

Corporate Governance

MAN has continued to enhance its uniform Group-wide integrity and compliance program, focusing on combating corruption, antitrust law, and data protection and has rolled it out around the world.

Management and monitoring

In its management and reporting activities, MAN SE largely complies with the recommendations of the German Corporate Governance Code (DCGK – German Corporate Governance Code) as amended on May 15, 2012. The most recent Declaration of Conformity was issued in December 2012 (2012 Annual Report, page 17 et seq.). MAN SE departed from the DCGK recommendations with regard to the following three points: The Chairman of the Supervisory Board's Audit Committee, Mr. Rupert Stadler, cannot be considered "independent" in view of his functions within the Volkswagen Group. As a precautionary measure, a departure from the Code was declared regarding the variable compensation of the Supervisory Board. We assume that the compensation structure, linked to the net income for the year, fulfills the criterion for "sustainable growth" of the enterprise as outlined in the Code. However, other views have been presented on this matter, leading us to declare the departure as a precautionary measure. Similarly, as a precaution due to recent developments in case law, a departure was declared from the stipulations of the Code regarding the extent to which conflicts of interest should be reported at the Annual General Meeting.

Our subsidiary Renk AG has also issued a Declaration of Conformity.

The Company's Supervisory Board has 16 members with equal numbers of shareholder representatives and employee representatives. In 2012 the Supervisory Board held six regular meetings. The average attendance rate at the Supervisory Board meetings was 98%. The Chairman of the Supervisory Board does not hold any other positions within the MAN Group. The mandates of the members of the Executive and Supervisory Boards are listed in the 2012 MAN Annual Report (page 180 et seq.).

Duties and responsibilities

The distribution of duties and responsibilities at the MAN Group is defined by our Industrial Governance System. The strategic management of the Group lies with the Manage-

ment Board of MAN SE, in which all business units are represented. Operational management is the responsibility of the respective subgroups. In this, MAN strikes a balance between central strategic management and decentralized operating responsibility, complemented by an open leadership culture. This is founded on shared values for the brand and our corporate culture, and a commitment to corporate responsibility. Implementation is the responsibility of the Chief Human Resources Officer; decision-making authority rests with the Management Board. As a result, CR topics regularly appear on the agenda of MAN SE Executive Board meetings.

Remuneration of the Executive Board

It is the Supervisory Board's objective and duty to set Executive Board remuneration at an appropriate amount. The criteria for doing so include in particular the tasks of the respective Executive Board member, their personal performance, the economic situation, the performance and outlook of the Company, and how customary the remuneration is when measured against the peer group as well as against the remuneration structure that applies to other areas of MAN. The remuneration of Executive Board members comprises fixed salary payments and noncash benefits, pension and other benefit contributions, and performance-related components. The variable, performance-related components comprise components linked to business performance and long-term incentive components. In fiscal 2012 the entitlement to common stock of the Company that previously formed part of the long-term remuneration component was converted into entitlement to cash payment of the equivalent amount. Against the backdrop of good corporate governance, part of the remuneration is contingent upon the sustained success of the Company.

Values, goals, and policies

Standards of ethical behavior and compliance requirements are defined in the MAN Group's Code of Conduct, which is binding for all MAN employees. Guidelines for putting these standards into practice can be found in various policies which apply across the Group. In addition, MAN has published a code of conduct for suppliers and business partners. It outlines min-

imum ethical standards which the suppliers commit to uphold. With the aim of simplifying and harmonizing the numerous policies, in 2012 our Compliance function launched a policy-management optimization project. Existing policies are currently being reworked by the applicable departments and adapted to the new standards. In the future a corporate policy database, known as the “House of Policies,” will offer a central platform for the administration of all policies across the Group.

MAN’s clear commitment to the United Nations Global Compact is underpinned by the Joint Declaration on Social and Corporate Responsibility in the MAN Group, which the Executive Board of MAN signed with the International Metalworkers’ Federation in March 2012.

Compliance organization

The MAN SE Compliance function is currently staffed by 45 employees and headed by the Chief Compliance Officer, who reports directly to the Chief Executive Officer of MAN SE and additionally to the Audit Committee of the Supervisory Board. At meetings of the Compliance Board, the Chief Compliance Officer informs MAN SE’s Executive Board and the heads of other functions on the progress made by the Compliance organization and the introduction of new compliance measures. In addition, further steps are also agreed upon. The Compliance Board met three times during the reporting period.

2011 saw the appointment of Compliance Champions, managers who are not full-time Compliance employees but who have taken on special responsibility for the topic. In the reporting period, they were briefed at regular intervals on current developments within the MAN Compliance organization, on compliance instruments, and on related topics. Compliance Champions also ensure that compliance measures are implemented in Group companies that do not have a local compliance manager on site.

In 2012 we again conducted a management survey on compliance issues. The findings confirmed employee acceptance and knowledge of the Compliance organization and its activities.

