

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT IN ACCORDANCE WITH SECTIONS 289F AND 315D OF THE HGB INCLUDING THE CORPORATE GOVERNANCE REPORT¹

At MAN, management and supervision of the Company and the Group is focused on ensuring sustained value creation and an appropriate profit in line with the principles of the social market economy.

Corporate governance is shaped by the applicable laws, in particular the provisions of German stock corporation law, by our Articles of Association and internal regulations, and by nationally and internationally recognized standards of good and responsible corporate governance. The German Corporate Governance Code (the Code) represents the statutory provisions for the governance of German stock corporations that apply to MAN and provides recommendations and suggestions for applying corporate governance at MAN in accordance with recognized standards.

On April 26, 2013, MAN SE, as the controlled company, entered into a domination and profit and loss transfer agreement (DPLTA) with Truck & Bus GmbH (now Volkswagen Truck & Bus GmbH), a wholly owned subsidiary of Volkswagen AG, as the controlling company. Profit transfer occurred for the first time in fiscal year 2014, whereas the part of the intercompany agreement relating to control (domination) became effective on July 16, 2013, when it was entered in MAN SE's commercial register. Since that date, Volkswagen Truck & Bus GmbH has been authorized to issue instructions to the Executive Board of MAN SE.

The ethical guidelines that apply to the MAN Group are laid out in our Code of Conduct, which is also available on our website at www.corporate.man.eu under the "Compliance & Risk" heading.

(1) Corporate governance at MAN²

Both MAN's Executive Board and its Supervisory Board have addressed the corporate governance system and compliance with the recommendations and suggestions contained in the Code in detail. They are aware that good and transparent corporate governance that complies with

both national and international standards is of central importance for ensuring responsible management with a long-term focus.

Declaration of Conformity

In December 2017, the Executive Board and the Supervisory Board issued the Declaration of Conformity reproduced in the following. The reasons for the exceptions disclosed are given in the text of the declaration.

"The Executive and Supervisory Boards of MAN SE hereby declare that the recommendations of the Government Commission on the German Corporate Governance Code in the version dated February 7, 2017, published by the German Ministry of Justice in the official section of the Federal Gazette (*Bundesanzeiger*) on April 24, 2017, are complied with except for section 4.2.3, paragraph 2, sentence 3 (variable compensation with forward-looking characteristics), section 5.3.2, paragraph 3, sentence 2 (independence of the Chairman of the Audit Committee), section 5.4.1, paragraphs 6 through 8 (disclosure in the case of election recommendations), section 5.4.6, paragraph 2, sentence 2 (performance-related Supervisory Board compensation), and section 7.1.1, sentence 2 (financial information during the year).

1. The recommendation in section 4.2.3, paragraph 2, sentence 3 is not followed only to the extent that the assessment basis for variable compensation components does not have essentially forward-looking characteristics. The current compensation system is based on the recommendations of the Code in the version dated May 5, 2015. Since the Supervisory Board believes a long-term assessment basis that has essentially forward-looking characteristics to make sense, preparations are currently underway to adapt the compensation system in accordance with the recommendations of the most recent version of the Code, however this process is still ongoing and has not yet been implemented.
2. The recommendation in section 5.3.2, paragraph 3, sentence 2 of the Code is not followed only to the extent that the Chairman of the Audit Committee of

¹ The Corporate Governance Statement in accordance with sections 289f and 315d of the *Handelsgesetzbuch* (HGB – German Commercial Code) is part of the Combined Management Report and is not included in the audit.

² Also the Corporate Governance Report of the Executive and Supervisory Boards in accordance with section 3.10 of the German Corporate Governance Code, as amended on February 7, 2017

the Supervisory Board, Mr. Matthias Gründler, cannot be considered “independent” within the meaning of section 5.4.2, sentence 2 of the Code in view of his function as a Member of the Management of Volkswagen Truck & Bus GmbH.

