

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT IN ACCORDANCE WITH SECTIONS 289a AND 315 (5) OF THE HGB INCLUDING THE CORPORATE GOVERNANCE REPORT¹

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.

Corporate governance is shaped by the applicable laws, in particular the provisions of German stock corporation law, by our Articles of Association and internal regulations, and by nationally and internationally recognized standards of good and responsible corporate governance. The German Corporate Governance Code (the Code) represents the statutory provisions for the governance of German stock corporations that apply to MAN and provides recommendations and suggestions for applying corporate governance at MAN in accordance with recognized standards.

On April 26, 2013, MAN SE, as the controlled company, entered into a domination and profit and loss transfer agreement (DPLTA) with Truck & Bus GmbH (now Volkswagen Truck & Bus GmbH), a wholly owned subsidiary of Volkswagen AG, as the controlling company. Profit transfer occurred for the first time in fiscal year 2014, whereas the part of the intercompany agreement relating to control (domination) became effective on July 16, 2013, when it was entered in MAN SE's commercial register. Since that date, Volkswagen Truck & Bus GmbH is authorized to issue instructions to the Executive Board of MAN SE.

The ethical guidelines that apply to the MAN Group are laid out in our Code of Conduct, which is also available on our website at www.corporate.man.eu under the "Compliance & Risk" heading.

(1) Corporate governance at MAN²

Both MAN's Executive Board and its Supervisory Board have addressed in detail the corporate governance system and compliance with the recommendations and suggestions contained in the Code. They are aware that good and transparent corporate governance that complies with both national and international standards is of central importance for ensuring responsible management with a long-term focus.

¹ The Corporate Governance Statement in accordance with sections 289a and 315 (5) of the HGB is part of the Combined Management Report and is not included in the audit.

² Also the Corporate Governance Report of the Executive and Supervisory Boards in accordance with section 3.10 of the German Corporate Governance Code, as amended on May 5, 2015.

Declaration of Conformity

In December 2016, the Executive Board and the Supervisory Board issued the Declaration of Conformity reproduced in the following. The reasons for the exceptions disclosed are given in the text of the declaration.

"The Executive and Supervisory Boards of MAN SE hereby declare that the recommendations of the Government Commission on the German Corporate Governance Code in the version dated May 5, 2015, published by the German Ministry of Justice in the official section of the *Bundesanzeiger* (German Federal Gazette), on June 12, 2015, were complied with in the period since the last Declaration of Conformity was issued in December 2015 and will continue to be complied with except for section 5.3.2, sentence 3 (independence of the Chairman of the Audit Committee), section 5.4.1, paragraphs 5 through 7 (disclosure in the case of election recommendations), and section 5.4.6, paragraph 2, sentence 2 (performance-related Supervisory Board compensation).

1. The recommendation in section 5.3.2, sentence 3 of the Code is not followed only to the extent that the Chairman of the Audit Committee of the Supervisory Board, Mr. Matthias Gründler, cannot be considered "independent" within the meaning of section 5.4.2, sentence 2 of the Code in view of his function as a Member of the Management of Volkswagen Truck & Bus GmbH.

For the Executive Board and the Supervisory Board of MAN SE, it is most important that the Chairman of the Audit Committee possess the required expert knowledge of the industry. It is not clear why an appointment at a controlling shareholder should rule out a position as Chairman of the Audit Committee pursuant to the definition in section 5.4.2, sentence 2 of the Code under which the criterion of "independence" is not fulfilled.

2. The compensation of the Supervisory Board is regulated by the shareholders in Article 12 (2) of the MAN SE Articles of Association and is linked to the net income for the year, among other things. We assume that the variable compensation component will be oriented toward the sustainable growth of the enterprise within the meaning of section 5.4.6, para-

graph 2, sentence 2 of the Code. However, as it cannot be ruled out that other views will be taken, a departure from the recommendation in the Code is being declared as a precautionary measure.

