-term value in financial, social, environmental and ethical terms. The Blueprint is grounded in the two core commitments made by participating companies. It includes aspects of leadership that are considered key to maximizing results with respect to these commitments, including active engagement locally and globally. The Blueprint encompasses three distinct but overlapping and synergistic dimensions. They are:



1. Implementing the Ten Principles into Strategies and Operations
2. Taking action in Support of Broader UN Goals and Issues
3. Engaging with the UN Global Compact, each dimension contains a number of key Components. In addition, several cross-cutting Components of leadership were identified as a crucial overlay to the three dimensions.



Figure 6: United Nations Global Compact

Applicability:

Since its inception, the UN Global Compact has asked for two central commitments by business leaders and organizations:

- Implement the ten principles of the UN Global Compact;
- Undertake actions in support of broader UN goals and issues.

For many participating companies, these two pledges have helped frame their overall corporate sustainability philosophy and strategy. Contributors to the Blueprint pursued a concept and process to incorporate current and emerging leadership practices by companies; address important performance gaps; build new opportunities related to the two commitments; and finally, leverage to the fullest extent the value of engagement with UN Global Compact platforms and initiatives. A premium was placed on simplicity of design yet sophistication in terms of the issues and areas covered.

“Global Reporting Initiative, (2010), Press Release - Formation of the International Integrated Reporting Committee (IIRC), GRPI”

Abstract:

The IIRC’s remit is to create a globally accepted framework for accounting sustainability. A framework which brings together financial, environmental, social and governance information in a clear, concise, consistent and comparable format – put briefly, in an “integrated” format.



The intention is to help with the development of more comprehensive and comprehensible information about an organization's total performance, prospective as well as retrospective, to meet the needs of the emerging, more sustainable, global economic model.

Sustainability Definition:

Professor Mervyn King, Chairman of the GRI considers that "To make our economy sustainable we have to relearn everything we have learnt from the past. That means making more from less and ensuring that governance, strategy and sustainability are inseparable". The world has never faced greater challenges: over-consumption of finite natural resources, climate change, and the need to provide clean water, food and a better standard of living for a growing global population. Decisions taken in tackling these issues need to be based on clear and comprehensive information; but we are at present "battling to meet 21st century challenges with, at best, 20th century decision making and reporting systems." - Prince of Wales.

Drivers:

Trough this article I identified the key drivers: Environmental, Social and Governance - or ESG - on Integrated Financial Reporting, the objective is to equip companies to strategically manage their operations, brand and reputation to stakeholders and to be better prepared to manage any risk that may compromise the long-term sustainability of the business.

Model:

Not defined

Applicability:

The role of the IIRC is to respond to the need for a concise, clear, consistent and comparable integrated reporting framework, reflecting the organization's strategic objectives, governance and business model, and integrating both financial and non-financial information. Every publicly listed company is required to file an annual report on its financial performance in compliance with, in most cases, either International Financial Reporting Standards (IFRS) or U.S. Generally Accepted Accounting Principles (U.S. GAAP). Increasingly companies are also producing, mostly on a voluntary basis, corporate social responsibility or sustainability reports but these can vary widely in terms of relevance and quality, largely because there is no global standard for measuring and reporting on environmental, social and governance performance.

"Babski, C., (2010), Sustainability and your corporate strategy, Insead Knowledge"

Abstract:

In this study, sustainability is "The ability to act ethically and to risk something in speaking to the issues that need to be addressed". But that doesn't mean ignoring the bottom line. The ability to think commercially about sustainability is crucial. Furthermore, that thinking has to be something consumers and shareholders can relate to. It's "Rather than talking about trees in Papua New Guinea, it has to be something that has real substance with respect to a person's business." "They're looking for opportunities to save money and if they can do so in a way that also leads to a lower carbon footprint". We no longer have a choice, "We are now nearing seven billion people on the planet, about four billion of them surviving on less than two dollars a day, with water and other shortages very clearly imminent."



Sustainability Definition:

Sustainability it's a delicate balance between creating a positive public image, while maintaining the bottom line. It can be costly, but if practiced deftly, the pay-off can be substantial, even offsetting operational costs.

Drivers:

Not defined

Model:

Not defined

Applicability:

To be applicable it is needed to implement something known as "radical transparency." "Radical transparency" basically means pulling open the curtain on the chain that links products -- revealing everything from carbon footprints to chemicals used in producing products, to the treatment of workers -- so that consumers can make better-informed decisions about the products they buy."

"Heaps, A.A.T.,(2010). Towards a 21st Century Balance Sheet: The First Three Steps, Harvard Business Scholl E-book 2010 Integrated Reporting Workshop Remarks"

Abstract:

Among global stock exchanges, regulators and institutional investors, there is no longer a question of whether we need to move toward a new balance sheet for the 21st century that more fully reflects a company's impacts on the planet and society; rather, the question is, "Where do we start?" In this regard, crowd wisdom drawn from existing disclosure thresholds and indicators sophisticated investors are already integrating into their analysis points to a surprisingly clear path of six first generation metrics (carbon, water, waste, energy, payroll, and injuries) that, if disclosed across the board by all large corporations, would enable a radical improvement of corporate valuation models with a more forward looking orientation. Three steps are required to accelerate the evolution of the balance sheet and corporate valuation:

1. Mandate: A critical mass of investors and companies issue call for all large companies to report a New Balance Sheet consisting of a focused list of first generation metrics at the same time as their regular financial filings by a certain hard date, and back this call up with a public relations and lobbying campaign to give regulators the impetus and courage to take action.
2. Correlate: A "Stern Report" showing where green pays to reveal where there are strong linkages within industries for certain social/environmental metrics and profit/revenue growth.
3. Integrate: As investors integrate these clear metrics into their valuation models, they will create a virtuous cycle where the most sustainable companies attract the most capital and earn the best returns.

Sustainability Definition:

Sustainability is the megatrend of the 21st century and corporations are its mega-institution. The aphorism that no business can succeed in a society that fails has never been truer, and as such it is no longer tenable for our time's megatrend to be kept off the balance sheet of its mega institution. In this regard, crowd wisdom drawn from existing disclosure thresholds and indicators sophisticated investors are already integrating into their analysis points to a



surprisingly clear path of six first generation metrics (carbon, water, waste, energy, payroll, and injuries) that, if disclosed across the board by all large corporations, would enable a radical improvement of corporate valuation models with a more forward looking orientation.

Drivers:



Figure 7: Towards a 21st century balance sheet

Model:

There are two things to note about the basket of universally applicable KPIs presented previously. Half the indicators can be obtained via a thorough mining of information in regulatory filings including the audited financial statements (% taxes paid), and proxy circular (board diversity, compensation linked to ESG metrics, CEO pay, ESG board committee) and can produce valuable insights. The four key resource metrics most often cited by sophisticated investors, all of which still fall under voluntary disclosure, most available at critical thresholds are water, energy, waste and carbon.

NAME	Bloomberg Universe % Disclosure	% Disclosure for Global 300 Leaders
ENERGY_CONSUMPTION	53.22%	71%
WATER_CONSUMPTION	37.42%	64%
TOTAL_WASTE	35.78%	30%
TOTAL_CO2_EMISSIONS	31.27%	77%

Figure 8: Resource metrics of voluntary disclosure



While injury data is seen by investors as integral to comprehensive valuation, despite the fact that almost every firm internally tracks injuries, the level of public disclosure was so low that is still insufficient to allow for meaningful comparisons between firms. Hence, the six universally applicable indicators that would create the most value for investors are:

1. Gigajoules of total energy consumed;
2. Total cubic metres of water consumed;
3. Metric tonnes of total CO₂ emitted (scope 1, 2, 3);
4. Metric tonnes of total waste produced;
5. Company's total number of injuries and fatalities including no-lost-time injuries per one million hours worked;
6. Payroll for entire company.

At a minimum most large companies are already tracking the above metrics, but this information is not being made available in convenient formats to allow investors to integrate it into their valuation and allocation models. As such, there would be insignificant extra costs for firms to comply with associated reporting requirements, with considerable upside for more accurate valuations and optimal allocations for investors.

Applicability:

The emerging "megatrend of sustainability" is driven by three overriding factors. Emerging natural resource scarcity at a macro level: Our global economy has already over-stepped the limits of our planet's ecological systems capacity to maintain a stable climate, and many regions around the globe are facing natural capital shortages or large scale land degradation, as detailed by the Millennium Ecosystem Assessment, which found approximately 60 per cent of the ecosystem services that support life on Earth – fresh water, fisheries, air and water regulation, and the regulation of regional climate, natural hazards and pests – are being degraded or used unsustainably. Humanity is now using nature's services 50 per cent faster than what Earth can renew. In a world approaching a population of nine billion people with a burgeoning consumer class, the proficiency by which companies can generate wealth from constrained natural resources will be an increasingly important determinant of their success. A shifting of greater responsibilities onto the corporation as part of the social contract: Over the last 30 years, the publicly traded corporation has grown in importance and stature from being a relatively minor part of the global economy to becoming its paramount characterization. The ratio of the value of all publicly traded companies to global GDP has increased by a factor of ten, to the point where they are now on par. Many of these externalities will be moved onto the balance sheet in coming years, which will have significant implications for companies who are able to make progress on their resource productivity. Additionally, in the current era of large government deficits and rising long term commodity prices (underpinned by scarcity of resources and growing global demand/population), tax authorities are reconsidering untenable fiscal regimes, as well as clamping down on tax loopholes (including transfer pricing schemes) and other forms of fiscal evasion. Against this context, companies who live up to their end of the social contract will be better insulated as governments shift more of the fiscal burden of running a society onto companies.



“Visser, W. (2007). Corporate Sustainability and the Individual: Literature Review, University Cambridge Programme for Industry Research Paper Series”

Abstract:

This paper introduces the literature and theories of corporate sustainability and how these have been applied at the level of the individual. It begins by defining corporate sustainability, reviewing the concept origins, demonstrating that it is an essentially contested concept (overlapping with related terms like corporate social responsibility, business ethics and corporate citizenship) and exploring some of the underlying principles. The paper then gives an overview of academic research that has been conducted on corporate sustainability generally and on the role of the individual in corporate sustainability in particular. In term of the latter, five themes are explored: the importance of values congruence of managers and employees with organizational values; the instrumental association between individual concern, knowledge and commitment and corporate social and environmental responsiveness; narrative accounts by sustainability managers of corporate “greening”; the role of sustainability managers as champions, entrepreneurs or agents of change in their organizations; and the application of psychology to understand individual responses to sustainability issues.

Sustainability Definition:

Corporate sustainability is defined as a values-laden umbrella concept, which refers to the way in which the interface between business, society and the environment is managed.

Drivers:

Not defined

Model:

Not defined

Applicability:

There aren't neither criteria's nor a model defined but, there are some conclusions reached in this study.

1. Corporate sustainability is an integrating and contested concept.

While it is not possible to derive a single, uncontested definition, there is a relatively wide consensus on key concepts (like the triple bottom line and business and society relations) and allied terms (like business ethics, corporate citizenship, corporate social responsibility and stakeholder theory) that are associated with corporate sustainability.

2. There is an established literature on corporate sustainability. Despite being a relatively young field of academic inquiry, scholars have succeeded in engaging with the mainstream management literature, as well as establishing journals that specialize in various aspects of corporate sustainability. However, research on corporate sustainability still has a bias towards an environmental association and is mainly focused at the organizational level. Scholars approach the subject in a variety of ways, performing exploratory, descriptive, normative and instrumental research, and employing both quantitative and qualitative methods.

3. Corporate sustainability research focusing on the individual level is relatively underdeveloped. Although there is some scholarly work that has been done on corporate sustainability managers as individuals, most of the research is focused on the organizational level. The research that has been done focuses on the importance of personal values, commitment, perceptions and agency. The application of psychology to corporate sustainability



is rare, and has mainly focused on individuals' public responses to environmental issues, rather than the experience of sustainability managers.

“Salzmann, O., Stoger, U. & Ionescu-Sommers Aileen, (2005). Quantifying economic effects of corporate sustainability initiatives – activities and drivers, Forum for CSM – IMD”

Abstract:

Effects of corporate sustainability management are of great interest to both companies and society. In particular, its micro-level economic effects are often the subject of debates and studies discussing the importance and robustness of a business case for corporate sustainability. In this study is possible to see that these effects are of major importance to promoters and critics of CSM (Corporate Sustainability Management), so is their quantification. Based on recent empirical evidence, we will describe how important and common quantification is and what its drivers and effects are.

Sustainability Definition:

A “profit-driven corporate response to environmental and social issues that are caused through the organization’s primary and secondary activities” (Salzmann), means that CSM manifests itself through corporate social and environmental initiatives, undertaken to exploit financial opportunities and minimize financial risks by mitigating or resolving those issues. The definition clearly acknowledges economic responsibility, i.e. long-term financial health, as the fundamental organizing principles of companies.

Drivers:

Cost reduction achieved through improved environmental, health and safety performance. The considered drivers: (less accidents, less fines, fewer lost workdays, etc.). Revenue increases achieved through gain in market share due to new environmentally sound products. Positive effects on intangibles or, value constructs, which do not increase financial performance per se, but are yet to be leveraged accordingly.

Model:

A business case for corporate sustainability involves both financial and non-financial measurement and it can be built on: Cost reduction achieved through improved environmental, health and safety performance (less accidents, less fines, fewer lost workdays, etc.). Revenue increases achieved through gain in market share due to new environmentally sound products. Positive effects on intangibles or value constructs, which do not increase financial performance per se, but are yet to be leveraged accordingly (Kaplan and Norton, 2004).

- Increase brand value and reputation;
- Improve the license to operate and grow;
- Attract and retain talent;
- Improves access to capital;
- Improve risk management;

Corporate activities that resolve environmental and social issues decrease net cost through primarily incremental innovation Increase Net revenue through primarily radical innovation Increase Financial Performance through Value drivers and Value constructs.

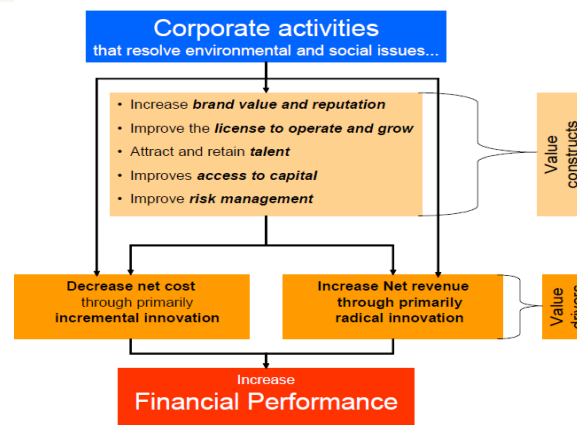


Figure 9: Systemization of value drivers and value constructs (Salzmann)

However the effects of sustainability initiatives on corporate financial performance are difficult to measure for several reasons: Measurement is contingent in nature, as it relates to corporate activities and their effects. Obviously, this makes measurement sector, country and even company specific. There is a potential time lag between activity and effect. This can lead to frustration and rash adjustments in corporate activities, e.g. stopping initiatives despite their potential positive long-term effect. Measurement of financial performance requires judgment. By definition, future cash flows cannot be measured. Therefore, the challenge is to find the best of second-best measures, “sometimes through analysis, sometimes through intuition” to predict financial performance. This is very often said in relation to non-financial measures. However it should be noted that traditional financial measures does not necessarily establish “auditable facts” as illustrated by recent events of “creative accounting.”

The framework enables the answer to the following research questions:

1. What are companies’ quantification patterns (ex ante vs. ex post, costs vs. benefits, use of tools)? How often do they simply rely on causal modeling rather quantification?
2. How important is quantification? If there is a lack of quantification, how great is it?
3. What is the relative importance of the hypothesized deterring factors? How do they relate to each other? To what extent do they influence the importance of quantification, the frequency of quantification and the lack of quantification?
4. What factors determine the level of CSM?

Applicability:

Measurement of performance includes two essential elements: A causal model describing expected links between a corporate action, in this study a sustainability initiative, and its results. The measurement of the expected causal effects facilitates comparison with other effects. In this context, the quantification of the economic effects of sustainability initiatives is one form of performance measurement. Companies exhibit a traditional focus on financial measures (measuring performance in monetary terms), including accounting figures, market-based measures (stock prices) and more recently operational performance measures. Over time, both practitioners and scholars realized that this purely financial measurement was too narrow, because those measures are largely “after-the-event” or lagging indicators that reflect past developments (which means decision-makers would have no control over them). For example, Accounting-based measures treat investments as mere expenditures, failing to recognize the expected generation of future revenues.



“Yudelson, J. (2009). Sustainability Retail Development: New Success Strategies, Berlin: Springer, pp. 7-12”

Abstract:

The author says that Sustainable business practices can open up new markets and improve a company’s reputation and leaders in corporate sustainability are securing a unique competitive advantage. In fact, he claims that in a recent article in Harvard Business Review shows that “in the future, only companies that make sustainability a goal will achieve competitive advantage.” And even the Great Recession has not slowed down the push for sustainability in most companies.

Sustainability Definition:

Sustainability thinking provides a useful framework for evaluating economic, social and environmental inefficiencies in any organization. The Great Recession has its signature in sustainability definition, making saving money more important than ever, and the need to reduce corporate environmental footprints has never been more urgent.

Drivers:

The most important drivers are:

- Pre-consumer and post-consumer content;
- Salvaged, refurbished or reused content or value (ex: building materials, furniture, and equipment);
- Rapidly renewable materials;
- Harvested, extracted, and or processed locally (within 500 miles);
- Low- or no-volatile organic compounds (VOCs) furniture, paints, sealants, or composite wood products;
- Energy efficient (ex: ENERGY STAR lights, printers, monitors, etc.);
- Water efficient (Water Sense labeled);
- Forest Stewardship Council (FSC) certified wood;

Model:

This model needs to be implemented in several steps, they are:

1 - Setting the vision. A brainstorming effort along these lines can help outline important new sustainable business opportunities. Consider how and in what dimensions the challenge of sustainability might create a competitive advantage for your organization. Demonstrating expertise in a relatively uncharted area and offering your customers new environmentally aware products or services can help expand your business.

2 - Staffing the effort. Once the firm got a vision of where is going, the next step is to determine who will do the work to get there. Many organizations have established sustainability taskforces to oversee the effort. Senior management corporate executive sponsorship and support for the sustainability initiative and taskforce are crucial. Successful taskforces include people from different divisions of a company, so that the team can draw on varied expertise and unique vantage points. Training and education are important components of any new initiative, so taskforce members should consider instituting sustainability training programs early on. Establishing Metrics to Measure Progress Sustainability accounting tools aren’t as well developed for water use as they are for energy use, greenhouse gas emissions, and solid waste. Water used by businesses, and the environmental impact of that use, can be broken down into three categories:



- Supply-chain: water used or contaminated in the process of manufacturing the products a business purchases;
- Operational: water used or polluted directly by a business in its own operations;
- End user: water used or polluted by the consumer while using products;

3 - Implementing strategic initiatives. The first step to greening the supply chain establishes criteria for environmentally preferable purchasing (EPP). The following product attributes are typically included in EPP policies:

- Pre-consumer and post-consumer content;
- Salvaged, refurbished or reused content or value (ex: building materials, furniture, and equipment);
- Rapidly renewable materials;
- Harvested, extracted, and or processed locally (within 500 miles);
- Low- or no-volatile organic compounds (VOCs) furniture, paints, sealants, or composite wood products;
- Energy efficient (ex: ENERGY STAR lights, printers, monitors, etc.);
- Water efficient (WaterSense labeled);
- Forest Stewardship Council (FSC) certified wood;

4 - Communicating the results to all stakeholders. Every serious corporate sustainability effort requires effective communications to all internal and external stakeholders. Sustainability reports make organizational commitments clear, and so many organizations publish annual sustainability reports. Sustainability reporting is the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable performance.

Applicability:

Crafting a sustainability vision and properly staffing the effort allows a company to establish applicable metrics, initiatives and goals. Progress toward meeting these goals must be communicated internally to keep the momentum going. Marketing achievements and sustainable services and products will help the business prosper in the new age of sustainable corporate enterprise.

“Fust, S.F. & Walker, L.L. (2007). Corporate Sustainability Initiatives: The Next TQM?, White Paper Korn/Ferry International”

Abstract:

As standards surrounding corporate sustainability initiatives evolve, companies are beginning to weave sustainability capabilities more deeply into their organizational processes and culture. This study, explain to us that these early adopters are poised to profit from corporate sustainability on more than one front – in a similar way that their forward-thinking predecessors succeeded during the quality revolution two decades ago. Given the ambiguity surrounding corporate sustainability, the parallel to the total quality management (TQM) movement is instructive. Companies that benefited dramatically from the quality revolution, such as Toyota and Motorola, treated quality as an opportunity for process improvements rather than a cost.



Sustainability Definition:

The author says that the terms “sustainability” and “profitability” may sound like odd bedfellows, but only if people continue to place corporate sustainability in a quickly fading context. The new, more advanced version of corporate sustainability seeks to continue to ensure compliance with environmental standards and safeguard natural resources but simultaneously, it seeks out new environmentally and socially-conscious sustainability solutions that minimize risks while delivering enhanced profitability through cost-reduction, improved resource-accessibility, marketing and recruiting benefits (just to name a few).

Drivers:

Not defined

Model:

STAGE	TOTAL QUALITY MANAGEMENT	SUSTAINABILITY INITIATIVES
Early	Treated solely as a cost, and an additional step at the end of manufacturing processes.	Treated solely as a risk, or as a response to regulations that require compliance.
Intermediate	Inspections integrated throughout processes. Some process-improvement and other cost-reduction opportunities identified.	Treated as both a risk and an opportunity. Program extended into multiple corporate functions.
Advanced	Expanded beyond product lifecycle into workforce behaviors. Also extended beyond organization to trading partners. Used as a competitive differentiator.	Expanded beyond organization to entire "sustainability supply chain." Opportunities include talent management benefits. Used as a competitive differentiator.

Figure 10: Comparison between TQM and sustainability

CORPORATE FUNCTION	EXPERTISE
Board of Directors	Shareholder value impact; outside knowledge of emerging best practices and opportunity initiatives
Research and Development	Perspectives on how current and future products (and product components) relate to sustainability
Marketing	Understanding of how sustainability supports marketing strategy and provides brand benefits
Supply Chain	Understanding of sustainability issues related to raw material inputs and natural resource utilization
Operations	Insights and ideas on facility, process and product improvements with sustainability benefits
Environmental Affairs	Historical compliance perspective to expand environmental initiatives "beyond compliance;" incubation of new environmentally-based revenue generation opportunities (e.g., carbon trading)
Finance	Evaluations of the costs and benefits of sustainability programs (including new sources of revenue generation), as well as risk management expertise
Human Resources	Performance management links and recruitment support
Legal and Compliance	Knowledge of current and pending laws and regulations, and an understanding of how sustainability risks affect regulatory risks and vice versa
Public Affairs/Relations	Communications to external stakeholders; corporate social responsibility (CSR) links

Figure 11: Impact in each area





Applicability:

To gain such an advantage, companies have to design their sustainability initiatives to address risks and opportunities that are unique to their industries and organizations. Successful sustainability programs share several common structural characteristics, including the following:

- a) The CEO's Embrace;
- b) Appropriate Initiative Leaders;
- c) Multi-Disciplinary Teams;
- d) Dual Focus on Risk and Opportunities.

Sustainability initiatives resemble other strategic initiatives in that they require executive support and multi-disciplinary project teams. However, sustainability initiatives differ from some other large enterprise projects due to their ambiguous, multi-dimensional and multi-functional nature. Executives, managers and employees involved in these programs must define what sustainability means to their organization and then set out a concrete plan toward their vision. Execution strategies require the involvement of numerous functions and disciplines, along with an understanding of multiple interrelated issues that must be managed simultaneously. These challenges provide fertile developmental opportunities, including the following talent management benefits:

- A Diamond-in-the-Rough Detector;
- A Precious Skills Incubator;
- A Deeper Cultural Connection.

