



# Mercedes-Benz South Africa Limited

King IV™ Report for the financial period 2021

Mercedes-Benz



# Index

<b>3</b>	Overview   Governance Structure 2022	<b>14</b>	Principle 1 & 2
<b>4</b>	Application of King IV™	<b>15</b>	Principle 3 & 4
<b>5</b>	View from the Board	<b>16</b>	Principle 5 & 6
<b>6</b>	View from CEO	<b>17</b>	Principle 7 & 8
<b>7</b>	The Committees of the Board Directors' Report	<b>18</b>	Principle 9 & 10
<b>9</b>	The Audit Committee Audit Committee Report	<b>19</b>	Principle 11 & 12
<b>11</b>	The Social and Ethics Committee The Executive Committee	<b>20</b>	Principle 13 & 14
<b>12</b>	The Executive Committee Principles of King IV	<b>21</b>	Principle 15 & 16
<b>13</b>	Principles of King IV		

## Our Governance



Integrity Code



Directorate



Annual Financial  
Statement

Quick access to sections  
Mercedes-Benz 2022

# Mercedes-Benz South Africa Ltd Overview

Mercedes-Benz South Africa Ltd. (the “Company”) is a wholly-owned subsidiary of the global company, Mercedes-Benz Group AG. The Company has a manufacturing plant in East London, Eastern Cape, which has been manufacturing and assembling vehicles in South Africa for over 60 years, and its South African headquarters is in Pretoria.

The Pretoria office is the operating hub of the Sales and Marketing, Finance and Controlling, Media and Communications, Information Technology, Dealer

Network, Aftersales Services and Supply Chain Divisions for Mercedes-Benz in the Southern African region. The Company, and its subsidiaries (the “Group”) markets and finances Mercedes-Benz passenger cars, smart cars and vans.

In East London, state-of-the-art the best quality Mercedes-Benz passenger cars (C-Class) are manufactured for local and export markets in both left- and right-hand drive.

The Company aims to contribute to transformation through

sustainability. This is what the Group lives and strives for in its local operations. Within the South African context, the Group is able to translate the global imperative for sustainability by its parent company, Mercedes-Benz Group AG, into making a real and lasting impact on the transformation of the country.

A culture premised on the value of integrity, combined with a history of good corporate citizenship and a vested interest in the stability and growth of the economy of South Africa leads the Group in the direction of striking a balance between

economic and social issues.

The Company issues listed debt on the Johannesburg Stock Exchange by issuing notes as part of a Domestic Medium Term Note Programme to raise funds locally in the country for its operations. All notes issued through the programme are irrevocably and unconditionally guaranteed by parent company, Mercedes-Benz Group AG.

The Company has published its consolidated Annual Financial Statements and this are available on the website.

## Governance Structure 2022



# Application of King IV™



The Board of Directors of Mercedes-Benz South Africa Limited (the “Company”) has applied the King IV™ Principles since 1 April 2017. King IV™ assumes the application of the principles contained therein and requires organisations to disclose an explanation of the practices it employs pertaining to good corporate governance. Governing bodies of organisations are required to make this annual disclosure on the explanation of the implemented practices, which should be made publicly available.

The Company, in this King IV™ principle summary report (the “Report”), provides a holistic overview of its compliance with King IV™. The Company subscribes to the King IV™ report and the application of the 16 principles contained therein for the purpose of good outcomes-based corporate governance against the backdrop of a year characterised by unprecedented challenges flowing inexorably from the proliferation of the global Covid-19 pandemic. Within this context of the unprecedented year that was, the Company has continued, resolute in its application of these principles, along with the guiding light of the Integrity Code of Mercedes-Benz Group AG, as accepted and implemented by the Board of Directors of the Company, to achieve an ethical culture, good performance, effective control and legitimacy.

**Denis Peterson**  
General Counsel and Company Secretary



# View from the Board

by Dr Joachim Schmidt

Dear Stakeholders,

As the inventor of the automobile we, as Mercedes-Benz, understand that the success of future mobility is dependent on the decisions we make today. With sustainability as the guiding principle for our business strategy, creating long-lasting value for our stakeholders in customers, employees, investors, business partners and society as a whole is our prerogative.

