

REMUNERATION REPORT FOR FISCAL YEAR 2016

Executive Board remuneration

Resolutions determining the total remuneration of individual Executive Board members are prepared by the Presiding Committee of MAN SE's Supervisory Board. The full Supervisory Board then determines the total remuneration in accordance with legal requirements. The full Supervisory Board also regularly discusses the structure of the Executive Board remuneration system based on the Presiding Committee's proposals. This system is regularly modified and adjusted as needed in accordance with the recommendation set out in the German Corporate Governance Code (section 4.2.2).

The Supervisory Board's objective and duty is to set remuneration at appropriate levels. The criteria for doing so include in particular the tasks of the respective Executive Board member, their personal performance, the economic situation, the performance of and outlook for the Company, and how customary the remuneration is compared with the Company's peer group and the remuneration structure that applies to other areas of MAN.

In fiscal 2016, Executive Board members were appointed at MAN SE who received remuneration from MAN Truck & Bus AG (Mr. Drees and Mr. Lafrentz) and Volkswagen AG respectively (Mr. Schelchshorn) on the basis of their employment contracts with those companies and in accordance with the remuneration structure and components in effect there. They received no further remuneration from MAN SE. MAN SE reimbursed Volkswagen AG for the remuneration paid to Mr. Schelchshorn, including 10% of the expenses needed to finance the occupational pension plan. MAN Truck & Bus AG reimbursed Volkswagen AG for the remuneration paid to Mr. Schelchshorn, including 65% of the expenses needed to finance the occupational pension plan.

Remuneration structure and components

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 reflect individual performance, business success, and long-term strategic goals.

The remuneration structure and components are based on each individual's employment contract.

A) Fixed remuneration

The fixed remuneration is paid as a monthly salary. In addition, Executive Board members receive noncash benefits consisting primarily of the provision of company cars and the payment of insurance premiums. Drivers for business trips are also available to Executive Board members.

The fixed remuneration is reviewed on a regular basis and modified where necessary, taking into account general salary trends and the area of responsibility of the individual Executive Board member.

B) Variable remuneration

MAN Truck & Bus AG

MAN Truck & Bus AG introduced a new variable remuneration system for members of the Executive Board for fiscal 2016 onwards. Variable remuneration is calculated on the basis of three equally-weighted components, each of which are capped at 200% of the target amount:

- Long-term incentive bonus (LTI)
- Company performance bonus (CPB)
- Personal performance bonus (PPB)

The **long-term incentive bonus** is directly linked to the targets of the Strategy 2018 of the Volkswagen Group. It is based on the success criteria derived from the strategy and calculated over a four-year period.

The target areas are:

- Leader in customer satisfaction, measured using the Customer Satisfaction Index,
- Leading employer, measured using the Employee Index,
- Unit sales growth, measured using the Growth Index, and
- Increase in the return on sales, measured using the Return Index.

The Customer Satisfaction Index is calculated using indicators that quantify the overall satisfaction of our customers with the delivering dealers, new vehicles and the service operations based on the previous workshop visit. The

Employee Index is determined using the “employment” and “productivity” indicators as well as the participation rate and results of employee surveys. The Growth Index is calculated using the “deliveries to customers” and “market share” indicators. The Return Index is derived from the return on sales and the dividend per ordinary share.

The indices on customer satisfaction, employees, and unit sales are aggregated and the result is multiplied by the Return Index. This method ensures that the LTI is only paid out if the Group is also financially successful. If the 1.5% threshold for the return on sales is not exceeded, the Return Index is zero, and the overall index for the fiscal year concerned is then also zero.

The **company performance bonus** enables the Executive Board to participate in the business success of MAN Truck & Bus and Volkswagen Truck & Bus. The success of MAN Truck & Bus is based on the operating profit of MAN Truck & Bus (weighting of two-thirds) and the success of Volkswagen Truck & Bus on the return on sales (ROS) of Volkswagen Truck & Bus (weighting of one-third). The calculation is based on a two-year period.

Target achievement is calculated as follows:

- Operating profit of MAN Truck & Bus
The average operating profit from the year under review and the previous year is compared with a target figure defined by the Supervisory Board of the company before the beginning of the fiscal year in which the bonus is granted. The target figure corresponds to target achievement of 100%. The Supervisory Board of MAN Truck & Bus AG reviews and, if necessary, adjusts the target figure on a regular basis (at least once every three years).