“Dow Jones Sustainability World Index Guide Book (2010). Dow Jones Sustainability World Indexes in Collaboration with SAM”

Abstract:

This Corporate Sustainability Assessment enables a sustainability performance score to be calculated for each company based on the four sources identified. Reviewing, assessing and scoring all available information in line with the corporate sustainability criteria determines the overall sustainability score for each eligible company in the DJSI World investable universe. The objective of the corporate sustainability assessment is to measure and verify the corporate sustainability performance of the companies in the investable universe. A company's total corporate sustainability score is calculated in SAM's Sustainability Information Management System (SIMS) based on a pre-defined scoring and weighting structure. All questions related to each criteria assessed receive a score. Each question has a predetermined score for the answer, a weight for the question, and a weight for the criteria. The total score for the question is the combination of these weights.

Sustainability Definition:

Corporate Sustainability is a business approach to create long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments. Corporate sustainability leaders harness the market's potential for sustainability products and services while at the same time successfully reducing and avoiding sustainability costs and risks. A growing number of investors perceive sustainability as a catalyst for enlightened and disciplined management, and thus, a crucial success factor. As a result, investors are increasingly diversifying their portfolios by investing in companies that set industry-wide best practices with regard to sustainability.



Drivers:

Dimension	Criteria	Sub-Criteria
Economic	Corporate Governance	Board structure Non-Executive Chairman/Lead Director Responsibilities and Committees Corporate Governance Policy Audit Conflict of Interest Diversity; Gender Board Effectiveness Entrenchment provisions Senior Management Remuneration MSA: Corporate Governance (MSA = Media and Stakeholder Analysis – See Chapter 4)
	Risk & Crisis Management	Risk Governance Risk Optimization Risk Map Risk Review Risk Strategy MSA: Risk & Crisis Management
	Codes of Conduct/Compliance/Corruption & Bribery	Codes of Conduct: Focus Codes of Conduct: Systems/Procedures Corruption and Bribery: Scope of Policy Codes of Conduct: Report on Breaches Codes of Conduct/Anti-Corruption&Bribery: business relationships MSA: Codes of Conduct/Compliance/Corruption & Bribery
	Industry Specific Criteria	Brand Management, Customer Relationship Management, Innovation Management, Gas Portfolio, Grid Parity, etc. MSA: Selected Industry Specific Criteria
Environment		
	Environmental Reporting*	Assurance Coverage Environmental Reporting: Qualitative Data Environmental Reporting: Quantitative Data
	Industry Specific Criteria	Environmental Management Systems, Climate Strategy, Biodiversity, Product Stewardship, Eco-efficiency, etc. MSA: Selected Industry Specific Criteria
Social	Human Capital Development	Human resource skill mapping and developing process Human Capital performance indicators Personal and organizational learning and development

Figure 12: Dow Jones model's Key drivers

	Talent Attraction & Retention	Coverage of employees through predefined performance appraisal process Percentage of performance related compensation for each employee category Balance of variable compensation based on corporate and individual performance Corporate Indicators for performance-related compensation Type of individual performance appraisal Communication of individual performance to upper management Payout type of total performance-related compensation Trend of employee satisfaction MSA Talent Attraction & Retention
	Labor Practice Indicators	Grievance Resolution Labor KPIs MSA: Labor Practice Indicators
	Corporate Citizenship and Philanthropy	Group Wide Strategy – financial focus Input Measuring benefits Type of Philanthropic activities
	Social Reporting*	Assurance Coverage Social Reporting; Qualitative Data Social Reporting; Quantitative Data
	Industry Specific	Social Integration, Occupational Health & Safety, Healthy Living, Bioethics, Standard for Suppliers, etc. MSA: selected Industry Specific Criteria

* Criteria assessed based on publicly available information only

Figure 13: (continuation from the previous figure)

Model:

The SAM's Corporate Sustainability Assessment identifies the leading sustainability companies from the DJSI World investable stocks universe for each DJSI sector.



Figure 14: Dow Jones Corporate sustainability assessment

The policies and reports, publicly available information, SAM (Sustainable Asset Management) Research analyst's direct contact with companies and information provided in the questionnaire are verified. Verification includes crosschecking answers with documentation provided by the company, verifying a company's track record and incidents and crisis management with media and stakeholder reports and, if necessary, direct interaction and clarification with the company. To ensure quality and objectivity an external audit and internal quality assurance procedures, such as crosschecking of information sources, are used to monitor and maintain the accuracy of the input data, assessment procedures and results.

Through the assessment of economic, environmental and social driving forces and trends, corporate sustainability criteria are identified. Criteria are identified for each dimension and for all industries. In addition, the criteria are defined as either general criteria applicable to all industries or industry specific criteria. All criteria are based on widely accepted standards, best practices and audit procedures as well as extensive input from industry specialists and consultants. The industry specific criteria differ between sectors whereas the general criteria are the same for each sector. Generally based on the identification of major global sustainability challenges, general sustainability criteria are defined for each dimension and are applied to all industries. They include standard management practices and performance measures applicable to all industries, such as corporate governance, human capital development, risk and crisis management, talent retention and labor practices. The general criteria account for approximately forty percent of the assessment. Industry specific criteria take into account the challenges and trends affecting specific industries. They reflect the economic, environmental and social forces driving the sustainability performance of a particular industry and have a weight of approximately sixty percent of the assessment.

Applicability:

The methodology is based on the application of criteria to assess the opportunities and risks deriving from economic, environmental and social dimensions for each of the eligible companies in the DJSI World investable stocks universe. These criteria consist of both general criteria applicable to all industries and specific criteria applicable to companies in a certain sector. The criteria are derived following identification of global and industry challenges.



“Werbach, A. (2009). *When sustainability means more than “green”*, Mckinsey Quarterly, volume 2009, Issue 4, pp. 74-79”

Abstract:

The study highlights that many of the social and environmental trends we face today are sad, even tragic, but saying also that sustainability isn't about throwing your business down the drain and embracing your inner saint. It's instead one reason for looking beyond the green aspects of sustainability and using its social, economic, and cultural sides as tools for building successful companies. Green businesses, green jobs, and emerging green economies will be a central part of the new world now being born, but green alone isn't a broad enough platform to sustain most businesses for the long haul.

Sustainability Definition:

For the author a sustainable business means that a business can thrive in the long term. Sustainability is more than a green product line, bigger even than a heartfelt but occasional nod to ongoing efforts to save the planet. Imagined and implemented fully, sustainability drives a bottom-line strategy to save costs, a top-line strategy to reach a new consumer base, and a talent strategy to get, keep, and develop creative employees. True sustainability has four equal components: a) social; b) economic; c) environmental; and d) cultural.

Drivers:

The sustainability four (equal) components are:

- Social, to address conditions that affect us all, including poverty, violence, injustice, education, public health, and labor and human rights;
- Economic, to help people and businesses meet their economic needs – for people: securing food, water, shelter, and creature comforts; for businesses: turning a profit;
- Environmental, to protect and restore the Earth – for example, by controlling climate change, preserving natural resources, and preventing waste;
- Cultural, to protect and value the diversity through which communities manifest their identity and cultivate traditions across generations.

Model:

There is no model defined but instead several important measures to implement, helping company becoming sustainable. One measure is for example asking to all company products if they came from a sustainable source (past), are nontoxic (present), and will be reusable or recyclable (future). But to be truly sustainable, a product needs more than just the environmental aspects of quality. One of the main principles is that it shouldn't use any product that hasn't been proved safe. The company also needs to have a “clean list” of ingredients, safe for people and the environment and do not use any “dirty” chemicals.

Applicability:

A company that aims to achieve greater sustainability must therefore articulate a “North Star goal”: a strategic direction that embodies a global human challenge larger than any organization. Such a goal should be consistent with the strengths of the company, have a connection to its core business, and elicit the personal contributions and passions of its members.



“KPMG (2010) Corporate Sustainability – A progress report KPMG’s research preview, in cooperation with The Economist”

Abstract:

This report is based on the following inputs: A global survey of 378 senior executives, encompassing a range of industries, and evenly split between North America, Asia Pacific and Europe, with a smaller representation from the Middle East, Africa, and Latin America. Organizations of all sizes were represented: 40 percent of respondents worked for companies with revenues of at least US\$1bn.

Sustainability definition:

Adopting business strategies that meets the needs of the enterprise and its stakeholders today while sustaining the resources, both human and natural that will be needed in the future. Sustainability has entered the mainstream of corporate life. In the past, sustainability was a niche activity for pioneers such as IBM, which established a corporate environmental policy in 1971. Now, what was once a concern of the few has become a strategy of the many. “Sustainability is no longer an ‘if’, it’s a ‘how’,” says Victoria Mills, a Managing Director at the corporate partnerships program of Environmental Defense Fund (EDF), a non-profit advocacy group.

Drivers:

Cost reduction is becoming an important reason for undertaking sustainable practices, but: regulatory requirements, brand enhancement and risk management are among the main drivers. Yet, at the same time, executives see more expensive products or services as the main drawback of adopting more sustainable processes. The reason for this apparent contradiction is that following the global recession, cheaper energy prices and costlier credit have lengthened the payback period for some sustainability projects. The global survey concluded that the benefits of sustainability outweigh the costs, and of all the barriers to sustainability, the economic environment is the biggest.

Model:

Not defined

Applicability:

Sustainability has moved up the corporate agenda in the past three years. Sixty-two percent of companies surveyed have a strategy for corporate sustainability, up from just over half in February 2008; and a further 11 percent are currently developing one; just five percent are not planning to have such strategies, while the rest will create one at some point. More than half (56 percent) of these strategies were developed over the past three years; only 11 percent have held such a plan for at least a decade.

“Phillips, T. (2010). What is sustainability, About.com guide – www.biotech.about.com”

Abstract:

In this study is possible to check that some companies strive for corporate sustainability by making business decisions based on their environmental, social and economic impacts, because



they recognize that every act that is detrimental to society in some way may come back as a negative repercussion on the business itself. This kind of forward thinking might not have worked in the earlier days of free enterprise but is becoming more common today among even large corporations, as managers and CEOs realize that environmental and social impacts are of great importance to the buying public and purchasing habits are being driven accordingly. A company that aims for corporate sustainability is also probably competitive, has good management, and long term potential for value, three criteria looked for by biotech investors.

Sustainability Definition:

In this study, the concept of sustainability includes meanings such as "to keep from falling or sinking" and "to nourish or keep alive". Environmental sustainability refers to the potential longevity of a process, in terms of what natural resources it might draw on, how they are used or replenished, the overall impact of the final product on the environment and where it ends up following disposal. In essence, an environmentally sustainable process is one that contributes to keeping the environment healthy or "alive" by not consuming non-renewable resources, or contributing in other ways to the depreciation of the environment.

Drivers:

Not defined

Model:

Not defined

Applicability:

Many large and well known corporations, such as FujiFilm, Kimberly-Clark and Novozymes have policies regarding sustainability which are outlined for public view on their websites. A company with a track record for making decisions based on local and global sustainability might appear to take losses in the short term for higher costs or smaller profit margins, but can profit overall from higher employee satisfaction and productivity, and a better reputation and long term following due to public perceptions of the company.

“Niemann, T. (2009/10). Blueprint for Sustainability, FORD MOTOR COMPANY”

Abstract:

This is a report about a specific company, in this case an automotive company (Ford Company). In the report I identified two key enablers of progress: technologies and innovation that will provide solutions, while collaborative partnerships and a systems approach will help implementing them. Collaboration and innovation are the foundation of work in areas ranging from vehicle electrification to human rights in Ford supply chain. Ford has a heritage of improving people’s lives and trying to make the world a better place. Ford wants to build and be recognized as a trusted partner and operating responsibly and sustainably wherever they do business. Through a decade of work and a disciplined reinvention of the Company, Ford has built sustainability into the business model.

Sustainability Definition:

Ford defines sustainability as a business model that creates value consistent with the long-term preservation and enhancement of environmental, social and financial capital.



Drivers:

- Economic/Quality
- Environment
- Society

▶ ECONOMY/QUALITY			
	2007	2008	2009
Global Quality Research System things gone wrong (three months in service), total things gone wrong per 1,000 vehicles	1,405	1,206	1,107
Global Quality Research System customer satisfaction (three months in service), percent satisfied	76	77	84
Sales satisfaction with dealer/retailer, Ford brand, U.S., net promoter score	82	84	82
Sales satisfaction with dealer/retailer, Ford brand, Europe, net promoter score	80	81	74
Service satisfaction with dealer/retailer, Ford brand, U.S., net promoter score	72	74	74
Service satisfaction with dealer/retailer, Ford brand, Europe, net promoter score	68	70	65
Shareholder return – Bloomberg total return analysis, percent	-10	-66	337
Net income/loss, \$ billion	-2.7	-14.7	2.7
Sales and revenue, \$ billion	172.5	146.3	118.3
▶ ENVIRONMENT			
	2007	2008	2009
Ford U.S. fleet fuel economy, combined car and truck, miles per gallon (higher mpg reflects improvement)	25.3	26.0	27.1
Ford U.S. fleet CO ₂ emissions, combined car and truck, grams per mile (lower grams per mile reflects improvement)	352	340	326
Ford Europe fleet CO ₂ emissions, grams per kilometer (based on production data for European markets)			
Ford	149	146	139
Volvo	190	182	173
Worldwide facility energy consumption, trillion BTUs	65.6	61.0	51.5
Worldwide facility energy consumption per vehicle, million BTUs	10.8	12.2	11.2
Worldwide facility CO ₂ emissions, million metric tons	6.1	5.4	4.9
Worldwide facility CO ₂ emissions per vehicle, metric tons	1.02	1.09	1.05
North American Energy Efficiency Index, percent (2000 base = 100 percent) (lower percentage reflects improvement)	74.4	69.9	65.3
▶ SOCIETY			
	2007	2008	2009
Employee satisfaction, Pulse survey, overall, percent satisfied	64	66	68
Overall dealer attitude, Ford, relative ranking on a scale of 1–100 percent (summer/winter score)	69/64	68/69	80/71
Overall dealer attitude, Lincoln Mercury, relative ranking on a scale of 1–100 percent (summer/winter score)	66/64	64/66	71/66
Ford Motor Company Fund contributions, \$ million	37	33	20
Corporate contributions, \$ million	17	16	9
Volunteer corps, thousand volunteer hours	86	100	100
Lost-time case rate (per 100 employees), Ford Motor Company	0.9	0.7	0.6
Lost-time case rate by region (per 100 employees), Ford Motor Company			
Americas	1.2	1.0	0.9
Asia Pacific and Africa	0.1	0.1	0.2
Europe	0.7	0.6	0.5
U.S. safety recalls, number per calendar year (including legacy vehicles on the road for 10+ years)	15	10	8
U.S. units recalled, number of million units (including legacy vehicles on the road for 10+ years)	5.5	1.6	4.5
IIHS Top Safety Picks, number of vehicles	6	14	19

Figure 15: Ford sustainability report (with the key drivers)

Model:

Not defined

Applicability:

Ford Company in particular.

“DeSimone, P. (2009). Corporate Sustainability Disclosure in Emerging Markets, Social Investment Forum”

Abstract:

This study’s purpose is to evaluate the level of reporting on Environmental, social and governance (ESG) issues among the top ten companies in each of ten leading emerging markets, as defined by weightings in the Morgan Stanley Capital International Emerging Markets (MSCI-EM) Index. The aim of this study is to establish a baseline of information on corporate ESG disclosure across emerging markets to promoting sustainability reporting in these markets in the years ahead.

Sustainability Definition:

Not defined





Drivers:

Indicator	Number of companies
Environmental	
Energy use	39
Water consumption	34
Global warming contribution	30
Material efficiency	27
Waste generated	23
Social	
Employee wages and benefits with breakdown by employment type and gender	90
Total work force with breakdown by employment type, employment contract and gender	83
Average hours of training per year per employee broken down by employee category	26
Work days lost due to occupational accidents, injuries and illness	24
Percentage of employees covered by collective agreements	14
Governance	
Governance structures, such as committees and other mechanisms to prevent conflict of interest	96
Risk management objectives, system and activities	88
Ownership structure	87
Internal control systems	86
Availability and accessibility of meeting agenda	84
Process for holding annual general meetings	68
Performance evaluation process	66
Existence of procedure(s) for addressing conflicts of interest among board members	54
The decision making process for approving transactions with related parties	53
Policy on whistleblower protection for all employees	45

Source: UNCTAD

Figure 16: Criteria's/Drivers for corporate sustainability in emerging markets companies

Model:

Not defined

Applicability:

It includes the top ten companies by market capitalization in 10 of the world's largest emerging markets – Brazil, China, India, Indonesia, Israel, Malaysia, Mexico, the Russian Federation, South Africa and South Korea – for a total universe of 100 companies. As a group, the 100 companies represent 46.5 percent of the market capitalization of the MSCI-EM Index2 (MSCI is a leading provider of investment decision support tools to investors globally, including asset managers, banks, hedge funds and pension funds). Consequently, the sample chosen represents a large portion of the investable universe of emerging market enterprises and the largest in the baseline series of reports.

“Tweed, K. (2010). Sustainability Practices are really risk management, September 2010, Green Supply chain - www.greentechmedia.com”

Abstract:

What does sustainability in the supply chain even look like? Well, depends on who we ask. But that is changing, according to a panel hosted by SAP in September 2010 New York City.

Sustainability Definition:

Sustainability today is not about greenwashing as most corporations think; instead, it's about managing risk, according to Peter Graf, Executive Vice President and Chief Sustainability





Officer for SAP. But whether the driver is compliance or corporate image, sustainability management is exploding. Not only do companies have to comply with government regulations, such as greenhouse gas emissions or disclosing country of origin for wood products, but they also have to comply with the best practices established by other companies. If today we want to do business for example with Walmart, we have to comply with any sustainability measurements that they have in place.

Drivers:

Not defined

Model:

Not defined

Applicability:

Although the guidelines for getting down the supply chain and measuring it accurately are just coming out of the starting gate, the panel agreed that it's imperative to start digging deep. The result is cash savings, according to all of the panelists. Cutting carbon equals cost savings, and more importantly, risk reduction. "Sustainability is a mega-trend," said Graf (one of the panel's). If we want to cover all of the risk, we have to go all the way down on the supply chain.

IV. Models Selection

In this chapter I will select the models which I consider more appropriate for my investigation. In several studies they have either not presented a model or it was very specific, narrowing its application and for that reason not being selected. I will then categorize and select each of the models one by one:

- In *Crossing the Rubicon*, Anthony Ling (2010) talks about the following drivers: Geographic market growth, product market growth, end market consolidation, regulation, product innovation/obsolescence, pricing power, access to assets, low operating costs and market share and business focus. The metrics of the model presented in his article are: growth, return, multiple and volatility. The Ling's model has an application in two dimensions: mature industries (management quality (ESG); Industry positioning, ROI and sustained competitive advantage); and emerging industries (emergence of new growth industries, rapid growth at an attractive valuation and sustained competitive advantage). This author have a solid model and criterias well defined so it will be an object of analysis in the next chapter.

- Berns (2009) in "The Business of Sustainability-BCG" defines four drivers, they are: table stakes, good business practices, competitive differentiation and game-changing innovation. This model has two axis drivers, "drivers and impacts of sustainability effort" and "time horizon of sustainability effort". The applicability extends to: operations (development, manufacturing, distribution, sales and support functions), value creation long term and short term, pressure from stakeholders (employees, customers, consumers, supply chain partners, competitors, investors, lenders, insurers, non-governmental organizations, media, the government, and society overall); challenges are interdisciplinary; high uncertainty (government legislation, geopolitical events and demands by customers and employees). I also choose this model has a valid one.



- Scott, J., (2010) in *"The Sustainable Business"* presents several criterias which are: Preparation, Preservation, Processes, People, Place, Product and Production (they represent an alliteration of 7 words). The model must be implemented in several phases: understanding, material resources, implementation and the goal. The applicability is dependent on: 1 - create a vision, 2 - decide on a mission, 3 - Break the mission statement into achievable objectives, 4 - formulate strategies to achieve objectives. This model will be compared in the next chapter.
- In *"Why Sustainability is Now the Key Driver of Innovation"* from Harvard Business Review, several authors: Nidumolu, R., Prahalad, C.K. & Rangswami, M.R, (2009) describe the main drivers of corporate sustainability: Economy, society and environment. The model is not clearly defined because this is a paper about how sustainability is a key driver instead an application. The hole idea applies to building sustainability into design of products end-of-life design thinking, reverse processes for recycling and reuse. This study won't be analysed.
- Grayson, D., Jin, Z., Lemon, M., Rodriguez, M.A., Slaughter, S. & Tay, S. (2008) in a *"A New Mindset for Corporate Sustainability"*, talk also about the drivers of corporate sustainability: Environment, Social and Economy. The name of the model they present is S2AVE - shareholder and social added value with environment restoration (it has 10 steps to its implementation), and the applicability is to all global enterprises, it allows to unlock enormous opportunities but also requires a strong leadership to implement the plan. This model is another one to be analyzed in the next section is solid and applicable.
- In the *United Nations Global Compact*, Hansen (2010) talks about CEO commitment, board adoption, stakeholders engagement and transparency. The model presented by this author is an conjunction of both agreement and engagement opportunities, with the objective to deliver more value to leading participants. Applies to current and emerging leaderships practices by companies; address important performance gaps, build new opportunities, leverage the fullest extent the value of engagement of United Nations Global Compact. These study isn't relevant to my analysis, because is very specific of a global organization and difficult to implement in a specific organization.
- The drivers in the *"Press Release - Formation of the International Integrated Reporting Committee Global Reporting Initiative (2010)"* are: (ESG) Environment, Social and Governance. The model is not defined and the applicability, although being a clear, consistent and comparable integrated reporting framework, won't be analyzed in the next chapter.
- Babski, C. (2010) doesn't define neither a model nor criterias/drivers to corporate sustainability, and the applicability is such that he says that with radical transparency is possible to reveal everything from carbon footprints to chemicals used in producing products. It isn't relevant analysis to my study.
- Heaps, A.A.T., (2010) only defines some key performance indicators such as: energy productivity, and doesn't have any model defined. The defined KPI could be applied to publicly traded companies, but it won't be studied in the next chapter.
- Visser (2007) in his paper of *"corporate sustainability and the individual: Literature review"* makes a literature review and also review theories of corporate sustainability The main idea that personally points out is that corporate sustainability is a contested concept, which with greater or lesser extent (depending on the author) draws from and overlaps with notions of sustainable development, corporate citizenship, corporate (social) responsibility, environmental management, business ethics and stakeholder management. It hasn't a model defined and for that reason is not important for my study.
- Salzmann & Ionescu (2005) define criterias to quantify economic effects of corporate sustainability initiatives: less accidents, less fines and fewer lost work days. This model is



composed by value drivers (decrease net cost through incremental innovation and increase net revenue through radical innovation) and value constructs (brand value and reputation, license to operate and grow, talent, access to capital, risk management). The applicability of this model allows the quantification of the economic effects of sustainability initiatives, being one form of performance measurement. Companies exhibit a traditional focus on financial measures (measuring performance in monetary terms), including accounting figures, market-based measures (stock prices) and more recently operational performance measures and over time, both practitioners and scholars realized that this purely financial measurement was too narrow, because those measures are largely “after-the-event” or lagging indicators that reflect past developments (which means decision-makers would have no control over them). For example, accounting-based measures treat investments as mere expenditures, failing to recognize the expected generation of future revenues. This is a model to be analyzed in the next chapter.

- In “Sustainability Retail Development” the criterias/drivers presented by Yudelson, J. (2009) are: pre-consumer and post-consumer content; salvaged refurbished or reused content or value (ex: building materials, furniture and equipment); rapidly renewable materials; harvest, extracted and processed locally; low-or no volatile organic compounds, furniture, sealants, or composite wood products; Energy efficient (ex: ENERGY STAR lights, printers, monitors), water efficient and forest stewardship. He doesn't have nor a model neither a concrete applicability defined and because of those reasons it is not important to the next analysis.