For the Executive Board and Supervisory Board of MAN SE, it is most important that the Chairman of the Audit Committee possess the required expert knowledge of the industry. It is not clear why an appointment at a controlling shareholder under which the criterion of “independence” pursuant to the definition in section 5.4.2, sentence 2 of the Code is not fulfilled should rule out a position as Chairman of the Audit Committee.

3. With regard to the recommendation in section 5.4.1, paragraphs 6 through 8 of the Code that certain circumstances be disclosed by the Supervisory Board when making election recommendations to the Annual General Meeting, the requirements of the Code are vague and the definitions unclear. For this reason, we have declared a departure from the Code in this respect as a precaution. Notwithstanding the above, the Supervisory Board will endeavor to meet the requirements in section 5.4.1, paragraphs 6 through 8 of the Code.
4. The compensation of the Supervisory Board is regulated by the shareholders in Article 12 (2) of the MAN SE Articles of Association and is linked to the net income for the year, among other things. We assume that the variable compensation component will be oriented toward the sustainable growth of the enterprise within the meaning of section 5.4.6, paragraph 2, sentence 2 of the Code. However, as it cannot be ruled out that other views will be taken, a departure from the recommendation in the Code is being declared as a precaution.
5. The recommendation in section 7.1.1, sentence 2 (financial information during the year) is not followed, as the Executive and Supervisory Boards of MAN SE consider the obligation to publish quarterly reports that goes beyond the statutory requirement set out in the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act) unnecessary, especially since the Volkswagen AG quarterly reports also contain a summary of the information on MAN.

The Executive and Supervisory Boards of MAN SE furthermore declare that the recommendations of the Government Commission on the German Corporate Governance Code in the version dated May 5, 2015, published by the German Ministry of Justice in the official section of the Federal Gazette (*Bundesanzeiger*) on June 12, 2015, were complied with in the period from December 2016 through April 24, 2017, except for section 5.3.2, sentence 3 (independence of the Chairman of the Audit Committee; in the version of the Code dated February 7, 2017: section 5.3.2, paragraph 3, sentence 2), section 5.4.1, paragraphs 5 through 7 (disclosure in the case of election recommendations; in the version of the Code dated February 7, 2017: section 5.4.1, paragraphs 6 through 8), and section 5.4.6, paragraph 2, sentence 2 (performance-related Supervisory Board compensation). The grounds for these exceptions can be found in the above explanations.

From April 24, 2017, until this Declaration of Conformity was issued, the recommendations of the Government Commission on the German Corporate Governance Code in the version dated February 7, 2017, published by the German Ministry of Justice in the official section of the Federal Gazette (*Bundesanzeiger*) on April 24, 2017, were complied with except for section 4.2.3, paragraph 2, sentence 3 (variable compensation with forward-looking characteristics), section 5.3.2, paragraph 3, sentence 2 (independence of the Chairman of the Audit Committee), section 5.4.1, paragraph 2, sentence 1 (preparation of a profile of skills and expertise), section 5.4.1, paragraph 5 (curricula vitae of all Supervisory Board members), section 5.4.1, paragraphs 6 through 8 (disclosure in the case of election recommendations), section 5.4.6, paragraph 2, sentence 2 (performance-related Supervisory Board compensation), and section 7.1.1, sentence 2 (financial information during the year). For section 4.2.3, paragraph 2, sentence 3, section 5.3.2, paragraph 3, sentence 2, section 5.4.1, paragraphs 6 through 8, section 5.4.6, paragraph 2, sentence 2, and section 7.1.1, sentence 2, the grounds for these exceptions can be found in the above explanations.

The new recommendations included with effect from April 24, 2017, in section 5.4.1, paragraphs 2 and 5 are complied with in respect of the preparation of a profile of skills and expertise for the entire Board since the Supervisory Board’s adoption of the corresponding resolution in December 2017, as well as in respect of the publication of

the curricula vitae of all Supervisory Board members on the Company's website from November 2017 onwards."

The Executive and Supervisory Boards of Renk Aktiengesellschaft, a listed subsidiary based in Augsburg, have also issued a declaration of conformity. This is posted on the company's website at www.renk.eu.