The resulting percentage ratio between the average and the target figures gives the target achievement figure as a percentage, which is capped at 200% of the average figure. This target achievement figure is incorporated into the calculation of the company performance bonus with a weighting of two-thirds.

- Return on sales (ROS) of Volkswagen Truck & Bus
The average return on sales (ROS) from the year under review and the previous year is compared with a target figure defined by the Supervisory Board of the Company before the beginning of the fiscal year in which the bonus is granted. The target figure corresponds to target achievement of 100%. The Supervisory Board of Volkswagen Truck & Bus GmbH reviews and, if necessary, adjusts the target figure on a regular basis (at least once every three years). (For fiscal 2016, target achievement is calculated based on the ROS for fiscal 2016 compared with the target figure.)

The resulting percentage ratio between the average and the target figures gives the target achievement figure as a percentage, which is capped at 200% of the average figure. This target achievement figure is incorporated into the calculation of the company performance bonus with a weighting of one-third.

The **personal performance bonus** recognizes the individual employee's performance in the past year on the basis of the performance rating and the extent to which the targets set in the individual target agreement have been met. The bonus is determined according to quantitative and qualitative factors. The personal performance bonus for each individual is determined by the Supervisory Board of MAN Truck & Bus AG.

Volkswagen AG

The variable remuneration (bonus) system for management has three components:

- Long-term incentive bonus (LTI)
- Company performance bonus (CPB)
- Personal performance bonus (PPB)

The **long-term incentive bonus** is directly linked to the targets of the Strategy 2018 of the Volkswagen Group. It is based on the success criteria derived from the strategy and calculated over a four-year period. The amount of the long-term incentive bonus is generally limited to 200% of the target amount.

The target areas are:

- Leader in customer satisfaction, measured using the Customer Satisfaction Index,
- Leading employer, measured using the Employee Index,
- Unit sales growth, measured using the Growth Index, and
- Increase in the return on sales, measured using the Return Index.

The Customer Satisfaction Index is calculated using indicators that quantify the overall satisfaction of our customers with the delivering dealers, new vehicles and the service operations based on the previous workshop visit. The Employee Index is determined using the “employment” and “productivity” indicators as well as the participation rate and results of employee surveys. The Growth Index is calculated using the “deliveries to customers” and “market share” indicators. The Return Index is derived from the return on sales and the dividend per ordinary share.

The indices on customer satisfaction, employees, and unit sales are aggregated and the result is multiplied by the Return Index. This method ensures that the LTI is only paid out if the Group is also financially successful. If the 1.5% threshold for the return on sales is not exceeded, the Return Index is zero. This would mean that the overall index for the fiscal year concerned is also zero.

The amount of the **company performance bonus** depends on the financial success of the group company that employs the individual concerned. It is calculated on the basis of operating profit over a two-year assessment period.

The **personal performance bonus** recognizes the individual employee's performance in the past year on the basis of the performance rating and the extent to which the targets set in the individual target agreement have been met. The bonus is determined according to quantitative and qualitative factors. The personal performance bonus is determined for each individual in a process that involves several parties.

It fluctuates between a lower and upper limit specified for each salary band.

C) Occupational pension system

MAN Truck & Bus AG

In the event of regular termination of service, Executive Board members' benefit entitlements comprise retirement, disability, and survivors' benefits. Entitlements to such benefits are accumulated under a defined contribution system, or “capital account plan” with the value of benefits dependent upon the performance of certain fund indices.

Every year, MAN Truck & Bus AG contributes an amount equal to 20% of eligible remuneration, i.e., of the sum of the contractually agreed fixed remuneration and the variable remuneration. Executive Board members may elect to make contributions themselves out of their gross salary.

Contributions and interest are held in individual capital accounts. The performance of the capital account is directly linked to the capital markets and is determined by a basket of indices and other suitable parameters. The risk of the investments is gradually reduced as the beneficiaries get older (lifecycle concept).

At retirement, the beneficiary may elect to receive the balance of the capital account, or at a minimum the total amount of the contributions, as a lump sum payment, in installments, or as an annuity.

In the event of disability or death, the beneficiary is paid the accumulated account balance, or a minimum of four times the fixed annual salary.

