

Governance, Risk & Compliance at MAN



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“Responsible, compliant, and ethical conduct is top priority for all of us at MAN. This applies to every individual employee, everywhere and at all times.”

(Joachim Drees, Chief Executive Officer of MAN SE)

Foreword

As a global enterprise that is steeped in tradition and operates in many areas of business, MAN has a corporate responsibility to its customers, its employees, its investors, and the public.

This corporate responsibility includes compliance with laws everywhere and at all times as well as respecting ethical values and acting sustainably. As a result, compliance is a fundamental part of the MAN strategy and must be practiced at all levels of the Group and by all staff — the Executive Board, managers, and each individual employee — alike.

MAN's Governance, Risk & Compliance (GRC) Organization has introduced a wide range of measures to ensure that compliance at MAN is implemented and practiced throughout the Group.

Further, the management of risks and opportunities is an inseparable element of corporate management and the business processes. The MAN GRC Organization has implemented a comprehensive risk management system, which aims at creating transparency of the Group's risks and opportunities at an early stage and ensuring the implementation of effective, risk-reducing measures on management and process levels.

In the following, we would like to introduce you to MAN's GRC Organization and give you an insight into the MAN Group's compliance measures and the components of its risk management system.



Joachim Drees,
CEO of MAN SE

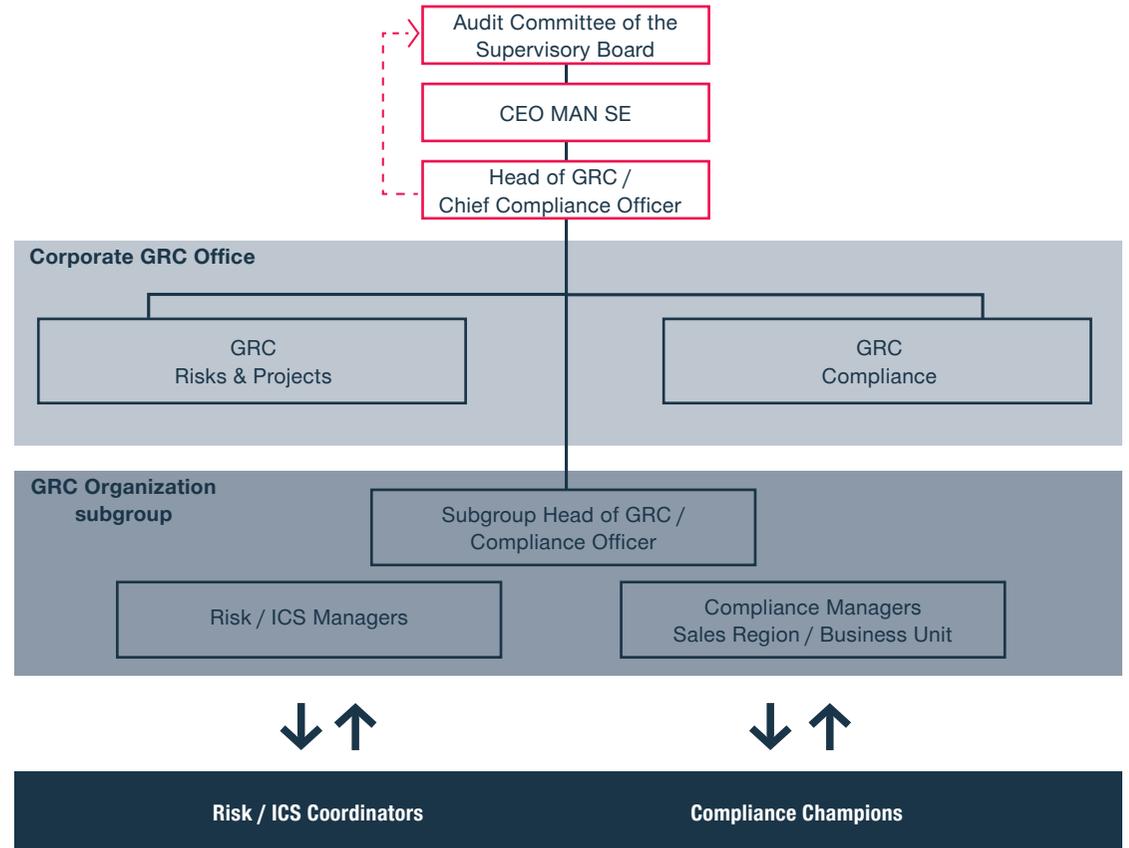
The MAN GRC Organization

MAN's Governance, Risk & Compliance (GRC) Organization is headed by the **Head of GRC / Chief Compliance Officer** of MAN who directly reports to the CEO of MAN SE as well as to the Audit Committee of the Supervisory Board. The GRC Organization is responsible for compliance and risk management issues throughout the Group. To this end, the GRC Organization is embedded at two Group levels: the Corporate GRC Office at the Group's headquarters and the GRC Organization in the subgroups.

The **Corporate GRC Office** performs central compliance and risk management tasks. This includes for example creating policies and regulations that apply throughout the Group as well as designing trainings for employees. In addition, the Corporate GRC Office regularly carries out a specific risk analysis to identify potential compliance risks for the Group and to align and further develop the Group-wide Compliance Program according to these risks. Moreover, the Corporate GRC Office manages risk management processes in the subgroups and is responsible for further developing the risk management measures in cooperation with the Risk / ICS Managers.