Annual General Meeting

The Annual General Meeting is the forum where MAN shareholders can exercise their voting rights, obtain information, and engage in a dialog with the Executive and Supervisory Boards.

In organizing and conducting its Annual General Meeting, MAN SE aims to provide all shareholders with prompt, comprehensive, and effective information both before and during the event. The invitation to the Annual General Meeting is published in the Federal Gazette (*Bundesanzeiger*) and is accessible to our shareholders and all other interested parties on the MAN website, together with all reports and documents relating to the Annual General Meeting.

To make it easier for shareholders to exercise their voting rights in person or by appointing a proxy, they may authorize a bank, shareholders' association, or another person to represent them, or they can authorize an MAN employee, either in writing or by electronic means, to exercise their voting rights as their proxy. In addition, all shareholders and the interested public have the option to follow the Annual General Meeting live on the Internet.

Executive Board and Supervisory Board

MAN SE has a two-tier structure comprising an Executive Board and a Supervisory Board. Both governing bodies work closely together for the benefit of the Company and seek to achieve a sustained increase in enterprise value for its shareholders.

The Executive Board currently comprises four members. Please refer to the "Governing Bodies" section in the Annual Report for further information on its composition. The

Executive Board is responsible for performing managerial and operational tasks. Its responsibilities extend, in particular, to the MAN Group's strategic focus, which it agrees with the Supervisory Board. The Executive Board is also responsible for central financing of the Group, the development and deployment of managers, and the preparation of the half-yearly report and annual financial statements. In addition, it ensures compliance with legislation, official regulations, and internal policies.

The various tasks are allocated to the individual Executive Board functions in accordance with the list of responsibilities. The full Executive Board addresses all key decisions and measures; the Executive Board's Rules of Procedure define the decisions and measures that require the approval of the full Executive Board. Meetings of the full Executive Board are held once a month as a rule, and additionally as needed. The Executive Board reports to the Supervisory Board. It consults the Supervisory Board on decisions of fundamental importance. The Executive Board also ensures open and transparent corporate communications.

The Supervisory Board has an oversight and advisory role. Certain important transactions laid down by law, the Articles of Association, and the Supervisory Board's Rules of Procedure require the Supervisory Board's approval. Please refer to the Report of the Supervisory Board for further information on the duties performed by the Supervisory Board and its cooperation with the Executive Board.

MAN SE's Supervisory Board has equal numbers of shareholder and employee representatives. The eight shareholder representatives are elected by the Annual General Meeting and the eight employee representatives are appointed by the SE Works Council in accordance with the provisions of the Agreement on Arrangements for Employee Involvement in the SE dated February 18, 2009. Since January 1, 2016, the Company must also comply with the statutory minimum percentage of 30% women and 30% men when electing a new member or new members to the Supervisory Board.

MAN SE's Supervisory Board aims, in light of the purpose and size of the Company and the proportion of its international business activities, to take the following factors into account for its composition:

- reserving at least two Supervisory Board positions – one of which is on the shareholder side – for persons who especially embody the criterion of internationality;
- reserving at least two Supervisory Board positions on the shareholder side for persons with no potential conflicts of interest who are independent within the meaning of section 5.4.2 of the Code;
- in addition, proposals for election should not, as a rule, include any persons who have reached the age of 70 at the time of the election or who have been a member of the Company's Supervisory Board for more than 20 years.

All aims have been fulfilled or taken into consideration respectively.

Ms. Pohlenz, Mr. Behrendt, and Prof. Schulz are considered independent members of the Supervisory Board according to the Code.

Furthermore, in December 2017, the Supervisory Board decided on a profile of skills and expertise for its composition, according to which the Supervisory Board of MAN SE should possess the following competencies overall:

- knowledge and experience of the Company itself;
- experience and knowledge in the areas of production, marketing, and sales;
- leadership or oversight experience in other medium-sized or large companies;
- experience in industries that are of importance to the MAN Group, such as the mechanical engineering, automotive, and information technology sectors;
- expertise in the areas of financial reporting or auditing.