In what has been an extraordinarily challenging two years caused by COVID-19, we did a sound job of governing Mercedes-Benz South Africa Limited. We demonstrated an ineffable ability to recover quickly from difficulties, agility, protecting our operations and communities and delivering on our major capital projects.

The pandemic has been a testing time for Mercedes-Benz South Africa; but it has equally energised us to redefine our business strategy to continue with our quest of shaping the future of the automotive industry. Despite the tumultuous times we have been operating in, Mercedes-Benz South Africa's ambition of shaping and taking the lead in the next level of mobility intensified, led by sound corporate governance premised by our corporate purpose and values.

## Sustainability at Mercedes-Benz South Africa

The targets for "Ambition 2039", our sustainable corporate strategy at Mercedes-Benz Cars encompass CO2-neutral production from all our manufacturing plants beginning 2022. Over the next 20 years, Mercedes-Benz Cars aims to have a carbon-neutral new passenger car fleet and aims to have plug-in hybrids or all-electric vehicles to make up more than 50% of its car sales by 2030. The basis for sustainable business strategy is to take responsibility for the economic, ecological and social effects of our business activities, looking at the entire value chain.

In supporting Mercedes-Benz Cars' strategy, the C-Class vehicle produced from our East London Plant, continues to place South Africa as a key partner within the Mercedes-Benz Group AG's production network. Mercedes-Benz AG's commitment to contributing equitably to the South African economy and the Eastern Cape region saw an additional investment of R3 billion into the manufacturing plant.

This is in addition to the R10 billion which Mercedes-Benz Cars invested in 2018 to ready the East London Plant for the production of the new generation C-Class.

Although 2021 was a tough year for the plant due to the global shortage of semi-conductors, the start of production for the new generation C-Class was MBSA's greatest achievement to date. This was an incredible achievement and we expect exports to improve with the global economic recovery from COVID-19.

## Governance

As a Company, the conduct of our business operations worldwide is premised on our values of integrity, respect, passion and discipline to ensure effective corporate governance minimising corporate risk and enhancing value. More importantly, these values are key pillars underpinning our business conduct and go beyond compliance.

Integrity, compliance and legal responsibility are the cornerstones of our sustainable corporate governance and serve as the basis of all our actions. With seven decades in South Africa, Mercedes-Benz continues to adhere to applicable principles that promote sound corporate governance, as evidenced by our compliance with the King IV report on Corporate Governance for South Africa.

## Governance during uncertainty

As we look towards Mercedes-Benz South Africa's future within the Mercedes-Benz AG network, we want to safeguard and enhance our corporate success through a relentless stakeholder orientation. To achieve this, we needed to adapt the governing body's focus to respond to the changes and challenges presented by COVID-19.

Through the appointment of suitably qualified members who



form part of the Company's Audit Committee, the Social and Ethics Committee and the Executive Management Committee, we have established a corporate culture that effectively supports sound corporate governance.

Throughout the pandemic, members of the various committees acted with seasoned judgement, governed proactively, demonstrated strong and ethical leadership and ensured impact of COVID-19 on Mercedes-Benz's operations and outlook were adequately addressed.

The duties of the committees continue to complement the efforts of the Board in steering the Company to excellence, high standards of governance and fulfilling ethical, effective and accountable leadership to keep Mercedes-Benz South Africa on a successful path.

## Board Composition and Changes to Board

The Audit Committee under the leadership of Mrs Fikile De Buck is responsible for monitoring the internal control and risk management system to ensure the Company and its subsidiaries maintain good governance, accounting and audit standards. Led by Ambassador Nozipho January-Bardill, although accountable to the Board, the Social and Ethics Committee has an independent responsibility to monitor how the Company and its subsidiaries conducts business specifically on issues regarding ethical standards and social responsibilities.

The Executive Management Committee with Mr Andreas Engling at the helm is responsible for managing activities with the aim of achieving strategic business objectives. After 36 years with Mercedes-Benz, Mr Engling is set to retire at the end of April 2022 and will be succeeded by Andreas Brand. As MBSA undergoes this transition process, I count on your support Andreas Brand as the CEO of Mercedes-Benz and

Executive Director of Manufacturing and as member of the relevant Board committees.