3. With regard to the recommendation in section 5.4.1, paragraphs 5 through 7 of the Code that certain circumstances be disclosed by the Supervisory Board when making election recommendations to the General Meeting, the requirements of the Code are vague and the definitions unclear. For this reason, we have declared a departure from the Code in this respect as a precaution. Notwithstanding the above, the Supervisory Board will endeavor to meet the requirements in section 5.4.1, paragraphs 5 through 7 of the Code.”

The Executive and Supervisory Boards of Renk Aktiengesellschaft, a listed subsidiary based in Augsburg, have also issued a declaration of conformity. This is posted on the company’s website at www.renk.eu.

Annual General Meeting

The Annual General Meeting is the forum where MAN shareholders can exercise their voting rights, obtain information, and engage in a dialog with the Executive and Supervisory Boards.

In organizing and conducting its Annual General Meeting, MAN SE aims to provide all shareholders with prompt, comprehensive, and effective information both before and during the event. The invitation to the Annual General Meeting is published in the *Bundesanzeiger* (the Federal Gazette) and is accessible to our shareholders and all other interested parties on the MAN website, together with all reports and documents relating to the Annual General Meeting.

To make it easier for shareholders to exercise their voting rights in person or by appointing a proxy, they may authorize a bank, shareholders’ association, or another person to represent them, or they can authorize an MAN employee, either in writing or by electronic means, to exercise their voting rights as their proxy. In addition, we enable all shareholders and the interested public to follow the Annual General Meeting live on the Internet.

Executive Board and Supervisory Board

MAN SE has a two-tier structure comprising an Executive Board and a Supervisory Board. Both governing bodies work closely together to the benefit of the Company and seek to achieve a sustained increase in enterprise value for its shareholders.

The Executive Board currently comprises three members. Please refer to the “Governing Bodies” section in the Annual Report for further information on its composition. The Executive Board is responsible for performing managerial and operational tasks. Its responsibilities extend in particular to the MAN Group’s strategic focus, which it agrees with the Supervisory Board. The Executive Board is also responsible for central financing of the Group, the development and deployment of managers, and the preparation of the half-yearly report and annual financial statements. In addition, it ensures compliance with legislation, official regulations, and internal policies.

The various tasks are allocated to the individual Executive Board functions in accordance with the list of responsibilities. The full Executive Board addresses all key decisions and measures; the Executive Board’s Rules of Procedure define the decisions and measures that require the approval of the full Executive Board. Meetings of the full Executive Board are held once a month, as a rule, and additionally as needed. The Executive Board reports to the Supervisory Board. It consults the Supervisory Board on decisions of fundamental importance. The Executive Board also ensures open and transparent corporate communications.

The Supervisory Board has an oversight and advisory role. Certain important transactions laid down by the law, the Articles of Association, and the Supervisory Board’s Rules of Procedure require the Supervisory Board’s approval. Please refer to the report of the Supervisory Board for further information on the duties performed by the Supervisory Board and its cooperation with the Executive Board.

MAN SE’s Supervisory Board has equal numbers of shareholder and employee representatives. The eight shareholder representatives are elected by the Annual General Meeting and the eight employee representatives are appointed by the SE Works Council in accordance with the provisions of the Agreement on Arrangements for

Employee Involvement in the SE dated February 18, 2009. Since January 1, 2016, the Company must also comply with the statutory minimum percentage of 30% women and 30% men when electing a new member or new members to the Supervisory Board.

In a meeting held on November 13, 2015, the Supervisory Board of MAN SE updated the rules governing the Supervisory Board's composition. According to these, MAN SE's Supervisory Board aims, in light of the purpose and size of the Company and the proportion of its international business activities, to take the following factors into account on its composition:

- reserving at least two Supervisory Board positions — one of which is on the shareholder side — for persons who especially embody the criterion of internationality;
- reserving at least two Supervisory Board positions on the shareholder side for persons with no potential conflicts of interest who are independent within the meaning of section 5.4.2 of the Code;
- in addition, proposals for election should not, as a rule, include any persons who have reached the age of 70 at the time of the election or who have been a member of the Company's Supervisory Board for more than 20 years.