- “The Corporate Sustainability Initiatives” written by Fust, S.F. & Walker (2007) don't have neither criterias/drivers defined nor a model. It is a purpose of organization for sustainability and successful of the applicability of the concept is dependent of common structural characteristics. This isn't considered to the analysis of the next chapter.

- The Dow Jones Sustainability model (2010) has three dimensions: economic, environment and social. The corporate sustainability assessment of this model allows identifying the leading sustainability companies in the investable stocks. These criteria consist of both general criteria applicable to all industries and specific criteria of global and industry challenges. I considered this model important to following comparison between models, has drivers models and applicability clearly defined.

- The four components of the Werbach (2009) “Sustainability means more than green” model are: social, economic, environmental and cultural. But there isn't a model clearly defined. The concept defended is that a company must choose a “North Star goal” a strategic direction consistent with the company's strengths; the pressure on environmental conscious is enormous. This study won't be considered to the analysis/comparison between models it has ambiguous concepts.

- The “corporate sustainability” study from KPMG (2010) doesn't have a model defined. It's a report based on a global survey of senior executives of North America, Asia Pacific and Europe, with a smaller representation from the Middle East, and Latin America. The main drivers founded in the study were: regulatory requirements, brand enhancement and risk management. This model won't be important to the next analysis it is a too much descriptive analysis.

- Phillips, T (2010) doesn't have neither criterias nor a model defined. The applicability is such that sustainability is applied to corporations who have policies regarding sustainability, for example: FujiFilm, Kimberly-Clark and Novozymes. This won't be analyzed in the next chapter doesn't have solid concepts defined.

- In the sustainability report from Ford Motor Company (2009/10), Niemann defines the criterias/drivers: Economic/Quality, Environment and Society. He doesn't define a model and the applicability is aimed to that particular company, so this model won't be present in the next chapters is too much specific.



- DeSimone (2009) choose the drivers: Environment, Social and Governance to explain and analyze corporate sustainability. The model it is not defined but the study applies to the top ten companies by market capitalization of the world's largest emerging markets (market capitalization of the MSCI-EM) in "Corporate Sustainability Disclosure in Emerging Markets". And in view of that I think it's not important to study more profoundly in the comparison of the next section.
- Tweed (2010) says that sustainability is a megatrend he says that is necessary to go all the way down on sustainability, also through the supply chain, if we want to cover all the risk. But this author doesn't have any model defined to allow any kind of analysis.

So, in conclusion, the models/authors that I pick up from this analysis will be the basis of the models comparisons in the next chapter, because they have a model, drivers and solid concepts:

- Ling, A., Howard, A., Fox, M. & Epperly, M. (2010) - Goldman Sachs;
- Berns, M., Townend, A., Khayat, Z., Balagopal, B., Reeves, M., Hopkias, M. & Kruschwitz, N. (2009) - BCG;
- Scott, J., (2010). The Sustainable Business - EFMD;
- Grayson, D., Jin, Z., Lemon, M., Rodriguez, M.A., Slaughter, S. & Tay, S. (2008) - White paper BT and Cisco;
- Salzmann, O., Stoger, U. & Ionescu-Sommers Aileen, (2005) - IMD;
- Dow Jones Sustainability World Index Guide Book (2010).

After this literature review, I concluded that all the authors talk about corporate sustainability in several perspectives, financial, strategically and economic. Some of them talk about practical experiences, examples from global companies and practical measures to implement sustainability in companies. But only six authors have a clearly concept and a model defined which allow that presented concepts being fully seized, so the authors chosen were those previously listed and will be compared in the next chapter.

V. Comparison between models

In this section I will compare the models more relevant presented in the previous chapter. I have chosen six authors which have models clearly defined:

- Ling, A., Howard, A., Fox, M. & Epperly, M. (2010) - Goldman Sachs;
- Berns, M., Townend, A., Khayat, Z., Balagopal, B., Reeves, M., Hopkias, M. & Kruschwitz, N. (2009) - BCG;
- Scott, J., (2010). The Sustainable Business - EFMD;
- Grayson, D., Jin, Z., Lemon, M., Rodriguez, M.A., Slaughter, S. & Tay, S. (2008) - White paper BT and Cisco;
- Salzmann, O., Stoger, U. & Ionescu-Sommers Aileen, (2005) - IMD;
- Dow Jones Sustainability World Index Guide Book (2010).

These models will be compared through three vectors: drivers, conceptual model and applicability. I think that this comparison, as we will see ahead, will permit to create a hybrid one, and it's what I intend to do in the next chapter. In the first place I will compare these authors using a matrix of two axis.

To full comprehension I constructed a matrix with the resume of concepts of which author, please look at the figure below:



Authors	Drivers	Model	Applicability
1 - Ling et al (2010)	Geographic market growth; Product market growth; End market consolidation; Regulation; Product innovation/obsolescence; Pricing Power; Access to assets; low operating costs; Market share and business focus.	<u>Two Axis Drivers:</u> Y - Industry (Mature or Emerging); X - Value Drivers and selection criteria.	Identifies the best managed companies around the globe. Applies to mature and emerging industries, looks for differentiated business models and positive exposure to fast moving structural trends, this will reward the most forward thinking companies.
2 - Berns et al (2009)	-table stakes -good business practices -competitive differentiation -game changing innovation.	<u>Two axis drivers:</u> Y -Drivers and impacts of sustainability effort. X -Time horizon of sustainability effort.	-operations (development, manufacturing, distribution, sales and support functions) -value creation long term and short term -pressure from stakeholders -government; society overall -high uncertainty (legislation, geopolitical events).
3 - Scott (2010)	Preparation; Preservation; Processes; People; Place; Product; Production.	X - Alliteration of this 7 words supported by the steps: Understanding, Material Resources; Implementation; Goal; Y - Strategy, The Catalyst, Tactics.	1 - Create a vision; 2 - Decide on a mission; 3 - Break the mission statement into achievable objectives 4 - Formulate strategies to achieve objectives.
4 - Grayson et al (2008)	Economic, Society, Environment.	- Shareholder and social added value with environment restoration; - Risk Management, Environment, Impact Management, Stakeholders Relations.	Applied to all global enterprises. This model takes into account corporations' obligations not just to investors, but to the communities they serve and the environment as well. The idea is to add value in all three areas simultaneously as an integrated system (as opposed to sequential steps), and how driving corporate sustainability strategies can generate innovation across all parts of the organization.
5 - Salzman et al (2005)	Cost reduction: -environment -health -safety (Less accidents less fines fewer lost work days).	<u>Value drivers:</u> -decrease net cost through incremental innovation; -increase net revenue through radical innovation; <u>Value constructs:</u> -brand value and reputation; -license to operate and grow; -access to capital -risk management.	Compensate accounting-based measures that treat investments as were expenditures failing to recognize the expected generation of future revenues.
6 - Dow Jones (2010)	-Corporate Governance; -Risk and Crisis Management; -Codes of Conducts/Compliance; -Corruption and bribery; -Environmental Reporting; -Human Capital Development; -Talent Attraction & Retention; -Labor Practice Indicators; -Corporate Citizenship and Philanthropy; -Social Reporting.	Criteria defined to specific industry or applicable to all. The industry specific criteria differ between sectors. Based on the application of the criteria to assess the opportunities and risks deriving from economic, environmental and social dimensions.	Identifies the leading sustainability companies in investable stocks. The Dow Jones Sustainability World Index and respective subsets track the performance of the top 10% of the 2500 largest companies in the Dow Jones Global Total Stock Market that lead the field in terms of sustainability.

Figure 17 – comparison of matrix models





The comparison earlier established had as a goal to identify the models characteristics which allows a design model able to diagnoses and position the company in terms of corporate sustainability.

I found out six characteristics in the models previously analyzed that are according to what I'm looking for. The characteristics are:

- 1 - Are the Metrics/Drivers clearly defined?
- 2 - Is the Triple bottom line (People Planet Profit) the underlined philosophy?
- 3- The Quantification/Measuring and controlling costs/expenses are considered?
- 4 - Is there an Implementation of the plan in the short term and in the long term?
- 5 - The model applies to the company as a whole?
- 6 - Cost improvement/reduction is a concern?

To be more comprehensive I decided to make a grid to each characteristic identified (identifying its presence or absence in the models):

Authors/ characteristics	1 – Are the Metrics/Drivers Clearly defined?
1 - Ling et all (2010)	Metrics: Growth, Returns, Multiple, volatility.
2 - Berns et all (2009)	Drivers: table stakes, good business practices, competitive differentiation, game-changing innovation.
3 – Scott (2010)	7 Drivers (Preparation, Processes, Preservation, People, Place, Product and Production).
4 - Grayson et all (2008)	- Shareholder and social added value with environment restoration; - Risk Management, Environment, Impact Management, Stakeholders Relations.
5 - Salzman et all (2005)	Financial and non-financial measures.
6 - Dow Jones (2010)	There are general criteria's or specific to an industry.

Table 1

Authors/ characteristics	2 – Is the Triple bottom line (People Planet Profit) the underlined philosophy?
1 - Ling et all (2010)	Economy, society and environment (Triple Bottom line).
2 - Berns et all (2009)	Economy, society and environment (Triple Bottom line).
3 – Scott (2010)	Economy, society and environment (Triple Bottom line).
4 - Grayson et all (2008)	Economy, society and environment (Triple Bottom line).
5 - Salzman et all (2005)	Economy, society and environment (Triple Bottom line).
6 - Dow Jones (2010)	Economy, society and environment (Triple Bottom line).

Table 2



Authors/ characteristics	3- The Quantification/Measuring and controlling costs/expenses are considered?
1 - Ling et all (2010)	The Model provides an objective quantifiable framework linking the impacts of structural trends in global economy, society and environment.
2 - Berns et all (2009)	Improves resource productivity and eliminates waste across supply chain
3 – Scott (2010)	Measures and controls expenses. The waste reduction is a priority.
4 - Grayson et all (2008)	Not identified
5 - Salzman et all (2005)	Quantification patterns of companies with a causal model describing expected links between corporate action or sustainability initiative and its results.
6 - Dow Jones (2010)	Not identified

Table 3

Authors/ characteristics	4 – Is there an Implementation of the plan in the short term and in the long term?
1 - Ling et all (2010)	Not identified
2 - Berns et all (2009)	Affects every value over short and longer term.
3 – Scott (2010)	Several steps (understanding, material resources, implementation, The Goal).
4 - Grayson et all (2008)	Looks beyond shareholder value and consider social and environmental impacts.
5 - Salzman et all (2005)	Not identified
6 - Dow Jones (2010)	Not identified

Table 4

Authors/ characteristics	5 - The model applies to the company as a whole?
1 - Ling et all (2010)	Not identified
2 - Berns et all (2009)	Affects all aspects of a company's operations (development, manufacturing, distribution, sales and support functions).
3 – Scott (2010)	Not identified
4 - Grayson et all (2008)	Applied to all global enterprises. This model takes into account corporations obligations not just to investors, but to the communities they serve and the environment as well. The idea is to add value in all three areas simultaneously as an integrated system (as opposed to sequential steps), and how driving corporate sustainability strategies can generate innovation across all parts of the organization.
5 - Salzman et all (2005)	Not identified
6 - Dow Jones (2010)	Not identified

Table 5



Authors/ characteristics	6 - Cost improvement/reduction is a concern?
1 - Ling et all (2010)	Not identified
2 - Berns et all (2009)	Not identified
3 – Scott (2010)	This model takes the first steps to understand, implement and manage sustainability in a cost/profit perspective.
4 - Grayson et all (2008)	Not identified
5 - Salzman et all (2005)	Cost reduction, through improved environmental health and safety performance. Revenue increases through gains in market share due new environmental sound products.
6 - Dow Jones (2010)	Not identified

Table 6

So, I found that the Berns and Scott models answers to all the questions made but more than that, they present complementary characteristics. The conjunction of both models reach to a point that allows a company diagnosis and a sustainability positioning.

So I developed a transition to purpose a design model that consists in the two models fusion which I considered complementary (Scott’s and Bern’s models). In a first step, I created key diagnoses indicators, which resulted from joining Berns elements with Scott elements, so I turned to in an evaluation grid constructed by 20 indicators which allows the company diagnosis.

In the second step, and as the second step model which intends to position the company for sustainability issues, I used the adapted Berns Framework model in four quadrants using the following two axis drivers:

- a) Time horizon of a sustainability effort;
- b) Drivers and impacts of a sustainability effort.

VI. Model Design

Based upon the knowledge acquired, in this chapter I will build a framework, with the characteristics previously analysed, that enables to access companies in terms of corporate sustainability, helping them to be in position to make progress in this area.

Before presenting the framework, I think it is important to say that there are many reasons why companies have difficulties to implement sustainability in an efficient manner. And there are three identified main reasons accordingly with BCG (Boston Consulting Group): 1. Companies lack information to base its decisions; 2. Companies struggle to define business framework for value creation; 3. Many times when companies act, the execution often is flawed.

1. Some companies don’t understand what sustainability is. Many business leaders do not have a full understanding of what sustainability really means to their company:

- Managers lack a common fact base about the full suite of drivers and issues that are relevant to their company and industry;
- Companies do not share a common definition or language for discussing sustainability- some define it very narrowly, some more broadly, and others have no corporate definition at all;



- The goal or “prize” of concerted action is often defined too loosely and not collectively understood within the organization, is often very little understanding of how to measure progress once actions are undertaken.

2. Some companies have difficulty modeling their sustainability business case:

- Forecasting and planning beyond the one-to-five-year time horizon typical of most investment frameworks (Calculating the costs and benefits of sustainability investments over time horizons that sometimes span generations can be difficult with traditional economic approaches. This is further exacerbated by the short-term performance expectations of investors and analysts);
- Gauging the system wide effects of sustainability investments (Companies find it difficult enough to identify, measure, and control all of the tangible facets of their business systems. So they often do not even attempt to model intangibles or externalities such as the environmental and societal costs and benefits of their current business activities and potential moves in sustainability);
- Planning amid high uncertainty (Strategic planning, as traditionally practiced, is deductive – companies draw on a series of standard gauges to predict where the market is heading and the design and execute strategies on the basis of those calculations);
- Clarifying the business case for sustainability may be the single most effective way to accelerate decisive corporate action, since it gets to the heart of how companies decide where they will, and will not, allocate their resources and efforts.

3. Execution is often flawed:

- Overcoming skepticism in organizations;
- Figuring out how to institutionalize the sustainability agenda throughout the corporation (top-down vision, commitment, and leadership were critical for success – and that the absence of a top-down commitment was one of the greatest impediments to successful execution).

The framework I developed is built in two steps. The first step consists of defining drivers based upon the EFMD Model (Jonathan Scott), which will be the basis for the enquiry to determine the strategic plan’s stage of development in those companies.

The second step consists in the strategic approach of the companies based upon the enquiries made in the first stage. The positioning will be established with the BCG Matrix, which was one of the models studied earlier.

Therefore, the framework presented is the result of combining the two models studied before.

First Step - Definition of Drivers

The drivers selected are the following:

Preparation:

- There is a clearly defined sustainability definition;
- The sustainability drivers are identified;
- There is an integrated and oriented sustainability model;
- The sustainability consists in a competitive advantage viewing by strategic dimension.



Preservation:

- The company has metrics to evaluate sustainability;
- Transparency is an important aspect permanently in consideration;
- Actions are developed to accomplish the environmental regulation;
- There are tools to help sustainability.

Processes:

- The value chain is perfectly identify in the sustainability perspective;
- There are metrics perfectly identified to improve efficiency in process;
- The organization is positioned accordingly with the sustainability perspective;
- The actions taken are focused in efficiency and low cost.

Stakeholders:

- Sustainability measures taken specifically to each stakeholder:
 - Clients;
 - Employees;
 - Shareholders;
 - Suppliers;
 - Society.
- Partnerships are created with others stakeholders with the purpose to develop sustainability.

Product:

- The services/products are systematically redesigned in function of sustainability;
- The concern with the package is one of the main issues;
- The product is created in the perspective of the life cycle;
- The recycling is considered in the product conception stage.

Production:

- The base philosophy is “lean production”;
- The “reducing waste” is systematically considered.

Second Step – Positioning the companies

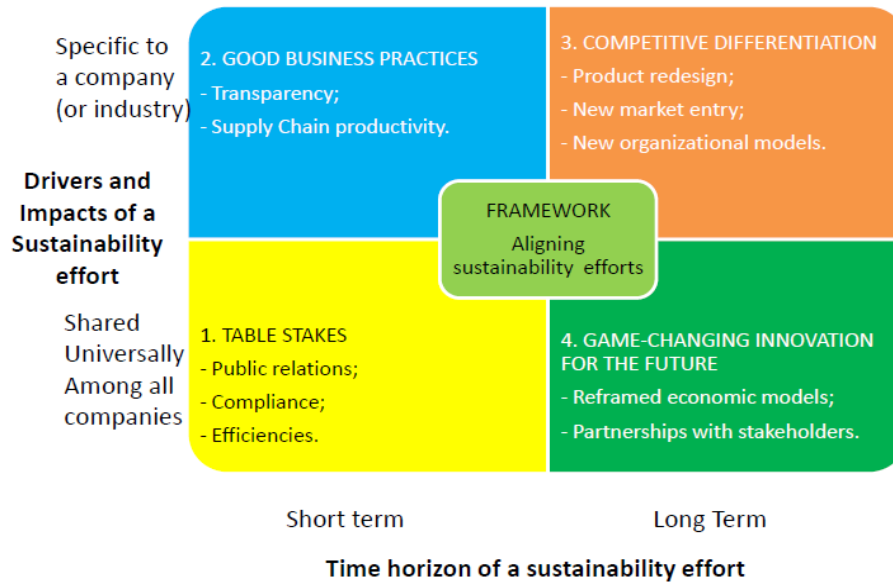
The framework that I find suitable to implement along with the chosen drivers, which allows to classify the stage which companies are in terms of corporate sustainability, and looks at sustainability through two axis: the time horizon for the sustainability effort and the degree to which the drivers and impacts of the effort are specific to a company or are shared more broadly among the corporate community. This framework categorizes sustainability efforts into one of four quadrants.

In the first quadrant (lower left) are short-term actions that are the “table stakes”: the minimum, lowest-cost sustainability actions that all companies can – and in many cases must – take, such as complying with regulatory demands or capturing easily attainable cost efficiencies. In the second quadrant are actions that go beyond the broad, basic steps companies can take; these sustainability efforts make good business sense because they capture unique opportunities or mitigate unique threats posed by near-term sustainability issues.

In the third quadrant are actions geared toward capturing competitive advantage via sustainability. These efforts include innovations and longer-term bets that are difficult for



competitors to imitate and that often require organizational rewiring so that a company can achieve the full impact of its sustainability efforts. Reimagining how products are made and used and what happens to them when they expire is an example of a strategy in this category. The fourth quadrant encompasses future innovations that all companies can undertake as long as they form broader alliances with external stakeholders and rethink economic frameworks, because payoffs occur over a longer time frame.



Source: BCG and MIT Sloan Management Review

Figure 18 – Framework to positioning Companies in achieving their objectives accordingly their sustainability efforts

Although, it isn't sufficient positioning the company's strategically. It's necessary also to execute successfully the sustainability strategy, several tasks help to achieve that objective:

- Adopting a thinking-system to the framework developed to business, that must allow adjusting the systemwide effects of the sustainability initiatives, and consequently form more effective partnerships alliances, and work more align with stakeholders, regulators and others intervenients;
- It is necessary to raise continuously transparency, so it is important develop tracking, measuring, and reporting capabilities;
- Inovate management practices and organizational models. Redefining reward systems promoting long term strategy, tactical thinking, and multidisciplinary collaboration. Knowing also when to partner to obtain maximum advantage.

These capabilities will be in the future the minimum actions (table stakes) that companies and managers will posses to address sustainability into organizations.

Ending this chapter and with the intention of support the model's comprehension, and help the practical application, in the next page is presented the model's synthesis in the figure 19. This model was named "DPS – Definition and Positioning of Sustainability".



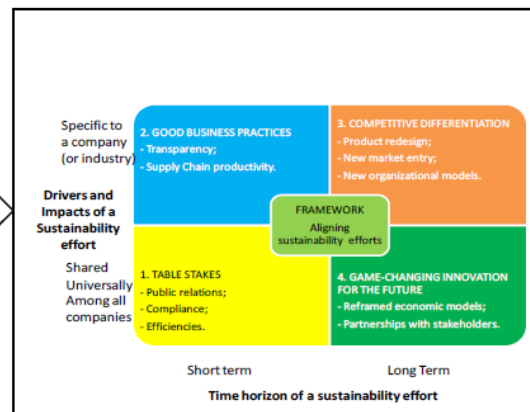
DPS Model

The Model - "DPS - Definition and Positioning of Sustainability" is developed in two steps:

1. Definition

- Preparation
- Preservation
- Processes
- Stakeholders
- Product
- Production

2. Positioning



The DPS Model is distinct from other models since in two steps it enables the company's sustainability to be diagnosed and based on that to position the sustainability of the company.

Figure 19 - DPS Model - Definition and Positioning of Sustainability



PART II – Practical Application

VII. Characterization of Daimler

A. Introduction

Gottlieb Daimler and Carl Benz invented the automobile one hundred and twenty five years ago, they were automotive pioneers, Daimler do the best they can for their customers who expect the best, live and breathe a culture of operational excellence based on shared values. Daimler corporate history features numerous innovations and pioneering achievements, they were the basis and an ongoing incentive for claim to leadership in the automotive industry. At the same time, the thoughts and actions are guided by the principle of sustainable mobility, which the definition is: “Daimler aim to successfully shape the mobility of the future”. In this way, Daimler wants to create added value - for shareholders, customers, employees and society in general. Daimler aims to continue the tradition with groundbreaking technologies, superior products and green technologies. This heritage, which sets apart from all the competitors, is the basis of its innovative power and claim to quality. Today, they are a leading manufacturer of Premium cars and the world’s largest commercial vehicle producer.

With the development of alternative drive systems, Daimler is the only vehicle producer investing in all three technologies of hybrid drive, electric motors and fuel cells, with the goal of achieving emission-free mobility in the long term. This is one example of how Daimler accepts the challenge of meeting its responsibility towards society and the environment.

The previous thoughts, shows that Daimler is a strong enterprise, and that they are well prepared to meet the challenges of the future. Three goals are at the focus of their attention: The intention to be the motor of sustainable mobility, with groundbreaking solutions that will ultimately make for zero-emission, accident-free driving. Also, aiming for further growth in their core line of business, above all in the emerging markets, where they are systematically reinforcing their activities. And, also extend the range of offers along the automotive value chain and opens up additional opportunities in closely related sectors. Top-quality vehicles, fascinating brands, innovative services, and satisfied customers, shareholders, and employees, this is the basis of their success. As the automotive pioneers, Daimler assumes that is a pride and obligation to live up the responsibility to society and environment, and to shape and secure the mobility of the future in a sustainable manner, with groundbreaking technologies and high-quality products.

Daimler sells its vehicles and services in nearly all the countries of the world and has production facilities on five continents. And Mercedes-Benz is the world’s most valuable automotive brand. Daimler’s brand portfolio includes Smart, Maybach, Freightliner, Western Star, BharatBenz, Fuso, Setra, Orion and Thomas Built Buses and the company is listed on the stock exchanges of Frankfurt and Stuttgart (stock exchange symbol DAI). In the year 2010, the Daimler Group sold 1.9 million vehicles and employed a workforce of more than 260,000 people; revenue totaled €97.8 billion and EBIT amounted to €7.3 billion.





B. Daimler Divisions

Daimler's as a global presence, its mission as a company is to have profitable growth and to be among the best in the industry, core business, traditional and new markets. In particular in the rapidly growing markets of China, India, Russia and Brazil, Daimler is intensifying local activities by establishing and developing local production and sales operations, to some extent together with local partners. As operational excellence and sustainability, has achieved operational excellence by means of efficiency targets and related programs in the areas of production, development, sales and administration. This is based on a culture of excellence. By means of standardization and modularization, Daimler can significantly enhance efficiency with new products, new technologies and new processes. Daimler is currently improving cost position with support from cooperations, for example with Renault-Nissan. At the same time Daimler is expanding product's portfolio in the small-car segment and with small vans.