## Appreciation

I would be remiss if I did not take this opportunity to thank all the people who make Mercedes-Benz a successful company. To all our employees across our Manufacturing and Marketing & Sales operations, and our Board for their incredible show of commitment and their incessant efforts to make Mercedes-Benz South Africa thrive in accordance with our corporate purpose and values – thank you.

## Conclusion

In closing, the Board invites all stakeholders to join the Company and our parent company, Mercedes-Benz AG on a journey to write the next 134 years of the automobile. Through a sound Board committed to corporate governance, adherence with the King IV code, adherence to corporate values of integrity, passion, discipline and respect, I have full confidence in our vision to drive a sustainable future in this remarkable market.

The Board, as the custodian of Mercedes-Benz South Africa's strategic aims, vision and values, is satisfied that it has fulfilled its responsibilities beyond the requirements of the King Code of Corporate Governance for South Africa 2016; section 94 of the Companies Act; International Financial Reporting Standards and other applicable statutory and regulatory requirements for the financial period ended December 2021.

# View from CEO

by Andreas Engling

Dear Fellow Stakeholders,

Since the last report, much has changed within Mercedes-Benz South Africa and the rest of the world. The inflection point of the COVID-19 pandemic changed the way we do business across our manufacturing and marketing & sales operations. COVID-19 disrupted manufacturing supply-chains and production as well as resulted in volatile trading conditions. In addition, the South African government's response to the pandemic through its initial lockdown measures and restrictions resulted in a period of non-operation in 2020. Consequently, new car sales and exports were affected.

During the onset of the pandemic and amidst the uncertainty, our priorities were clear: to keep our employees, suppliers and customers safe from infection and transmission of SARS-CoV-2, the virus that causes COVID-19. To this end, stringent risk control measures were implemented across the business and later, a successful vaccination programme was launched. Operationally, we responded with flexibility and agility, recognising that the pandemic would change how we did business, but also open new opportunities for our company.

## East London Plant

Despite the changes brought on from COVID-19, we remained committed to delivering on our mandate: to manufacture and sell the the most desirable cars in the world. Notwithstanding what the COVID -19 pandemic has presented, we have managed to build on our history of manufacturing excellence and achieve our goals although with some adjusted focus.

MBSA maintained its position as a strong partner within the Mercedes-Benz AG (MBAG) network, Mercedes-Benz South Africa East London Plant produces the Mercedes-Benz C-Class out of Africa for the world. To achieve our production targets at our East London plant amidst a tough year in the manufacturing industry, we remained flexible and focused on our key performance indicators. Our agility ensured that we progressed steadily to meet the targets we set for our world-class manufacturing operations. One such target was the successful ramp-up of the new generation C-Class in 2021. The start of production and launch of the new generation C-Class was a notable milestone for the plant and the entire automotive value chain in East London. In this context, our

“Out of Africa, for the World” slogan is befitting – as an affirmation of our commitment to manufacturing excellence and the positive multiplier effect that our operations have on the economy of East London.

As we look ahead, we will continue our focus on efficiency improvements in all areas, particularly in production, quality, and cost efficiencies. The Manufacturing Operations (MO) strategic pillars form part of our Plant DNA and are the driving force of our organisation, to steer the future success of plant.

## Sustainability

Mercedes-Benz Group AG has set the goal of making sustainability an integral component of our core business and our conduct. To this end, the Group expresses its commitment to CO2-neutral mobility through “Ambition 2039” setting sustainable business strategy into concrete form with the transformation to emission free mobility through a CO2-neutral new vehicle fleet. Locally, the East London manufacturing plant is committed to this ambition. The plant's commitment to sustainable production was amplified back in 2016 when the first Mercedes-Benz Hybrid C-Class models rolled off our production line. Continuing this commitment, and to contribute further to MBAG's product portfolio, the plant started production of the C-Class Plug in Hybrid in Q4 of 2021.

In addition to this and in line with our road to sustainable mobility, an important pillar of CO2-neutral production is the sustainable power supply of the plants. In preparation, MBSA entered into contracts that will support our vision of only purchasing CO2-free electricity; an important basis for the CO2-neutral production. From 2022, MBSA will move towards 100% green energy consumption through the use of renewable energy certification.