All aims have been fulfilled or taken into consideration respectively.

Please refer to the report of the Supervisory Board and the "Governing Bodies" section of the Annual Report for further information on the composition of the Supervisory Board and its committees.

In accordance with the age limit set by the Supervisory Board for members of the Executive Board, their appointments 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.

In accordance with the requirements of the *Aktiengesetz* (AktG — German Stock Corporation Act) and section 4.3.4 of the Code, members of the Executive Board may undertake secondary activities only with the prior consent of the Supervisory Board.

No conflicts of interest were reported by members of either the Executive Board or Supervisory Board during the reporting period.

Remuneration system for the Executive and Supervisory Boards

Please refer to the Remuneration Report in the Annual Report for information on the remuneration system for the Executive and Supervisory Boards.

Compliance/risk management

MAN SE's Executive Board established a Governance, Risk & Compliance (GRC) function as part of its responsibility for compliance and risk management as defined by the Code. This function is managed by the Head of GRC/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 GRC organization is responsible for compliance and risk management throughout the Group. The GRC function currently has 47 employees and consists of MAN SE's central Corporate GRC Office (17 employees) and the GRC organization in the divisions (30 employees).

The Corporate GRC Office performs central compliance and risk management functions. These include drawing up Group-wide policies and standards, as well as developing employee training. The Corporate GRC Office also regularly performs a special risk analysis to identify potential compliance risks to the Group and to adapt and further develop the Group-wide compliance management system to reflect these risks. In addition, the Corporate GRC Office oversees the performance of risk management processes in the divisions and is responsible for the ongoing development of risk management tools in cooperation with the risk/internal control system managers.

The GRC organization in the divisions is responsible for the implementation of the compliance management system and the risk management system developed by the Corporate GRC Office in the Group companies within the division. Each division has a head of GRC/compliance officer, who is supported by compliance managers in various business units or sales regions as well as by risk/internal control system managers.

Finally, compliance and risk management tasks are also performed by “compliance champions” and risk/internal control system coordinators. Compliance champions are MAN managers or employees who are not full-time GRC employees but who have assumed special responsibility for compliance and risk management issues.

The MAN compliance management system addresses white collar crime (especially combating corruption, preventing money laundering, and terrorism funding) and antitrust law issues. The Corporate Audit function was responsible for data protection issues in the reporting period.

The key elements of the MAN compliance management system include the following:

- Regular reporting on the current status of compliance measures at different levels of the Group to the responsible committees.
- The MAN Group’s ethical conduct guidelines and basic compliance requirements are described in its Code of Conduct. The GRC organization has also developed policies on compliance issues such as combating corruption, antitrust law, and preventing money laundering. These policies represent uniform and binding requirements for all employees throughout the Group.
- The Compliance Helpdesk operated by the GRC function answered 355 questions from employees in the reporting period.
- The GRC function regularly holds classroom and online training on combating corruption, antitrust law, preventing money laundering, and data protec-

tion. The focus in the year under review was on face-to-face training for managers as well as the roll-out of the third online course on the Code of Conduct, which looks at integrity, transparency, and personal responsibility in greater detail.

- Various measures were taken in the reporting period to promote integrity as part of a culture campaign. These include a film on integrity as a corporate value, various “compliance alerts” on current compliance issues, as well as different internal events at Group companies to celebrate International Anti-Corruption Day on December 9, 2016.
- In October 2016, over 100 compliance champions and GRC employees met in Munich for a two-day compliance conference. The conference focused on the development of strategies and measures to identify potentially unknown compliance risks and to continue to ensure ethical conduct in the Group.
- The Business Partner Approval Tool is used to check and approve the integrity of business partners active in the area of sales support. In total, over 1,995 checks were conducted using this tool in the period under review.
- The Continuous Controls Monitoring (CCM) electronic monitoring system ensures that potential compliance risks and policy violations are detected at an early stage. It comprises a set of purchasing and payment process controls and general IT controls. A new control to prevent money laundering was developed in the reporting period and is now being rolled out in stages. CCM is now used at 50 MAN Group companies or sites.
- 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, suspected money laundering activities, and terrorism funding), antitrust law, and data protection. This information is 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, 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, the Deutsche Gesellschaft für Internationale Zusammenarbeit, the Bundesverband der Deutschen Industrie, as well as a large number of German companies to promote economic integrity.

