


appointments of members of the Executive Board 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.

The Supervisory Board approved the secondary activities of Executive Board members falling within the scope of section 4.3.5 of the Code only where these involved management activities at Group companies and serving on other companies' supervisory boards. The Supervisory Board also gave its consent for Dr. Pachta-Reyhofen to serve as a member of the Volkswagen Group Management alongside his role on the Executive Board of MAN SE, and for Mr. Berkenhagen and Mr. Schumm each to become members of the Volkswagen Group's central coordination committee for the Commercial Vehicles business area alongside their roles on the Executive Boards of MAN SE and MAN Truck & Bus AG.

#### **Remuneration system for the Executive and Supervisory Boards**

Please refer to the "Remuneration Report" on  pages 70 ff. for information on the remuneration system for the Executive and Supervisory Boards.

#### **Compliance/risk management**

MAN SE's Executive Board established a Compliance function as part of its responsibility for compliance as defined by the Code. This function, which reports to the Chief Compliance Officer (CCO), is responsible for developing and implementing a uniform Group integrity and compliance program, focusing on fighting corruption, infringements of antitrust law, data protection, and preventing money laundering. The Compliance function consists of MAN SE's central Corporate Compliance Office and the compliance organization at the subgroups. The central compliance measures developed by the Corporate Compliance Office are implemented locally and in a uniform manner by the compliance staff at the subgroups worldwide. All compliance organization staff are answerable to the CCO, who regularly reports to MAN SE's Executive Board and to the Audit Committee of the Supervisory Board.

The key compliance measures developed and implemented by the Compliance function in the reporting period include the following:

- The third Group-wide compliance risk assessment was conducted in the period under review. This involved over 100 organizational units around the world. The aim of this measure was to identify potential compliance risks affecting the Group's business models. Among other things, the results of the compliance risk assessment are used to determine measures to prevent compliance risks and conduct preventative compliance audits at selected Group companies.
- The Compliance function operates the Compliance Helpdesk, which all employees can contact with compliance-relevant questions. The Compliance Helpdesk answered 638 employee questions in the reporting period.
- The Compliance function held compliance awareness training for 1,138 employees around the world in the year under review. These on-site training sessions focus on providing basic knowledge on combating corruption and on antitrust law. The Compliance function also conducted special classroom sessions on antitrust law and combating corruption for employees who are particularly exposed to risks from these areas. As part of these training sessions, 3,275 employees received in-depth instruction. Finally, the Compliance function provided training to 22,296 employees in the period under review as part of the first module of the e-learning compliance program. This training covers the fundamentals of the MAN Code of Conduct and combating corruption, antitrust law, and data protection as addressed in the Code. In addition, a special e-learning module on combating corruption was introduced for the first time in Q4 2013 for employees who may be particularly exposed to corruption risk.
- The Business Partner Approval Tool is used to check and approve the integrity of business partners active in the area of sales support.
- The Continuous Controls Monitoring (CCM) electronic monitoring system was further expanded in the period under review. The CCM system ensures that potential compliance risks and policy violations in purchasing and payment processes are detected at an early stage.

- The Speak up! whistleblower portal again served to detect and prevent material risks to MAN in the reporting period. Speak up! is used to receive and analyze information relating to serious compliance violations, especially in the area of white collar crime (e.g., corruption offenses), antitrust law, data protection, and suspected money laundering activities.
- MAN does not tolerate compliance violations under any circumstances. Reports of possible violations are 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, the World Economic Forum (WEF) Partnering Against Corruption Initiative, and the Deutsches Institut für Compliance (DICO). MAN also supports the Allianz für Integrität, an initiative of the German Federal Ministry for Economic Cooperation and Development, Deutsche Gesellschaft für Internationale Zusammenarbeit, Bundesverband der Deutschen Industrie, as well as a large number of German companies to promote economic integrity.

A detailed description of MAN's compliance organization and the compliance measures implemented in the reporting period can be found in the Group Management Report.

Risks resulting from compliance violations and other business risks were assessed under the risk management system and addressed in detail by the Executive Board and Supervisory Board, and in particular by the Audit Committee. Please refer to the description of MAN's risk management system and the risk report 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.man.eu/corporate](http://www.man.eu/corporate) 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 the 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 on our website → [www.man.eu/corporate](http://www.man.eu/corporate) under the "Investor Relations" heading information that is required to be published in accordance with capital market disclosure requirements. This refers in particular to the following information:

- Section 15a of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act) requires individuals with management tasks and certain related parties to report dealings in MAN shares and related financial instruments to the issuer and the *Bundesanstalt für Finanzdienstleistungsaufsicht* (BaFin – German Federal Financial Supervisory Authority). No transactions were reported in fiscal 2013. According to the reports received, the Executive and Supervisory Board members' direct and indirect holdings of shares or derivatives on shares additionally do not exceed 1% of the shares issued by the Company, either individually or in the aggregate.
- Section 15 of the WpHG requires domestic issuers of financial instruments to publish all inside information that directly affects them without undue delay.
- Section 26 of the WpHG requires domestic issuers to publish 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 and quarterly financial reports with the Executive Board prior to their issue. The Group complies with the deadlines laid down in section 7.1.2 sentence 4 of the Code for the publication of the consolidated financial statements and the interim reports.

