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# INTEGRATION

Our business practices are shaped by corporate responsibility (CR). It is our aim to live our responsibility every day. We continue to boost our competitive edge by anchoring CR firmly in the strategies of our divisions, our operating processes, and our vocational training and continuing professional development. Responsible corporate governance is the foundation on which we build. Dialog with our stakeholders and customers helps us integrate CR in our core business activities. Through our corporate citizenship initiatives and MAN aid to refugees, we also make a lasting contribution to sustainable development.


## Responsible corporate governance

### Challenges and objectives

Compliance with the law is the basic precondition for the success of our business. 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.

### Principles and guidelines

Corporate governance at MAN complies with nationally and internationally recognized standards of good and responsible corporate governance. Important policies and guidelines include:

- Corporate law and regulations
- The German Corporate Governance Code
- The UN Global Compact
-  Our Code of Conduct
- Our Articles of Association and internal policies

## Compliance program

### Challenges and objectives

MAN does not tolerate illegal or irregular conduct. Managers have a particular responsibility to lead by example, follow rules, and comply with the law.

### Organization

The MAN Group Corporate, Governance & Compliance (GRC) function is currently staffed by 47 employees. This function is under the Head of GRC / Chief Compliance Officer (CCO), who reports regularly to MAN SE's Executive Board and the heads of other functions on the current status of GRC activities. At different levels of the Group, regular status reports on GRC programs and initiatives are also presented in the responsible committees. Compliance and risk management responsibilities are also carried out by employees known as Compliance Champions and by the coordinators of the risk management and internal control system. They are not full-time GRC employees, but MAN employees and managers who have taken on special responsibility for topics related to compliance and risk management.

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Our Code of Conduct outlines standards of behavior that are binding for all our employees in their daily work. Our compliance guidelines also provide concrete instructions for handling ambiguous situations. Relations with our business associates are governed by our Code of Conduct for Suppliers and Business Partners, which requires them to comply with basic principles of corporate responsibility, transparency, fairness, and data protection.

**Systems and instruments**

Rolled out in 2010, our compliance management system helps us detect non-compliance at an early stage and respond quickly, effectively, and consistently. It is designed to address issues related to white-collar crime (in particular, the prevention of corruption, money laundering, and terrorism financing) and antitrust law. The Disciplinary Sanction Committee is the body responsible for imposing internal sanctions in the event of compliance violations. It meets on an ad hoc basis and is made up of the Chief Executive Officer of the subgroup concerned, the Chief Human Resources Officer of MAN SE, the Chief Compliance Officer, and the Compliance Officer of the subgroup in question. The findings of misconduct investigations – as well as the results of regularly conducted compliance risk assessments – are used to continuously improve our compliance management system and introduce selective compliance measures.

**Memberships**

MAN is a member of Transparency International and the German Institute for Compliance (DICO). We are active in several different DICO committees and working groups. MAN also remains committed to the ten principles of the United Nations Global Compact. In addition, we support

the Alliance for Integrity, an initiative of Germany's Federal Ministry for Economic Cooperation and Development, the Federation of German Industry, and numerous German companies, which promotes integrity in business practices.

**Risk management****Challenges and objectives**

Entrepreneurial activity entails constant exposure to risk. With a view to exploiting market opportunities, we deliberately accept risk if, by doing so, we can expect to see an appropriate increase in shareholder value. As a basic principle, risk that could jeopardize the Group's continued existence may not be entered into, while unavoidable risk must be minimized by taking suitable measures. Global challenges such as climate change, demographic change, globalization, population growth, digital transformation, and urbanization represent opportunities and risks for MAN, as does the internationalization of our business activities.

**Organization and instruments**

Our Group-wide, centralized risk management system allows us to contain risk and leverage opportunities by providing us with the necessary information at an early stage. Comprising key elements such as risk and opportunity management, our internal control system, our continuous controls monitoring system, and the standard GRC process of Volkswagen AG, it is an integral part of our corporate management and business processes. To assess risks and opportunities, experts regularly conduct risk analyses. More information on this topic can be found in the

➔ MAN 2016 Annual Report, page 46 et seq.

