

CORPORATE GOVERNANCE¹ AT MAN

MAN's understanding of good corporate governance is responsible corporate management and supervision focused on sustained value creation. The core elements of corporate governance at MAN are formalized in our Industrial Governance management concept, which is built around the three pillars of Strategy and Structure, Leadership Supply, and Execution Excellence. On the basis of this management concept, MAN aims to ensure that the Executive and Supervisory Boards discharge their duties in an efficient, cooperative, and lawful manner in the interests of the Company and its stockholders. In addition to the high standards of technology and innovation demanded of our products, our mission statement also requires good corporate governance to include openness and transparency in all our corporate communications. This provides the basis for building trust among our stockholders, other providers of capital, business partners, and employees, other investors, and the general public.

The system of corporate governance in place at MAN is shaped by the applicable laws, in particular the provisions of German stock corporation law, by our Articles of Incorporation Bylaws and internal regulations, and by internationally and nationally recognized standards of good and responsible governance. The German Corporate Governance Code ("the Code") presents the key statutory regulations for the governance of German stock corporations and provides recommendations and suggestions for corporate governance in accordance with recognized standards.

In 2008, MAN complied with the recommendations of the Code in full. It also implemented all the suggestions with one exception.

Unqualified declaration of conformity

In December 2008, the Executive and Supervisory Boards issued the following Declaration of Conformity:

"MAN Aktiengesellschaft complied with the recommendations issued by the Government Commission

MAN complies with all recommendations set forth in the German Corporate Governance Code. Changes to the codex were implemented accordingly in 2008.

of the German Corporate Governance Code in accordance with its Declaration of Conformity of December 2007 and will comply with the recommendations of the German Corporate Governance Code (the Code) as amended on June 6, 2008."

This includes the recommendation that members of the Supervisory Board do not exercise a directorship or similar function for important competitors of the Company (section 5.4.2 of the Code). No member exercises a directorship or similar function at Scania, which MAN considers to be an important competitor. MAN does not consider Volkswagen AG (where Prof. Dr. Piëch is Chairman of the Supervisory Board) or Volkswagen AG's subsidiary Audi AG (where Rupert Stadler is Chief Executive Officer) to be important competitors. Furthermore, in his role as "Spokesman of the Brand Management Board of Volkswagen AG Nutzfahrzeuge," Mr. Stephan Schaller does not exercise a directorship function at Volkswagen AG.

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

Enhancement of the corporate governance system

MAN's corporate governance system is constantly being reviewed and enhanced. The key changes implemented in 2008 on the basis of the amendments to the Code were as follows:

- The remuneration system for the Executive Board, including the main contract elements, was discussed by the full Supervisory Board as before and confirmed by resolution in accordance with the new recommendation set out in section 4.2.2 of the Code.
- In order to implement the new recommendation in section 7.1.2 of the Code, the Audit Committee's responsibility for discussing half-year and quarterly financial reports with the Executive Board was formalized and introduced into practice in the second half of 2008.

¹ Also the corporate governance report in accordance with section 3.10 of the German Corporate Governance Code as amended on June 6, 2008.

We comment in more detail in the following on the key recommendations and suggestions contained in the Code, with particular reference to the changes. We also explain the one departure from the Code's suggestions relating to the Supervisory Board's remuneration.

Promoting transparency and stockholders' rights

The information we provide through our website (www.man.eu/investors), financial publications, and capital market conferences enables our German and international stockholders as well as other interested parties to build an accurate and up-to-date picture of our Company and gain an insight into our corporate governance practices.

On its website, MAN also publishes annual reports, interim reports, a financial calendar showing all upcoming events, and the annual document it is required to prepare under section 10 of the Wertpapierprospektgesetz (WpPG – German Securities Prospectus Act), summarizing all the relevant information disclosed by the Company during the past calendar year.

In keeping with the principle of equal treatment, we are committed to providing all our Company's stockholders with equal access to information.