The **GRC Organization at subgroup level** is responsible for implementing the Compliance Program and the Risk Management System developed by the Corporate GRC Office in the Group companies of the subgroups. Each subgroup has a **Head of GRC / Compliance Officer** who is supported by **Compliance Managers** in the different business units and sales regions and **Risk / ICS Managers**.

Compliance and risk management duties are also performed by the so-called **Compliance Champions** and **Risk / ICS Coordinators**. They are not full-time GRC employees, but MAN managers or employees who have assumed special responsibility for compliance or risk management matters. Compliance Champions for example support the GRC Organization by ensuring that compliance measures are also implemented in Group companies with no Compliance Manager on site. Risk / ICS Coordinators on the other hand ensure the implementation of risk management processes in MAN entities.



The MAN Compliance Program



MAN's Compliance Program focuses on white collar crime (especially anticorruption, prevention of money laundering) and antitrust law.

In this respect, MAN has developed a Group-wide Integrity and Compliance Program that,

- prevents compliance violations (prevention),
- detects as early as possible any compliance violations that may arise despite preventative measures (detection), and
- responds quickly and efficiently to these compliance violations (response).

1. Prevention

In order to prevent compliance violations, the GRC Organization has taken and implemented a large number of different measures:

Code of Conduct

The MAN Group's Code of Conduct, which applies to all MAN staff – the Executive Board, managers, and each individual employee – is the very heart of MAN's corporate culture. It is directed at MAN employees and prescribes specific and binding guidelines for situations in which employees should pay particular attention to acting responsibly. The Code of Conduct describes how conflict situations can be dealt with in everyday business using examples.

Code of Conduct for Suppliers and Business Partners

MAN also expects its suppliers, business partners, and their employees to act responsibly and to adhere to the laws in force and ethical principles everywhere and at all times. That is why MAN has issued its own Code of Conduct for Suppliers and Business Partners which prescribes the minimum ethical standards that MAN suppliers and business partners undertake to observe.



Compliance Policies

MAN's GRC Organization has developed policies on compliance issues of anticorruption, antitrust law, and prevention of money laundering. These policies implement standard and binding rules for all employees throughout the Group.

■ Gifts, hospitality, and invitations to events

In order to ensure that gifts, hospitality, and invitations to events are appropriate and not used to influence business partners or authorities, MAN has enacted a policy. It contains a clearly structured traffic light system which enables each employee to identify and check whether and under which circumstances he / she may grant or accept benefits.