The products supplied by the Mercedes-Benz Cars division range from the high-quality small cars of the smart brand to the premium automobiles of the Mercedes-Benz brand and to the Maybach luxury sedans. The main country of manufacture is Germany, but the division also has production facilities in the United States, China, France, South Africa, India, Vietnam and Indonesia. Worldwide, Mercedes-Benz Cars has 17 production sites at present. The most important markets for Mercedes-Benz Cars in 2010 were Germany with 23 percent of unit sales, the other markets of Western Europe (27 percent), the United States (17 percent) and China (13 percent).

As the biggest globally active manufacturer of trucks (Daimler Trucks) above 6 tons gross vehicle weight, Daimler Trucks develops and produces vehicles in a global network under the brands Mercedes-Benz, Freightliner, Western Star and Fuso. Daimler Trucks' product range includes light, medium, and heavy-duty trucks for local and long-distance deliveries and construction sites, as well as special vehicles for municipal applications. Due to close links in terms of production technology, the division's product range also includes the buses of the Thomas Built Buses and Fuso brands. Daimler Trucks' most important sales markets in 2010 were Asia with 34 percent of unit sales, the NAFTA region (22 percent), Latin America excluding Mexico (16 percent) and Western Europe (16 percent). Mercedes-Benz Vans has production facilities at a total of seven locations in Germany, Spain, the United States, Argentina, Vietnam and since April 2010 also in China in the context of a 50:50 joint venture, Fujian Daimler Automotive. The division's product range comprises the Sprinter, Vito/Viano and Vario series in weight classes from 1.9 to 7.5 tons. The most important markets for vans are in Europe, which accounts for 77 percent of unit sales. The Sprinter is sold in the United States under the Freightliner brand, and since the beginning of 2010 also under the Mercedes-Benz brand.

The Daimler Buses division with its brands Mercedes-Benz, Setra and Orion is the world's leading manufacturer of buses and coaches above 8 tons. The product range supplied by Daimler Buses comprises city and intercity buses, coaches and chassis. The most important of the 15 production sites are in Germany, Turkey, Latin America, France, Spain and the NAFTA region. In 2010, 45 percent of Daimler Buses' revenue was generated in Western Europe, 12 percent in the NAFTA markets and 27 percent in Latin America (excluding Mexico). While Daimler Buses mainly sell complete buses in Europe and the NAFTA region, the business in Latin America, Africa and Asia is focused on the production and distribution of bus chassis.



The Daimler Financial Services division supports the sales of the Daimler Group's automotive brands in nearly 40 countries. Its product portfolio primarily comprises tailored financing and leasing packages for customers and dealers, but it also provides services such as insurance, fleet management, investment products and credit cards. The main areas of the division's activities are in Western Europe and North America. In 2010, more than 40 percent of the vehicles sold by the Daimler Group were financed by Daimler Financial Services. Its contract volume of € 63.7 billion covers 2.5 million vehicles. Daimler Financial Services also holds a 45 percent interest in the Toll Collect consortium, which operates an electronic roadcharging system for trucks over 12 tons on highways in Germany.

Through a subsidiary, Daimler holds a 22.5 percent equity interest in the European Aeronautic Defence and Space Company (EADS), a leading company in the aerospace and defense industries. In economic terms, Daimler owns a 15 percent stake in EADS, because a consortium of national and international investors owns a one-third interest in the subsidiary that holds the EADS shares. Daimler also holds a 28.4 percent equity interest in Tognum AG, one of the world's leading producers of offhighway engines. Through a broad network of holdings, joint ventures and cooperations, Daimler is active in the global automotive industry and related sectors.

C. Key Figures

Daimler AG is the parent company of the Daimler Group and is domiciled in Stuttgart. The main business of the Company is the development, production and distribution of cars, trucks and vans in Germany and the management of the Daimler Group. In addition to Daimler AG, the Daimler Group includes all the subsidiaries throughout the world in which Daimler AG has a direct or indirect controlling interest. Through those companies, Daimler conducts for example the business with buses and financial services. Daimler Group is a globally leading vehicle manufacturer with an unparalleled range of premium automobiles, trucks, vans and buses. The product portfolio is completed by a range of tailored automotive services. Daimler is active in nearly all the countries of the world. The Group has production facilities in a total of 18 countries and approximately 8,000 sales centers worldwide. The global networking of research and development activities and of production and sales locations gives Daimler considerable potential to enhance efficiency and gain advantages in international competition. In the year 2010, Daimler generated revenue of € 97.8 billion. The individual divisions contributed to this total as follows: Mercedes-Benz Cars 53 percent, Daimler Trucks 22 percent, Mercedes-Benz Vans 8 percent, Daimler Buses 5 percent and Daimler Financial Services 12 percent. At the end of 2010, Daimler employed a total workforce of more than 260,000. Daimler's activities are focused on customers' needs. Daimler wants to continuously inspire with new exciting premium automobiles that set standards in the areas of:

- Design, safety, confort, perceived value, reliability and environmental compatibility;
- Commercial vehicles that are the best in their respective competitive environment;
- Outstanding service packages related to those products;
- New mobility solutions, oriented towards the customers needs.

This is Daimler's mission, and this is what Daimler stands for.

The Daimler target system consists of six strategic dimensions:

1. Excellent products offering superior customer experience form the basis for Daimler's success;



2. Leading brands;
3. Innovation and technology leadership;
4. Global presence and networking;
5. Operational excellence and sustainability;
6. High performing and inspired employees.

Daimler aims to inspire customers with their own brands, products and services. And strive to occupy the leading position in each market segment. With pioneering technologies, Daimler wants to be the world leader for sustainable drive systems and safety. Having a global presence means that they want to secure their position in traditional markets while expanding in new markets. Operational excellence and efficiency along with inspired and high-performing people are the key to their future corporate success.

Daimler sold a total of 1.9 million vehicles in 2010. The level of the prior year, which had been very low due to the global economic and financial crisis, was thus surpassed by 22 percent. The market revival was significantly more dynamic than expected at the beginning of the year, especially for cars. The Daimler Group's revenue increased in 2010 by 24 percent to € 97.8 billion; adjusted for exchange-rate effects, there was an increase of 19 percent. This means that Daimler's business recovered from the worldwide sales crisis faster than expected at the beginning of the year, but the Group's total revenue only reached the magnitude of 2008 and was still below the record level of the year 2007. All divisions profited from the recovery of major markets: Revenue rose at Mercedes-Benz Cars by 29 percent to € 53.4 billion, at Daimler Trucks by 31 percent to € 24.0 billion, at Mercedes-Benz Vans by 26 percent to € 7.8 billion and at Daimler Buses by 8 percent to € 4.6 billion. The Daimler Financial Services division also achieved revenue growth of 7 percent to € 12.8 billion.

D. Management Organization Information

The Daimler Group (December 31, 2010)

Brands	Mercedes-Benz, smart, Mercedes-AMG, Maybach, Freightliner, Mitsubishi Fuso, Western Star, Thomas Built Buses, Orion, Setra, Detroit Diesel, Mercedes-Benz Bank, Mercedes-Benz Financial, Daimler Trucks Financial
Legal form	Stock company (AG) incorporated under the laws of the Federal Republic of Germany
Board of Management	Dr. Dieter Zetsche (Chairman of the Board of Management and Head of Mercedes-Benz Cars), Dr. Wolfgang Bernhard (Manufacturing and Procurement Mercedes-Benz Cars & Mercedes-Benz Vans) Wilfried Porth (Human Resources and Labor Relations Director), Andreas Renschler (Head of Daimler Trucks), Bodo Uebber (Finance & Controlling/Daimler Financial Services), Dr. Thomas Weber (Group Research & Mercedes-Benz Cars Development, Chairman of the Daimler Sustainability Board)
Supervisory Board	Consists of ten shareholder representatives and ten employee representatives and is chaired by Dr. Manfred Bischoff. The Supervisory Board monitors and advises the Board of Management in its management of the company.
Headquarters	Stuttgart/Germany
Employees	260,100
Trainees	8,841
Market capitalization	€ 54.0 billion
Total assets	€ 135.8 billion

Figure 20: Daimler Group (December 31, 2010)



E. Highlights 2010/11

The year of 2010 was a success for Daimler AG, after the financial and economic crisis of 2008/2009 that led to massive market slumps, Daimler succeeded in making an excellent comeback last year with double-digit growth rates in all divisions. Demand for Daimler products is strong, the order books are full. Many of the plants are operated at the limits of their capacity. Last year, the Group achieved total EBIT of 7.3 billion euros. Net profit amounted to 4.7 billion euros and Daimler payed to shareholders a dividend of €1.85 per share for 2010.

Briefly explaining the most important developments in the individual divisions, at Mercedes-Benz Cars Daimler achieved the second-highest unit sales in the company's history. In China, sold 137 percent more cars than in the previous year. In many segments worldwide the competition was looking at Daimler's tail lights: S, E and C-Class sedans were the global market leaders. And it's not just about the numbers. Customers and the trade press were delighted with new models such as the SLS and the new CLS. Daimler Trucks also made excellent progress in 2010 selling 37 percent more trucks worldwide than in 2009. The new Mercedes-Benz Atego and Atego BlueTec Hybrid were voted "Truck of the Year 2011." At Fuso the entire model range were updated, and at Freightliner were launched the sales of the new Coronado heavy-duty truck. Mercedes-Benz Vans, with a 35 percent increase in unit sales, grew at a similar rate to our trucks division. The Sprinter's market share in Europe was higher than ever. Daimler also launched the new Vito, offering a medium-duty van for commercial use while the new Viano stays a superior multi-passenger van. Daimler Buses maintained its global market leadership in the segment for buses above eight tons. The bus division increased its unit sales by more than 20 percent, primarily due to strong demand in Latin America.

This overall picture is completed by the positive development at Daimler Financial Services. New business and contract volume increased significantly and above all, business with van and truck fleet operators and other commercial customers made very good progress. The goals for this year are equally ambitious even more so as the automobile celebrated a special birthday in 2011. In China, for example, demand for the Mercedes-Benz brand is so strong that Daimler is now building the first car engine plant outside of Germany there. Daimler also intends to produce additional model series locally, including the GLK. In Russia, intensive preparations are underway for local production of the Sprinter. In India, Daimler will soon launch the new BharatBenz truck brand. In Brazil, where Daimler have had a very strong market position for many decades, plan to expand production capacity once again.

Daimler expects to make further important progress in 2011 with the development of pioneering green technologies, enabling the reducing of the CO2 vehicles emissions fleet by a significant margin, to introduce the first E-Class with diesel hybrid, and to reach new milestones on the road to driving with zero local emissions. The countdown for large-series production of the electric smart has begun and the A-Class and E-Cell will be delivered to customers this spring. The year of 2011 is being an important year for fuel-cell drive. Three B-Class cars powered by fuel cells are making a trip around the world to demonstrate that this technology works. What's missing this moment is the infrastructure. That still needs to be put in place. At the same time, there is a common knowledge that sustainable success is ultimately based on a corporate culture of excellence and integrity. That's why Daimler is systematically working on anchoring exemplary global business ethics throughout the Group, in part by creating a Board of Management position for the area of Integrity and Legal Affairs.



"We shape the future – and provide sustainable ideas for the mobility of today and tomorrow." - Daimler is the inventor of the car and truck. And for one hundred and twenty five years, Daimler has been a driving force behind the overall development of road transport from individual mobility by car up to the transport of goods with trucks. Daimler is using this competitive edge in development to secure sustainable mobility in all these areas, for the future as well. Daimler wants to give customers safe, comfortable, high-performance vehicles that at the same time are required to be increasingly economical and environment-friendly making high investments to meet these demands. The key priorities in development are in "Road to Emission-free Driving": the ongoing development and optimization of vehicles with state-of-the-art internal combustion engines, further increases in efficiency through tailor-made hybridization, and locally emission-free driving with fuel cell and battery-powered vehicles. For Daimler these drive systems are the key to what they call sustainable mobility.

For more than a century, automobiles were operated almost exclusively on the basis of petroleum. In view of dynamically growing global mobility demands, dwindling oil reserves, rising energy prices, and a constant increase in environmental awareness, Daimler is now focusing on made-to-measure solutions to cater to the diverse requirements for mobility in all areas of road transport. One component of the integrated approach of "Road to Emission free Driving", is joining forces to achieve more, comprising partnerships with other companies from the fields of technology, energy, and infrastructure, together with the public sector. Initiatives such as the international "e-mobility" projects, the fuel cell test fleets in Berlin, Hamburg, and Los Angeles, or the "car2go" car-sharing projects in Ulm, Hamburg, and Austin (Texas) provide the basis for testing new vehicle and mobility concepts in practical operation. The greatest potential for reducing consumption and emissions is provided by innovative, energy efficient diesel and gasoline engines, since the internal combustion engine remains the mainstay of mobility. By reason of their high performance, state-of-the-art diesel and gasoline engines will remain the driving force of mobility until well into the future. This applies to individual mobility with passenger cars, especially in long-distance travel. As well as to public transport and goods transportation by truck, the quality of Daimler combustion engines is therefore the key to how much fuel can be saved over the next few years and the quantity of emissions that can thereby be avoided. The first of three points of focus on is therefore the optimization of vehicles with internal combustion engine. Here too, Daimler is setting store by an intelligent combination of various strategies that help make both passenger cars and commercial vehicles cleaner and more economical, and therefore fit for the future.

With "Clean Drive Technologies" as part of the "Shaping Future Transportation" initiative clean propulsion systems and alternative fuels, Daimler's commercial vehicles sector is shaping the future of mobility. With BlueTec technology, for instance, efficient diesel engines make for reduced fuel consumption and, thanks to improved combustion and exhaust after treatment, ensure lower levels of pollutants. Low-emission, low-noise natural gas and hybrid drives are a further proven alternative to pure diesel engines in commercial vehicles, especially in city traffic. Already today, more than 400,000 vehicles with "Clean Drive Technologies" from all the Daimler Group's brands are in operation with customers on the roads of the world with an ambitious goal: the zero emission commercial vehicle.

New developments, such as the four-cylinder diesel or the latest generation of supercharged gasoline direct injection engines, are showing the way ahead along with the use of alternative fuels. However, the opportunities for optimizing the drive unit do not stop here, the Blue EFFICIENCY packages unite further fuel-saving features for gasoline and diesel passenger cars. Depending on the model series, these include various measures carried out within the engine



and a combination of numerous Technologies for reduced body weight. The customized packages are rounded off with low rolling-resistance tires, optimized aerodynamics, and the ECO automatic start/stop function as a precursor to hybridization. The way to greater efficiency and environmental compatibility lies in electrification of the drivetrain for increased efficiency and hybridization. For this purpose, Daimler has developed a modular plug-in hybrid system. Hybrid drives are an important element of Daimler's strategy for sustainable mobility. Depending on the type of vehicle and driving situation, hybrid vehicles are powered by the internal combustion engine and electric motor. Especially in inner-city areas, this can bring about fuel savings of up to 20 percent. The key component in electrification is the energy storage medium. Daimler is the world's first manufacturer to have succeeded in matching lithium-ion battery technology to the demanding requirements of automotive application and making it ready for large-scale production. The flexibility in passenger cars is also a key feature to Daimler's future. Hybrid vehicles with modular electric drive components can further increase the efficiency of optimized internal combustion engines, especially in inner-city areas. Which hybrid architecture is the most appropriate in environmental and economic terms also depends on the size of the vehicle and how it is used. In the passenger car segment, hybrid solutions have been realized from the compact smart to the premium Mercedes-Benz S-Class. The modular hybrid system, which provides a great deal of flexibility in terms of performance and operating range, ensures that driving pleasure is compatible with economy under all circumstances.

As a core component of hybrid drive technology, Daimler makes use of a battery based on lithium-ion technology, this unit is superior in terms of power output and storage capacity. The major advantages of lithium-ion batteries are their higher energy density and improved electrical efficiency, despite their more compact dimensions and lower weight. The cycle strength of these batteries is particularly high, which makes for a useful life of at least ten years under normal operating conditions. In the commercial vehicle sector Daimler is also the leader, pressing ahead to drastically reduce fuel consumption, CO₂ output, and other exhaust emissions. These activities are grouped together in a "Shaping Future Transportation" initiative. Here as well, a key role is played by hybrid technologies, which depending on a vehicle's use can be expected to cut diesel fuel consumption by up to one-third. Here too, tailor-made concepts are the key to success. In the truck sector, Daimler is focusing on parallel hybrid drive, in which the vehicle is powered by a combustion engine and an electric motor either separately or in tandem. This currently represents the ideal solution among the competing interests of production costs, dimensions, weight, performance, operating conditions, and energy efficiency, and also allows purely electric driving. With this approach, Daimler received the 2010 "German Sustainability Award" for the Mercedes-Benz Atego BlueTec Hybrid. For city buses, series hybrid drive is the premium choice, the internal combustion engine supplies a buffer battery via a generator and operates with optimum fuel efficiency at all times.

F. Daimler's Emission Free Driving

Electric vehicles powered by batteries and fuel cells are key elements of sustainable mobility. Electric vehicles with batteries and fuel cells have proven their reliability in practice, they are the future. Locally emission-free driving is already a reality in the urban environment. And Daimler is playing a pioneering role in the development of these technologies. Daimler, the world's first car manufacturer, is now entering the age of emission-free electromobility with three series-production models. Along with the pioneer among battery-electric vehicles, the



smart fortwo electric drive, the Mercedes-Benz A-Class E-CELL and Mercedes-Benz B-Class F-CELL now also run very quietly and help conserve natural resources. The Mercedes-Benz SLS AMG E-CELL super sports car and the Mercedes-Benz Vito E-CELL city van are emission-free driving. With buses and trucks Daimler is also making a clear statement with models such as the Fuso Canter E-CELL and the Mercedes-Benz Citaro Fuel-CELL Hybrid. These examples all demonstrate that Daimler is also setting store by customized vehicle concepts in the field of electric vehicles. In order to fulfill all mobility requirements, whether with the battery or the fuel cell, electric drive is a key component of Daimler's zero-emission driving strategy.

By 2009, hundreds of electric smart cars in operation in London had made it clear where the first generation of battery-electric vehicles could represent a viable alternative. In innercity areas, where access restrictions and green zones are no longer the exception, the advantages of locally emission-free, quiet, and highly efficient vehicles come to the fore. In today's new second generation model, one single battery charge is sufficient to cover a range of 135 kilometers on the "New European Driving Cycle" (NEDC). This ensures full practicality in city centers. Meanwhile, the Federal Department of Transportation is promoting eight model regions in Germany: The flagship projects for electric mobility in Hamburg, Bremen/Oldenburg, Berlin/Potsdam, Rhine-Ruhr, Rhine-Main, Saxony, Stuttgart, and Munich are being subsidized with €130 million between 2009 and 2011.

The energy storage media is crucial key to all electric drive systems, from hybrid units to purely electric motors for cars, vans, trucks, and buses, that needs to be powerful, safe, and reliable. To secure its leading role in the long term, Daimler has become actively involved in Li-Tec, a subsidiary of Evonic. In addition, a joint-venture by the name of "Deutsche ACCUmotive GmbH & Co. KG" has been founded. This cooperation concentrates on the development and production of lithium-ion batteries specially designed for automotive use. Daimler thus has direct access to the key technology for emission-free driving.

In view of extensive operating range, hydrogen-powered fuel cell cars are also ideal for long-distance travel. They are characterized by emission-free, quiet operation, a high level of driving dynamics, favorable acceleration, and high efficiency. In the passenger car segment, small series of the Mercedes-Benz A-Class F-CELL and the current B-Class F-CELL models have long since been a regular sight on the roads. And the Mercedes-Benz Citaro FuelCELL Hybrid is leading the way into the future of public transport.

With its near-series Concept BlueZERO automobile, Mercedes-Benz has already shown just how versatile electric vehicles can be. The modular design of this ready-to-drive study car makes it possible to install three electric drive systems with different energy sources into the sandwich floor unit familiar from the Mercedes-Benz A-Class and B-Class models. The E-CELL model is powered by batteries alone, the F-CELL variant with fuel cell covers a range of around 400 kilometers with no local emissions, and the BlueZERO E-CELL PLUS car attains a range of up to 600 kilometers in all using a range extender (with an internal combustion engine as a generator) and 100 kilometers in purely electric mode.

G. Daimler's Commitment with the future

Daimler's entrepreneurial vision is based on the guiding principle of sustainability. This ambition entails responsibilities, Daimler's research and development teams are working on innovative solutions for sustainable mobility. Daimler's Commitment extends to the environmentally compatible development of vehicles throughout their life cycle, from the original idea, through production, up to operation, disposal and reuse. Daimler's activities are focused on consistently optimizing our vehicles powered by internal combustion engines and further increasing efficiency through hybridization. Especially in densely populated areas,



Daimler also sees Great potential in emission-free driving with vehicles powered by the fuel cell and batteries.

Sustainability means conserving planet's natural resources and preserving the environment to their benefit of current and future generations. For Daimler, this means making engines more efficient, reducing emissions, and throughout a vehicle's lifecycle, maintaining keen awareness of the environmental compatibility of cars, vans, trucks, and buses. It also means developing alternatives to traditional fuels, and giving thought to new drive concepts and the future of mobility. It's a global challenge and rapidly and effectively reducing fuel consumption and thus CO2 emissions is essential not only against the background of the CO2 discussion, but also in view of the finite supply of fossil fuels. Since the requirements placed on mobility of the future are becoming increasingly differentiated, there will be more than just one vehicle with one drive system in future, Daimler is therefore working simultaneously on all Technologies that they see as appropriate, specially through optimization. Daimler's vehicles equip them with the most advanced internal combustion engines and of forms of energy for emission-free driving. At the same time, Daimler is closely monitoring all relevant emissions and are adopting all-encompassing approach.

Daimler has also long been a technological Pioneer, setting standards and benchmarks in the field of safety. Daimler safety technology helps drivers recognize potentially dangerous situations earlier and carry out critical maneuvers successfully, thus minimizing the overall accident risk. And pretend to continue in delivering pioneer innovations in the future. Consistently working towards vision of accident-free driving, Daimler's goal for the future is to develop intelligent support systems that can interpret situations in advance.

Extending the infrastructure and supporting mobility initiatives, whether it will be electrical charging points or hydrogen filling stations, intelligent traffic management, or telematics, developing the road transportation system of the future calls for concerted commitment. Daimler not offers only a unique blend of products with a wide variety of drive systems, it has also as a concern and responsibility as a company to develop the appropriate background for their mobility concepts. In particular, an infrastructure that is customer-friendly, practical, and affordable can only be successfully developed with a concerted effort on the part of the political sphere, energy suppliers, and the automotive industry. In numerous cooperations and initiatives, Daimler is demonstrating its commitment toward also making the automotive environment fit for the vehicles of tomorrow. The acceptance and thus also the success of electric vehicles depend not least on a close-knit charging infrastructure (rapid charging). An exemplary solution-oriented approach is the "e-mobility Berlin" project, which is using intelligent charge management to create the framework for emission-free driving with battery-powered vehicles. Similar projects have now been launched in further European cities. The "H2-mobility" initiative caters to the steadily increasing number of fuel cell vehicles on the roads through new filling stations. Together with further leading enterprises, Daimler has set itself the goal of establishing a comprehensive network of hydrogen filling stations. Daimler has already won several awards for this commitment, such as the "Öko-Globe" (Eco-Globe) in recognition of its sustainable measures for the infrastructure. The car2go pilot project in Ulm has given an indication of the benefits provided by modern urban mobility concepts. Participants were able to hire smart fortwo cars and leave them after use on any of the specially marked parking spaces sharing mobility. And after one year, this initiative has proven so popular that car2go GmbH, a newly formed subsidiary of Daimler AG, is now forging ahead with its international commercialization. Meanwhile, Daimler has developed a further



innovative approach to urban mobility by the name of car2gether. This is a Web-based ride-sharing community that processes car pooling requests from drivers and potential passengers by smartphone, another way of remaining flexible and independently mobile without a car of one's own. Public transport is facing a number of challenges, especially in rapidly growing major cities. With the "Bus Rapid Transit" (BRT) mobility concept, buses travel at short intervals along dedicated lanes with separate traffic light phases. This ensures rapid, comfortable travel even in rushhour traffic. BRT (Bus Rapid Transit) is a sustainable concept for the future that Daimler has already successfully implemented in cities such as Istanbul, Nantes, and Bogotá. Daimler together with other automotive manufacturers, suppliers, and traffic management and telecommunications research experts, is preparing the traffic for tomorrow, and has already been involved for several years in research projects for intelligent transport. Initiatives such as ACTIVE, "Network on Wheels" (NoW), and "Safe, Intelligent Mobility, Test Area Germany" (simTD) deal with the networking of vehicles both with each other and with intelligent transport infrastructure.