Annual General Meeting

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

In organizing and conducting its Annual General Meeting, MAN aims to provide all stockholders with prompt, comprehensive, and effective information both before and during the event. We also wish to make it easy for them to register for the Annual General Meeting and exercise their rights. Consequently, we do not limit ourselves to publishing the invitation to the Annual General Meeting as required by law, but also make all reports and documents relating to the Annual General Meeting accessible to our stockholders and all other interested parties via the MAN website. In addition, we e-mail the documents to interested stockholders and other parties if we have their consent to do so, or post them on our website for download.

If stockholders are unable to attend the Annual General Meeting, they may either authorize a bank, stockholders' association, or other entity to represent them, or authorize a MAN employee, either in writing or by electronic means, to exercise their voting rights by proxy.

To enable all stockholders to follow the Annual General Meeting, the entire event is broadcast live on the Internet.

Executive Board and Supervisory Board

In accordance with the law governing German stock corporations, MAN has a two-tier governance 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 stockholders.

The Executive Board, which currently comprises five members, performs managerial and operational tasks, while the twenty-member Supervisory Board has an oversight and advisory role. Important transactions require the Supervisory Board's approval.

The Supervisory Board comprises ten stockholder representatives and ten employee representatives. Please refer to the Report of the Supervisory Board and the Notes to the Annual Financial Statements for further information on the composition of the Supervisory Board, its committees and duties, and its cooperation with the Executive Board.

No member of the Supervisory Board exercises a directorship or similar function or performs advisory tasks for important competitors of MAN. More specifically, as explained in the Declaration of Conformity of December 2008, no member exercises a directorship or similar function at MAN's important competitor Scania; rather, this is only the case at its majority shareholder, Volkswagen AG (where Prof. Dr. Piëch is Chairman of the Supervisory Board), and at Volkswagen AG's subsidiary Audi AG (where Rupert Stadler is Chief Executive Officer), which MAN does not consider to be important competitors. Furthermore, in his role as Spokesman of the Brand Management Board of Volkswagen AG Nutzfahrzeuge, Stephan Schaller does not exercise a directorship function at Volkswagen AG. MAN also complies with the Code's recommendation that no more than two former members of the Executive Board be members of the Su-

pervisory Board; there is currently one former member of the Executive Board on the Supervisory Board.

No conflicts of interest were reported by members of either the Executive or Supervisory Board during the reporting period. In order to prevent potential conflicts of interest, neither Prof. Dr. Piëch nor Mr. Stadler voted on resolutions relating to the acquisition of Brazilian company VW Truck & Bus from VW; Mr. Schaller did not participate in the relevant discussions and did not vote on resolutions.

MAN complied with the age limit set by the Supervisory Board for members of the Executive Board, which stipulates retirement from office at the age of 62 with the option for an extension up to a maximum age of 65 years. It also complied with the standard age limit of 70 years set for members of the Supervisory Board. Only the chairman of the Supervisory Board has exceeded 70 years of age.

There were no advisory or other contracts for services or work between the Company and its board members during the reporting period. The Supervisory Board approved the external activities of Executive Board members only to the extent that these involved serving on other companies' supervisory boards.

The Company has taken out D&O (directors' and officers' liability insurance) coverage with a reasonable deductible for members of the Executive and Supervisory Boards.

Compliance

The Code highlights compliance with existing laws and internal company guidelines as a key management and supervisory task. The Executive Board therefore continues to regularly enhance the existing compliance system and ensure its implementation.

It is supported in this by the Chief Compliance Officer (CCO) and the Compliance Board, which includes the CCO, the heads of MAN AG's key functions, and the compliance officers of the subgroups. The main tasks in 2008 were (a) to review implementation of the uniform anti-corruption guidelines in place throughout the Group; (b) to investigate and assess the current situation and legal position with regard to indications of possible compliance violations, including those stemming from (anonymous) reports made to the external ombudspersons (attorneys) appointed by the Company; and (c) to continue the training measures and the e-learning program introduced in 2007 covering MAN's Code of Conduct and core compliance topics.

The Audit Committee, which has been specifically tasked with compliance, and the full Supervisory Board were briefed on the enhancements to the compliance system and key audit findings by the Executive Board and the CCO. It was clarified that, in special circumstances, the CCO may report directly to the Chairman of the Audit Committee.