For a detailed description of MAN's risk management system as well as its risk and opportunity position, please refer to the Report on Risks and Opportunities 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.corporate.man.eu 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.corporate.man.eu 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:

- In accordance with Article 19 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16, 2014 on Market Abuse (Market Abuse Regulation), persons discharging managerial responsibilities, as well as persons closely associated with them, must report dealings in MAN shares and related financial instruments to the issuer and to the *Bundesanstalt für Finanzdienstleistungsaufsicht* (BaFin — German Federal Financial Supervisory Authority) without undue delay. No transactions were reported in fiscal year 2016. According to the reports received, the Executive Board 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.
- Article 17 of the Market Abuse Regulation requires issuers to publish insider information that directly affects them as soon as possible.
- Section 26 of the *Wertpapierhandelsgesetz* (WpHG — German Securities Trading Act) requires domestic issuers to release 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 financial report with the Executive Board prior to its publication. The Group complies with the publication deadlines laid down in section 7.1.2, sentence 4 of the Code.

(2) Other corporate government practices

MAN SE is the holding company and parent of the MAN Group. It conducts its business in close coordination with Volkswagen Truck & Bus GmbH and Volkswagen AG.

In order to ensure uniformity, the MAN Group applies the standards using Group policies.

The MAN Group's ethical guidelines of conduct and compliance requirements are described in its Code of Conduct. It is posted on our website at www.corporate.man.eu under the "Compliance & Risk" heading. The Code of Conduct lays down binding rules of conduct that embody core rules and minimum standards for all employees of the MAN Group. The goal is to provide all employees with guidance on legal and ethical challenges in their daily work and to promote proper conduct. In particular, the Code of Conduct includes a clear commitment to free and fair competition. Anticompetitive conduct and corruption of any kind are prohibited. The provisions of the Code of Conduct are set out in greater detail, for example, in the following Group policies: the Policy on handling gifts, hospitality, and invi-

tations to events, the Policy on engaging business partners with an intermediary and/or representative function, the Policy on handling donations and sponsoring measures, the Policy on compliance with antitrust regulations, the Policy on case management and compliance investigations, the Policy on handling personal data, and the Policy on preventing money laundering and terrorism funding.

In addition, the Executive Board, employee representatives, and MAN SE's international labor union network signed an international framework agreement in March 2012 under which MAN has committed itself to safeguarding basic human rights and employee rights applicable all around the world. The goal of the agreement is to provide a reliable minimum standard that all of the MAN Group's employees worldwide can refer to and that creates ethical foundations for actions taken by MAN companies and employees.

In addition to complying with core ethical rules for the MAN Group's own employees, MAN expects suppliers and business partners, as well as their employees, to act responsibly and to comply with the applicable laws at all times and everywhere. To this end, MAN has issued its own Code of Conduct for Suppliers and Business Partners and translated it into 16 languages. This document is also posted on our website www.corporate.man.eu under the "Compliance & Risk" heading.

(3) Working practices and composition of the Executive Board, Supervisory Board, and committees

The composition of the Executive Board, the Supervisory Board, and the Supervisory Board committees can be found in the "Notes to the Consolidated Financial Statements".

Please refer to the Corporate Governance Report under (1) for information on the working practices of the Executive Board and the Supervisory Board.

The Executive Board does not have any committees.

Working practices of the Supervisory Board committees

The Supervisory Board established two committees — the Presiding Committee and the Audit Committee — on

which shareholders and employees are represented equally, with three representatives in each case, as well as the Nomination Committee, which consists solely of shareholder representatives.