■ Dealing with agents and consultants / Business Partner Approval Tool

MAN has also enacted a policy that regulates the commissioning of agents, representatives, consultants, or other business partners who act in a sales support capacity. Specific rules for reviewing business partners, drafting contracts, documenting

the business relationship, and paying the remuneration are intended to counter the risk of the remuneration paid by MAN to business partners being used as corruption funds.

The integrity of all MAN business partners is checked by means of the Business Partner Approval Tool, the use of which the policy makes binding. The Business Partner Approval Tool is a web-based application that enables the integrity of a business partner to be reviewed quick-

ly, transparently, and thoroughly. The Business Partner Approval Tool was developed in 2010 together with sales employees and is used throughout the Group.

■ Donations and sponsoring measures

There is also a Group-wide policy for donations and sponsoring measures, on the basis of which each employee can identify whether and under which circumstances he / she may grant such benefits in MAN's name.

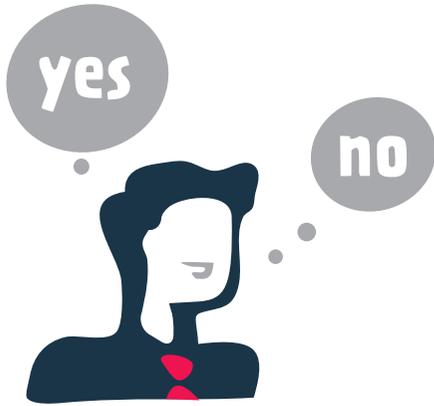
■ Compliance with antitrust regulations

MAN operates as a fair and responsible competitor on all markets. In order to ensure that all employees are informed of antitrust regulations and observe them, MAN has enacted a policy that contains rules on dealing with competitors, customers, and suppliers. The policy also highlights legal parameters that have to be taken into account if a company has a so-called dominant market position. This policy is intended to prevent any compliance violations in the area of antitrust law.

■ Prevention of money laundering and terrorist financing

Trading with high value assets bears the risk of being abused for money laundering or terrorist financing. In this respect, MAN could also — involuntarily — become victim or accomplice. To mitigate this risk, MAN has implemented different measures. In particular, a Group-wide policy sets minimum requirements for the use of suspicious business partners and requires clarification of unclear backgrounds before conducting business.





Compliance Helpdesk

MAN has a Compliance Helpdesk since February 2010 that employees can phone or e-mail with compliance-related questions. The Compliance Helpdesk is used intensively by MAN employees. A large number of queries about diverse issues are received every month. They are checked by the employees who work in the Corporate GRC Office and are generally answered within 48 hours.

The queries made to the Compliance Helpdesk provide the GRC Organization with an overview of the most common questions that arise. The knowledge gained from these questions is used to identify additional preventative compliance measures.

Classroom and online trainings

The GRC Organization holds trainings on compliance issues worldwide for MAN employees who may be exposed to compliance risks. The training sessions introduce the MAN GRC Organization and convey basic knowledge about white collar crime, anticorruption, antitrust law, and the prevention of money laundering. The trainings also convey the content of compliance policies and highlight risks using specific examples. Employees learn how they should conduct themselves in order to avoid legal violations and conflicts.

In addition to this, trainings are given online and there are special training sessions on specific issues for employees working in areas that are particularly at risk. This for example applies to employees working in competition and market analysis departments, who receive in-depth antitrust training sessions by the GRC Organization. In addition, managers at MAN are given trainings on the specific compliance risks they are facing due to their position as management members and their particular responsibility arising therefrom.

2. Detection

Should legal infringements occur within the MAN Group, considerable risks for the MAN Group and the affected employees are the consequence. Integrity and compliant conduct therefore have the highest priority within the MAN Group. In order to protect these values, MAN has established clear and transparent processes which ensure that legal infringements are internally detected, clarified, and then remedied for the future.