H. Daimler's as an employer

In order to maintain leading position in the automobile industry, Daimler needs the brightest individuals, irrespective of age, origin, or gender. Different competences, personalities, experiences, and perspectives contribute significantly to competitiveness. A policy of open dialogue within the company also enables to get to know customers better and to meet their varied needs.

As an international company, Daimler have an extremely diverse workforce and promote in order to make even better use of the creativity and passion for innovation that diverse groups bring to company, promoting diversity. After all, teams made up of diverse individuals generally come up with better solutions.

Daimler is highly committed to the issue of diversity management, and why is that? The examination is initially focused on the environment in which operates as a company, internally and as part of society and the global market. Demographic trends are pushing the issues of gender, age, and internationality into the spotlight. Daimler wants to reflect this combination to an increasing degree within the company through the use of valuable resources, to be prepared for the fact that the emerging markets of the future will confront with their customers' requirements, and to respond to this challenge with competence. Furthermore, many studies carried out in the meantime shows that the utilization of diversity can have a decisive impact on the overall success of a company. Diversity is not a end in itself and can only deliver added corporate value by its incorporation of variety.

Diversity management means analysing data and facts, and defining strategies and appropriate measures that will enable diversity to become an actively promoted element of the Daimler culture. This formed the basis for the initial focus of action for diversity management in Germany, namely the promotion of women in management positions, a strategic objective that addresses all managerial staff. Women not only command increasing levels of purchasing power, they are also currently underrepresented at all levels in companies. For this reason, too, it's important to involve and promote them.



The Global Diversity Office has been established with the aim of sustainably securing diversity within the Daimler Group. Together with the Global Diversity Council, it determines the strategic orientation of diversity management at Daimler and the corresponding measures for introducing and strengthening diversity. These decisions are made in cooperation with the Diversity Officers from the business units and departments, and with the human resources departments. Only those who embrace and promote the competence and talent of all individuals, regardless of origin, gender, age, or culture, can successfully put the skills of these people to use in every phase of life. Daimler bears the responsibility for the mobility of the future and for the future of its employees.

A career boost right from the start is investing in young talent, investing in the future. And aiming that, the CAREer, group-wide program for young graduates and professionals with initial practical work experience, provides the ideal start to a long-term career with Daimler. Participants from over 30 nations, about 35 percent of whom are women, participate in a variety of projects for a period of twelve to 15 months and get to know the company very well. CAREer is internationally based and secures pole position worldwide for Daimler in the labor market. However, it is not only technical competence that counts. With its "College Knowledge" scheme, Daimler also offers seminars for strengthening social skills. The first insights, are made by interns, they experience too the working of global enterprise at close hand. Whether they will be school pupils or university students, interns are involved in important processes and take on responsible tasks. LEAD (Leadership Evaluation and Development), a planning tool for individualized employee promotion, supports employees throughout the world in their further development. Diversity management at Daimler opens up new horizons. As a pioneer and pacemaker, Daimler will continue to play a leading role in diversity management. It goes without saying that all management staff must actively secure diversity within their spheres of responsibility. For a number of years, diversity management has been one of the LEAD criteria for evaluating the performance and potential of Daimler's management staff. The inclusion of qualitative and quantitative diversity goals in target agreements fosters the Group-wide development of diversity competence, and the Daimler's rich diversity is a chance to achieve more together. The diversified nature of Daimler's staff is the driving force with which intends to move on together toward greater accomplishments in the future as well. The experience, perspectives, and skills of employees reflect the diverse nature of customers, suppliers, investors, and the environment. Outstanding achievement is not concerned with gender or origin. Each and every person has a personal profile of his or her very own. Daimler respects this and put to advantage the creative synergies that result from a wide variety of expertise and perspectives. The promotion of women is the prime focus of Daimler's diversity management; but dimensions such as multiculturalism and an aging society likewise demonstrate that Daimler adopts a broadly based approach to diversity. Diversity management is a competence in leadership, communication, and cooperation that is locally, regionally, and globally established and exercised at Daimler, not only because it is politically correct, but because it brings social and economic benefits.

But also in Daimler individuality counts, the diversity of modern forms of living is lending increasing importance to the balance between work, family, and private life. Daimler is taking account of this development with a variety of flexible working time models and with comprehensive childcare offer at "sternchen" (little star) day nurseries. At Daimler, no parent is now faced with the alternative "family or Job", also regarding demographic transition as both a challenge and an opportunity.



I. Integrity and justice as part of Daimler's culture

The Integrity and justice are core components of Daimler's corporate culture. As a global enterprise, Daimler is faced with directives and laws that are becoming increasingly demanding and complex. In order to not only meet these requirements, but also to set new standards in this area, Daimler has created a Board of Management portfolio by the name of "Integrity and Legal". Who heads this sector, is responsible among other things for global legal and compliance organization, business ethics, and the sustainable anchoring of integrity and compliance throughout the Group. Daimler aspires to promote a corporate culture that not only fulfills legal requirements but also meets the highest ethical standards. Economic success can only be sustainable if it is attained legally and by acceptable means. It's Daimler aspiration to achieve excellence honestly and in a fair manner. And because proper conduct is also a prerequisite for trustworthy partnership and cooperation, therefore Daimler also requires fully compliant behavior on the part of their business partners, integrity is not an option but an integral and permanent element of corporate culture. And by compliance, Daimler means adherence to all applicable legislation, rules, and regulations along with the corresponding internal guidelines. The company can only establish a sustainable culture of compliance if each and every individual internalizes the rules and assumes responsibility. Business practice characterized by integrity is closely linked with sustainable growth, after all value communities are ultimately value added communities.

"No business deal in the world is worth putting our company's reputation at stake." □ Dr. Dieter Zetsche, Chairman of the Board of Management of Daimler AG and Head of Mercedes-Benz Cars

VIII. Heightening Sustainability Performance in Daimler

A. Overview of Sustainable development (Automotive Industry)

With the question of sustainable development established as a central concern in developed societies and for all major international institutions, the automobile industry is facing a new economic, technological and political environment. The potential scarcities of future energy resources and escalating fears about climate change have become powerful forces for change in the industry.

The world vehicle industry is actively addressing sustainable development in its three main concepts:

1. Environmental protection;
2. Economic growth;
3. Social equity (social responsibility).

Automobile manufacturers have clearly committed themselves to supply the market with ever safer and more environment friendly products and are continuously investing huge R&D resources in further product improvements and in developing radically new propulsion systems. The results clearly show that most road traffic related environmental concerns are in the process of being solved with all studies indicating air quality improvements on their way.



The challenge of traffic safety: the first reinvention of the automobile. The expansion of industrial-scale motor vehicle production at the beginning of the 20th century increased traffic density and the risk of injury posed by ever-faster cars. Daimler responded to this challenge with pioneering innovations that created new dimensions of vehicle safety. These developments ranged from the concept of a defined crumple zone (as early as 1952) to the integration of intelligent active and passive safety systems.

The challenge of environmental protection: the second reinvention of the automobile. At the very latest, the key challenges associated with environmental protection had been recognized by the time the United Nations Conference on Environment and Development took place in Rio de Janeiro in 1992. For Daimler as an automaker, the focus had to be on aspects such as the avoidance of emissions, energy efficiency, and the use of environmentally friendly drive systems and fuels. Daimler have performed a lot of groundbreaking work here as well – from the production of the first diesel-powered passenger car (as early as 1936) to the development of a broad range of innovative drive system concepts that are paving the way toward the long-term goal of zero-emission driving.

The challenge of a networked mobile way of life: the third reinvention of the automobile. Owning a vehicle became the symbol for individualized quality of life in the 20th century. Today's challenge is to redefine a mobile way of life in a society marked by many different lifestyles that are also constantly changing. Daimler is also playing a pioneering role in the transition to flexible and networked mobility by offering a unique mix of vehicles, as well as infrastructure and mobility initiatives such as "car2go", that enable individuals to use appropriate vehicles as needed, without having to own their own cars.

B. Daimler's Sustainability

The automobile has been transforming the world for 125 years, and I think it will continue to do so in future. But perhaps more than ever before, the world is now also transforming the automobile. On the one hand, its career in the most populous countries of the world is currently still in its infancy; on the other hand, reserves of petroleum are limited and the resilience of our ecosystem even more so. The task at hand is therefore to reconcile the growing demand for mobility with effective climate protection. This is a big challenge, but Daimler has already the products and Technologies at its disposal to offer the full spectrum of sustainable mobility. Optimizing efficient state-of-the-art gasoline and diesel engines in all vehicle categories: S 250 CDI BlueEFFICIENCY, for example, is the first five-liter S Class vehicle that will appear on the market in 2011. At the same time, the battery-powered smart electric drive is already in locally zero-emission operation, and the countdown is under way for large-scale production. The high reliability of purely electric driving on long journeys is being demonstrated in this anniversary year by an unprecedented round-the-world tour with three fuel cell-powered Mercedes-Benz B-Class automobiles.

Daimler intends to make the mobility of the future not only as clean as possible, but also wants to remain at the forefront in matters of safety. Coming closer to realizing the Vision of Accident-free Driving, and whenever an accident is unavoidable, innovative safety systems minimize injury and damage to road users, both within and outside the vehicle. In addition, Daimler is contributing with expertise to the development of a modern transport infrastructure. These accomplishments are made possible by more than a quarter of a million Daimler employees worldwide. In their diversity, they reflect the customers and markets. Outstanding achievement



has nothing to do with gender, age, or origin, instead, a wide variety of perspectives and skills provide fertile ground for the production of vehicles that generate enthusiasm among the customers throughout the world. For Daimler, entrepreneurial success and integrity in business practice are two sides of the same coin. With a culture that meets the highest ethical demands, this Company intends to set new standards: clean, legally sound business practice and that is just as important as clean and safe products.

No other automaker can look back on a longer tradition than Daimler. The success is due in large part to never focus on the short term, instead, they've always set sights on the big picture. Daimler has always been a company oriented toward the long term. In 2010 Daimler "officially" incorporated the concept of sustainability into system of strategic targets. In this way they are emphasizing the fact that economic, environmental, and social responsibility go hand in hand. Sustainability is the basic principle that governs the business operations. So they are systematically tackling a host of issues from this perspective. Daimler is defining key areas of action for the coming years on the basis of dialogue with the stakeholders, steadily committed to reduce pollutants and emissions, further enhance the safety of vehicles, expand dialogue with the suppliers and dealers, and further strengthen social involvement. The focus is also on sustainability when it comes to managing the Group. Specifically, Daimler is striving to establish a corporate culture that is in line with the highest ethical standards. The principle here is "Clean products, clean business dealings." The creation of a new Board of Management position titled "Integrity and Legal" underscores the commitment to this principle. Having set concrete targets and defined specific measures related to all of these goals and many others, they use them to evaluate performance in the years ahead. The management of sustainability is a continuous process, and Daimler wants new input from stakeholders. One of important guidelines is the Global Compact of the United Nations, to which Daimler is particularly committed as a founding member.

In the long term Daimler can safeguard its success only if aligns his corporate behavior with the principle of sustainability. This principle determines corporate behavior in all of the key areas: business operations, corporate governance, environmental protection, and safety, as well as relationships with employees, customers, and society as a whole. Because Daimler wants to embed sustainability not only in practical operations but also in formal principles, the Board of Management has decided to include sustainability as an additional target in the Daimler target system. Daimler employees orient their behavior according to corporate values of Passion, Respect, Integrity, and Discipline. They strive to set an example by behaving ethically and in conformity with the law.

As a company Daimler's goal is to continue profitable growth and to be among the best in the industry: in its core business, traditional and new markets. In particular in the rapidly growing markets of China, India, Russia and Brazil, Daimler is intensifying local activities by establishing and developing local production and sales operations, to some extent together with local partners.

Daimler achieves operational excellence based on a culture of excellence. By means of standardization and modularization, Daimler can significantly enhance efficiency with new products, new technologies and new processes. Daimler is improving cost position with support from cooperations, for example with Renault-Nissan. At the same time, is expanding product portfolio in the small-car segment and with small vans and has a clear claim to leadership also in the field of sustainability. Daimler places a particular focus on environmental



protection with production and products, longterm job protection, responsible suppliers, intact relations with society, and transparent communication. One of the key goals in this context is the ongoing reduction of the CO2 emissions our cars and commercial vehicles. Daimler intends to reduce the average CO2 emissions of its fleet of new cars in the European Union from 158 g/km in 2010 to less than 140 g/km in 2012. A key contribution will be made by BlueDirect V6 and V8 gasoline engines with third-generation direct fuel injection, which was launched in late 2010. And within the Framework of a voluntary commitment signed by various truck manufacturers, is pursuing the goal of reducing the CO2 emissions of the heavy trucks (above 12 tons) selling in Europe, compared with base year 2005 by an average of 20 percent per ton-kilometer by 2020.

C. Corporate Values and Strategy

Daimler fundamentally transformed mobility with the invention of the automobile 125 years ago. And aim to continue playing a groundbreaking role with the further development of mobility in the future. As pioneers of automotive engineering, Daimler intends to make future mobility safe and sustainable, and its activities are focused on customers needs with the following inspirations:

- Exciting premium automobiles that set standards in the areas of design, safety, comfort, perceived value, reliability and environmental compatibility;
- Commercial vehicles that are the best in their respective competitive environment;
- Outstanding service packages related to those products;
- New mobility solutions, oriented towards the needs of customers.

This is Daimler's mission. Daimler has formulated this mission in terms of its target system, which includes the targets for the Group as a whole and for each business area.

The overriding corporate goal of that target system is to achieve sustainable profitable growth and thus to increase the value of the Group. Daimler intends to be among the world's leading automotive companies. The Daimler target system consists of six strategic dimensions.

1. Excellent products offering superior customer experience form the basis for success;
2. Leading brands;
3. Innovation and technology leadership;
4. Global presence and networking;
5. Operational excellence and sustainability;
6. High performing, inspired employees.

Daimler aim to inspire customers with the brands, products and services. And still strive to occupy the leading position in each market segment. With pioneering technologies, wants to be the world leader for sustainable drive systems and safety. Having a global presence, that means to Daimler that wants to secure the position in traditional markets while expanding in new markets. Operational excellence and efficiency along with inspired and high-performing people are the key to future corporate success. In the long term Daimler can safeguard its success only if aligns corporate behavior with the principle of sustainability. This principle determine the corporate behavior in all of the key areas: business operations, corporate governance, environmental protection, and safety, as well as the relationships with employees, customers, and society as a whole. Because Daimler wants to embed sustainability not only in the practical operations but also in formal principles, the Board of Management decided to include sustainability as an additional target in the Daimler target system. Employees should orient their behavior according to the corporate values of Passion, Respect, Integrity, and Discipline.



The Corporate sustainability management body at Daimler is the Sustainability Board, which was established in 2008 by a Board of Management resolution. This body effectively combines all management processes relevant to sustainability. The board, which is directly responsible to the CEO, coordinates key sustainability initiatives throughout the Group and supports the operating units with their implementation. The Sustainability Board is headed by a Board of Management member. Dr. Thomas Weber, the Board of Management member responsible for Group Research and Mercedes-Benz Cars Development, and has been the director of the board since 2009. Dr. Weber has set a goal for the Sustainability Board stipulating that Daimler must be among the top companies in the industry with regard to sustainability issues. The board is supported by the Sustainability Office, which ensures that all relevant corporate departments, established bodies, and key decision-makers from all divisions are involved in sustainability management activities.

The Sustainability Board analyzes and evaluates Daimler's sustainability activities, prepares decision memorandums on behalf of Daimler CEO Dr. Dieter Zetsche, and supports the Board of Management by working with the Sustainability Office to provide second opinions. The board is also responsible for the annual Sustainability Dialogue event, which it coordinates. The various focus areas from the prior year were further addressed in 2010 by the Sustainability Board in order to structure its work and define new targets and measures. These areas include climate protection (CO₂ reduction), sustainability in supply chains, responsibility for employees, compliance, stakeholder dialogue, and community relations. One of the board's main tasks remains to dovetail and coordinate the centralized, Group-wide sustainability approach with that of business units (and/or their brands). In 2010, for example, was set up a core team at Daimler Trucks whose mission was to derive and globally coordinate sustainability initiatives for the division on the basis of stipulations laid out by the Sustainability Board. In addition, the individual corporate functions and other operating units established specialized committees to organize their sustainability activities. Our Human Resources Sustainability Committee brings together all the relevant human resources functions at the Group. The committee, which ensures the holistic implementation, controlling, and reporting of sustainability measures at Human Resources, is directed by the Head of Human Resources and Labor Policy, who represents the human resources department at the Group level as a member of the Corporate Sustainability Board.

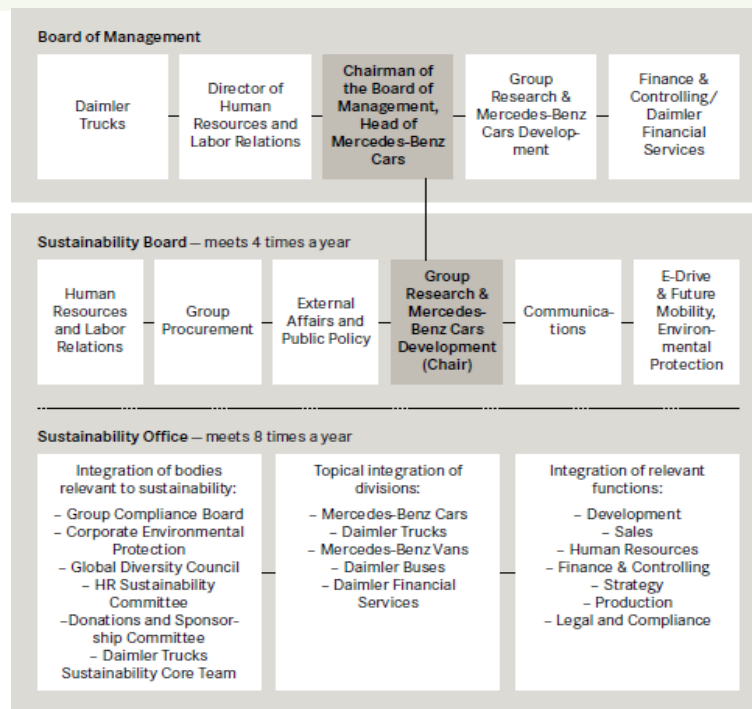


Figure 21: Sustainability Governance Structure

D. Responsible Corporate Management

Because Daimler has its headquarters in Germany, its corporate governance system is designed in accordance with German law. The powers of the three main corporate bodies: General Meeting, Board of Management, and Supervisory Board; are also defined by German stock corporation law. The law's most important aspect is the dual management system, which calls for strict separation between the management organ (the Board of Management) and the monitoring organ (the Supervisory Board). Trading of Daimler shares on the New York Stock Exchange was discontinued in June 2010.

In terms of Integrity and compliance, for Daimler, compliance means that the activities must adhere to all the relevant laws, regulations, and rules, as well as the applicable internal guidelines. Corporate value of Integrity forms the basis of all compliance activities. Knowing that a sustainable culture of integrity can only be established if everyone at the company assume full responsibility for his or her actions. Business integrity and sustainable growth are closely linked because a community of values also generates a community of value creation in the long run. That's why Daimler seeks to create a global corporate culture that not only complies with legal requirements but also lives up to the highest ethical standards. To this end, the Daimler's Supervisory Board established a new Board of Management position for "Integrity and Legal" in the third quarter of 2010 and have also introduced extensive communication and training measures to ensure that employees, suppliers, and contractual partners are fully committed to corporate value of "Integrity." In addition, they have also firmly incorporated processes into human resources organization that assure clear rules for all employees. For example, newly hired staff members are given a "Welcome Package" outlining the rules of behavior, and periodic Web-based training sessions continually update knowledge of key issues. Daimler also conducts compliance checks on employees set for assignment to positions that involve business in countries with a high level of corruption. Vigilance is further enhanced through targeted rotations and the temporary assignment of employees to



compliance functions. Beyond that, have made integrity a component of goal agreements, manager assessment criteria, and variable remuneration system, thereby ensuring that this issue is always taken into consideration. Violations of the established policies are subject to sanctions in line with the applicable labor laws. Also very important are extensive internal communication activities on the topic and regular discussions of integrity-related issues at events held for managers, employees, and business partners.

Compliance risk management at Daimler, originated the expansion of the systematic risk assessment activities in 2010, having analyzed all Group companies and all corporate departments in terms of the risk of corruption, after which to each company/department was assigned a risk classification. Key risk assessment criteria include business activities, the business environment, and country-specific parameters as laid out in Transparency International's Corruption Perceptions Index. Workshops are also held with business unit directors in order to evaluate additional qualitative risk aspects. All of these activities will permanently increase the transparency of corruption risks throughout the Group. Risk assessment is used as the basis of the subsequent implementation of corruption prevention programs tailored to the specific risk classifications of Group companies and corporate functions. Corporate Compliance Operations (CCO) is responsible for defining the annual anticorruption program at the Group level and assisting with its global implementation. About ninety local compliance managers monitor more than one hundred and eighty Group companies and business units on site. They support the local management teams in their efforts to ensure compliance with anticorruption guidelines, and also regularly submit reports to executives at both the business units and Group headquarters. Daimler have also established standardized control systems at 72 sales companies and business units that help ensure integrity and proper behavior in line with the relevant guidelines. The effectiveness of the controls is evaluated by the companies each year using standardized assessment procedures, and is also the subject of internal audits. To minimize corruption risks even further, Daimler is expanding the existing standard process for examining the business relations with public agencies and those customers with close ties to governments in countries with a high risk of corruption. Integrity is a key condition for partnerships based on trust, which is why Daimler expects business partners to act in full accordance with all regulations. Those who act on behalf of Daimler must meet the highest ethical standards. To minimize corruption risks, Daimler conducts a riskbased integrity evaluation of all business partners that support Daimler Sales, and also signs contractual agreements with these partners that make clear the expectations regarding proper behavior. Compliance cannot be delegated. Because they serve as role models and primary contact persons for their employees, managers bear special responsibility for ensuring correct behavior. Personnel development process therefore emphasizes the importance of compliance. Only those employees who consistently obey the rules are allowed to take on greater responsibility.

Daimler sets firm compliance targets for managing directors, financial and sales directors, and aftersales managers, and also plans to link the variable management remuneration component even more closely to compliance criteria in the future. A greater number of employees participated in Daimler's compliance training programs in 2010, when over 111,000 staff members took part in online training sessions on the Daimler Integrity Code. Along with corruption prevention topics, the seminars addressed environmental protection, respect of human rights, conflicts of interest, and proper behavior in public. More than 21,000 staff members from the various companies and units involved in sales also completed a Web-based corruption-prevention training program in 2010. The program was supplemented by more than



140 on-site training sessions that attracted over 3,500 participants. Employees and external partners from around the world can report suspected misconduct to the Business Practices Office at any time. Confidentiality is guaranteed, and reports can be submitted anonymously.

