

# REMUNERATION REPORT FOR FISCAL YEAR 2018

## Executive Board remuneration

As a matter of principle, resolutions determining the total remuneration of Executive Board members are prepared by the Presiding Committee of MAN SE's Supervisory Board. The Supervisory Board then determines the total remuneration in accordance with legal requirements.

In fiscal 2018, only Executive Board members were appointed at MAN SE who received remuneration from MAN Truck & Bus AG (Mr. Drees, Dr. Intra, and Mr. Lafrentz) or MAN Energy Solutions SE (Dr. Lauber) on the basis of their employment contracts with those companies and in accordance with the remuneration structure in effect there. They received no further remuneration from MAN SE.

### Remuneration structure and components

The remuneration of Executive Board members comprises fixed salary payments and noncash benefits, pension and other benefit contributions, and variable performance-related components. The variable performance-related components reflect individual performance, business success, and long-term strategic goals.

The remuneration structure and components are based on each individual's employment contract.

### A) Fixed remuneration

The fixed remuneration is paid as a monthly salary. In addition, Executive Board members receive noncash benefits consisting primarily of the provision of company cars and the payment of insurance premiums. Drivers for business trips are also available to Executive Board members.

The fixed remuneration is reviewed on a regular basis and modified where necessary, taking into account general salary trends and the area of responsibility of the individual Executive Board member.

### B) Variable remuneration

Variable remuneration is calculated on the basis of three equally-weighted components, each of which is capped at 200% of the target amount:

- Long-term incentive bonus (LTI)
- Company performance bonus (CPB)
- Personal performance bonus (PPB)

The **long-term incentive bonus** is directly linked to the targets of the Strategy 2018 program of the Volkswagen Group. It is based on the success criteria derived from the strategy and calculated over a four-year period.

The target areas are:

- Leader in customer satisfaction, measured using the Customer Satisfaction Index,
- Leading employer, measured using the Employee Index,
- Unit sales growth, measured using the Growth Index, and
- Increase in the return on sales, measured using the Return Index.

The Customer Satisfaction Index is calculated using indicators that quantify the overall satisfaction of our customers with the delivering dealers, new vehicles, and the service operations based on their last workshop visit. The Employee Index is determined using the "employment" and "productivity" indicators as well as the participation rate and results of employee surveys. The Growth Index is calculated using the "deliveries to customers" and "market share" indicators. The Return Index is derived from the return on sales and the dividend per ordinary share.

The indices on customer satisfaction, employees, and unit sales are aggregated and the result is multiplied by the Return Index. This method ensures that the LTI is only paid out if the Group is financially successful. If the 15% threshold for the return on sales is not exceeded, the Return Index is zero. This would mean that the overall index for the fiscal year concerned is also zero.

MAN Truck & Bus AG's **company performance bonus** enables the Executive Board to participate in the business success of MAN Truck & Bus and TRATON. The success of MAN Truck & Bus is based on the operating profit of MAN Truck & Bus (weighting of two-thirds) and the success of TRATON on the return on sales (RoS) of TRATON (weighting of one-third). The calculation is based in each case on a two-year period.

Target achievement is calculated as follows:

- **Operating profit of MAN Truck & Bus:**  
The average operating profit from the year under review and the previous fiscal year is compared with a target figure defined by the Supervisory Board of the company before the beginning of the fiscal year in which the bonus is granted. The target figure corresponds to target achievement of 100%. The Supervisory Board of MAN Truck & Bus AG reviews and, if necessary, adjusts the target figure on a regular basis (at least once every three years).

The resulting percentage ratio between the average and the target figures gives the target achievement figure as a percentage, which is capped at 200% of the average figure. This target achievement figure is incorporated into the calculation of the company performance bonus with a weighting of two-thirds.

- **TRATON's return on sales (RoS):**  
The average return on sales (RoS) from the year under review and the previous fiscal year is compared with a target figure defined by the Supervisory Board of the Company before the beginning of the fiscal year in which the bonus is granted. The target figure corresponds to target achievement of 100%. The Supervisory Board of TRATON SE reviews and, if necessary, adjusts the target figure on a regular basis (at least once every three years).

The resulting percentage ratio between the average and the target figures gives the target achievement figure as a percentage, which is capped at 200% of the average figure. This target achievement figure is incorporated into the calculation of the company performance bonus with a weighting of one-third.

MAN Energy Solutions SE's **company performance bonus** enables the Executive Board to participate in the business success of MAN Energy Solutions. The success of MAN Energy Solutions is based on the operating profit of MAN Energy Solutions.

Target achievement is calculated as follows:

- The average operating profit from the year under review and the previous fiscal year is compared with a target figure defined by the Supervisory Board of the company before the beginning of the fiscal year in which the bonus is granted. The target figure corresponds to target achievement of 100%. The Supervisory Board of MAN Energy Solutions SE reviews and, if necessary, adjusts the target figure on a regular basis (at least once every three years).