Clarification of legal infringements

The Internal Investigations Team of the Corporate Audit department receives tip-offs about possible legal infringements and ensures that such tip-offs are handled by the appropriate unit within the Group. In addition, employees can turn to further internal contacts in the Company with tip-offs, e.g. their superiors or the GRC Organization. Serious legal infringements are investigated by the Internal Investigations Team.



The central responsibility for the receipt of tip-offs and the investigation of serious legal infringements ensures that misconduct is detected and that risks for the MAN Group can be identified and averted at an early stage.

Compliance risk analysis

The GRC Organization regularly carries out Group-wide risk analyses with the aim of determining compliance risks in the areas of corruption, antitrust law and prevention of money laundering. These risk analyses extend to all subgroups and take into account the number and size of individual Group companies, the business model, the customer and sales structure, Transparency International's Corruption Perceptions Index (CPI) in the target markets, and the respective local competition structure. In addition, the Corporate Audit department reviews the implementation of compliance measures and controls in entities when conducting internal audits there.

The structure of the GRC Organization, the Compliance Program tailored to MAN's needs, and additional measures to avoid compliance risks are derived from the results of the compliance risk analysis and internal examinations by Corporate Audit.

Mergers & Acquisitions (M&A)

In order to ensure that compliance risks do not emerge from the acquisition or sale of shareholdings, the GRC Organization is involved in the MAN Group's M&A projects from the very start. The GRC Organization has prescribed specific requirements that apply to due diligence checks of the companies concerned, and are intended to ensure that any related compliance risks are detected.

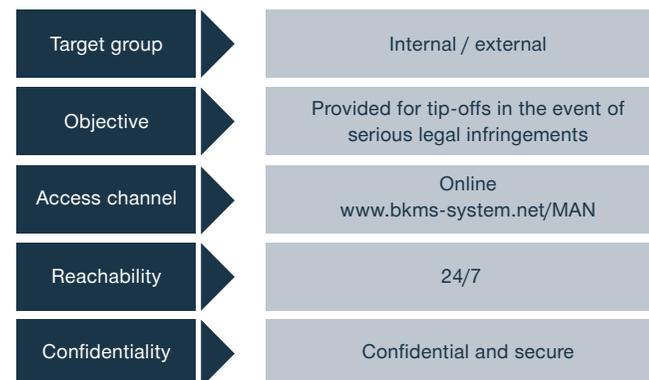
Speak up!

The Speak up! whistleblower portal is also intended to help detect dangerous risks for MAN. With this portal, MAN offers employees and business partners the option of providing tip-offs about serious legal infringements confidentially, worldwide, and around the clock.

The Speak up! whistleblower portal acts as a means of both recognizing and avoiding considerable risks for the Company. It only accepts and processes tip-offs relating to serious legal infringements, for example those related to white collar crime (e.g. acts of corruption and money laundering) and antitrust law.

Tip-offs provided via the Speak up! whistleblower portal are passed on to the Internal Investigations Team of the Corporate Audit department, which confidentially processes tip-offs.

In the event of possible legal infringements, all employees can also turn to other contacts in the Company, such as their superiors, the HR departments, or the GRC Organization.





3. Response

In addition to preventing compliance violations and detecting misconduct, a quick, effective, and systematic response to misconduct constitutes the third pillar of the MAN Compliance Program.

Development of the MAN Compliance Program

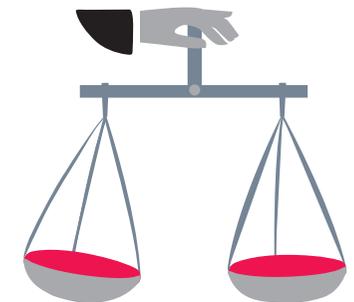
If there is a compliance violation, the responsible employee of the GRC Organization analyzes the background and the reasons behind the violation. The findings from this analysis are used to uncover any weaknesses in the Compliance Program and to settle them accordingly. Any compliance violations discovered are used to continuously develop and improve the compliance system. This enables MAN to ensure that its Integrity and Compliance Program is sustainable.