The main role of the committees is to prepare Supervisory Board resolutions. In some cases, the Supervisory Board's decision-making powers or tasks are transferred to committees.

The Nomination Committee is tasked with identifying candidates for Supervisory Board positions and recommending suitable candidates to the Supervisory Board as the latter's proposals for election at the Annual General Meeting. In this capacity, the shareholder representatives on the Presiding Committee act as the Nomination Committee.

As a rule, the Presiding Committee meets before every Supervisory Board meeting. The Audit Committee meets before the Supervisory Board financial statements meeting in connection with the preparation of the annual financial statements, and in connection with the interim financial statements. In addition, the Presiding Committee and the Audit Committee may convene additional meetings as needed.

Please refer to the report of the Supervisory Board for further information on the duties performed by its committees.

(4) Target for percentage of women

Pursuant to section 111 (5) of the AktG, the Supervisory Board of MAN SE has set a target of 0% for female members on the Executive Board.

Pursuant to section 76 (4) of the AktG, the Executive Board of MAN SE has set the following goals for females in the two management levels directly below the Executive Board:

- 18.5% for females in the first management level below the Executive Board.
- 43.5% for females in the second management level below the Executive Board.

The deadline for reaching both goals was December 31, 2016.

Goal achievement as of December 31, 2016 was as follows:

- 0% for the Executive Board of MAN SE.
- 22.7% for females in the first management level below the Executive Board.
- 37.5% for females in the second management level below the Executive Board.

The stated goals were therefore achieved with the exception of the target for the percentage of women in the second management level below the Executive Board.

The Company underwent a major restructuring phase involving a workforce reduction of up to 60 jobs across all divisions and levels (staff subject to collective bargaining agreements and management roles) in fiscal 2016. These measures also led to a decline/change in the overall number of management positions as well as to transfers within the MAN Group and consequently to a decrease in the percentage of women.

The target for the percentage of women in the first management level was exceeded as a result of one promotion to the first management level (in the same role).

The failure to achieve the target for the percentage of women in the second management level is due to the restructuring measures. However, it should be noted in this context that the percentage of female candidates for management positions (potential candidates for promotion to the second management level) is 66%.

Pursuant to section 111 (5) of the AktG, the Supervisory Board has again set a target of 0% for female members of the Executive Board in the period from January 1, 2017 to December 31, 2021.

Pursuant to section 76 (4) of the AktG, the Executive Board of MAN SE has likewise set the following goals for females in the two management levels directly below the Executive Board in the period from January 1, 2017 to December 31, 2021:

- 29.2% for females in the first management level below the Executive Board.
- 40% for females in the second management level below the Executive Board.

The corresponding disclosures by the subsidiaries of MAN SE that are required by law to set target percentages are available on our website at www.corporate.man.eu under the “Investor Relations” heading.

(5) Disclosures on compliance with the minimum percentage of female and male members of the Supervisory Board

In accordance with section 17 (2) of the *SE-Ausführungsgesetz* (SEAG — German SE Implementation Act), the Supervisory Board of a listed SE, whose Supervisory Board has an equal number of shareholder and employee representatives, must be at least 30% women and at least 30% men.

The Supervisory Board comprised three women and 13 men until MAN SE’s Annual General Meeting on June 15, 2016. The above quota was therefore not met up until this time. However, this did not contravene the statutory requirement since the members were appointed in previous years.

Prior to the 2016 Annual General Meeting, the shareholder representatives objected to the overall fulfillment of the quota in the upcoming election of the Supervisory Board at the Annual General Meeting. As a result, at least two women and at least two men were to be appointed to both the shareholder side and the employee side of the Supervisory Board.

The current Supervisory Board, which was elected at the 2016 Annual General Meeting, meets this specification.

The corresponding disclosures by the listed subsidiary Renk Aktiengesellschaft are available on our website at www.corporate.man.eu under the “Investor Relations” heading.