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At MAN, the following climate-related risks and opportunities apply to one or more of our subgroups:

- Regulatory risks, particularly with regard to a CO<sub>2</sub> tax or emissions trading in the logistics sector
- Extreme weather events, such as severe storms, flooding, hail, or heavy snowfall, which could interrupt production or affect suppliers
- Reputation risk – because the use of our products generates greenhouse gas emissions and MAN can only achieve long-term market success if the Company invests in energy-efficient and low-carbon technologies

At the same time, the consistent continuation of the European climate-protection policy and the gradual implementation of similar policies in the BRIC countries will also yield new growth opportunities for MAN. These include:

- Increasing market share through early compliance with regulatory requirements
- Strengthening ties to customers and suppliers through joint efforts to cut CO<sub>2</sub> emissions
- Increasing competitiveness through greater immunity to energy price fluctuations, resulting from increased reliance on internal energy generation and renewables

**Corporate citizenship****Strategic approach**

At MAN we see ourselves as part of society. Our goal is to be a good corporate citizen and promote sustainable development. We can make the most valuable contributions to issues that relate to our core business areas.

We have enjoyed a successful strategic partnership with SOS Children's Villages since 2008. Our joint activities focus on long-term and sustainable education programs for children and young people. In cooperation with the non-profit organization, we implement projects around the world – often with the help of volunteer work by our employees. With our attractive initiatives, we are aiming to make a contribution to society and increase our employees' identification with the Company.

Furthermore, in the year under review MAN Diesel & Turbo and the non-governmental organization Mercy Ships formalized their long-standing partnership by signing a sponsorship agreement. The collaboration with Mercy Ships, a health care charity that operates worldwide, extends back to 2010.

**Policies**

All donations and sponsorship activities must comply with our mandatory, Group-wide policy. Permissible fields of activity for donations include education, academia, the arts, community programs (social welfare organizations and charitable and humanitarian projects), and disaster relief efforts.

**Instruments**

Most of our sponsorship activities and donations are long standing and closely related to our core business areas. We apply the internationally recognized standard of the London Benchmark Group (LBG) to measure the success of our community projects.

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# COMPLIANCE

## German Corporate Governance Code

In its management and reporting activities, MAN SE largely complies with the recommendations of the German Corporate Governance Code (DCGK) as amended on May 5, 2015. The most recent Declaration of Conformity was issued in December 2016. MAN SE departed from the DCGK recommendations with regard to three points (→ 2016 Annual Report, page 14 et seq).

## Business Partner Approval Tool

Our policy on engaging business partners regulates collaboration with business partners who support our sales activities. The Business Partner Approval Tool is used to check and approve their integrity. A list of all companies that we are not permitted to work with is updated on a monthly basis and communicated within the Group.

In total, 1,995 checks were conducted using this tool in the reporting period. Because approvals are issued for a limited period, some of the checks were related to renewals of the approvals granted to individual business partners.

## Compliance Helpdesk

All MAN employees can contact the central Compliance Helpdesk by phone or e-mail to obtain answers to compliance-related questions. In the reporting period, 355 questions were answered by the central office, while 1,850 questions were handled locally by compliance managers in various business units and sales regions.

## Compliance training

Compliance awareness training courses were held for 1,767 employees around the world in the year under review. These on-site training courses focus on providing basic knowledge on the topics of combating corruption, antitrust law, and money-laundering prevention. We also conduct special courses on antitrust law and combating corruption for employees who are

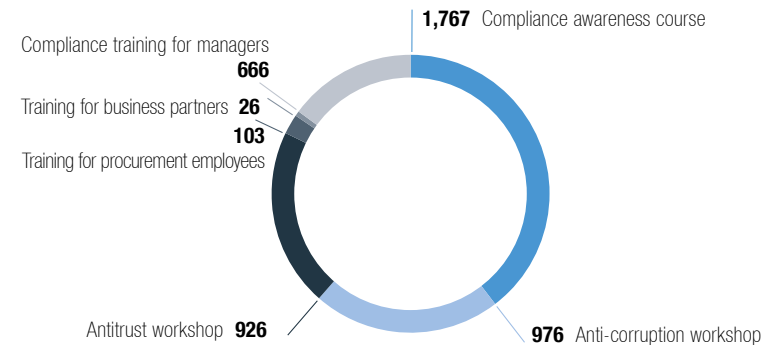
particularly exposed to risks in these areas. In the reporting period, these courses provided in-depth training to 1,902 employees. Since 2015, we have also been offering our managers special on-site compliance training courses. The focus here is on specific compliance risks and challenges as well as the special responsibilities that come with a leadership role.