### **Executive Board's assessment of the Group's risk and opportunity position**

As in the previous year, market risk continues to outweigh the other risk fields. There have been no significant changes to the overall risk position. Risks may be able to be only partially offset by the opportunities identified. It must be borne in mind that the leveraging of market opportunities is already taken into account in the ambitious internal planning. With regard to the quantified individual risks reported on in the MAN Group's Risk Board, the Executive Board is convinced that there are no major risks in the areas that are not covered individually or overall by the projected operating profit on the basis of the net assessment performed. This also applies to risks for which a higher gross impact was calculated since risk-mitigating measures were taken for these or the probability of occurrence was assumed to be low. In the risk fields, the Executive Board sees the most significant short-term risks in the market risk field. They are risks in the margin and unit sales development in the Commercial Vehicles business area and uncertainty and fierce competition in many of the markets relevant for Power Engineering. For product-related risks, the focus is primarily on warranty issues and achievement of the degrees of localization required in the Commercial Vehicles business area. In the process and employee risk fields, the short-term quantified risks are of minor significance in each case.

On the basis of the risk management system established by the MAN Group, the Executive Board has again determined that, at the present time, there are no identifiable risks that could have a material and long-term adverse effect on the net assets, financial position, and results of operations of the MAN Group. The risk management system introduced by the Group and the related organizational measures allow the Executive Board to identify risks rapidly and initiate appropriate measures. Given the uncertainty surrounding developments in some areas, activities in 2014 will continue to focus on market risk management.

### **Litigation/legal proceedings**

Please see the "Notes to the Consolidated Financial Statements" for information relating to litigation/legal proceedings.

## **Compliance**

MAN continuously updated the existing compliance program in the period under review. A fourth pillar was added to the MAN compliance program – the prevention of money laundering and terrorism financing – alongside combating corruption, antitrust law, and data protection.

### **Compliance organization**

MAN continued to establish its Compliance function. The function is managed 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. The Compliance function currently comprises 47 staff. Twenty-six employees work in the Corporate Compliance Office that is based at MAN SE and is responsible for designing and enhancing MAN's compliance system as well as for Group-wide compliance issues. Twenty-one staff provide compliance advice in the subgroups. Each subgroup therefore has a compliance officer, who is supported by compliance managers in various business units or sales regions. The compliance officers at the subgroups report directly to MAN SE's Chief Compliance Officer, and the compliance managers in turn report directly to the responsible compliance officer. In addition to providing an in-depth advisory function, the compliance staff at the subgroups are responsible for implementing the centrally defined compliance measures in the respective business units or sales regions worldwide.

The Compliance Board met a total of two times in the period under review. At these meetings, the Chief Compliance Officer informed MAN SE's full Executive Board and the heads of other functions on the progress made in setting up the Compliance organization and the introduction of new compliance measures, and agreed additional steps. At the subgroups, the compliance officers and managers regularly provided comparable reports to the executive boards and management of the relevant entity at meetings of the compliance review boards. In addition, the Chief Compliance Officer and the compliance officers report to the relevant Executive Board or management meeting every six months to ensure regular communication with the Executive Board and management.

The compliance champions appointed in 2011 (managers who are not full-time compliance employees but who have assumed special responsibility for compliance issues) continued to support the Compliance organization in the year under review, for example in the implementation of compliance measures at Group companies that do not have their own local compliance managers in place. The compliance champions were regularly informed of current developments relating to MAN's Compliance organization and compliance instruments in the period under review. In October, over 100 compliance champions discussed current compliance issues in depth at a conference in Munich.

The MAN Group stands for effective data protection in compliance with legal requirements that is based on strict European standards applied worldwide. To this end, MAN has a global network of data protection officers and data protection coordinators. In Germany, six data protection officers are currently working to safeguard the right to privacy of employees, customers, and suppliers as this relates to data protection. Outside of Germany, its network of 80 data protection coordinators supervises data protection at 91 companies in 44 countries. Accordingly, MAN's data protection organization currently has 86 formally appointed employees.

### Compliance risk assessment

The third Group-wide compliance risk assessment was conducted in the period under review. This involved over 100 organizational units around the world. The aim of this measure is to identify potential compliance risks on the basis of the specific business model and the business environment. For the first time, this also assessed the risk of money laundering, which was used to create a risk analysis (see below). Among other things, the results of the compliance risk assessment are used to determine measures to prevent compliance risks and conduct preventative compliance audits at selected Group companies.

### Code of Conduct and compliance policies

The MAN Group's ethical conduct guidelines and compliance requirements are described in its Code of Conduct. The provisions of the Code of Conduct are set out in greater detail in the following Compliance function policies:

- Policy on handling gifts, hospitality, and invitations to events
- Policy on engaging business partners
- Policy on handling donations and sponsoring measures
- Policy on compliance with antitrust regulations
- Policy on handling personal data
- Policy on case management and compliance investigations
- Policy on preventing money laundering and terrorism financing

Several compliance policies were reviewed and updated in the period under review. The policy on preventing money laundering and terrorism financing was drawn up in the reporting period and put into effect by the Executive Board of MAN SE in Q4 2013. This policy implements the German *Geldwäschegesetz* (GwG – German Money Laundering Act) as a minimum Group-wide standard and defines binding rules of conduct for MAN employees to prevent money laundering and terrorism financing.