Investigations by authorities

MAN stands for openness and transparency, which is why it cooperates closely with the responsible authorities if they need to carry out investigations or have questions for the Company. The GRC Organization has also issued a set of instructions on how to proceed in the event of searches that tells all employees how to behave when authorities conduct investigations. This set of instructions emphasizes the importance of openness, transparency, and cooperation. Thus, MAN has clearly communicated to all employees that they have to inform the GRC Organization in the event of investigations and that they have to cooperate with the authorities.

Sanctions

MAN does not tolerate any compliance violations. If compliance violations are identified, the Corporate Audit department suggests suitable and appropriate sanction measures. An internal MAN committee, in which the GRC Organization is represented, then decides whether these sanctions will be implemented. Sanction measures range from action under labor law to civil law, depending on the severity of the violation. Implementation of sanction measures is monitored within the Group.



The MAN Compliance Approach

1. Tone from the Top

The Executive Board of the MAN Group is aware of its responsibility for compliance and is fully committed to it. The Compliance Officers regularly brief the Executive Board of MAN SE and the Executive Boards of the subgroups as well as the heads of other functions (such as Legal, Accounting, Controlling, and Corporate Audit) on the progress of compliance activities, any compliance incidents, and the action taken in this respect.

MAN's Executive Board and its managers consider compliance to be an integral part of the Company. They encourage a culture of transparency and integrity. Compliance violations are not tolerated. MAN SE's Chief Executive Officer Joachim Drees states: „Compliance is an integral part of MAN's corporate strategy. All employees must be aware of their individual responsibility and make their contribution to fulfilling our corporate responsibility jointly. Compliance with laws, ethical values, and internal policies is a matter of course for everything we do — everywhere and at all times. When it comes to the infringement of law we live zero tolerance.”

2. Communication

Compliance topics are featured regularly in MAN's company media, such as newsletter, employee magazines, and the Intranet. Furthermore, new compliance policies are not only communicated to employees via the Intranet and e-mail, but also in compliance training sessions. The GRC Organization's contact details are published on the MAN Group's Intranet; employees can contact the GRC Organization in case of doubts or questions at any time. Furthermore, employees worldwide can use the Compliance Helpdesk to ask questions and find out more about compliance topics.

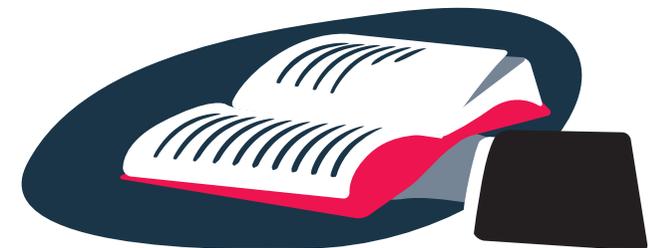
Further communication measures, for example the organization of internal information events and the development of an internal poster campaign, ensure that employees are comprehensively informed and sensitized on compliance issues.

Compliance is on the agenda of Executive Board meetings and manager events on a regular basis.

3. Reporting and checking

In order to ensure that the Compliance Program is sustainable, MAN continuously reviews its efficiency and its effectiveness. In 2015, an external auditing company audited the Compliance Management System implemented at the MAN Group on the basis of IDW auditing standard 980 and confirmed its appropriateness and effectiveness. In addition to that, the compliance checks and an analysis of any compliance violations ensure that any weaknesses in the GRC Organization are identified and that the compliance system is adapted accordingly.

Furthermore, the GRC Organization continuously tracks implementation of the compliance measures and ongoing projects. Examples of this include regular recording and analyses of the number of business partners recorded in the Business Partner Approval Tool and the number of inquiries processed by the Compliance Helpdesk. This means that the efficiency of the GRC Organization is continuously monitored.