We will ensure replacement of liquefied petroleum gas



with liquefied natural gas through compensations.

Our new buildings have integrated control systems that drive efficiency. We have also adopted an energy conscious standard by installing energy efficient LED lighting in all of our new buildings. Furthermore, the advanced technology we use in our equipment optimises our process and allows for the efficient use of energy.

## People

Maintaining our rich heritage in South Africa requires a conducive and empowering environment for our passionate and dedicated workforce.

MBSA has been a certified Top Employer and Industry leader for exceptional employee offerings since 2017; evidence that the well-being and developmental growth of our employees remain a priority for us.

2021 marked 40 years since the establishment of the Mercedes-Benz Training Centre, now commonly referred to as the Mercedes-Benz Learning Academy (MBLA). While education and an adequate technical skills pool remain a great challenge for the country, we take pride in the successes that we've achieved through the MBLA. We are proud that the Academy has since enrolled over 800 learners into our shopfloor skills programme.

## Purpose

In an ever-changing world, the automotive industry is also going through fundamental transformation. To support this transformation, we will continue to integrate agile interventions into our business. The volatile environment we are operating in requires us to work together towards the fulfilment of our common purpose “First move the World” is important, now more than ever.

## Outlook

Despite the challenges experienced in 2020, we began to experience a turnaround to our core operations in 2021. At the time of writing this letter, the fourth wave of the COVID-19 pandemic was behind us. Times have changed, and we change with them. The challenges ahead of us also open up many opportunities, and we intend to make the most of them. Despite the difficulties presented by the pandemic, we are beginning to see a gradual recovery in our manufacturing operations, exports and local vehicle sales. We are cautiously optimistic of our outlook as Mercedes-Benz South Africa and expect recovery to pre-pandemic conditions to be gradual. As Mercedes-Benz we remain focused on the possibilities and together with you, we look forward to the journey ahead.

## Appreciation

2021 marks my final year at Mercedes-Benz South Africa. It has been a rewarding experience to serve in my capacity as CEO of this esteemed organisation. I would like to thank all my colleagues from the Manufacturing and Marketing & Sales operations for their contribution, support and insight in fulfilling my mandate in South Africa. It has been an absolute pleasure being of service to you.

Keep well and stay safe.

# The Committees of the Board

The Committees of the Board have been established to assist the Board in discharging its responsibilities. The Committees of the Board comprise of the Audit Committee, the Social and Ethics Committee and the Executive Management Committee, collectively referred to as the “Committees”. The Committees are appropriately constituted and members are appointed by the Board, with the exception of the Audit Committee whose members are nominated by the Board, but appointed by the Shareholder.

External advisers, executive directors and members of management attend Committee meetings by invitation. The Board is satisfied that each of the Committees have fulfilled their responsibilities in accordance with the applicable terms of reference, workplans and charters of the Committees.



## Directors' Report

The directors are pleased to present their report which forms part of the consolidated annual financial statements of the group for the year ended 31 December 2021.

### 1. Nature of business

The group holds a manufacturing and distribution agreement from MBAG for the importation, assembly and distribution of Mercedes-Benz, Mercedes-AMG, Mercedes-Maybach and smart product ranges. MBFS, a subsidiary of MBSA, provides financing and insurance solutions for MBAG products.

The group's business can be best described, in general, as follows:

#### 1.1. Financial services and fleet management operations

These operations provide financing and insurance solutions for MBAG products and group entities.

#### 1.2. Wholesale and retail vehicle operations

These operations market and sell vehicles in the product portfolio, primarily through the authorised agent network.

#### 1.3. Manufacturing and component exports operations

These operations, situated in East London, manufacture Mercedes-Benz C-Class sedans for the local and selected international markets.

#### 1.4. Other operations

These operations include the group's property portfolio as well as other non-core operations and functions.

### 2. Availability of MBSA separate annual financial statements

The MBSA separate annual financial statements have been prepared and approved by the Audit Committee.