Volkswagen AG

In the event of regular termination of service, members of the Board of Management are entitled to a pension including survivors' benefits.

The agreed benefits are paid or made available on reaching the standard retirement age applicable to the statutory pension insurance system within the meaning of the *Sozialgesetzbuch* (Volume VI of the German Social Insurance Code).

The pension is calculated as a percentage of the basic level of remuneration.

Special contract provisions

Executive Board members receive their fixed remuneration, bonus, insurance contributions, and contributions to the pension system until the end of their normal term of office, but for no more than two years, in the event of the early termination of their contract without good cause and at the instigation of the Company concerned. Income from activities elsewhere is offset.

If an Executive Board member's contract is terminated at his instigation (members may terminate their contracts without having to cite reasons, observing a period of notice), payments are only made until the end of the notice period. There are no special change-of-control provisions in place.

The following special arrangements were agreed in connection with the appointment of Mr. Drees, Mr. Lafrentz, and Mr. Schelchshorn as members of the Company's Executive Board:

Mr. Lafrentz and Mr. Schelchshorn will not be granted retirement benefits by MAN. Instead, MAN Truck & Bus AG has undertaken to assume for Mr. Lafrentz the expenses associated with continuing his existing retirement benefits in the Volkswagen Group.

In addition, a special arrangement relating to guaranteed variable remuneration was agreed with Mr. Drees, Mr. Lafrentz, and Mr. Schelchshorn. Further information can be found in note (37) in the "Notes to the Consolidated Financial Statements."

Executive Board members' remuneration in 2016

The remuneration awarded to active members of the Executive Board for their services in fiscal 2016 totaled €4,574 thousand plus €449 thousand for pensions (previous year: €4,754 thousand plus €985 thousand for pensions). Please see note (37) in the "Notes to the Consolidated Financial Statements" and the following tables for details of the Executive Board members' individual remuneration.

Executive Board members' remuneration is reported individually in this remuneration report on the basis of the uniform model tables recommended in the German Corporate Governance Code (version dated September 30, 2014). These model tables present the benefits granted (table 1) and the benefits actually received (table 2) separately. The benefits granted table presents the targets (payment if targets met 100%) and the minimum and maximum amounts achievable.

Table 1: Executive Board members' remuneration in 2016 (benefits granted)

€ thousand	Joachim Drees ^{1,2} Chief Executive Officer			
	2015	2016	2016 (Min)	2016 (Max)
Fixed remuneration	102	450	450	450
Fringe benefits	23	88	88	88
Total	125	538	538	538
One-year variable remuneration (Performance component 2 / PPB)	51	225	0	450
Multi-year variable remuneration				
Performance component 1 / CPB (2 years)	51	225	0	450
Long-term remuneration components (3 years) / LTI (4 years)	51	225	0	450
Other (special arrangements)	102	345	1,020	120
Total	255	1,020	1,020	1,470
Pension expense	20	210	210	210
Total remuneration	400	1,768	1,768	2,218

€ thousand	Jan-Henrik Lafrentz ^{1,2} Chief Financial Officer			
	2015	2016	2016 (Min)	2016 (Max)
Fixed remuneration	90	408	408	408
Fringe benefits	8	33	33	33
Total	98	441	441	441
One-year variable remuneration (Performance component 2 / PPB)	45	204	0	408
Multi-year variable remuneration				
Performance component 1 / CPB (2 years)	45	204	0	408
Long-term remuneration components (3 years) / LTI (4 years)	45	204	0	408
Other (special arrangements)	0	0	0	0
Total	135	612	0	1,224
Pension expense	21	96	96	96
Total remuneration	254	1,149	537	1,761

€ thousand	Josef Schelchshorn ^{3,4} Chief Human Resources Officer			
	2015	2016	2016 (Min)	2016 (Max)
Fixed remuneration	204	432	432	432
Fringe benefits	27	36	36	36
Total	231	468	468	468
One-year variable remuneration (Performance component 2 / PPB)	140	280	0	560
Multi-year variable remuneration				
Performance component 1 / CPB (2 years)	140	280	0	560
Long-term remuneration components (3 years) / LTI (4 years)	140	280	0	560
Other (special arrangements)	180	360	1,200	0
Total	600	1,200	1,200	1,680
Pension expense	104	143	143	143
Total remuneration	936	1,811	1,811	2,291