4. Regular exchange of experiences with experts

MAN is also active in the field of compliance outside of the Group. The GRC Organization regularly exchanges its experiences with current compliance topics with experts from industry and academia. GRC Organization employees give talks at compliance conferences and events. Among other things, MAN is also involved in the “Netzwerk Compliance” association which deals with contested legal, financial, and organizational issues surrounding compliance and best practice between industry, banks, insurances, and other interested parties. In early 2011, a Netzwerk Compliance event took place at MAN at which around 150 international compliance experts debated the issue of compliance in BRIC countries and emerging markets.

5. Memberships

MAN supports and encourages the fight against corruption and represents this position together with other companies in the following organizations:

MAN has been a corporative member of the global anticorruption organization Transparency International since September 2010. The MAN Group also joined the United Nations’ Global Compact initiative in 2011 and is a founding member of DICO (Deutsches Institut für Compliance).



The Central Risk Management System of the MAN Group

The MAN Group has implemented an effective Group-wide risk management system that is tailored to its business needs and provides the necessary information on how to manage risks and exploit opportunities.

The MAN risk management system consists of the following core elements

- Regular GRC Process,
- Risk and Opportunity Management,
- Internal Control System, and
- Continuous Controls Monitoring,

which are summarized under the heading “Central Risk Management System of the MAN Group”.

The components of the Central Risk Management System of the MAN Group cover all important aspects of risk management and are closely interlinked with the MAN Compliance Program and the corporate planning and controlling processes.

The system generally distinguishes between systemic risks and event risks which are addressed comprehensively by the Central Risk Management System. While systemic risks can arise from the structure of the particular business model, event risks refer to specific business transactions.

In order to ensure that the risk management

system is understood in the same way throughout the Group, MAN has defined risk and opportunity policy principles. The overriding principle is to exploit opportunities and to only enter into risks that they entail if it is expected that this will sufficiently contribute to increasing the Company’s enterprise value. Risks that could jeopardize the Company’s continued existence

may not be entered into, or if unavoidable, must be minimized by taking appropriate measures.

A Group-wide applicable policy documents and communicates these risk and opportunity policy principles as well as the defined processes of the Central Risk Management System towards employees.

The organizational structure for the Central Risk Management System is based on the MAN Group’s management hierarchy. Therefore, roles and responsibilities have been put in place both at MAN Group level and in the subgroups, which ensures that the defined processes are implemented and the risk management system is continuously further developed and improved. In addition, cross-functional internal boards act as central supervisory, management, and oversight bodies.



1. Regular GRC Process

The regular GRC process covers the assessment, documentation and management of the main systemic risks which are inherent in the respective business model and may occur recurrently. The process aims at providing an overall picture about the potential risk situation as well as the effectiveness of the risk management and internal control system to the management.

Roles and responsibilities

As part of the regular GRC process the employees responsible for risks, usually heads of divisions or departments, record the relevant systemic risks for the entities in scope. Risks from potential compliance

violations are integrated in this process just as strategic, business, and reporting risks. Subsequently, existing measures for the management of risks as well as controls on management level are documented and tested on their effectiveness by those employees responsible for tests. The main systemic risks, the corresponding measures, and the results of the tests of effectiveness are reported in the relevant bodies of MAN SE and its subgroups. In case the regular process uncovers any weaknesses, appropriate measures for their settlement will be implemented and monitored.



2. Risk and Opportunity Management (ROM)

In differentiation to the regular GRC process the main objective of the ROM process is to identify and assess acute risks and opportunities (so-called event risks and opportunities) at an early stage. Furthermore, it determines measures directed at mitigating risks and realizing opportunities and assesses the consequences of a potential risk acceptance.

Early identification and management of risks and opportunities are of particular importance to ensure that decision makers have enough time to take the corresponding countermeasures.



