

Corporate Governance

- ☑ Compliance program expanded to include money-laundering prevention
- ☑ Third compliance risk assessment conducted in 116 Group companies

Management approach

Global guiding principles

Since 2010 MAN has been part of the world's largest and most important CR initiative, the UN Global Compact. Together with more than 12,000 participants from over 145 countries, we are working to shape a global economy that is fairer and more sustainable. Ten principles addressing human rights, labor standards, environmental protection, and anticorruption form the backbone of the Global Compact. In 2013 we complied with the Global Compact Advanced level, aligning the business practices at our sites with the principles of the Global Compact.

Responsible corporate governance

Our business success is achieved in compliance with the applicable laws and regulations. In managing and providing oversight of the Company, the focus is on ensuring its continued performance and on the sustained creation of value in accordance with the principles of the social market economy. In particular, our Management complies with corporate law, our Articles of Association, and internal policies – as well as with internationally and nationally recognized standards of good and responsible corporate governance.

MAN is guided by the laws governing publicly traded corporations set out in the German Corporate Governance Code (the Code). The Code requires the Executive Board to manage the Company in a far-sighted manner and to be monitored by and advised by the Supervisory Board. The Executive Board must consult the Supervisory Board on important decisions and has a duty to inform the Supervisory Board at regular intervals.

The Joint Declaration on Human Rights and Working Conditions in the MAN Group, which was finalized and signed by our Executive Board and the International Metalworkers' Federation in 2012, represents our minimum standard for basic human rights and labor rights.

Codes of conduct

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

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

Compliance program

Introduced in 2010, our Group-wide compliance program aims to prevent noncompliance with laws and regulations and to reduce the risk of damage to our reputation. In addition to the issues of combating corruption, antitrust law, and data protection, since 2013 it has also addressed money laundering. The compliance program helps us detect noncompliance at an early stage and respond quickly, effectively, and consistently.

Violations of our compliance policies are examined on a case-by-case basis. 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 program and introduce selective compliance measures. The Chief Compliance Officer reports to the Executive Board as well as to the Audit Committee of the Supervisory Board.

Data protection

MAN's worldwide data protection practices align with strict European standards. To this end, MAN maintains an international network of data protection officers and coordinators. In Germany, six data protection officers work to ensure that the personal data privacy rights of employees, customers, and suppliers are respected. The network also includes 80 coordinators in 44 countries outside of Germany who work on data protection issues in 91 companies.

Memberships

MAN is a member of Transparency International, the World Economic Forum's Partnering Against Corruption Initiative (PACI), and the German Institute for Compliance (DICO). In addition, MAN supports 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.

Performance

Management and monitoring

In its management and reporting activities, MAN SE largely complies with the recommendations of the German Corporate Governance Code (the Code) as amended on May 13, 2013. The most recent Declaration of Conformity was issued in December 2013. MAN SE departed from the Code recommendations with regard to four points (→ 2013 Annual Report, page 17 et seq.).

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 2013 it held five regular meetings. The average attendance rate at the Supervisory Board meetings was 98 percent. The Chairman of the Supervisory Board does not hold any other positions within the MAN Group. The appointments of the members of the Executive and Supervisory Boards are listed in the MAN 2013 Annual Report (→ 2013 Annual Report, page 188 et seq.).

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, both of which are capped. Against the backdrop of good corporate governance, part of the remuneration is contingent upon the sustained success of the Company.

Compliance organization

The MAN SE Compliance function is currently staffed by 47 employees and headed up by the Chief Compliance Officer (CCO), 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 CCO 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 twice during the reporting period. In addition, the CCO reported to the Executive Board every six months to ensure regular communication on compliance matters.

2011 saw the appointment of some 100 compliance champions, managers who are not full-time Compliance employees but who have taken on special responsibility for the topic. In the year under review they supported the Compliance organization 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 reporting period.

Business Partner Approval Tool

The Business Partner Approval Tool is used to check the integrity of business partners who support our sales activities. A list of all companies who we are not permitted to work with is updated on a monthly basis and communicated within the Group. In 2013 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 procurement and payment processes.

Helpdesk

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 over 4,000 inquiries.