Reportable securities transactions

Section 15a of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) requires individuals with management tasks and certain related parties to report dealings in MAN shares and related financial instruments to the issuer and the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – German Federal Financial Supervisory Authority). Two transactions were reported in 2008; this has been published on the website at www.man.eu/investors. According to the reports received, the Executive and Supervisory Board members' direct and indirect holdings of shares and derivatives on shares do not exceed 1% of the shares issued by the Company, either individually or in total.

Members of the Executive Board		Number of ordinary shares
Dipl.-Ing. Håkan Samuelsson	CEO	42,793
Prof. Dr. h.c. Karlheinz Hornung	CFO	19,776
Dr. jur. Matthias Mitscherlich	Industrial Services	17,001
Dr.-Ing. Georg Pachta-Reyhofen	Diesel Engines	17,599
Dipl.-Ökonom Anton Weinmann	Commercial Vehicles	21,632

As of January 30, 2009 (including shares under the MAN Stock Program)

Financial reporting

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 Aktiengesellschaft are prepared in accordance with the Handelsgesetzbuch (HGB – German Commercial Code). The financial statements are examined and approved by the Supervisory Board. All deadlines for the publication of consolidated financial statements and interim reports were met during the reporting period. In accordance with a new recommendation in section 7.1.2 of the Code, the Audit Committee discusses MAN's half-yearly and quarterly financial reports with the Executive Board prior to their issue. This recommendation was first implemented for the half-yearly financial statements as of June 30, 2008.

Audit of the financial statements

In the reporting period, the Supervisory Board proposed KPMG AG, Wirtschaftsprüfungsgesellschaft, Munich, (KPMG) as auditors of the financial statements. The Annual General Meeting endorsed its proposal. In 2008, KPMG again provided MAN Aktiengesellschaft's Audit Committee with confirmation of its independence. It was also agreed that the Chairman of the Audit Committee would be immediately informed of any grounds for disqualifying the auditors or questioning their impartiality that might occur during the audit, unless such grounds could be immediately eliminated.

Remuneration report for fiscal year 2008²

Executive Board remuneration

The Personnel and Nomination Committee (Personnel Committee) established by the Supervisory Board is responsible for Executive Board contracts and therefore for determining Executive Board remuneration. The full Supervisory Board regularly discusses the structure of the Executive Board remuneration system based on the Committee's proposals. As from December 2008, it also resolves and regularly reviews the remuneration system, including the main contract elements, in accordance with a new recommendation in section 4.2.2 of the Code.

The Supervisory Board's objective is to set remuneration at an appropriate amount. The criteria for doing so include the tasks of the respective Executive Board member, his personal performance, the performance of the Executive Board, the economic situation, and the performance and outlook of the Company measured against its peer group.

Remuneration structure and components

The remuneration of Executive Board members comprises fixed salary payments and non-cash benefits, pension and other benefit contributions, and performance-related components. The variable performance-related components comprise annual components linked to business performance and long-term incentive components that entail an element of risk.

- The fixed remuneration is paid as a monthly salary. In addition, Executive Board members receive non-cash benefits that primarily comprise the provision of a company car and driver, and the payment of insurance premiums. The fixed remuneration is reviewed on a regular basis and adjusted where necessary to reflect the general salary trends and the individual Executive Board member's area of responsibility.
- In accordance with the applicable bonus guidelines, the annual performance-related bonus is linked to MAN value added. This is calculated as operating profit minus the cost of capital employed. The cost of capital is the

² The remuneration report is part of the Group management report in accordance with section 315 of the HGB.

minimum return investors expect to receive on equity and debt employed. A weighted average cost of capital (WACC) is calculated; for equity, it is the rate of return on long-term, risk-free securities plus a specific risk premium, and for debt, it is the rate of return for risk-free securities plus a risk premium for long-term corporate securities. It is currently set at 11% before tax.