All aims have been fulfilled or taken into consideration, respectively.

Please refer to the Report of the Supervisory Board and the "Governing Bodies" section of the Annual Report for further information on the composition of the Supervisory Board and its committees.

In accordance with the age limit set by the Supervisory Board for members of the Executive Board, their appointments should normally end one year after the member has reached the age of 65. This age limit is being increased in line with the increase in the standard age limit in the statutory pension insurance system, and the Supervisory Board reserves the right to make exceptions in individual cases.

In accordance with the requirements of the *Aktiengesetz* (AktG — German Stock Corporation Act) and section 4.3.4 of the Code, members of the Executive Board may undertake secondary activities only with the prior consent of the Supervisory Board.

No conflicts of interest were reported by members of either the Executive Board or Supervisory Board during the reporting period.

Remuneration system for the Executive Board and Supervisory Board

Please refer to the Remuneration Report in the Annual Report for information on the remuneration system for the Executive and Supervisory Boards.

Compliance/risk management

MAN SE's Executive Board established a Governance, Risk & Compliance (GRC) function as part of its responsibility for compliance and risk management as defined by the Code. This function is managed by the Head of GRC/Chief Compliance Officer, who reports directly to the Chief Executive Officer of MAN SE and additionally to the Audit Committee of the Supervisory Board. The GRC organization is responsible for compliance and risk management throughout the Group. The GRC function currently has 45 employees and consists of MAN SE's central Corporate GRC Office (19 employees) and the GRC organization in the divisions (26 employees).

The Corporate GRC Office performs central compliance and risk management functions. These include drawing up Group-wide policies and standards, as well as developing employee training. The Corporate GRC Office also regularly performs a special risk analysis to identify potential compliance risks to the Group and to adapt and further develop the Group-wide compliance management system to reflect these risks. In addition, the Corporate GRC Office oversees the performance of risk management processes in the divisions and is responsible for the ongoing development of risk management tools in cooperation with the risk/internal control system managers.

The GRC organization in the divisions is responsible for the implementation of the compliance management system and the risk management system developed by the Corporate GRC Office in the Group companies within the divisions. Each division has a head of GRC/compliance officer who is supported by compliance managers in various business units or sales regions as well as by risk/internal control system managers.

Finally, compliance and risk management tasks are also performed by so-called compliance champions and risk/internal control system coordinators. Compliance champions are MAN managers or employees who are not full-time GRC employees but who have assumed special responsibility for compliance and risk management issues.

The MAN compliance management system addresses white-collar crime (especially combating corruption, preventing money laundering, and terrorism funding) and antitrust law issues.

The key elements of the MAN compliance management system include the following:

- Regular reporting on the current status of compliance measures at different levels of the Group to the responsible committees.
- The MAN Group's ethical conduct guidelines and basic compliance requirements are described in its Code of Conduct, which also spells out the corporate values and establishes guidelines for the issue of integrity. The Code of Conduct of the MAN Group was updated in the year under review and took effect on January 1, 2018.
- The GRC organization has also developed policies on compliance issues such as combating corruption, antitrust law, and preventing money laundering. These policies represent uniform and binding requirements for all employees throughout the Group.
- The Compliance Helpdesk operated by the GRC function answered 378 questions from employees in the reporting period.
- The GRC function regularly holds classroom and online training courses on combating corruption, antitrust law, preventing money laundering, and data protection, among others. The focus in the year under review was on the rollout of two new online refresher courses in the areas of anti-corruption and antitrust law. These courses are designed to help the participants brush up on the contents of the respective basic online learning courses.