Data protection is very important to the public, and this issue was highlighted in 2010 by online services such as Google Street View and the increased utilization of social networks such as Facebook. In this connection Daimler is experiencing a far-ranging cultural transformation whose consequences can now cause even behavior that is within the law to trigger negative reactions if it deviates from the new values. Companies around the globe are now obligated to meet new legal requirements for data protection and information security, and they must also address the ongoing cultural transformation. Daimler has established binding protection guidelines for the processing of data pertaining to employees, customers, and partners, thereby creating a globally uniform data security standard for the Group. These guidelines correspond to regulations contained in the European Data Protection Directive, as well as to the principles of other national and international data security laws. In order to further raise awareness of data privacy issues at the company, and to assess more effectively the risks associated with the use of personal data, Daimler has also stepped up measures to sensitize employees to this topic and ensure that they are properly informed.

The risk management system is important, because there are many risks that are inextricably linked with business activities conducted at the global level, and the internationally operating divisions are exposed to these risks. Daimler has established monitoring and controlling systems that allows the identification, assessment, and rigorously address such risks at an early stage. These systems, which are also designed to ensure compliance with legal stipulations, have been consolidated into a standardized Group-wide risk management system. The main risk categories are economic risks, sector-specific risks (including environmental and social risks), financial market risks, compliance related risks, and risks to the company's reputation. Identifying risks, their likelihood of occurring, and the damage they could cause is an important task at all departments and units engaged in risk management activities. The key risk categories include:

- Economic and social/political risks (e.g. risks due to economic developments in the core markets or changes in the price of raw materials);
- Sector and company-specific risks in the areas of development, procurement, production, sales, and associated legal risks (e.g. risks regarding product quality, risks resulting from legal and political conditions such as environmental legislation etc., risks due to unforeseeable events, environmental risks associated with products or production methods, legal risks);
- Financial market risks (including fluctuating Exchange rates, interest rates, and share prices);
- Compliance-related risks such as those associated with violations of existing regulations (e.g. insider trading, violations of occupational safety requirements or data and IT security laws, corruption, embezzlement).

The company also examine and qualitatively assesses reputation risks that can damage its image.

Responsible officials within the relevant units and corporate functions develop, initiate and implement measures to avoid, reduce, and hedge risks. Also monitor these measures by means of a periodic controlling process. Their duties include the systematic integration of environmental protection features that cover the complete life cycles of vehicles, from development and production to recycling. The goal here is to increase awareness of risks at all levels of the company and improve the workforce's ability to deal with risk. This applies, for



example, to public reporting, internal communication, and behavior in decision making processes. The risk management system helps the Board of Management to identify key risks at an early stage and initiate suitable counter measures. The Corporate Auditing department supports the Board of Management in monitoring the various functions and divisions at company. The department and the auditors of Consolidated Financial Statement continually monitor not only the integrated early warning system for risks but also the establishment and implementation of risk management processes. On the basis of risk-oriented reviews, the Corporate Auditing department helps to make corporate processes efficient and effective and improve management quality. As part of its review activities, the department informs the Board of Management, the Audit Committee, and the auditors for Consolidated Financial Statement conclusions, suggestions for improvement, and the extent to which the proposals have been implemented.

E. Environmental Management

Daimler takes a preventive approach to environmental protection that systematically takes into account all the stages of the vehicle manufacturing process, as well as the complete product life cycle, from development to recycling. The basic principles for this are formulated in Environmental Guidelines, which are valid throughout the Group:

- Address the environmental challenges of the future by working continuously to improve the environmental performance of products and operations;
- Develop products that are exceptionally ecologically sound within their respective market segments;
- Plan all stages of manufacturing to ensure optimal environmental protection;
- Offer to customers ecologically oriented services and information;
- Strive to achieve exemplary environmental performance worldwide;
- Provide employees and the public with comprehensive information about environmental protection. Daimler have developed clear structures, processes, and areas of responsibility in order to pursue the environmental targets and make specific improvements.

On behalf of the Daimler Board of Management, the Board member responsible for Group Research and Mercedes-Benz Cars Development is also charged with the company's environmental protection activities, having a specific organization. In addition, the following four functions or organizational units are responsible for the central management of environmental issues, as well as cross-unit networking and the communication of activities:

- A Chief Environmental Officer has been appointed to coordinate environmental management throughout the Group. (This official also advises the company's management on environmental issues);
- The Corporate Environmental Protection unit coordinates the operational requirements of Group, wide environmental management. Its tasks include analyzing and implementing the legal requirements, defining and refining environmental standards, ensuring regular environmental reporting, and carrying out production-related risk management activities associated with environmental protection.
- The Corporate Environmental Council is made up of executives responsible for Design for Environment, the environmental management officers from the divisions, and representatives from the Corporate Strategy and Communications units. The council examines environmental protection issues to determine their relevance to the Group and also initiates and coordinates cross-divisional and cross-unit environmental protection measures and projects.



- Various regional committees monitor production related environmental protection measures together with the Corporate Environmental Protection unit and the Chief Environmental Officer.

The certification of Daimler sites around the world in line with the international environmental standard ISO 14001, and the additional validation of German locations by the EU's Eco-Management and Audit Scheme (EMAS), are important elements of the environmental management system. The system efficacy is regularly audited by internal and external experts. In order to integrate environmental protection tasks into the processes at the respective units even more closely, Daimler is working to merge the management systems for quality, environmental protection, and occupational safety into a single system. Today more than 98 percent of Daimler employees worldwide work at facilities whose environmental management systems have been certified. Daimler is also using local environmental risk assessments to identify environmental risks in line with uniform worldwide standards, reduce such risks, and thus improving preventive measures for environmental protection. This involves the systematic monitoring and assessment of a location's environmental management system and relevant parameters such as atmospheric emissions, wastewater treatment, waste management, the handling of hazardous materials, and contamination of soil and groundwater. The elimination of all identified risks to the environment is one of the goals agreed upon by the Board of Management and the plant managers.

Environmental management in product development is such that vehicle development is a standardized process in which vehicle specifications and quality gates (milestones in the development process) form the basic cornerstones. The environmental effects and requirements of Daimler's vehicles (in terms of fuel economy, emissions, environmental performance, and materials and recycling) are integral elements of all specifications and are also taken into account throughout the entire product creation process. Mercedes-Benz Cars meets all the requirements that are stipulated by ISO 14001 and EMAS, and its product development processes fully comply with the international ISO TR 14062 environmental standard and the expanded criteria that have been defined by TÜV Management Service GmbH.

Progress with the company's environmental protection activities is only possible if all employees contribute to the effort, the environmental education is essential. And this is why Daimler organizes training programs for employees and managers that focus on the practical application of environmental protection at the company and address questions concerning environmental responsibility. They also train their auditors, who monitor the environmental management systems of their plants, and provide training to supplier auditors. In addition, they offer refresher courses that allow participants to share ideas and experiences.

F. Resources Management

The Corporate Human Resources department is responsible for all human resources functions and processes worldwide. The Board of Management member responsible for Human Resources, who is also the Group's Labor Relations Director, oversees human resources operations throughout the Group. Human resources tasks are divided among three areas: corporate functions responsible for personnel strategy, policies, and guidelines at the Group; divisional human resources functions that manage HR activities at the divisions and various



locations and are responsible for the implementation of HR strategy; and service units that provide regionally based HR services.

Daimler pursues a global human resources strategy that is in line with its corporate goals and the principles of sustainability. It is based on five pillars: profitability, a competitive workforce, future oriented managerial expertise, a high level of attractiveness as an employer, and a professional organization that focuses on principles of sustainability. The strategy also includes business unit-specific sustainability targets, such as those for promoting equality of opportunity and addressing demographic changes. Implementation is assured by cascading the strategic targets through the annual goal agreement process.

Customer satisfaction is a top priority at Daimler. This applies to products, sales and servicing activities, financing, insurance, and other services, thus all concerning with customer relations management. Customer appreciation is therefore extremely important. The approach to customers is made with openness and a keen sense of their individual wishes and requirements. This is crucial because customers' expectations vary greatly, in terms of their individual needs, regional considerations, and product groups. All of Daimler's business units have therefore developed within the framework of Customer Relationship Management (CRM) systems strategies and programs that are tailored to the needs of their customers. These strategies and programs include practical guidelines and recommendations for dealing with customers at the point of sale, as well as targeted training programs for staff members who have contact with customers. Daimler regularly measure customer satisfaction through internal studies conducted at the dealership level and in external surveys that reveal the position compared to competitors at the national level. The result shows where customers think Daimler improve and which aspects are particularly important to them. These aspects include product and service quality as well as consumer protection topics such as those related to the handling of complaints and the use of personal data. These issues are therefore important to work to further improve customer satisfaction. Daimler also conducts specialized surveys and stakeholder discussions to obtain information about special customer requirements such as those related to individuals whose mobility is restricted.

G. Supply Chain Management

Procurement activities at Daimler are managed in three departments: Procurement Mercedes-Benz Cars and Vans, Procurement Daimler Trucks and Buses, and International Procurement Services – Non-Production Materials. Procurement is represented at more than 50 Daimler locations worldwide. The goal of procurement at Daimler is to create an effective global supplier network that contributes to the company's business success.

Daimler seeks to achieve sustained and efficient cooperation with suppliers in a system marked by agreement on mutual expectations and obligations, meeting standards and requirements. The aspects consider important include:

- Clearly defined performance criteria (quality, technology, costs, delivery reliability);
- The values of fairness, reliability, and credibility;
- Sustainability standards that Daimler have formulated in supplier guidelines.

The Daimler Supplier Network (DSN) has defined the Daimler procurement business philosophy as "Commitment to Excellence." The main principles of this philosophy are



performance and partnership. Supplier performance is measured with the help of the External Balanced Scorecard, which evaluates quality, technology, costs, and delivery reliability, while partnership is assessed in terms of fairness, reliability, and credibility.

Expectations regarding ecological, social, and business ethics issues are formulated in Daimler's Sustainability Guidelines for Suppliers, the principle of sustainability. At the end of 2010, these guidelines were made a binding element of the Mercedes-Benz Special Terms and the General Conditions of Procurement that apply to the majority of Daimler's suppliers. Additional individual agreements are now being gradually adapted worldwide. Sustainability and compliance are also part of the compulsory program for new employees. Consistent sustainability's standards applications in the supply chain are also very important for maintaining company's reputation. For this reason, it's also the subject of extensive discussions with stakeholders at events like the Daimler Sustainability Dialogue, maintaining contact with competitors as well as jointly promoting an effort to the development of more uniform standards.

H. Stakeholders

Daimler's business activities affects the interests of many people and take place within frameworks that differ according to country and region. Daimler can thus only do business sustainably if engages in dialogue with the various groups the company impacts, exchange information with them, address controversial topics without preconditions, and jointly search for solutions that can bring closer to a society that effectively deals with the challenges of the future. Dialogue with stakeholders is a key element of Daimler's sustainability strategy. The most important stakeholders are customers, employees, investors, suppliers, associations, non-governmental organizations (NGOs), the scientific community, national and local governments, local residents, and neighbours. The main criterion for identifying and evaluating stakeholders is the question of whether, and to what extent, a specific group is affected by Daimler's activities, or can influence such activities itself. The identification of stakeholders is linked to the definition of issue clusters that are highly relevant to sustainability from the point of view of both company and its stakeholders. The Group has units and contact persons that are responsible for these key dialogue issues, e.g. Investor Relations, Corporate Environmental Protection, Human Resources, the procurement organization, External Affairs and Public Policy, and Communications.

Over the last few years, Daimler has consolidated the stakeholder dialogue on sustainability into five issue clusters considered to be particularly important from both an internal and external point of view: Environment, Employees, Human Rights, Responsibility in the Supply Chain, and Community Relations. Daimler has defined different main themes within these clusters. The relevant corporate units and departments utilize the dialogue on the topics in these clusters as a vehicle for sharing information and incorporating external experts into discussions that address specific sustainability questions. To ensure the continual inclusion of stakeholders in ongoing dialogue, Daimler:

- Conducts surveys and studies (e.g. customer satisfaction studies, employee surveys, qualitative stakeholder surveys);
- Works in organizations and sustainability initiatives (e.g. the UN Global Compact, the German Business Ethics Network, ISO 26000 standardization bodies);
- Maintains direct personal contact with external experts, for example in working groups that meet on a regular basis.



The umbrella event for the institutionalized dialogue is the annual Daimler “Sustainability Dialogue” in Stuttgart, which was established in 2008. This forum, which is coordinated by the Sustainability Board and Office, brings together representatives from politics, associations, scientific institutes, and NGOs with executives from Daimler. The express aim of the forum is to engage in a dialogue with critical interest groups in particular so that can be possible to learn from one another and find practical solutions together. Where possible, the objective is to incorporate the knowledge gained and agreements reached in varied dialogue activities into specific measures and targets for business operations. Here is employed a materiality analyses to weight and prioritize the relevant topics, and in this sense Sustainability Report reflects the issues that are at the top of the agenda in stakeholder discussions. The valuable input regularly receive through events reinforces the determination to intensify stakeholder dialogue on the international level as well in the future.

Daimler will continue the “Sustainability Dialogue” in Germany in the future and supplement it with similar dialogue forums in additional regions. To this end, Daimler staged the first “Daimler Sustainability Forum – Ethical Standards and Corporate Responsibility” at the United Nations Pavilion at the Expo Center in Shanghai in 2010. This and other events in the future, some of which will have a regional focus, will improve the understanding of specific sustainability requirements in different nations and regions and enable Daimler to adjust our activities accordingly. These events also will offer Daimler the opportunity to present the views on responsible corporate management in direct personal discussions.

“Sustainability Dialogue 2010” happened in November 2010, in that date Daimler have invited more than one hundred and thirty internal and external specialists to central dialogue forum in Stuttgart for the third annual “Sustainability Dialogue”. Three members of the Daimler Board of Management also attended the event, in which issue specific working groups addressed selected sustainability topics, thus continuing the stakeholder discussions that had taken place throughout the year. Here is a brief overview of the discussion results from the last “Sustainability Dialogue”:

Environment - Key topics addressed included “Electric Mobility, Core Issues Related to Renewable Electricity” and “Sustainable Mobility Services and Systems.” The participants agreed to study and jointly evaluate various concepts for providing additional “green electricity for electric mobility” along the chain that stretches from power generation, electricity trading systems, and certification to vehicle manufacturers and customers. With regard to sustainable mobility concepts, Daimler plans to examine possibilities for diversifying and expanding the car2go (already in operation) and car2gether (currently being tested) mobility services, while also analyzing their environmental impact. Other topics addressed in individual discussions with environmental stakeholders outside the central dialogue forum included climate protection, air quality, and noise abatement.

Employees - The working group discussed the implications of viewing integrity as a core issue in the area of human resources. Participants of the discussion on “Crisis and Job Security” agreed that flexibility is one of the keys to overcoming potential crisis situations in the future as well. In this sense, it is crucial that flexible instruments be further developed in cooperation with labor representatives, the German Federal Employment Agency, and universities. The participants also jointly defined a “PRE SAFE MODE” and a “flexibility toolbox” that will enable Daimler to implement a more rapid response to crisis situations. Stakeholders addressing the topic of “Demographic Change” backed the company’s plan to expand the scope of the HR Management project that was presented at the event. Other locations are now to introduce the project, which has been implemented at the Bremen plant. Participants of the



“Diversity and Talent Management” discussion praised Daimler’s current corporate programs, some of which are quite ambitious. This motivates Daimler to continue promoting a corporate culture that appreciates diversity and to communicate this attitude to the general public as well. Human Rights - Daimler has reiterated its commitment to human rights as laid out in the UN Global Compact, and in particular in accordance with the “Protect, Respect and Remedy” concept formulated by Prof. John Ruggie. This concept is now being discussed at many levels of the company as a suitable approach for improving compliance with human rights. On this basis the participants reviewed the commitment to human rights in critical markets as well as possible investment and divestment strategies. Internal and external participants agreed that Daimler should take on a leading role with regard to human rights and the dialogue with relevant institutions. The Group’s Egyptian subsidiary was used as an example of how the company can influence human rights issues. Important human rights topics were identified and possible initiatives were discussed.

Supply Chain - The Supply Chain working group brought together suppliers, NGOs, and Daimler procurement managers for a discussion of suitable measures for supporting and monitoring business partners. They also addressed various options for taking action when sustainability principles are violated. Participants cited as key success factors close cooperation, the greatest possible transparency, and direct communication between Daimler, suppliers, and NGOs. The group also agreed that uniform industry standards and instruments urgently need to be developed and implemented. Other key aspects included the idea that while sustainability standards need to be globally valid, cultural and country-specific conditions nevertheless have to be taken into account when they are implemented so as to ensure permanent adherence and internalization.

Community Relations - Daimler’s objective for Community Relations is to promote Group-wide employee involvement in charitable causes through a corporate volunteering program that will become a firm component of sustainability strategy. The workshop results will be incorporated into a concept development process. The working group participants agreed that corporate volunteering program should focus on the following areas: transferring knowledge between company and the social institutions and facilities that are being operated; creating opportunities to achieve a change in points of view through the sharing of ideas; promoting a culture that recognizes the volunteer work of Daimler’s employees, and ensuring that acts as a good neighbour at all of its locations.

I. Daimler’s Sustainability Model

Daimler incorporated the concept of sustainability into its system of strategic targets. In this way Daimler emphasizes the fact that economic, ecological, and social responsibility are all interconnected within the company. Sustainability is the basic principle that governs its business operations. It requires regarding business targets and corporate interests in relation to stakeholders’ expectations and thus to prioritize the different areas in which are pursuing sustainability. Daimler has reached a materiality matrix and that was possible deriving concrete targets based on the defined areas of activity, being judged in terms of these targets in the future.

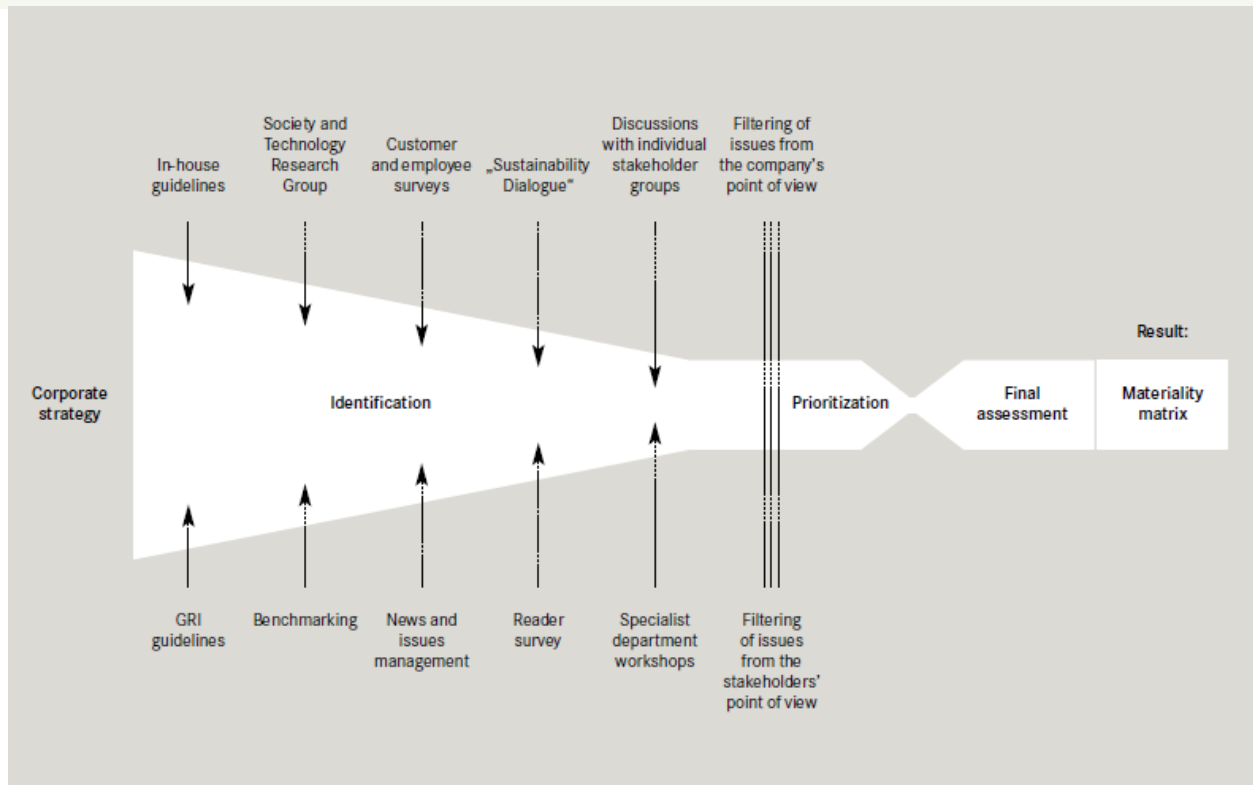


Figure 22: Materiality Analysis

The materiality and stakeholder inclusiveness defined in the Daimler Sustainability Report says that Sustainability management is a continuous improvement process and that is necessary to hold a dialogue with the stakeholders in order to define the target criteria of the process. The stakeholders range from the employees and customers to politicians and representatives of environmental and human rights organizations. The aim of that dialogue is to find out what expectations people have of Daimler as a globally operating automaker, and what have to strive to achieve in order to have sustained success that ensures transparency and helps to improve.

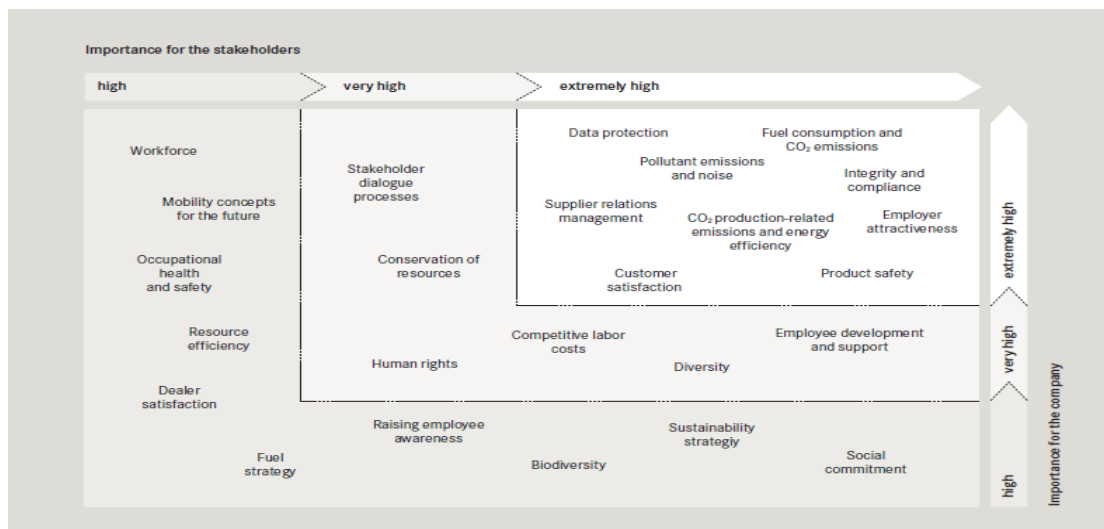


Figure 23: Materiality Matrix 2011





The result of the 2011 materiality analysis is the materiality matrix (see previous picture). It depicts all of the sustainability-related issues that are currently relevant for Daimler. In line with the prioritization process, these issues are divided into three levels of relevance. The issues meet the following criteria:

- They currently affect or will affect business activities to an extremely high/very high/high degree;
- Their importance for our stakeholders is extremely high/very high/high;
- Daimler is in a position to influence them – directly or indirectly.

Even though all of these issues are important to them, Daimler has to primarily focus on the topics located in the upper right-hand corner of the matrix. This prioritization also forms the basis of sustainability strategy and Daimler's sustainability program.

J. Measures taken

Measures already taken 2010:

Enhancement of the car production network. The groundwork is laid for reorganizing the production network. When the new C-Class be introduced in 2014, Mercedes-Benz U.S. International will manufacture C-Class sedans in Tuscaloosa for the local market, Bremen will serve as the series' competence center for Europe and Sindelfingen plant will be the central technology and research location.