Compliance program

Initiated in 2010, the MAN compliance program addressing the issues of combating corruption, antitrust law, and data protection was continuously developed in the reporting period and rolled out around the world.

The second compliance risk assessment was completed at the beginning of 2012. Its aim was to identify potential compliance risks within the business models applied in the Group. The results of the assessment will, among other things, be used to develop further measures to prevent compliance risks. One area of focus was the expansion of compliance training sessions and special workshops intended to enhance the compliance awareness of our employees. In 2012 the results of the survey were also used to drive compliance integration forward in the course of expanding the Compliance organization to the sales regions and divisions. The next compliance risk assessment will be launched in the first quarter of 2013.

All MAN employees can contact the Compliance Helpdesk by phone or e-mail to obtain answers to compliance-related questions. Since the Helpdesk was launched in February 2010 it has handled a total of 3,443 inquiries.

In the reporting period compliance awareness training sessions were held for all employees around the world who could be exposed to compliance risks in their daily work. The sessions focus on teaching the basics of anti-corruption and antitrust law. In addition, 3,635 employees attended special courses to deepen their knowledge of these topics and of data protection issues. December 2012 saw the start of the rollout of an e-learning program which teaches compliance basics. On-site instruction in anti-corruption and antitrust law was also offered to our business partners for the first time in 2012.

Selected compliance measures

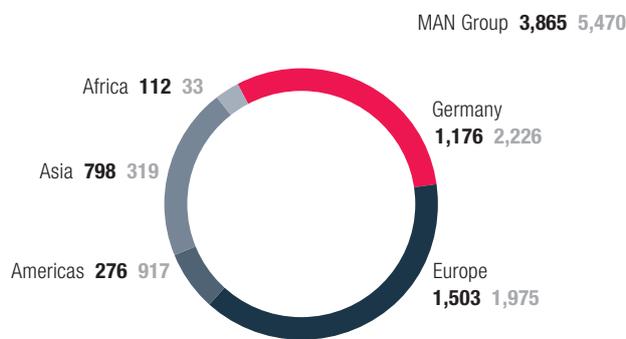
Helpdesk	931 questions handled
Training	3,865 employees (7%) around the world were trained in 197 on-site compliance awareness training sessions
Business Partner Approval Tool	A total of 1,829 employees have been trained in the use of this tool and 2,355 business partners checked

The Business Partner Approval Tool is used to check the integrity of business partners who support our sales activities. Because approvals are only valid for two years, in 2012 we started the process of renewing individual partners’ approvals for the first time. A list of all business partners who we are not permitted to work with is updated on a monthly basis and communicated within the Group. In 2012 we continued with the rollout of an electronic monitoring system called

Continuous Controls Monitoring, which acts as an early warning system for compliance risks and policy violations in our purchasing and payment processes.

CR and compliance risks can ensue from the acquisition or disposal of equity investments. Since 2011 the Compliance function has been involved in acquisition projects from the start to prevent such risks. We continued to develop this process in 2012, adding questions to a due-diligence questionnaire that must be completed by the targeted company and covers aspects including human rights and environmental impacts.

Number of employees trained in compliance



2011 values in gray

In the reporting period preventive compliance audits were conducted for the first time in selected Group companies in coordination with the internal audit function. The goal of these audits is to check the status of the local implementation of the MAN compliance program as well as the employees' awareness of compliance issues.

Our whistleblower portal "Speak up!" again helped to uncover and prevent risks in 2012. MAN employees and third parties can use "Speak up!" to report compliance violations at any time — confidentially, anonymously, and regardless of location. The reports are investigated immediately, corrective actions are taken, and disciplinary measures are initiated in accordance with labor law. Compliance violations are not tolerated under any circumstances. We use the findings of misconduct investigations to continuously improve our compliance system.

Reports of suspected workplace bullying or other violations not related to compliance issues are handled confidentially and with sensitivity, and are passed on to the HR or special-

ist function responsible. In 2012 the Compliance organization received six reports that fell within HR's scope of responsibility, including three reports of suspected workplace bullying.

Violations and investigations

No fines or sanctions on account of the violation of legal provisions were imposed on MAN in Germany in the reporting period. In the antitrust proceedings concerning several European truck and/or engine manufacturers, including MAN, the Company is continuing to cooperate fully with the investigating authorities of the European Commission. In 2012 the European Commission discontinued the antitrust proceedings initiated against MAN in 2011 concerning alleged antitrust violations in the engine segment. The UK Office of Fair Trading has also discontinued the antitrust proceedings against truck manufacturers in the United Kingdom and passed the case to the European Commission for further review in connection with the abovementioned proceedings.

In view of suspected irregularities in the handover of four-stroke marine diesels from MAN Diesel & Turbo SE, in 2011 the Executive Board of MAN SE launched an investigation by the Compliance function and external consultants. In this case too, MAN is continuing to cooperate with the relevant authorities.

No fines were paid for environmental incidents in the reporting period. Our reporting of such fines covers production sites that together account for approximately 89% of revenue.