The resulting percentage ratio between the average and the target figures gives the target achievement figure as a percentage, which is capped at 200% of the average figure.

The **personal performance bonus** recognizes the individual employee's performance in the past fiscal year on the basis of the performance rating and the extent to which the targets set in the individual target agreement have been met. The bonus is determined according to quantitative and qualitative factors. The personal performance bonus for each individual is determined by the responsible Supervisory Board of MAN Truck & Bus AG or MAN Energy Solutions SE, respectively.

### C) Occupational pension system

In the event of regular termination of service, Executive Board members' benefit entitlements comprise retirement, disability, and survivors' benefits. Entitlements to such benefits are accumulated under a defined contribution system, the Capital Account Plan, with the value of benefits dependent upon the performance of certain fund indices.

Every year, MAN Truck & Bus AG (for Mr. Drees and Dr. Intra) and MAN Energy Solutions SE (for Dr. Lauber) contribute an amount equal to 20% of eligible remuneration, i.e., of the sum of the respective contractually agreed fixed remuneration and the variable remuneration

(comprising the company performance bonus and the personal performance bonus). Executive Board members may elect to make contributions themselves out of their gross salary.

Contributions and interest are held in individual capital accounts. The performance of the capital account is directly linked to the capital markets and is determined by a basket of indices and other suitable parameters. The risk of the investments is gradually reduced as the beneficiaries get older (lifecycle concept).

At retirement, the beneficiary may elect to receive the balance of the capital account, or at a minimum the total amount of the contributions, as a lump sum payment, in installments, or as an annuity.

In the event of disability or death, the beneficiary is paid the accumulated account balance, or a minimum of four times the individual fixed remuneration.

### Special contract provisions

In the event of the early termination of their contract without a reason for terminating the contract early for good cause and at the instigation of the company concerned, Executive Board members receive their fixed remuneration, bonus, insurance contributions, and contributions to the pension system until the end of their normal term of office, but for no more than two years. Income from activities elsewhere is offset.

There are no special change-of-control provisions in place.

The following special arrangements were agreed in connection with the appointment of Mr. Drees, Dr. Intra, Mr. Lafrentz, and Dr. Lauber as members of the Company's Executive Board:

MAN Truck & Bus AG has undertaken to assume the expenses associated with continuing the existing pension entitlements for Mr. Lafrentz in the Volkswagen Group.

Special arrangements on guaranteed variable remuneration were agreed with Dr. Intra and Mr. Lafrentz. In fiscal year 2017, Dr. Intra, Mr. Lafrentz, and Dr. Lauber were entitled to a guaranteed variable remuneration; because of the extent to which the targets were actually met, the variable remuneration of Dr. Intra, Mr. Lafrentz, and Dr. Lauber exceeded the agreed guaranteed amounts in each case. Mr. Drees was entitled to a guaranteed monthly bonus from January until June 2017.

Mr. Drees additionally received a special bonus in fiscal year 2017.

### Executive Board members' remuneration in 2018

The remuneration awarded to active members of the Executive Board for their services in fiscal 2018 totaled €5,829 thousand plus €838 thousand for pensions (previous year: €5,739 thousand plus €629 thousand for pensions). The present value of the pension obligations was €2,985 thousand as of December 31, 2018. €782 thousand of this amount was attributable to Mr. Drees, €1,525 thousand to Dr. Intra, and €678 thousand to Dr. Lauber. The present value of the benefit obligations to members of the Executive Board in office at the end of 2017 was €2,381 thousand as of December 31, 2017. Please see note (37) in the Notes to the Consolidated Financial Statements and the following tables for details of the Executive Board members' individual remuneration.

Mr. Josef Schelchshorn, who was a member of the Executive Board of MAN SE until the end of June 30, 2017, on the basis of an employment contract with Volkswagen AG, was paid a prorated bonus of €600 thousand gross for fiscal year 2017 by Volkswagen AG in April 2018 corresponding to the duration of his appointment as a member of the Executive Board of MAN SE.

Executive Board members' remuneration is reported individually in this remuneration report on the basis of the uniform model tables recommended in the German Corporate Governance Code (version dated February 7, 2017). These model tables present the benefits granted (table 1) and the benefits actually received (table 2) separately. The benefits granted table presents the targets (payment if targets met 100%) and the minimum and maximum amounts achievable.