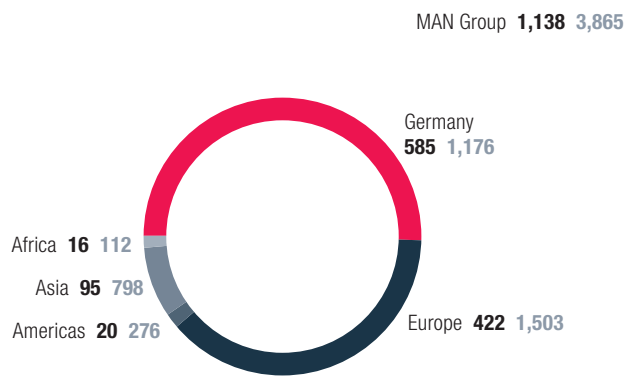
Training

In the year under review, 4,413 employees attended classroom compliance training courses. Of these, 1,138 participated in compliance awareness training courses, while 3,275 received in-depth

instruction on specific issues. In addition, special training sessions were held for employees from Procurement and for business partners.

In recent years, online programs have increased in importance relative to classroom training courses. In the reporting period, 22,296 employees took advantage of the first module of the compliance e-learning program. An e-learning module on combating corruption was introduced for the first time in the fourth quarter of 2013.

Number of employees attending compliance awareness training courses in the regions



2012 values in gray

Compliance risk assessment

In 2013 we conducted and completed the third compliance risk assessment in 116 Group companies (MAN Truck & Bus: 56, MAN Diesel & Turbo: 44, MAN Finance: 10, MAN Latin America: 2, Renk: 4). Its aim was to identify potential compliance risks within the business models applied in the Group. Among other things, the results of the risk assessment are used to determine measures to prevent compliance risks. The individual risk profiles were discussed with the responsible compliance officer or manager to ensure that the preventive compliance processes would be implemented.

In addition, in the year under review we analyzed the MAN Truck & Bus procurement process for compliance risks. We are currently working on specific optimization measures.

Preventive audits

In the reporting period three preventive compliance audits were conducted 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.

Selected compliance measures in 2013

Business Partner Approval Tool	1,962 business partners checked
Helpdesk	638 questions handled
Risk assessments	conducted in 116 Group companies
Preventive compliance audits	3 audits conducted with the internal audit function

Preventing money laundering

Both the German *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:

- Group-wide risk analysis
- Development and implementation of a Group-wide money laundering policy
- Commissioning the development of a special money-laundering prevention e-learning program for risk areas

In addition, both due diligence requirements appropriate to the risks and internal mitigation measures were identified and successively implemented.

“Speak up!” whistleblower portal

Our whistleblower portal “Speak up!” again helped to uncover and prevent risks in 2013. 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.

Workplace bullying

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 function responsible. In 2013 the Compliance organization received eight reports that fell within HR's scope of responsibility, including five reports of suspected workplace bullying.

Due diligence

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. The target company must complete a due-diligence questionnaire that addresses CR and compliance issues. It includes questions on human rights and environmental impacts.

Violations and investigations

The investigation by the European Commission into suspected possible antitrust violations in the commercial vehicles business launched in 2011 is still ongoing. MAN is continuing to cooperate in full with the European Commission. The antitrust investigation of several commercial vehicle manufacturers that was also launched in 2011 by the South Korean antitrust authorities was terminated at the end of 2013 with the imposition of administrative fines on all the manufacturers involved. An administrative fine of €2 million was imposed on MAN Truck & Bus Korea Ltd. MAN is currently examining an appeal against the administrative fine.

Based on indications that, in individual cases, there were irregularities during factory testing of the fuel consumption figures for four-stroke marine diesel engines on test beds at MAN Diesel & Turbo, MAN SE's Executive Board launched an investigation by the Compliance function of MAN SE and external advisers in the 2011 fiscal year. The internal investigation led to organizational and personnel consequences. MAN proactively notified the responsible public prosecution authorities of its investigation and worked closely with them in the clarification of the matter. In the reporting period, the Augsburg Local Court imposed an administrative fine on MAN Diesel & Turbo SE in the single-digit millions. The investigations by the Augsburg Public Prosecution Office into MAN Diesel & Turbo SE were terminated on payment of this amount.

No fines were paid for environmental incidents in the reporting period. Our reporting of such fines covers the 33 production and production-related sites which are also presented with the relevant KPIs in the Environment chapter (→ page 46 et seq.).