Alongside the Code of Conduct for employees, MAN has issued a Code of Conduct for Suppliers and Business Partners that contains minimum ethical standards that MAN's suppliers and business partners undertake to observe.

### **Compliance training**

The Compliance function held compliance awareness training for over 1,138 employees around the world in the year under review. These on-site training sessions focus on providing basic knowledge on combating corruption and antitrust law. The Compliance function also conducted special training sessions on antitrust law and combating corruption for employees who are particularly exposed to risks in these areas. As part of these special training sessions, 3,275 employees received in-depth instruction. In addition, special classroom sessions were held for procurement employees and business partners in the period under review.

Finally, the Compliance function provided training to 22,296 employees in the period under review as part of the first module of the e-learning compliance program. This training covers the fundamentals of the MAN Code of Conduct and combating corruption, antitrust law, and data protection as addressed in the Code. In addition, a special e-learning module on combating corruption was introduced for the first time in Q4 2013 for employees who may be particularly exposed to corruption risk.

### **Compliance Helpdesk**

The Compliance function continues to operate the Compliance Helpdesk, which all employees can contact with questions about compliance. The Compliance Helpdesk answered 638 compliance-related questions from employees by phone or e-mail during the reporting period.

### **Business Partner Approval Tool**

The Business Partner Approval Tool is used to check and approve the integrity of business partners active in the area of sales support, as required by the policy on engaging business partners. In total, over 1,962 checks were conducted using this tool in the period under review. As approvals are limited to two years, some of the checks related to renewals of the approvals granted to individual business partners.

### **Continuous Controls Monitoring (CCM)**

The Continuous Controls Monitoring (CCM) electronic monitoring system was further expanded in the period under review. The CCM system ensures that potential compliance risks and policy violations in purchasing and payment processes are detected at an early stage. CMM is now used at 47 MAN Group companies. The CCM framework was also expanded to include general IT controls. These are now being progressively implemented at the companies.

### **Compliance in purchasing**

In the year under review, the Compliance function analyzed the MAN Truck & Bus subgroup's procurement processes together with department experts. In order to identify any optimization potential, generic compliance risks in procurement were compared with the existing measures established within the processes. The results of the project were summarized in a project report and then discussed with procurement. Special on-site compliance training modules for procurement were developed and rolled out as part of the project, for example.

### **Prevention of money laundering**

Both the *Geldwäschegesetz* (GwG – German Money Laundering Act), and many laws in other jurisdictions require companies to introduce measures to prevent money laundering and terrorism financing. Money laundering prevention activities in the period under review included a Group-wide risk analysis, the development and implementation of a Group-wide money laundering policy, as well as the commissioning of the development of a special e-learning money laundering program for risk areas. In addition, both due diligence requirements appropriate to the risks and internal mitigation measures were identified and successively implemented.

### Reporting compliance violations

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 compliance violations, especially in the area of white-collar crime (e.g., corruption offenses), antitrust law, and data protection. This offers MAN employees and third parties a facility for providing information about compliance violations confidentially, worldwide, and at any time. MAN does not tolerate compliance violations under any circumstances. Reports of possible violations are investigated in detail, and violations are dealt with and punished according to the penalties permitted under labor law. In addition, findings from the investigation of compliance violations are used to continuously improve the compliance system.

### Compliance audits

The Compliance function conducted three preventive compliance audits at selected Group companies together with the Internal Audit function in the period under review. The specific aim of these audits is to review the local implementation status of the MAN compliance program, as well as employee awareness of compliance issues at the entity concerned.

### Policy management

The Compliance function coordinates a central project to improve policy management in the MAN Group. The project aims to simplify and harmonize the Group's policy landscape. To this end, uniform guidelines were created on the hierarchy of regulations and on preparing, implementing, announcing, and communicating policies. The existing policies are currently being reviewed by the functions and amended in line with the new guidelines. The Compliance function is also developing a central "house of policies" database in which all policies are to be recorded. The aim of the house of policies is to create a central platform to manage all Group-wide policies, which employees can use to quickly and easily search and retrieve the policies relevant to them.

### Public commitment to compliance

MAN is also actively committed to compliance outside the Group. MAN is a member of Transparency International, the United Nations Global Compact initiative, the World Economic Forum (WEF) Partnering Against Corruption Initiative, and the Deutsches Institut für Compliance (DICO). MAN also supports the Allianz für Integrität, an initiative of the German Federal Ministry for Economic Cooperation and Development, Deutsche Gesellschaft für Internationale Zusammenarbeit, Bundesverband der Deutschen Industrie, as well as a large number of German companies to promote economic integrity. In addition, the Compliance function regularly engages in dialog with industry experts and academic researchers on current compliance issues in order to promote public debate and progress in the field of compliance.