**Table 1: Executive Board members' remuneration in 2018 (benefits granted)**

€ thousand	Joachim Drees <sup>1</sup> Chief Executive Officer			
	2017	2018	2018 (Min)	2018 (Max)
Fixed remuneration	510	624	624	624
Fringe benefits	64	68	68	68
<b>Total</b>	<b>574</b>	<b>692</b>	<b>692</b>	<b>692</b>
One-year variable remuneration (PPB)	285	312	0	624
Multi-year variable remuneration				
CPB (2 years)	285	312	0	624
LTI (4 years)	285	312	0	624
Other (special arrangements)	60	0	0	0
<b>Total</b>	<b>915</b>	<b>936</b>	<b>0</b>	<b>1,872</b>
Pension expense	186	264	264	264
<b>Total remuneration</b>	<b>1,675</b>	<b>1,892</b>	<b>956</b>	<b>2,828</b>

  

€ thousand	Dr. Carsten Intra <sup>1,2</sup> Member of the Board, Chief Human Resources Officer			
	2017	2018	2018 (Min)	2018 (Max)
Fixed remuneration	225	480	480	480
Fringe benefits	16	34	34	34
<b>Total</b>	<b>241</b>	<b>514</b>	<b>514</b>	<b>514</b>
One-year variable remuneration (PPB)	113	240	0	480
Multi-year variable remuneration				
CPB (2 years)	113	240	0	480
LTI (4 years)	113	240	0	480
Others (special arrangements)	0	0	480	0
<b>Total</b>	<b>338</b>	<b>720</b>	<b>480</b>	<b>1,440</b>
Pension expense	84	228	228	228
<b>Total remuneration</b>	<b>663</b>	<b>1,462</b>	<b>1,222</b>	<b>2,182</b>

  

€ thousand	Jan-Henrik Lafrentz <sup>1</sup> Member of the Board, Chief Financial Officer			
	2017	2018	2018 (Min)	2018 (Max)
Fixed remuneration	408	408	408	408
Fringe benefits	36	39	39	39
<b>Total</b>	<b>444</b>	<b>447</b>	<b>447</b>	<b>447</b>
One-year variable remuneration (PPB)	204	204	0	408
Multi-year variable remuneration				
CPB (2 years)	204	204	0	408
LTI (4 years)	204	204	0	408
Others (special arrangements)	0	0	0	0
<b>Total</b>	<b>612</b>	<b>612</b>	<b>0</b>	<b>1,224</b>
Pension expense <sup>8</sup>	96	97	97	97
<b>Total remuneration</b>	<b>1,152</b>	<b>1,156</b>	<b>544</b>	<b>1,768</b>

<sup>1</sup> MAN Truck & Bus AG employment contract<sup>2</sup> Joined July 1, 2017<sup>8</sup> The amount recharged in 2018 will be paid out to Volkswagen AG in the following year.

**Table 1: Executive Board members' remuneration in 2018 (benefits granted)**

€ thousand	Dr. Uwe Lauber <sup>3,4,7</sup> Member of the Board			
	2017	2018	2018 (Min)	2018 (Max)
Fixed remuneration	400	480	480	480
Fringe benefits	26	31	31	31
<b>Total</b>	<b>426</b>	<b>511</b>	<b>511</b>	<b>511</b>
One-year variable remuneration (PPB)	200	240	0	480
Multi-year variable remuneration				
CPB (2 years)	200	240	0	480
LTI (4 years)	200	240	0	480
Other (special arrangements)	0	0	0	0
<b>Total</b>	<b>600</b>	<b>720</b>	<b>0</b>	<b>1,440</b>
Pension expense	165	249	249	249
<b>Total remuneration</b>	<b>1,191</b>	<b>1,480</b>	<b>760</b>	<b>2,200</b>

€ thousand	Josef Schelchshorn <sup>5,6</sup> Member of the Board, Chief Human Resources Officer			
	2017	2018	2018 (Min)	2018 (Max)
Fixed remuneration	220	-	-	-
Fringe benefits	18	-	-	-
<b>Total</b>	<b>238</b>	<b>-</b>	<b>-</b>	<b>-</b>
One-year variable remuneration (PPB)	140	-	-	-
Multi-year variable remuneration				
CPB (2 years)	140	-	-	-
LTI (4 years)	140	-	-	-
Other (special arrangements)	180	-	-	-
<b>Total</b>	<b>600</b>	<b>-</b>	<b>-</b>	<b>-</b>
Pension expense	98	-	-	-
<b>Total remuneration</b>	<b>936</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>3</sup> MAN Energy Solutions SE employment contract

<sup>4</sup> Joined March 1, 2017

<sup>5</sup> Volkswagen AG employment contract

<sup>6</sup> Until June 30, 2017

<sup>7</sup> Left the Executive Board of MAN SE effective the end of December 31, 2018. No payments were made to Dr. Lauber due to his departure from the Executive Board of MAN SE.