The Executive Board is not entitled to a bonus unless profit exceeds the cost of capital. The amount of the bonus is based on the extent to which a value added target previously set by the Personnel Committee is attained or exceeded. It is capped at an amount also set by the Personnel Committee. Two-thirds of the bonus is paid as a cash bonus. One third must be used in the same way as under the MAN stock program (see below), with 50% invested in MAN shares. The shares are subject to a two-year lock-up.

- Since 2005, the component linked to long-term business performance has been awarded through the MAN stock program. Under this program, Executive Board members receive cash payments of 50% of their fixed remuneration, which are taxable annually. Half of the payment must be invested in MAN AG ordinary shares. These are purchased and held in safekeeping centrally by MAN AG on behalf of and for the account of Executive Board members. Purchased shares may be freely disposed of after a lock-up period of three years. During the lock-up period, the shares may not be sold, used as collateral, or hedged against price risks. If an Executive Board member retires or departs from the MAN Group, the lock-up period ends no later than one year after the date of departure.
- The Executive Board members' benefit entitlements comprise retirement, disability, and survivors' benefits. Entitlements to such benefits are accumulated under a defined contribution system, with the value of benefits dependent upon the performance of certain fund indices. Each year, MAN AG contributes an amount equal to 20% of an Executive Board member's fixed remuneration and the bonus paid to that member in the previous year into a MAN fund. Executive Board members may elect to make additional contributions out of their gross salary. Contributions and the returns thereon are held in individual capital accounts. The rate of return on the accumulated capital account balance depends

upon the performance of selected capital market indices, which are weighted according to an Executive Board member's age. Contributions, the returns thereon, and any additional returns earned by the fund together constitute the total amount of capital available. At retirement, the beneficiary may take 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 at a minimum four times the fixed annual remuneration and bonus.

Executive Board remuneration in 2008

The remuneration awarded to active members of the Executive Board for their services in fiscal 2008 totaled €14,844 thousand (previous year: €13,024 thousand). Please see Note 35 to the Consolidated Financial Statements for details of the Executive Board members' individual remuneration, broken down into fixed, performance-related, and long-term incentive components.

Special contract provisions

Under a provision that has been in effect since 2007, an Executive Board member receives his fixed remuneration, bonus, insurance premiums, and contributions to the pension system until the end of his normal term of office, but for no more than two years, in the event of the early termination of his contract without good cause and at the instigation of the Company. Income from his activities elsewhere is offset and the basis for calculating the amount of the contributions to the pension system reduced accordingly. If a contract is terminated at the instigation of an Executive Board member (a member may do so, without having to cite his reasons, by giving 18 months' notice), remuneration is awarded only up until the end of the period of notice. There are no special change-of-control provisions in place.

Supervisory Board remuneration

The structure and amount of the Supervisory Board's remuneration are determined by the Annual General Meeting and governed by Article 12 of the Articles of Incorporation Bylaws. It is 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 exceeds €0.50. It is capped at twice the basic remuneration.

Additional remuneration is paid to the chairman and deputy chairman of the Supervisory Board as well as to the chairmen and members of the Supervisory Board committees. The Supervisory Board chairman receives double and his deputy one and a half times the fixed and variable remuneration. Members of the Standing Committee, the Audit Committee, and the Personnel and Nomination Committee each receive 50% and the chairman of the respective committee 100% of the basic remuneration.

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

Supervisory Board remuneration does not include a performance-related component linked to long-term business performance, as it is almost impossible to measure the Supervisory Board members' individual contribution to the Company's long-term performance. The Company does not, therefore, follow the suggestion in section 5.4.7 of the Code.

Supervisory Board remuneration in 2008

The remuneration payable to the members of the Supervisory Board in 2008 totaled €2,628 thousand (previous year: €2,608 thousand). In addition, members of MAN AG's Supervisory Board received remuneration totaling €58 thousand (previous year: €51 thousand) for serving on supervisory boards at Group companies in fiscal year 2008. Please see Note 36 to the Consolidated Financial Statements for a breakdown of the individual remuneration of the Supervisory Board members in 2008.

Additional information

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

Former Supervisory Board members who left the Board prior to January 1, 2008 do not receive any remuneration.