Aid for earthquake victims in Haiti. Employees of Daimler and Daimler Financial Services donated money for a health station in Haiti. As with previous aid campaigns, Daimler Financial Services' Employee Matching Fund doubled the total amount of the donations.

Working time reduction ended ahead of time. Due to the increase in demand, the working time reduction stipulated in the collective bargaining agreement was ended ahead of time, in May 2010. Employees not subject to short-time work originally had their working times cut by 8.75 percent without compensatory pay back in May 2009.

Partnership between Daimler and Renault-Nissan. Daimler and Renault-Nissan will work together to create the next generation of the smart fortwo and the Renault Twingo. Another focus of the partnership is on the joint development and use of engines. The two companies also agreed to cooperate in the area of light commercial vehicles and to acquire a share of 3.1 percent in each other's enterprises.

Settlement with U.S. agencies. Daimler reached a settlement with the U.S. Securities and Exchange Commission and the U.S. Department of Justice after an investigation into violations of the U.S. Foreign Corrupt Practices Act was concluded. As a result, Daimler paid \$185 million in fines and disgorged profits. In addition, former judge Louis J. Freeh will monitor Daimler's post-settlement compliance for a period of three years.

e-mobility initiative in Baden-Württemberg. The "e-mobility Baden Württemberg" initiative launched by Daimler and EnBW Energie Baden Württemberg will turn the state into a model region for zero-emission electric mobility over the next two years. The initiative kicked off in Stuttgart and will later be expanded to include Karlsruhe.

Daimler is no longer included in the Dow Jones Sustainability Index. Despite receiving better evaluations, Daimler is no longer included in the Dow Jones Sustainability Index World. This change took place because the number of automakers in the index was reduced from six to three in 2010.

Car2gether mobility concept in Ulm and Aachen. In a pilot project, Daimler became the first automaker to test a Web-based ride-sharing service. The car2gether concept is meant to



supplement individual mobility in urban areas and is currently being tested in Ulm and Aachen.

Daimler Sustainability Forum in China. Daimler became one of the first German companies to engage in a stakeholder dialogue on sustainability in China. The event titled “Daimler Sustainability Forum – Ethic Standards and Corporate Responsibility” arguments the „Sustainability Dialogue“ that is held each year in Stuttgart.

Daimler hired more than 500 young skilled trainees in 2010. Daimler hired more than 500 young skilled trainees in 2010; most of them are computer scientists or engineers. The new recruits will strengthen the company’s innovative capabilities.

Joint venture for electric vehicles in China. BYD and Daimler signed a joint venture agreement to develop a new electric vehicle for the Chinese market. The two companies will invest a total of € 71 million in the joint venture. BYD Company Limited will contribute its expertise in the areas of battery technologies and electrical vehicle systems.

Genius – an educational initiative for children and adolescents in Germany. Daimler consolidated its educational initiatives in a program titled Genius – Daimler’s Young Knowledge Community. As part of the associated tech@school project, Daimler engineers have already given talks about their work at more than 100 schools. The initiative aims to get children and adolescents interested in technology and the natural sciences.

„Sustainability Dialogue“ 2010. On November 11 Daimler held its third annual „Sustainability Dialogue“, where approximately 130 stakeholders from Germany and abroad met company representatives to share ideas and discuss Daimler’s sustainability performance. The discussions and working groups at the event provided Daimler with action-oriented insights for further improving its sustainability performance.

Daimler brings pay raise forward to February. Daimler will raise the pay of its non-exempt employees two months earlier than planned. As a result, 120,000 employees will get 2.7 percent more money, beginning in February. The profit-sharing payout for 2010 amounted to € 3,150.

German Sustainability Award 2010 for Mercedes-Benz Atego BlueTec Hybrid. Daimler’s Mercedes-Benz Atego BlueTec Hybrid won the German Sustainability Award 2010 in the category for Germany’s Most Sustainable Products/Services 2010. The award honors companies that combine business success with social responsibility and environmental protection.

Other measures examples:

Target		Target horizon	Status quo
02 Sustainability management			
Integrity and compliance	Compliance training. Group-wide continuation of the training program with more than 150,000 participants and extension of training programs to business partners.	2011	
	Sharpening awareness. Improving employees' knowledge of the relevant agreements and guidelines.	2012	
	Reporting system. Improvement of the reporting system and Group-wide expansion of the service spectrum of the Business Practices Office (BPO).	2011	
	Business partners. Optimization and expansion of the Group-wide integrity monitoring of the business partners that operate on behalf of Daimler.	2011	



Target	Target horizon	Status quo
Data protection		
Supplier relations management		
Stakeholder dialogue processes		
Sustainability strategy		
Sustainability awareness		

Figure 24: More sustainability targets (1)

03 Product responsibility		
Fuel consumption and CO₂ emissions		
Pollutant emissions		



Target	Target horizon	Status quo	
Product safety	Euro VI for heavy-duty commercial vehicle. Euro VI type approval for 30 percent of Daimler commercial vehicles (buses, trucks, and semitrailers) in Europe by the end of 2013, on the condition that this plan is supported by the relevant political decisions.	2013	
	Safety for passenger cars. Achieving a five-star rating for each new production series even after the Euro NCAP requirements become much stricter, starting with Phase 3 in 2012	from 2012	
Conservation of resources	Assistance systems for heavy-duty commercial vehicles. Successive increases of the proportion of heavy-duty commercial vehicles equipped with assistance systems. For example, in 2009 approximately 10 percent of vehicles were equipped with Active Brake Assist; we would like to double that figure by October 2015.	2015	
	Conservation of resources. Increasing the total volume of all parts and components of Mercedes-Benz passenger car production series that have been approved for the use of renewable or recycled raw materials by 25 percent respectively by 2015, compared to the volume for 2010.	2015	
Interior emissions	Interior emissions. Continual improvement of the air quality in vehicle interiors.	2012	
Design for Environment (DfE)	Product development. Systematic integration of environmental aspects into Mercedes-Benz product development in line with ISO TR 14062 - Design for Environment.	2011	
Customer satisfaction	Mercedes-Benz Cars. Long-term maintaining Mercedes-Benz' status as the brand with the highest level of customer satisfaction in the premium segment.	2011	
	Quality of services and parts. Maintaining and increasing service quality for the customers of the Mercedes-Benz sales network, especially in the growing market for older vehicles. Retention of the brand's top position for passenger cars and commercial vehicles, also with regard to distinctions such as the „Kfz-Betrieb“ (Vehicle Operations) Service Award in Germany.	2011	

Figure 25: More sustainability targets (2)

04 Operations-related environmental protection			
Energy efficiency	Production-related CO₂ emissions. Continual reduction of specific CO ₂ emissions from production operations, resulting in 20 percent lower emissions in 2015 as compared to 2007.	2015	
Biodiversity	Biodiversity. Development of a concept by 2013 for assessing an automotive location's impact on biodiversity	2013	
Air quality, resource efficiency, environmental management	Environmental performance indicators. Development of a comprehensive system of environmental performance indicators by 2013 for managing target setting and target achievement at all locations.	2013	
05 Our employees			
Employer attractiveness	Work-life balance. Development of ways to permanently balance employees' private and professional lives and embedding these practices in the Daimler corporate culture on the basis of defined areas of activity.	2013	
	Employee commitment. Increasing employee satisfaction and identification with the company as a result of measures implemented in response to employee surveys.	2015	
	HR marketing. Strengthening our position as an attractive employer by focusing our HR marketing on the strategic future-oriented fields of "Green Recruiting" and "Emerging Markets".	2012	
Competitive labor costs	Competitive management remuneration. Implementation of a globally uniform and transparent remuneration policy that focuses on performance-based elements oriented toward the medium and long terms.	2012	

Figure 26: More sustainability targets (3)



Target	Target horizon	Status quo	
Diversity	Diversity management. In the area of diversity management, Daimler aims to be one of the leading companies in the German automotive industry and to remain on top. Diversity is therefore to be embedded in human resources processes and the corporate culture.	2020	
	Increasing the proportion of women in the workforce: A) The Daimler Group plans to increase the proportion of women in senior management positions to 20 percent worldwide by 2020. B) Daimler AG plans to increase the share of women in Level 4 management positions to between 14 and 18 percent by 2015. C) The Daimler Group plans for 35 percent of the people hired via CAREer to be women (by the end of 2011). D) Daimler AG plans to increase women's share of the workforce to between 12.5 and 15 percent by 2015, while also increasing the proportion of women trainees to between 22 and 26 percent, and of women trainees for commercial-technical professions to between 13 and 16 percent.	A) 2020 B) 2015 C) 2011 D) 2015	
	Internationalization of management. At least preservation of the share of non-German senior managers to more than 30 percent and raising the international orientation of all managers.	2015	
	Generation management. Greater consideration of demographic issues in our corporate culture and leadership processes.	2012	
Employee development and support	Securing highly qualified young talent. Ensuring that academically educated managers are recruited, supported, and properly qualified.	2011	
	Green HR strategy. A strategic initiative for anticipating and handling human resources-related challenges brought on by the transformation of drive technologies.	2012	
	Needs-based training. New prioritization, optimization, and expansion of the training programs on offer.	2015	
Occupational health and safety	Ergonomics activities. Incorporation of ergonomics activities in planning and production processes.	2015	
Workforce	Workforce. Increasing human resources flexibility at Daimler AG through the use of temporary personnel.	2012	

06 Society

Human rights	Risk management. Worldwide expansion of risk management at Daimler's 18 production locations in line with UN requirements so that possible human rights violations can be detected early on.	2013	
Social commitment	Traffic safety instruction. Expansion of traffic safety instruction measures for primary school children in Germany.	2012	
	Art and culture. Expansion of regional, location-specific efforts to promote art in regions in line with our good corporate citizen philosophy.	2012	
	Promoting education. Expansion and consolidation of educational activities for children and teenagers in Germany through the Genius initiative.	2012	
	Corporate volunteering strategy. Implementation of a company-supported volunteering program at Daimler AG.	2013	
	Corporate volunteering initiatives. Expansion of existing corporate volunteering projects and implementation of a company-supported volunteering program at Daimler AG.	2012	
	International empowerment activities. Expansion of the existing empowerment initiatives of Daimler Financial Services in Ethiopia and South Africa.	2012	

Figure 27: More sustainability targets (4)



IX. Applying the Model to Daimler

Based upon the knowledge acquired in the first part of this thesis (research), the framework built is synthesized in the page 45 in the Model Design's chapter (VI), represented at figure 19. This framework will enable the access to companies in terms of corporate sustainability, and help them to be in position in making progress in this area. In this concrete work it will help positioning Daimler. The first step consists in defining drivers (the six drivers chosen are detailed below: Preparation, Preservation, Processes, Stakeholders, Product and Production), which will be the basis for the enquiry to determine the strategic plan's stage of development in the company. The second step consists in the strategic approach of the companies based upon the enquiries made in the first stage.

Therefore, it will be presented a brief description of the six drivers:

1- Preparation:

Definition: is the act of making ready (i.e.: putting or setting in order in advance of an act or purpose). Before beginning the sustainability process it's important to: a) learn what it entails, b) articulate why the pursuit of it is important, and, c) establish the groundwork that will instill both managers and non-management employees with enthusiasm, answers, and support. Without this foundation, most attempts at sustainability are prone to confusion, suspicion, disorganization, and dwindling motivation as well as wasted time and efforts.

- Does Daimler have a clearly defined sustainability definition?

Daimler may be the automaker with longer tradition, its success is due in large part to the fact that never focused on the short term, instead, Daimler has always been a company oriented toward the long term. Additionally in 2010 Daimler "officially" incorporated the concept of sustainability into its strategic system targets, emphasizing that economic, environmental, and social responsibility go hand in hand. For Daimler, Sustainability is the basic principle that governs its business operations, and is systematically tackling a host of issues from this perspective. Sustainability requires business targets and corporate interests in relation to stakeholders expectations and thus is important prioritize the different areas in which are pursuing sustainability.

- The sustainability drivers are identified?

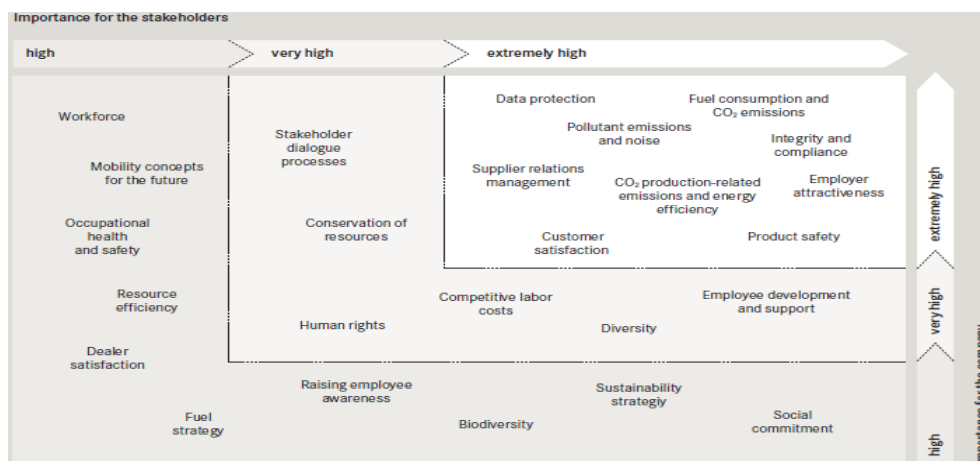


Figure 28: Daimler's Materiality matrix



Above we can see Daimler's materiality matrix. That matrix depicts all of the sustainability-related issues that are currently relevant for Daimler. In line with the prioritization process, these issues are divided into three levels of relevance. The issues meet the following criteria:

- Affect or will affect the business activities to an extremely high/very high/high degree.
- Their importance for our stakeholders is extremely high/very high/high.
- Daimler is in a position to influence them – directly or indirectly.

Even though all of these issues are important, Daimler has to primarily focus on the topics located in the upper right-hand corner of the matrix. This prioritization also forms the basis of its sustainability strategy and sustainability program.

It is necessary to do a continuous improvement process in line with the targets. As a result, the reporting structure more accurately reflects the special profile of sustainability requirements. Although Daimler aims to continuously improve the materiality analysis, some weaknesses cannot be completely eliminated. For example, the selection of the issues is always subjective to a certain extent. In addition, it is not always possible to accurately depict the interests of the various stakeholders, which can deviate from one another, and Daimler is trying to solve this problem setting average values.

- There is an integrated and oriented sustainability model?

As I said before sustainability management is a continuous improvement process. Daimler thinks that is necessary to hold a dialogue with the stakeholders in order to define the target criteria of the process. The stakeholders range from employees and customers to politicians and representatives of environmental and human rights organizations. The aim of this dialogue is to find out what expectations people have of Daimler as a globally operating automaker, and what is necessary to strive to achieve in order to have sustained success. The sustainability reporting is part of this improvement process. It ensures transparency and help to improve. In preselecting issues, Daimler orient itself according to the specific sustainability-related that challenges the core area of business, drawn on the GRI criteria catalogues as well as on external and internal standards and regulations. During the further steps of the materiality analysis, Daimler strives to gain as precise as possible a picture of stakeholder groups' expectations.

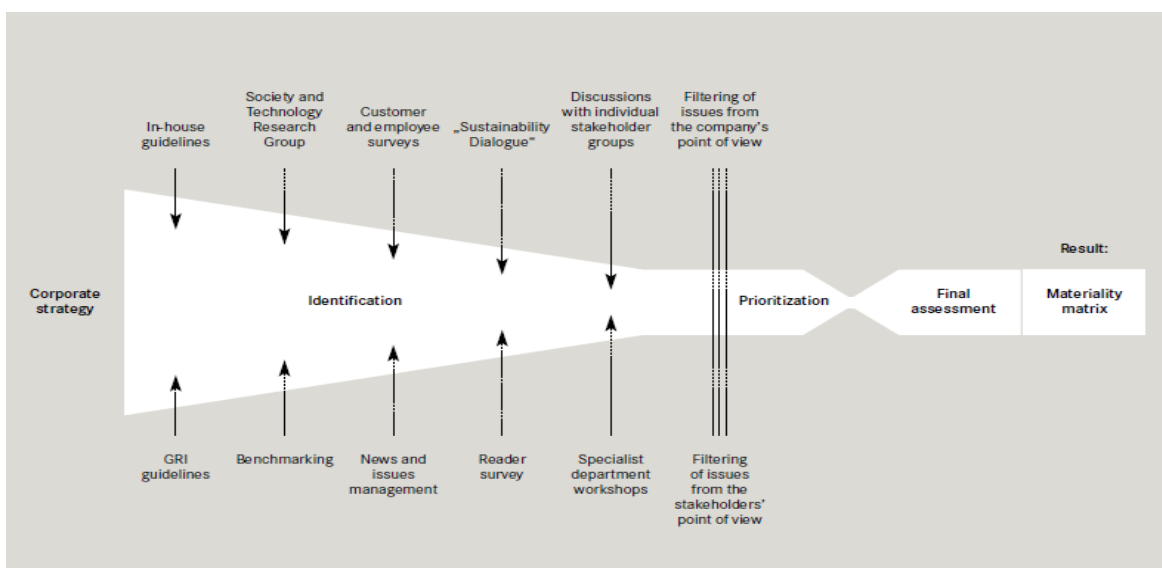


Figure 29: Daimler's Materiality analysis



- The sustainability consists in a competitive advantage viewed by strategic dimension?

The Daimler's overriding corporate goal is to achieve sustainable profitable growth and increase the value of the Group, intending to be among the world's leading automotive companies. The Daimler target system consists of six strategic dimensions:

1. Excellent products offering superior customer experience form the basis for success;
2. Leading brands;
3. Innovation and technology leadership;
4. Global presence and networking;
5. Operational excellence and sustainability;
6. High performing and inspired employees.

In the long term Daimler can only safeguard success if aligns the corporate behavior with the principle of sustainability. This principle determines the corporate behavior in all of the key areas: business operations, corporate governance, environmental protection, and safety, as well as relationships with employees, customers, and society. Because Daimler wants to embed sustainability not only in practical operations but also in formal principles, the Board of Management included sustainability as an additional target in the Daimler target system. The employees orient their behavior according to corporate values of Passion, Respect, Integrity, and Discipline. They strive to set an example by behaving ethically and in conformity with the law.

2- Preservation:

Definition: Preservation is: a) The process of keeping something in existence, b) Keep up or maintain something, c) The act of protecting or safeguarding something from harm or injury, d) Keeping possession of, or retaining, what currently exists. Any way it's looked at, preservation is not about standing still. In a business context, sustainability demands that two forms of preservation take place. The first is internal and involves the collection and analysis of real-time measurement in production processes and product use. The second form is external and includes keeping ahead of laws and legislation, industry improvements, directives from customers (e.g.: 'scorecards' insisting that packaging or toxins be reduced), disruptive trends, and other forms of change.

- Daimler has metrics (KPI's) to evaluate sustainability?

Yes, and has an example we have this list of indicators (metrics) for each dimension:

- Environmental protection:

Management Approach, Volume of materials used, Recycled materials, Direct primary energy consumption, Indirect primary energy consumption, Energy conservation, Initiatives for energy-efficiency and renewable energy, Initiatives for reducing indirect energy consumption, Total water withdrawal, Effect of water withdrawal, Water recycled and reused, Land assets in or adjacent to protected areas, Impacts on biodiversity, Habitats protected or restored, Strategies for biodiversity, Endangered species, Greenhouse gas emissions, Other greenhouse gas emissions, Initiatives to reduce greenhouse gas emissions, Emissions of ozone-depleting substances, NOX, SOX, and other air emissions, Water discharge, Waste by type and disposal method, Significant spills, Waste deemed hazardous under the terms of the Basel Convention, Impacts of discharges and runoff on biodiversity, Initiatives to mitigate environmental impacts, Packaging materials, Sanctions for noncompliance with environmental regulations, Environmental impacts of transport, Environmental protection expenditures Employees, Management Approach, Workforce by employment type and region, Employee turnover,



Benefits to full-time employees, Employees with collective bargaining agreements, Minimum notice period(s) regarding operational changes, Workforce represented in joint health and safety committees, Occupational diseases, lost days, and number of fatalities, Training on serious diseases, Trade union agreements on health and safety, Training per employee, Programs for lifelong learning, Regular performance and career development reviews, Composition of governance bodies, Gender pay disparity, Human rights, Management Approach, Investment agreements, Supplier screening on human rights, Training on human rights, Incidents of discrimination, Freedom of association and collective bargaining, Child labor, Forced labor, Training for security personnel, Violations of rights of indigenous people

- **Society:**

Management Approach, Impacts on communities, Corruption risks, Anti-corruption training, Actions taken in response to incidents of corruption, Lobbying, Donations to political parties and politicians, Legal actions for anticompetitive behavior, Sanctions for non-compliance with laws and regulations

- **Product Responsibility:**

Management Approach, Health and safety impacts along product life cycle, Non-compliance with health and safety standards, Product information, Non-compliance with product information standards, Customer satisfaction, Marketing communication standards, Non-compliance with marketing communication standards, Complaints regarding customer privacy, Sanctions for non-compliance with product and service related regulations

- **Sector Supplement:**

Specify stipulated work hours per week and average hours worked overtime in production, Percentage of employees not managed on an hourly basis with overtime compensation schemes, Percentage of major first-tier supplier facilities with independent trade union organizations, Numbers of vehicles sold, broken down by type, fuels, power train technologies, and region, Breakdown by region/country of the compliance of vehicles sold with the respective existing and next defined emissions standards, Average fuel economy by type of vehicle broken down by region, as applicable, Average carbon dioxide emissions by type of vehicle* broken down by region, as applicable, Breakdown by region/country of compliance of vehicles sold with the respective existing and next defined noise standard, (“EN29. Significant environmental impacts of transportation used for logistical purposes”), Weight of vehicle and percentage breakdown of generic, recylate, and renewable material of a best-selling vehicle.

• Transparency is an important aspect permanently in consideration?

Because Daimler has its headquarters in Germany, its corporate governance system is designed in accordance with German law. The powers of the three main corporate bodies – the General Meeting, the Board of Management, and the Supervisory Board – are also defined by German stock corporation law. The law’s most important aspect is the dual management system, which calls for strict separation between the management organ (the Board of Management) and the monitoring organ (the Supervisory Board). Integrity is a key condition for partnerships based on trust, which is why Daimler expects that business partners act in full accordance with all regulations. And to minimize corruption risks, Daimler conducts a riskbased integrity evaluation of all business partners that support Daimler sales. Daimler also signs contractual agreements with these partners that make clear expectations regarding proper behavior. Compliance cannot be delegated. Because they serve as role models and primary contact persons for their employees, managers bear special responsibility for ensuring correct behavior. Personnel development process therefore emphasizes the importance of compliance. Only those



employees who consistently obey the rules are allowed to take on greater responsibility. Daimler sets firm compliance targets for managing directors, financial and sales directors, and aftersales managers, and also plans to link the variable management remuneration component even more closely to compliance criteria in the future.

- Actions are developed to accomplish the environmental regulation?

For Daimler, compliance means that its activities must adhere to all the relevant laws, regulations, and rules, as well as the applicable internal guidelines. The corporate value of Integrity forms the basis of all Daimler's compliance activities. A sustainable culture of integrity can only be established if everyone at the company assumes full responsibility for his or her actions. Business integrity and sustainable growth are closely linked because a community of values also generates a community of value creation in the long run. That's why Daimler try to create a global corporate culture that not only complies with legal requirements but also lives up to the highest ethical standards. To this end, the Supervisory Board decided to establish a new Board of Management position for "Integrity and Legal" in the third quarter of 2010. For example, newly hired staff members are given a "Welcome Package" outlining our rules of behavior, and periodic Web-based training sessions continually update their knowledge of key issues. Daimler also conducts compliance checks on employees set for assignment to positions that involve business in countries with a high level of corruption. Our vigilance is further enhanced through targeted rotations and the temporary assignment of employees to compliance functions.

- There are tools to help sustainability?