**Table 2: Executive Board members' remuneration in 2018 (benefits received)**

€ thousand	Joachim Drees <sup>1</sup> Chief Executive Officer		Dr. Carsten Intra <sup>1,2</sup> Member of the Board, Chief Human Resources Officer		Jan-Henrik Lafrentz <sup>1,9</sup> Member of the Board, Chief Financial Officer		Dr. Uwe Lauber <sup>3,4,7</sup> Member of the Board		Josef Schelchshorn <sup>5,6</sup> Member of the Board, Chief Human Resources Officer	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Fixed remuneration	510	624	225	480	408	408	400	480	220	-
Fringe benefits	64	68	16	34	36	39	26	31	18	-
<b>Total</b>	<b>574</b>	<b>692</b>	<b>241</b>	<b>514</b>	<b>444</b>	<b>447</b>	<b>426</b>	<b>511</b>	<b>238</b>	<b>-</b>
One-year variable remuneration (PPB)	428	468	158	336	296	296	240	288	168	-
Multi-year variable remuneration										
CPB (2 years)	353	393	140	302	253	257	148	149	185	-
LTI (4 years)	336	368	133	283	241	241	236	283	166	-
Other (special arrangements)	256	0	0	0	0	0	0	0	81	-
<b>Total<sup>8</sup></b>	<b>1,373</b>	<b>1,229</b>	<b>430</b>	<b>922</b>	<b>790</b>	<b>794</b>	<b>624</b>	<b>720</b>	<b>600</b>	<b>-</b>
Pension expense	186	264	84	228	96	97	165	249	98	-
<b>Total remuneration</b>	<b>2,133</b>	<b>2,185</b>	<b>755</b>	<b>1,664</b>	<b>1,330</b>	<b>1,338</b>	<b>1,215</b>	<b>1,480</b>	<b>936</b>	<b>-</b>

<sup>1</sup> MAN Truck & Bus AG employment contract

<sup>2</sup> Joined July 1, 2017

<sup>3</sup> MAN Energy Solutions SE employment contract

<sup>4</sup> Joined March 1, 2017

<sup>5</sup> Volkswagen AG employment contract

<sup>6</sup> Until June 30, 2017

<sup>7</sup> Left the Executive Board of MAN SE effective the end of December 31, 2018. No payments were made to Dr. Lauber due to his departure from the Executive Board of MAN SE.

<sup>8</sup> 2017: adjustment following preparation of the 2017 Annual Report; 2018: information based on key figures currently available

<sup>9</sup> The amount recharged in 2018 will be paid out to Volkswagen AG in the following year.

## Supervisory Board remuneration

The structure and amount of Supervisory Board remuneration are stipulated by the Annual General Meeting and governed by Article 12 of the Articles of Association. They are based on the tasks and responsibilities of the Supervisory Board members as well as on the Group's economic performance.

The annual remuneration comprises the following components:

- basic (fixed) remuneration of €35,000;
- variable remuneration (bonus). This is based on actual earnings per share as reported in the consolidated financial statements. The variable remuneration is €175 for every €0.01 by which earnings per share exceed €0.50. It is capped at twice the basic remuneration.

Additional remuneration is paid to the chairperson and deputy chairperson of the Supervisory Board as well as to the chairperson and members of the Supervisory Board committees. The Supervisory Board chairperson receives double and his/her deputy one-and-a-half times the fixed and variable remuneration. Members of the Supervisory Board's Audit Committee and Presiding Committee each receive an additional 50% and the chairpersons of the two committees receive an additional 100% of the basic remuneration.

Pursuant to the Articles of Association of MAN SE, the members of the Supervisory Board additionally receive an attendance fee of €500 in each case for meetings of the Supervisory Board or of Supervisory Board committees at which they are present.

In addition, members of the Supervisory Board are reimbursed for their expenses.

Remuneration and expenses reimbursed that are subject to value-added tax are paid gross of value-added tax if this is invoiced separately.

The variable remuneration component is based on MAN's earnings per share and is therefore not absolutely aligned with sustainable corporate development. To this extent, it could be said that the remuneration of the Supervisory Board is not in line with the recommendation contained in the German Corporate Governance Code. The Company has therefore declared as a precautionary measure that it does not follow the recommendation set out in section 5.4.6 of the Code.

#### **Supervisory Board members' remuneration in 2018**

The total remuneration payable to the members of the Supervisory Board for 2018 amounts to €1,384 thousand (previous year: €1,125 thousand). In addition, members of MAN SE's Supervisory Board received remuneration totaling €164 thousand (previous year: €138 thousand) for serving on supervisory boards at Group companies (including MAN Energy Solutions SE and Renk AG) in fiscal 2018. Please see note (38) in the Notes to the Consolidated Financial Statements for a breakdown of the individual remuneration of the Supervisory Board members in 2018.

#### **Additional information**

Supervisory Board members did not receive any additional remuneration or awards for personal services, particularly advisory or intermediary services, during the reporting period.

Former Supervisory Board members who left the Board prior to January 1, 2018, do not receive any remuneration.