The MBSA separate annual financial statements have been prepared in accordance with the requirements of the Companies Act and the company's independent auditors, KPMG Inc., have expressed an unqualified opinion thereon.

### 3. Directorate

The profiles of the Directors are contained on the website of the company.

### 4. Corporate governance

The directors have adopted the principles as provided for in King IV for the financial year 2021. The Board has applied the principles as set out in this Corporate Governance Report for 2022. The Board is satisfied that there is an appropriate mix of knowledge, skills, experience, diversity and independence of the Board.

Mr D. Peterson is the company secretary of Mercedes-Benz South Africa Limited. The board is satisfied with the competence, qualifications

and experience of the company secretary. The board has access to the company secretary and such arrangements are effective.

The Board has a policy in place for the management of conflict of interests, which is the Integrity Code of the Company. This Integrity Code is available on the website of the Company. Board members submit, at least annually, their respective declarations concerning personal interests and is required at each meeting to indicate whether a conflict of interest may arise with a matter to be discussed. The Board can confirm that there are no material and enduring personal conflicts of interest noted from any member.

## Directors' Report

### Directors' 2022

Directors	Designation	Changes
Mr A Engling**	Chief Executive Officer	
Mr KM Eser	Chief Financial Officer	
Mr AM Kgotle	Executive	
Mr J Fritz	Co-Chief Executive Officer	Resigned 1 September 2021
Mr M. Raine	Co-Chief Executive Officer	Appointed 1 September 2021
Mrs B Seeger	Non-executive	
Dr J Burzer	Non-executive	
Dr JW Schmidt	Chairperson of the Board and Independent non-executive	
Ambassador Nozipho January-Bardill **	Independent non-executive	
Ms S Zilwa***	Independent non-executive	
Ms FT De Buck***	Independent non-executive	
Ms N Mbhele*	Independent non-executive	
Mr M Luehrs	Alternate non-executive	
Mr F Hohenwater	Alternate non-executive	
*	Member of the audit committee.	
**	Member of the social and ethics committee.	
***	Member of audit committee and social and ethics committee.	
Active Directors curriculum vitae's are published on the website of Mercedes-Benz South Africa Limited.		



Attendance at meetings	Attendance at meetings			
	Board of Directors	Audit Committee	Social and Ethics Committee	MBSA Executive Committee
Number of meetings for the period	2	4	2	9
Mr A Engling	2/2	1/4	2/2	8/9
Mr KM Eser	2/2	4/4	2/2	9/9
Mr AM Kgotle	2/2		2/2	9/9
Mr J Fritz	1/2		1/2	7/9
Mr M. Raine	1/2			
Dr J Burzer	2/2			
Dr JW Schmidt	2/2			
Ambassador Nozipho January-Bardill	2/2	2/4	2/2	
Ms S Zilwa	2/2	4/4	1/2	
Ms FT De Buck	2/2	4/4	2/2	
Ms N Mbhele	2/2	4/4		
Mr M Luehrs	2/2			
Mr F Hohenwater	1/2			
Mr R Hoffmann	2/2	2/4	1/2	9/9
Ms N Trimmel	2/2			9/9
Ms B Seeger	1/2			

The Board is satisfied that there is an appropriate mix of knowledge, skills, experience, diversity and independence. Mr D. Peterson is the company secretary of Mercedes-Benz South Africa Limited. The board is satisfied with the competence, qualifications and experience of the company secretary. The board has access to the company secretary and such arrangements are effective. The Board has a policy in place for the management of conflict of interests, which is the Integrity Code of the Company.

# The Audit Committee



In terms of section 94 of the Companies Act, the Company is obliged to have an Audit Committee. Accordingly, the Company has constituted the Audit Committee, a statutory committee, in order to perform the functions encompassed in terms of the Companies Act guided by the principles contained in King IV™.

The Audit Committee plays an important role in ensuring that the Group functions in accordance with good governance, accounting and auditing standards. The Audit Committee has monitored the adoption of the appropriate controls, risk management arrangements, accounting policies, accounting adjustments and assurances provided by the combined assurance arrangements

applicable to the Company. The prevailing pandemic and its consequent impact on business operations has been monitored closely by the Audit Committee and this has meant that good governance has continued to be forefront of mind in the decision-making processes of the Company as it has navigated through the uncharted waters of the global pandemic.