Daimler takes a preventive approach to environmental protection that systematically takes into account all the stages of the vehicle manufacturing process, as well as the complete product life cycle – from development to recycling. The basic principles for this are formulated in the Environmental Guidelines, which are valid throughout the Group:

- Addressing the environmental challenges of the future by working continuously to improve the environmental performance of our products and operations.
- Developing products that are exceptionally ecologically sound within their respective market segments.
- Planning all stages of manufacturing to ensure optimal environmental protection.
- Offering to customers ecologically oriented services and information.
- Striving to achieve exemplary environmental performance worldwide.
- Providing employees and the public with comprehensive information about environmental protection.

3- Processes:

Definition: A process is defined as: a) a series of progressive, interrelated steps or actions from which an end result is attained, or, b) a prescribed procedure or a method of conducting affairs. Either way, processes form the belief systems, philosophies, or thought patterns that constitute the work environments in which goods and services are manufactured (seen from this angle, a business process can also be referred to as a 'business model' or 'the way we do things around here'). Most practitioners agree that for any business process to function properly, total commitment from all involved is mandatory. Success is also reliant upon a perfect fit between the process, its product, and the business's customers.



- Is the value chain perfectly identified in the sustainability perspective?

Procurement activities at Daimler are managed in three departments: Procurement Mercedes-Benz Cars and Vans, Procurement Daimler Trucks and Buses, and International Procurement Services – Non-Production Materials. Procurement is represented at more than 50 Daimler locations worldwide. The goal of procurement at Daimler is to create an effective global supplier network that contributes to the company's business success.

- There are metrics perfectly identified to improve efficiency in process?

Daimler seeks to achieve sustained and efficient cooperation with suppliers in a system marked by agreement on mutual expectations and obligations. The aspects Daimler consider important include:

- Clearly defined performance criteria (quality, technology, costs, delivery reliability);
- The values of fairness, reliability, and credibility;
- Sustainability standards that have been formulated in the supplier guidelines.

The Daimler Supplier Network (DSN) has defined the Daimler procurement business philosophy as "Commitment to Excellence." The main principles of this philosophy are performance and partnership. Supplier performance is measured with the help of the External Balanced Scorecard, which evaluates quality, technology, costs, and delivery reliability, while partnership is assessed in terms of fairness, reliability, and credibility.

- The organization is positioned accordingly with the sustainability perspective?

Daimler wants to make all stages of vehicle production as environmentally compatible as possible. And therefore commit itself to this goal in the third environmental guideline, which is an integral part of Daimler's environmental strategy. Daimler aims to set standards for environmentally compatible production and processing techniques and to improve operations-related environmental protection and on using and enhancing techniques for saving energy and water and for reducing waste and emissions.

- The actions taken are focused in efficiency and low cost?

The main areas in which Daimler is acting on sense of responsibility for production processes are climate protection, air pollution prevention, and resource conservation.

We are striving to:

- Reduce direct and indirect CO₂ emissions;
- Reduce solvent emissions;
- Increase resource efficiency and avoid the production of waste materials.

4- Stakeholders:

Definition: Sustainability is not a technological issue. At its core it is a behavioural issue and as such it is dependent upon teamwork, cooperation and motivation. For sustainable practices to take root and produce results, every employee – whether he or she is a cleaner, a production line worker, or an administrator – must contribute to the process (even paying customers). No matter what level or experience a person has, everyone has the potential to discover a sustainable path that has been overlooked. Just as important, any employee has the ability to add that final bit of effort that avoids failure and promotes success. Understanding the importance of people in all phases of the sustainability process is necessary to ensure that a thorough and combined effort on all fronts is made. Simply put, people are a business's ultimate competitive advantage.



- The Daimler's stakeholders to which the Sustainability measures are taken specifically are the following?:

- Clients;

The Mercedes-Benz brand is one of the Daimler Group's most valuable intangible assets – and according to the market consulting firm Interbrand, it is the most valuable premium automobile brand in the world. Daimler wants to maintain and increase this brand value. And everything that can do to achieve that goal happens in the context of the relationship with customers – because it is who gives the brand, its importance and value, every time they choose a Mercedes-Benz. In 2010 Daimler painstakingly refined brand's image in order to place even greater emphasis on the claim to leadership that it embodies. This claim to leadership is expressed in the three brand values of fascination, perfection, and responsibility. Daimler wants that customers experience these values through the quality of the vehicles and services and in every contact they have with Mercedes-Benz. And this serves as a guideline for the daily behavior of our employees – regardless of whether they work in research and development, procurement, production, sales, or the service and parts departments.

- Employees;

For Daimler, a corporate management system based on values and the principles of sustainability must also include social responsibility with regard to workforce. For this reason, the concerns of employees in Germany and around the world play a major role in the business decision-making processes. That's not only because Daimler uphold values such as respect and fairness but also because Daimler wants that business success be founded solely upon the expertise and dedication of employees. Daimler therefore seeks to create the best possible working conditions for the staff. Daimler's approach here includes appropriate remuneration, high standards of occupational safety and health management, flexible working time models, and extensive opportunities for education and training. Within the framework of diversity management activities, Daimler also strives to make diversity a value factor in human resources processes and corporate culture. Daimler's focus in 2010 was primarily on increasing the share of women in the workforce and managing demographic change – and were quite successful in both areas. For example, the proportion of women in senior management positions at Daimler reached 9.0 percent in the year under review.

- Shareholders;

Daimler AG is the parent company of the Daimler Group and is domiciled in Stuttgart. The main business of the Company is the development, production and distribution of cars, trucks and vans in Germany and the management of the Daimler Group. In addition to Daimler AG, the Daimler Group includes all the subsidiaries throughout the world in which Daimler AG has a direct or indirect controlling interest. Through those companies, Daimler conducts for example business with buses and financial services. Daimler can look back on a tradition now covering 125 years, a tradition that extends back to Gottlieb Daimler and Carl Benz, the inventors of the automobile, and features pioneering achievements in automotive engineering. Today, the Daimler Group is a globally leading vehicle manufacturer with an unparalleled range of premium automobiles, trucks, vans and buses. And product portfolio is completed by a range of tailored automotive services.

- Suppliers;

Daimler wants to achieve sustained and efficient cooperation with suppliers in a system marked by agreement on mutual expectations and obligations. The aspects that they consider important include:



- Clearly defined performance criteria (quality, technology, costs, delivery reliability);
- The values of fairness, reliability, and credibility;
- Sustainability standards that have been formulated in the supplier guidelines.

The Daimler Supplier Network (DSN) has defined the Daimler procurement business philosophy as “Commitment to Excellence.” The main principles of this philosophy are performance and partnership. Supplier performance is measured with the help of the External Balanced Scorecard, which evaluates quality, technology, costs, and delivery reliability, while partnership is assessed in terms of fairness, reliability, and credibility.

- Society.

Daimler can only be successful in the long run if creates value for all stakeholders. Daimler therefore regards social involvement as a key component of business activities, and applies stringent quality standards to it. For example, formulates clear criteria for the support of social causes, and regularly monitor their success and the effect of the initiatives in which participates. A special committee for donations and sponsorship assesses all of larger projects, and transparency is ensured by a Group-wide database in which continuously document social involvement. The donation activities focus on the promotion of science and education, support for charitable projects, and disaster relief. Through sponsorship Daimler supports sustainable development in the areas of education, environmental protection, art, and culture in the places where does business. Daimler also actively foster well-functioning communities – for example through corporate volunteering and dialogue with governments. And have established a number of foundations that dispense financial assistance over the long term to promote certain objectives. Daimler believes that entrepreneurship and social responsibility go together, wherever conducts business. As a global corporate group, operates production facilities and sales and service outlets in many countries. As an employer and a client, interacts in many ways with the communities and regions in which Daimler operates. This presents the challenge and the responsibility of actively helping to shape these communities and fostering dialogue between different cultures.

- Are partnerships created with other stakeholders with the purpose to develop sustainability?

One component of the integrated approach of Daimler’s “Road to Emission-free Driving” comprises partnerships with other companies from the fields of technology, energy, and infrastructures, together with the public sector. Initiatives such as the international “e-mobility” projects, the fuel cell test fleets in Berlin, Hamburg, and Los Angeles, or the “car2go” carsharing projects in Ulm, Hamburg, and Austin (Texas) provide the basis for testing new vehicle and mobility concepts in practical operation.

5- Product:

Definition: Because of the vast quantities of materials and energy that most products require, not to mention the huge amounts of waste they produce while they’re being manufactured, making products more efficient (and more efficiently) is crucial to reduce the costs of running a sustainable business. To be sure, redesigning products and the methods used to make them is time-consuming and arduous—however, many practitioners attest that it is one of the most financially rewarding.

- The services/products are systematically redesigned in function of sustainability?

A product’s environmental impact is largely decided in the first stages of development. The earlier that environmentally responsible product development (Design for Environment, DfE) is



integrated into the development process, the more effectively it can help minimize the impact on the environment. By contrast, later corrections of the product design are only possible at great cost and effort. This is why Daimler's development specifications already include continual improvements made to the environmental compatibility of Daimler vehicles. Serving as a cross-divisional team, DfE experts are involved in all stages of the vehicle development process. Their job is to evaluate all new component and vehicle concepts as part of a comprehensive assessment.

- The concern with the package is one of the main issues at Daimler?

General industry's concern is about package, but here, in automotive are during the development phase, Daimler as concern for example in optimizing consumption of primary energy, the use of raw materials, and recyclability. In addition, concepts such as car2go point the way to a sustainable future for urban mobility. Besides these factors, Daimler's product strategy also focuses on vehicle safety. Daimler is therefore employing a range of different safety technologies as progress along the "Road to Accident-free Driving." A key role is played here by innovative assistance systems, which can prevent accidents. They are very effective in protecting the life and health of vehicle occupants and other road users.

- The product is created in the perspective of the life cycle?

To make a vehicle more environmentally friendly, its emissions and resource consumption must be reduced throughout its entire life cycle. Environmentally responsible product development therefore begins with the selection of suitable raw materials and ends with recycling-compatible design and production processes. These make it possible to reuse or recycle used components at a later stage. Particular attention is paid to the use of strategic raw materials such as rhodium, lithium, and rare earth elements. Daimler's DfE experts analyze the functions of these raw materials and the quantities in which they are used for each production series in order to identify and exploit potential for reductions. And besides the requirements of ecologically oriented product development are specified in the ISO 14062 standard. In 2005 the Mercedes-Benz S-Class became the world's first automobile to receive a TÜV environmental certificate for fulfilling this standard. Since then, almost all Mercedes-Benz production series have been awarded the environmental certificate, most recently the Mercedes-Benz CLS in 2010. Each certificate documents the progress that has been achieved by comparison with the predecessor model.

- The recycling is considered in the product conception stage?

During the development process a high priority is placed on incorporating environmental protection and recycling capability aspects into vehicle designs. The recycling concept is created in parallel with the vehicle's development, with analysis of the individual components and materials at each stage of the process. The regulations for disposing of end-of-life vehicles are based on the EU directive for end-of-life vehicles and include:

- Free take back of all end-of-life vehicles;
- An effective vehicle take-back and recycling network;
- Prohibition of lead, hexavalent chromium, mercury, and cadmium, taking into account the exceptions in Annex II of the directive;
- Detailed disassembly information that is available to vehicle recycling companies online via the automotive industry's electronic International Dismantling Information System (IDIS).

The Mercedes-Benz Used Parts Center makes an important contribution to the recycling approach through its purchase of tested and certified used components and reconditioning of remanufactured engines.



6- Production:

Definition: The mechanical, biological or chemical processes used to transform materials or information into products or services and deliver them to where they need to be. Offices, factories, farms, and restaurants all rely upon equipment and machinery in one form or another to turn information and resources into goods and services and since many of these tools (and processes) can waste as much or more than they produce, they present a prime target for efficient, sustainable practices.

- At Daimler the base philosophy is “lean production”?

As an automaker, Daimler makes part of an industrial sector that consumes large volumes of material. It is therefore essential that the necessary raw materials be used efficiently in the production process so that can work with finite resources in a responsible manner. Ferrous and non-ferrous metals are essential raw materials for the production of vehicle bodies and major components. Because Daimler obtains these metals from suppliers, their environmental impact is not reflected in their own environmental performance. However, they are taken into account when they make holistic environmental assessments during product development and when select materials. Some metals that are needed for the production of catalytic converters and will increasingly be required for batteries and electric drive systems in the future are extremely scarce worldwide. Daimler’s strategic goal is to employ efficient technologies so that the use of such materials can be kept to a minimum. Another aim is to take the recycling of materials from end-of-life vehicles into account as early as the product development stage.

- The “reducing waste” is systematically considered?

When it comes to waste management, Daimler believes that prevention and recycling are better than disposal. Accordingly, the reconditioning and reuse of raw, process, and operating materials has been standard practice at the Group for many years now. Moreover, in order to avoid the creation of waste from the outset, Daimler uses innovative technologies and eco-friendly production planning processes. And because remain responsible for waste even after it has left the plants, Daimler use a standard process to regularly evaluate the companies charged with disposing the waste of our German production facilities. None of the waste is exported to other countries. Successful waste management requires clear and eficiente processes. At Daimler bus plant in Istanbul, for example, it was introduced a new decentralized waste logistics system that requires fewer transport shipments within the plant than was previously the case and also saves space at the central waste collection site. An example of the successful prevention of waste is the introduction of circulating, reusable transport boxes instead of disposable wood packaging for deliveries between the plants in East London, South Africa, and Würth, Germany. Because the reusable wooden boxes can be disassembled for compact storage, 120 of these boxes fit into a single container that is shipped back. This approach allows Daimler to save up to 150 tonnes of waste wood per month. This project serves as a model for the low-waste packaging of various prefabricated parts and components that are transported to CKD assembly plants all over the world.



X. Positioning Daimler in accordance with the Model

So, relatively to the second step of the model evaluation, which consists in the strategic approach of the company and based upon the Knowledge of Daimler company, that was presented earlier, the model developed will support the positioning accordingly the DPS model (see figure 19) presented in the VI chapter (Model Design).

Preparation:

- (1) Does Daimler has a clearly defined sustainability definition?

Daimler is being emphasizing the fact that economic, environmental, and social responsibility go hand in hand with Sustainability, which is the basic principle that governs business operations. This is an issue that is showed in the *first quadrant*, and it is accomplished and it's overcome by Daimler

- (2) The sustainability drivers are identified?

All of the sustainability-related issues that are currently relevant for Daimler are in line with a prioritization process divided into three levels of relevance and meeting several criteria. Which allows the evaluation of the business practices and for that reason accomplishes a model's *second quadrant* issue.

- (3) Is there an integrated and oriented sustainability model?

As I sad before, sustainability management in Daimler is a continuous improvement process. And during the further steps of the materiality analysis, Daimler strives to gain a precise picture as possible of stakeholder groups' expectations. So, achieving a new type of organizational model is a *third quadrant* question, obtained by Daimler.

- (4) The sustainability consists in a competitive advantage viewed by strategic dimension?

Daimler's overriding corporate goal is to achieve sustainable profitable growth and intends to be among the world's leading automotive companies. And in the long term Daimler can safeguard success only if aligns corporate behavior with the principle of sustainability. This is the sustainability innovation for the future considered in the model's *fourth quadrant*, fulfilled at Daimler.

Preservation:

- (5) Daimler has metrics (KPI's) to evaluate sustainability?

Yes, and has an example I have listed the indicators (metrics) for each dimension:

- **Environmental protection:**
- **Society:**
- **Product Responsibility:**
- **Sector Supplement:**

These metrics are an issue to be considered in the model's *third quadrant* which are achieved by Daimler.

- (6) Transparency is an important aspect permanently in consideration?

Integrity is a key condition for partnerships based on trust, which is why Daimler expects that business partners act in full accordance with all regulations. And to minimize corruption risks, Daimler conducts a riskbased integrity evaluation of all business partners that support Daimler sales. Transparency is in the model's *second quadrant* and an issue obtained at Daimler.

- (7) Actions are developed to accomplish the environmental regulamentation?



For Daimler, compliance means that its activities must adhere to all the relevant laws, regulations, and rules, as well as the applicable internal guidelines. The compliance attitude is in the *second quadrant*, and is achieved and overcome at Daimler.

- (8) There are tools to help sustainability?

Daimler takes a preventive approach to environmental protection that systematically takes into account all the stages of the vehicle manufacturing process, as well as the complete product life cycle, from development to recycling. Which allows permanent product redesign and reframed organizational models. This question is considered in the *third* and *fourth quadrants*.

Processes:

- (9) Is the value chain perfectly identified in the sustainability perspective?

The goal of procurement at Daimler is to create an effective global supplier network that contributes to the company's business success. This answer is part of the *second quadrant* and fulfilled at Daimler.

- (10) There are metrics perfectly identified to improve efficiency in process?

Daimler considers important:

- Clearly defined performance criteria (quality, technology, costs, delivery reliability);
- The values of fairness, reliability, and credibility;
- Sustainability standards that have been formulated in the supplier guidelines. The metrics identification is a need to the supply chain productivity and fulfill the model's *third quadrant*.

- (11) The organization is positioned accordingly with the sustainability perspective?

Daimler aims to set standards for environmentally compatible production and processing techniques and improve operations-related environmental protection on using and enhancing techniques for saving energy and water for reducing waste and emissions. The *fourth quadrant* is strongly focused in this issue.

- (12) The actions taken are focused in efficiency and low cost?

The main areas in which Daimler is acting on sense of responsibility for production processes are climate protection, air pollution prevention and resource conservation. Daimler not only accomplishes this *first quadrant* issue (efficiencies) but clearly is beyond that.

Stakeholders:

- (13) The Daimler's stakeholders to which the Sustainability measures are taken specifically are the following?:

- Clients;

Daimler wants that customer experience these values through the quality of the vehicles and services, and in every contact they have with Mercedes-Benz.

- Employees;

Daimler upholds values such as respect and fairness and also wants that business success be founded solely upon the expertise and dedication of employees.

- Shareholders;

Daimler AG is the parent company of the Daimler Group and is domiciled in Stuttgart. The main business of the Company is the development, production and distribution of cars, trucks and vans in Germany and the management of the Daimler Group.

- Suppliers;

Daimler defined a Supplier Network (DSN), procurement business philosophy as "Commitment to Excellence." The main principles of this philosophy are performance and partnership. Supplier performance is measured with the help of the External Balanced





Scorecard, which evaluates quality, technology, costs, and delivery reliability, while partnership is assessed in terms of fairness, reliability, and credibility.

- Society.

Daimler therefore regards social involvement as a key component of business activities, and applies stringent quality standards to it. These questions raised are positioned in several quadrants namely at *third* and *fourth* and they are fulfilled at Daimler.

- (14) Are partnerships created with other stakeholders with the purpose to develop sustainability?

Partnerships with other companies from the fields of technology, energy, and infrastructures, together with the public sector are one component of the integrated approach of Daimler. This is needed to fulfill the *fourth quadrant*.

Product:

- (15) The services/products are systematically redesigned in function of sustainability?

The environmentally responsible product development (Design for Environment, DfE) is integrated into the development process early, to be more effectively and to can help minimize the impact on the environment. This is part of the *third quadrant* achieved at Daimler and is beyond that.

- (16) The concern with the package is one of the main issues at Daimler?

General industry's concern is about package, but here, in automotive and during the development phase, Daimler is concerned for example in optimizing consumption of primary energy, the use of raw materials, and recyclability. The concern for efficiencies is part of the model's *third quadrant*, not only accomplished at Daimler but overcome.

- (17) The product is created in the perspective of the life cycle?

Environmentally responsible product development therefore begins with the selection of suitable raw materials and ends with recycling-compatible design and production processes making possible to reuse or recycle used components at a later stage. The reusing and recycling allows supply chain productivity is part of model's *third quadrant*.

- (18) The recycling is considered in the product conception stage?

The recycling concept is created in parallel with the vehicle's development, with analysis of the individual components and materials at each stage of the process. This is in the *second* and *third quadrant*.

Production:

- (19) At Daimler the base philosophy is "lean production"?

It is essential to Daimler that the necessary raw materials be used in an efficiently way in the production process so that can work with finite resources in a responsible manner. This issue is accomplished by Daimler and is positioned in the *third quadrant*, and Daimler's concerns are far beyond these.

- (20) The "reducing waste" is systematically considered?

Daimler believes that prevention and recycling are better than disposal. This issue is a concern for *second* and *third quadrant's* model, since Daimler not only accomplishes but also overcome this.



As consequence from the previous description, the issues analysed will be positioned in the model's quadrant:

Drivers and impacts of a sustainability effort	Specific to a company (or industry)	<u>II. Good Business Practices</u> 1 - 2 - 6 - 7 - 9 - 18 - 20	<u>III. Competitive differentiation</u> 3 - 5 - 10 - 13 - 15 16 - 17 - 18 - 19 - 20
	Shared universally among all companies	<u>I. Table Stakes</u> 1 - 12	<u>IV. Game-changing innovation for the future</u> 4 - 8 - 11 - 13 - 14
		Short term	Long term

Time horizon of a sustainability effort

Figure 30: Daimler's positioning according the model

As analysed previously, the issues/measures taken by Daimler in the perspective of the sustainability model that I created, are mainly in the second quadrant (seven answers) and in the third quadrant (ten answers). So, Daimler has a clearly competitive differentiation advantage. In terms of product redesign and new market entries Daimler has been doing an excellent job, launching new automotive models with less emissions and electric and fuel driven models.

But it's in the fourth quadrant that lays the Daimler future, which will need the best and focused future efforts. In the future, Daimler has to focus in the innovation for the future, because innovation is a sustainability engine. Daimler has strong ties to stakeholders and has been prioritizing that in their actions. I think that Daimler can make a difference creating reframed economic models, looking for new organizational models, and for that reason is an issue that must be worked.



XI. Conclusions

The goal of making a positive social and environmental impact is achieved by ensuring the stability and profitability within the companies and to its stakeholders. The current economic crisis is leading many companies to abandon, postpone or scale back the sustainability projects. With this thesis I highlight that sustainability is no longer a buzzword of environmental activists but rather a necessary component of success and longevity.

In this thesis I defined drivers and framework which I applied in Daimler case study demonstrating a real life context situation. My main goal was to develop a corporate sustainable model (which I called DPS - Definition and positioning of Sustainability). Based upon the knowledge acquired I built a framework that enables the access to evaluate companies in terms of corporate sustainability, helping them to be in position to make progress in this area. In this concrete case the model developed pretends to add value and be a must to Daimler A.G. in sustainability terms. That will be possible helping positioning the company in the present context (defining its actual sustainability state) and then establishing sustainability priority actions to the future.

It is important to highlight that sustainability is driven by innovation. There are always new potential likely technologies that Daimler can take to market. Innumerous examples of promising technologies can be pointed out in different fields such as renewable energy production (for example: biofuels, storage, solar, wind and powertrain efficiency), carbon capture, biotech and transportation. To get this right is necessary to think about innovation for sustainability in terms of business models as I said before, at Daimler and accordingly with my study conclusions.

The future of automotive sector relies on a mix of car ownership, public transportation and car sharing, which is far from the mass production system. One of the keys to innovation for sustainability is clearly opening up the discussion of business model design to a wider community, being part of the solution and join the right people, something that technology and growing confort with stakeholders makes more possible than ever. It is important to say that innovation is disruptive, and no one gets very far by spread some green paint on our current economy. But by reimagining products, processes, and models, the transformation is possible. In this way Daimler needs to look for ways to reduce consumption and increase value. That's the path to follow, obviously through innovation. The two areas for possible adaptation and innovation in an economic model are Production and Marketing. Marketing is the set of activities, mechanisms and relationships for selling goods or services, that permits to capture the value and Production is the act of creating that use value, or utility to satisfy a want or a need. Daimler will need to have a future focus in these two areas. Daimler needs to maintain its way to sustainability and pursuing the factors that contribute to the success of economic models for sustainable development:

- Continuing to build their own capacities and strategic alliances with other enterprises, government agencies and development practitioners;
- Looking in local communities for partners and co-designers of new models enhancing local buy-in and ownership;
- Be carefully enough creating economic models for sustainable development assuring that they will be self-sustaining in the long term.



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