In the reporting period, 666 managers attended these courses. Special on-site training courses were also held for 103 procurement employees and 26 business partners in 2016.

Furthermore, in the year under review 1,736 employees successfully completed the first compliance e-learning module on the Code of Conduct, which addresses the topics of combating corruption, antitrust law, and data protection. In the second module on the Code of Conduct, 2,035 employees were trained in correct conduct during searches, dealing with conflicts of interest, and preventing money laundering. In October of the year under review, a third Code of Conduct e-learning module was rolled

## Participation in on-site compliance training courses in 2016

MAN Group 4,464



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**Compliance**

out to supplement the first two courses, offering more in-depth treatment of the issues of integrity, transparency, and personal responsibility. In the reporting period, 10,979 employees completed this new module.

Since 2013, employees who are exposed to an increased corruption risk (e.g. in sales and purchasing) have also participated in an in-depth web-based training module on combating corruption. In 2016, 225 employees completed this module. Also in the reporting period, 802 employees took advantage of a training module called “Antitrust Law: Preventing Antitrust Infringements.”

**Integrity campaign**

An integrity campaign held in the reporting period included a variety of activities designed to generate and raise awareness of issues related to ethical behavior. One example was the creation of an in-house film focusing on the topic of integrity and using case studies to illustrate the meaning of lawful behavior. In addition, the Governance, Risk & Compliance (GRC) organization has initiated “Compliance Alerts,” a new newsletter format that makes it possible to provide employees with timely information on current compliance risks and hints on correct conduct. In-house events were also organized worldwide to call attention to the issue of combating corruption and the importance of ethical behavior.

**Preventing 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. Among other things, our Group-wide money-laundering policy establishes minimum standards for handling suspicious business partners and requires investigation of ambiguous circumstances before a business transaction is concluded. We educate our employees on this topic as part of the training module on our Code of Conduct ( → Compliance training).

**Compliance training**

**4,464** MAN employees across the Group received information and training on a variety of compliance issues in 2016

**Reporting compliance violations**

The “Speak up!” whistleblower portal helped to uncover and prevent serious risks for MAN in the year under review. “Speak up!” is used to accept and analyze information relating to serious compliance violations, especially in the areas of white-collar crime (e.g. corruption offenses and money laundering), antitrust law, and data protection. MAN employees and third parties can use “Speak up!” to report compliance violations — confidentially and regardless of time and location. MAN does not tolerate compliance violations under any circumstances. Reports of possible violations are investigated in detail and violations are dealt with and sanctioned in line with the penalties permitted under labor law. In addition, findings from the investigation of compliance violations are used to continuously improve the compliance management system.

**Selected compliance measures**

|                                | <b>2016</b>  |
|--------------------------------|--|
| Business Partner Approval Tool | 1,995 business partners checked  |
| Helpdesk                       | 355 questions answered by central office;<br>1,850 handled locally   |
| On-site training courses       | 381 sessions with 4,464 participants   |
| Integrity campaign             | Compliance film focusing on integrity;<br>Compliance Alerts; Integrity e-learning module;<br>worldwide in-house events on combating corruption |

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MAN stands for effective data protection in compliance with legal regulations, applied worldwide based on the rigorous European standards. To meet these stringent requirements, the MAN Group maintains a global network of data protection officers and coordinators. In Germany, four data protection officers in seven companies work to ensure that the personal data privacy rights of employees, customers, suppliers, and business partners are respected. Outside of Germany the network comprises 73 coordinators in 42 nations who work on data protection in 81 companies. MAN SE, Group Data Protection, coordinates the network. In the reporting period, Group Internal Audit was the body responsible for data protection.

**Due diligence**

CR and compliance risks can ensue from the acquisition or disposal of equity investments. To avert such risks, the GRC function is involved in acquisition projects from the outset. Target companies must complete a due-diligence questionnaire that addresses CR and compliance issues, and includes questions on human rights and environmental impacts.