¹ MAN Truck & Bus AG employment contract ² Joined October 1, 2015 ³ VW AG employment contract ⁴ Joined July 1, 2015

Table 2: Executive Board members' remuneration in 2016 (benefits received)

€ thousand	Joachim Drees ^{1,2} Chief Executive Officer		Jan-Henrik Lafrentz ^{1,2} Chief Financial Officer		Josef Schelchshorn ^{3,4} Chief Human Resources Officer	
	2015	2016	2015	2016	2015	2016
Fixed remuneration	102	450	90	408	204	432
Fringe benefits	23	88	8	33	27	36
Total	125	538	98	441	231	468
One-year variable remuneration (Performance component 2 / PPB)	28	338	25	306	255	406
Multi-year variable remuneration						
Performance component 1 / CPB (2 years)	5	232	4	210	66	176
Long-term remuneration components (3 years) / LTI (4 years)	0	266	0	241	210	330
Other (special arrangements)	222	336	121	0	69	288
Total⁵	255	1,170	150⁶	757	600	1,200
Pension expense	20	210	21	96	104	143
Total remuneration	400	1,918	269	1,294	936	1,811

¹ MAN Truck & Bus AG employment contract ² Joined October 1, 2015 ³ VW AG employment contract ⁴ Joined July 1, 2015
⁵ 2016: Information based on key figures currently available ⁶ Adjustment following preparation of the 2015 Annual Report

Additionally, a total of €595 thousand (previous year: €614 thousand) in severance payments was made in fiscal 2016 to former members of the Executive Board. Appropriate provisions were recognized for these payments at the time of departure. These payments are also described in detail in the abovementioned note in the "Notes to the Consolidated Financial Statements."

Supervisory Board remuneration

The structure and amount of Supervisory Board remuneration are stipulated by the Annual General Meeting and governed by Article 12 of the Articles of Association. They are based on the tasks and responsibilities of the Supervisory Board members as well as on the Group's economic performance.

The annual remuneration comprises the following components:

- basic (fixed) remuneration of €35,000;
- variable remuneration (bonus). This is based on actual earnings per share as reported in the Consolidated Financial Statements. The variable remuneration is €175 for every €0.01 by which earnings per share exceed €0.50. It is capped at twice the basic remuneration.

Additional remuneration is paid to the chairperson and deputy chairperson of the Supervisory Board as well as to the chairperson and members of the Supervisory Board committees. The Supervisory Board chairperson receives double and his/her deputy one-and-a-half times the fixed and variable remuneration. Members of the Supervisory Board's Audit Committee and Presiding Committee each receive an additional 50% and the chairpersons of the two committees receive an additional 100% of the basic remuneration.

Since the amendment to the Articles of Association resolved at the Annual General Meeting on April 1, 2010, the members of the Supervisory Board have additionally received an attendance fee of €500 in each case for meetings of the Supervisory Board or of Supervisory Board committees at which they have been present.

In addition, members of the Supervisory Board are reimbursed their expenses.

Remuneration and expenses reimbursed that are subject to value-added tax are paid gross of value-added tax if this is invoiced separately.

The variable component is based on MAN's earnings per share and is therefore not absolutely aligned with sustainable corporate development. To this extent, it could be said that the remuneration of the Supervisory Board is not in line with the recommendation contained in the Corporate Governance Code. The Company has therefore declared as a precautionary measure that it does not follow the recommendation set out in section 5.4.6 of the Code.

Supervisory Board members' remuneration in 2016

The total remuneration payable to the members of the Supervisory Board for 2016 amounts to €751 thousand (previous year: €806 thousand). In addition, members of MAN SE's Supervisory Board received remuneration totaling €150 thousand (previous year: €124 thousand) for serving on supervisory boards at Group companies in fiscal 2016. Please see note (38) in the "Notes to the Consolidated Financial Statements" for a breakdown of the individual remuneration of the Supervisory Board members in 2016.

Additional information

Supervisory Board members did not receive any additional remuneration or awards for personal services, particularly advisory or intermediary services, during the reporting period.

Former Supervisory Board members who left the Board prior to January 1, 2016, do not receive any remuneration.