- Various communication measures were taken in the reporting period to promote integrity. This includes the publication and communication of the film on integrity, one of the corporate values, in a total of 12 languages, the distribution of GRC alerts and GRC newsletters on current GRC and compliance topics, and events at the Group companies to mark International Anti-Corruption Day on December 9, 2017.
- The Business Partner Approval Tool is used to check and approve the integrity of business partners active in the area of sales support. In total, 1,376 checks were conducted using this tool in the period under review.
- The Continuous Controls Monitoring (CCM) electronic monitoring system ensures that potential compliance risks and policy violations are detected early on. It comprises a set of purchasing and payment process controls and general IT controls. CCM is now used at 50 MAN Group companies or sites.
- The “Speak up!” whistleblower portal again served to detect and prevent material risks to MAN in the reporting period. “Speak up!” is used to accept and analyze information relating to serious statutory violations, especially in the area of white-collar crime (e.g., corruption offenses, suspected money laundering activities, and terrorism funding), antitrust law, and data protection. This information is investigated in detail. Violations are dealt with and punished according to the penalties permitted under labor law.

- MAN is a member of Transparency International, the United Nations Global Compact initiative, and the Deutsches Institut für Compliance (DICO). MAN also supports the United Nations Global Compact and the Allianz für Integrität, an initiative of the German Federal Ministry for Economic Cooperation and Development, the Deutsche Gesellschaft für Internationale Zusammenarbeit, the Bundesverband der Deutschen Industrie, as well as a large number of German companies to promote economic integrity.

For a detailed description of MAN’s risk management system as well as its risk and opportunity position, please refer to the Report on Risks and Opportunities contained in the Management Report.

Transparency and financial reporting

The MAN Group publishes a financial diary with all the key dates for its shareholders on its website at www.corporate.man.eu under the “Investor Relations” heading. All other important information for the shareholders and the interested public is also available on this website. It includes annual reports, interim reports, as well as invitations to and agendas for the annual general meetings, including other documents required to be published in connection with the Annual General Meeting.

We also post, without undue delay, information that is required to be published in accordance with capital market disclosure requirements on our website at www.corporate.man.eu under the “Investor Relations” heading. This refers, in particular, to the following information:

- In accordance with Article 19 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16, 2014 on Market Abuse (Market Abuse Regulation), persons discharging managerial responsibilities, as well as persons closely associated with them, must report dealings in MAN shares and related financial instruments to the issuer and to the *Bundesanstalt für Finanzdienstleistungsaufsicht* (BaFin — German Federal Financial Supervisory Authority) without undue delay. No transactions were reported in fiscal year 2017.
- Article 17 of the Market Abuse Regulation requires issuers to publish insider information that directly affects them as soon as possible.
- Section 40 of the WpHG requires domestic issuers to release notifications they receive in connection with the shares of voting rights in the company that exceed or fall below the thresholds without undue delay.

The year-end consolidated financial statements of the MAN Group are prepared by the Executive Board on the basis of the International Financial Reporting Standards (IFRSs), while the single-entity financial statements of MAN SE are prepared in accordance with the *Handelsgesetzbuch* (HGB — German Commercial Code). In accordance with the recommendation in section 7.1.2, sentence 2 of the Code, the Audit Committee discusses MAN's half-yearly financial report with the Executive Board prior to its publication. The Group complies with the publication deadlines laid down in section 7.1.2, sentence 3 of the Code.

(2) Other corporate governance practices

MAN SE is the holding company and parent of the MAN Group. It conducts its business in close coordination with Volkswagen Truck & Bus GmbH and Volkswagen AG.

In order to ensure uniformity, the MAN Group applies the standards using Group policies.

The MAN Group's ethical guidelines of conduct and compliance requirements are described in its Code of Conduct. It is available on our website at www.corporate.man.eu under the "Compliance & Risk" heading. The Code of Conduct lays down binding principles of conduct that embody core rules and minimum standards for all employees of the MAN Group. The goal is to provide all employees with guidance on legal and ethical challenges in their daily work and to promote proper conduct. In particular, the Code of Conduct includes a clear commitment to free and fair competition. Anticompetitive conduct and corruption of any kind are prohibited. The provisions of the Code of Conduct are set out in greater detail, for example, in the following Group policies: the Policy on handling gifts, hospitality, and invitations to events, the Policy on engaging business partners with an intermediary and/or representative function, the Policy on handling donations and sponsoring measures, the Policy on compliance with antitrust regulations, the Policy on case management and compliance investigations, the Policy on handling personal data, and the Policy on preventing money laundering and terrorism funding.