The Audit Committee, through the governance framework, Workplans and Charters applicable to it, discharged its accountability responsibilities, to ensure that there is a safeguard of assets, that the Company operates with adequate systems and controls, and that the Annual Financial Statements are prepared in

accordance with the applicable standard as required by the Companies Act and International Financial Reporting Standards. The current Audit Committee Members are: Ms Fikile Tebogo De Buck (Chairperson), Ms Sindi Zilwa and Ms Nonthuthuko Mbhele.

## **Ms Fikile De Buck** Chairperson

## Audit Committee Report

This report is provided by the audit committee and the board of directors appointed in respect of the 2021 financial year of Mercedes-Benz South Africa Limited.

The audit committee was nominated by the board of directors and appointed by the shareholder.

The audit committee met four times in the financial year ended 31 December 2021. The external auditor attended these meetings as an invitee and presented the formal reports, as required by the audit committee. All three members of the audit committee are independent, non-executive directors, with permanent guests from the internal finance and control functions. The audit committee and the board of directors complied with all of its responsibilities as set out in the Companies Act, King IV and the governing charter of the audit committee. The board of directors are satisfied that the audit committee has complied with all of the aforementioned responsibilities for the financial year ended 31 December 2021. The audit committee provided, among others, independent oversight on the effectiveness of the group's assurance functions and services with particular focus on external assurance service providers, internal audit and controls and the finance function in general. Where it refers to the audit committee it will include the board of directors who also considered matters as contained in this report.

### 1. Internal controls

The audit committee is satisfied with the design and implementation of internal controls, as supported and confirmed by the management of MBSA. The design, implementation and execution of internal controls are monitored in order to ensure that any weaknesses are addressed to mitigate material loss, fraud or errors.

The audit committee and the board of directors considered the reports from the information technology department which could have an impact on the control environment at MBSA. It is satisfied that management action plans are in place in relation to information technology controls.

The audit committee considered the reports from the MBAG corporate internal audit function and is satisfied with management action plans in response thereto. The audit committee is satisfied with the effectiveness of the internal audit arrangements in place.

### 2. External auditor

The audit committee considered and assessed the suitability of KPMG Inc. and Mr F von Eckardstein, as per the requirements of the JSE, with regard to their current appointment. The audit committee is satisfied that the appointment of the external auditor, Mr F von Eckardstein, complies with the legislative and regulatory requirements and the audit committee is satisfied with his independence. Adequate policies and controls are in place to address the provision of non-audit services by the external auditor to ensure compliance with legislation and other corporate governance guidelines or regulations. The audit committee considered the audit quality controls based on the Independent Regulatory Board for Auditors reports as well as the relevant JSE requirements.

Non-audit services were reviewed, as approved in the non-audit services catalogue of MBAG, and did not become significant to call into question the independence of the external auditor or the firm, KPMG Inc.

The audit committee, in consultation with executive management, agreed to the terms of the engagement. The audit committee approved and reviewed the fees proposed by the external auditor, taking into consideration such factors as the timing of the audit, the extent of the work required and the scope. It further, on an ongoing basis, reviewed the scope, independence and impartiality of the external auditor. KPMG has been the independent auditors of MBSA for 36 years. The mandatory designated audit partner rotation has taken place in 2021 with the appointment of Mr F von Eckardstein.

There were no reportable irregularities identified or reported by the external auditor to the audit committee.

### 3. Compliance with legal and regulatory requirements

The audit committee is satisfied that, to the best of its knowledge, all regulatory and legislative requirements with regard to its function, duties and obligations has been complied with.

### 4. Key audit matters

The audit committee performs the duties laid upon it by Section 94(7) of the Companies Act by holding meetings with the key role players on a regular basis and by the unrestricted access granted to the external auditors.

The audit committee noted and considered the key audit matters set out in the report of the independent auditor included in these consolidated annual financial statements. The audit committee is satisfied with the appropriateness of the key audit matters reported on by the independent auditor.