Roles and responsibilities

The ROM process is established at all management levels of the MAN Group as an accompanying management task.

The Risk Managers and Risk Coordinators in the subgroups ensure the implementation of the ROM processes at the MAN entities. Those employees responsible for risks, usually heads of divisions or departments, are responsible to identify and evaluate risks and opportunities as well as to define and manage risk mitigating measures. The relevant internal bodies are regularly informed on the risk situation of the MAN Group.

3. Internal Control System (ICS)

With the Group-wide implementation of the ICS, MAN ensures that business activities are executed completely, correctly, promptly and efficiently based on appropriate organizational measures and controls according to the corresponding legal requirements and internal policies. The ICS secures the business processes at functional and transactional level and supplements the regular GRC process.

The internal controls mitigate process-inherent systemic risks. The ICS is supposed to minimize risks of material misstatements in financial reporting and of non-compliance with regulations and internal policies as well as of operating processes (e.g. as a result of unauthorized operating decisions).

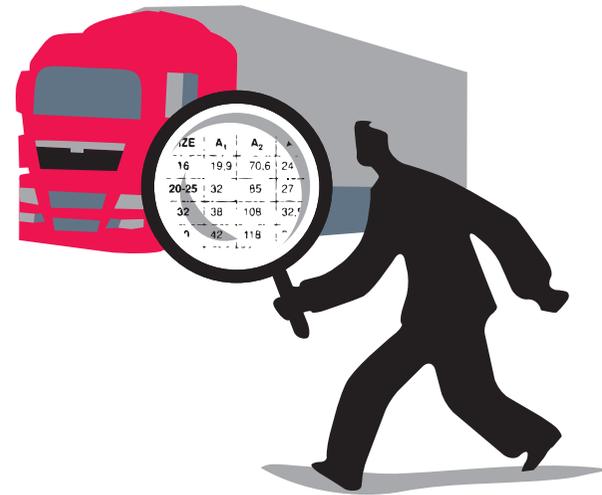
The ICS is regularly reviewed regarding the completeness, appropriate design, and effectiveness of the existing controls. This aims at ensuring compliance at all levels of the MAN Group with existing regulations that are directed to reduce process-related and organizational risks.

Roles and responsibilities

The ICS Managers in the subgroups and ICS Coordinators in the MAN entities are responsible for the implementation of the ICS relevant processes. The respective process owners ensure that all risks involved in the processes in their area of responsibility are identified, documented, and that they are covered by the relevant controls. In addition, they are responsible for the definition and implementation of measures to eliminate possible control weaknesses. The control owners perform the controls and inform the process owners about possible control weaknesses.

The effectiveness of the ICS is monitored in multiple steps. The process owners review the controls on a regular basis to check that they are up-to-date (Test of Design). Furthermore, internal testers perform efficacy tests in order to review the controls' effectiveness in reality. As part of the annual financial audit, the external auditor reviews the regularity of the ICS. In addition, the Corporate Audit department also reviews the ICS.

The results of these continuous audits and reviews are regularly presented to internal bodies and measures for further developing the ICS are initiated.



4. Continuous Controls Monitoring (CCM)

The CCM is an IT-based system that is integrated into the MAN Group to continuously monitor the business processes and controls in addition to the ICS. In order to make sure that purchasing and payment processes at MAN are policy-compliant and that compliance risks in these areas are discovered in good time, MAN has introduced the electronic CCM system. The CCM is supplemented by general IT controls that mainly review roles and authorizations in the core applications.

Roles and responsibilities

If specific process test items do not correspond to the procedures described in the central policies of the MAN Group on purchasing, invoicing, and payment transactions, the CCM system generates automatic alarms the processing of which is documented by employees in duty. The employees of the corresponding departments review the detected issues. As a result, different follow-up activities can be derived, for example the elimination of processing errors. In addition, potential for process optimization could come to light.





Further details

If you would like to know more about compliance and risk management at MAN, please contact:

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