In addition, the Executive Board, employee representatives, and MAN SE's international labor union network signed an international framework agreement in March 2012 under which MAN has committed itself to safeguarding basic human rights and employee rights applicable all around the world. The goal of the agreement is to provide a reliable minimum standard that all of the MAN Group's employees worldwide can refer to and that creates ethical foundations for actions taken by MAN companies and employees.

In addition to complying with core ethical rules for the MAN Group's own employees, MAN expects suppliers and business partners, as well as their employees, to act responsibly and to comply with the applicable laws at all times and everywhere. To this end, MAN has issued its own Code of Conduct for Suppliers and Business Partners and translated it into 16 languages. This document is also available on our website at www.corporate.man.eu under the "Compliance & Risk" heading.

(3) Working practices and composition of the Executive Board, Supervisory Board, and committees

The composition of the Executive Board, the Supervisory Board, and the Supervisory Board committees can be found in the Notes to the Consolidated Financial Statements.

Please refer to the Corporate Governance Report under (1) for information on the working practices of the Executive Board and the Supervisory Board.

The Executive Board does not have any committees.

Working practices of the Supervisory Board committees

The Supervisory Board established two committees – the Presiding Committee and the Audit Committee – on which shareholders and employees are represented equally, with three representatives in each case, as well as the Nomination Committee, which consists solely of shareholder representatives.

The main role of the committees is to prepare Supervisory Board resolutions. In some cases, the Supervisory Board's decision-making powers or tasks are transferred to committees. The Nomination Committee is tasked with identifying candidates for Supervisory Board positions and recommending suitable candidates to the Supervisory Board as the latter's proposals for election at the Annual

General Meeting. In this capacity, the shareholder representatives on the Presiding Committee act as the Nomination Committee.

As a rule, the Presiding Committee meets before every Supervisory Board meeting. The Audit Committee meets before the Supervisory Board financial statements meeting in connection with the preparation of the annual financial statements, and in connection with the interim financial statements. The Presiding Committee and the Audit Committee may also convene additional meetings as needed.

Please refer to the report of the Supervisory Board for further information on the duties performed by its committees.

(4) Target for percentage of women

Pursuant to section 111 (5) of the AktG, the Supervisory Board has again set a target of 0% for female members of the Executive Board in the period from January 1, 2017, to December 31, 2021.

Pursuant to section 76 (4) of the AktG, the Executive Board of MAN SE has likewise set the following goals for females in the two management levels directly below the Executive Board in the period from January 1, 2017, to December 31, 2021:

- 29.2% for females in the first management level below the Executive Board.
- 40% for females in the second management level below the Executive Board.

The corresponding disclosures by the subsidiaries of MAN SE that are required by law to set target percentages are available on our website at www.corporate.man.eu under the "Investor Relations" heading.

(5) Disclosures on compliance with the minimum percentage of female and male members of the Supervisory Board

In accordance with section 17 (2) of the *SE-Ausführungsgesetz* (SEAG — German SE Implementation Act), the Supervisory Board of a listed SE, whose Supervisory Board has an equal number of shareholder and employee representatives, must be at least 30% women and at least 30% men.

The Supervisory Board of the Company has satisfied these requirements since the most recent elections to the Supervisory Board at the 2016 Annual General Meeting.

The corresponding disclosures by the listed subsidiary Renk Aktiengesellschaft are available on our website at www.corporate.man.eu under the “Investor Relations” heading.

(6) Disclosures on the diversity concept for the Supervisory Board and the Executive Board

Already in fiscal 2017, the Supervisory Board of MAN SE worked to develop a diversity concept for the Supervisory Board and the Executive Board of the Company pursuant to section 289f (2) no. 6 of the HGB, but has not yet resolved on this matter as there is further need for discussion and coordination.

However, the Supervisory Board generally intends to pursue a diversity concept for both the Supervisory Board and the Executive Board.