### 5. Consolidated Financial Statements

The audit committee is satisfied that, to the best of its knowledge, the consolidated financial statements for the financial year ended 31 December 2021 fairly reflect the financial position and results of the group.

The pro-active monitoring, which was completed by the JSE was considered. The result of such monitoring was presented to the audit committee, which satisfied itself that the findings and focus areas were adequately addressed in the consolidated financial statements for the year ended 31 December 2021 and that all of the debt listing requirements were complied with.

### 6. Accounting practices

The audit committee is satisfied that the consolidated financial statements have been prepared in accordance with relevant accounting practices, the Mercedes-Benz South Africa Limited group accounting policies, and are fully compliant with International Financial Reporting Standards.

The audit committee is satisfied that the group has appropriate financial reporting procedures and that these procedures are operating and being monitored.

### 7. Effectiveness of finance function

The audit committee is satisfied with the qualifications, effectiveness and performance of the chief financial officer and the finance function in general.



# The Social and Ethics Committee



The Social and Ethics Committee SEC (“The SEC”) is constituted as a statutory committee of the Board in terms of Section 72(4) read with regulation 43(2) of the Companies Act. The SEC has the responsibility to recommend for approval, monitor and advise on all social and ethically relevant issues that have a significant impact on Mercedes-Benz South Africa Limited and its stakeholders, recognising that the Company forms an integral part of the broader society and communities within which it operates. The SEC has observed the implementation by the Company of a three-pronged initiative in its response to the prevailing COVID-19 pandemic: protecting the Company; protecting the stakeholder; and protecting communities.

The SEC has an independent role but is accountable to the Board. The SEC focuses on socio-economic development; corporate citizenship; corporate social responsibility; sustainability; BBB-EE and other matters duly defined by the Board and detailed within the SEC Workplans and Charters.

The current members of the SEC are Ambassador Nozipho January-Bardill (Chairperson), Ms Fikile De Buck and Ms Sindi Zilwa.

## Introduction

The oversight function carried out by the Social and Ethics Committee (SEC) has traditionally focused on what is often regarded as “soft issues” such as monitoring the non-financial activities of companies. Whilst economic and financial indexes are central to measuring the success or failure of any company, they need not, by any means, be separated from the “non-financial” activities of a company. These dimensions are important in a complex country like South Africa, where its past and more recent history has led to untold poverty, inequality and unemployment. They stand in the way of inclusive growth of the country’s economic and social development. What is imperative to the success

of all companies in a globalised world is also a steadfast focus on non-financial indexes, including sustainability, the environment, transformation, employment equity, health and safety, legal compliance, corporate social responsibility, and ethics.

## Our Mandate and MBSA’s COVID-19 Response

Guided by the corporate values of Mercedes Benz South Africa (MBSA), the mandate of the SEC is driven by the guiding principle of building a sustainable business strategy that creates lasting value for all our stakeholders, including shareholders, investors, employees, customers, communities and business partners. This mandate was stress tested in the last two years by the many vagaries of COVID 19 and the disruptions that it caused for many businesses across the globe.

The pressures of the pandemic were felt across our business. They impacted both business continuity and worsened the socio-economic inequalities of our society. Since the onset of the pandemic, the SEC has had to ensure that MBSA complies with all the legislation and regulations that were passed during the national state of disaster imposed by the government. Moreover, the company CEO and executives had to test the agility of the company to not only continue with its own capital projects, but also to respond appropriately to rapidly changing political decisions, uncertain market dynamics, unpredictable supply chains, dispersed work forces and insecure communities. We had to demonstrate our commitment to operate as a responsible, ethical and caring corporate citizen.

During this time, our objectives were clear: to keep our employees safe from COVID-19 infection by encouraging and enabling remote work arrangements where possible and enhancing health, sanitation, hygiene, and safe working environments our to maintain our social licence to operate. The business continued to be centred around customer value, productivity and employee satisfaction to stay ahead of the market.

## Corporate Social Responsibility

As a company, we recognize that our success rests heavily on making a positive and sustainable impact in the communities in which we operate. To this end, I take pride in noting some of MBSA’s most notable achievements in this past year. MBSA’s COVID-19 response stands out as it included an investment of over R13 million to turn the tide on infections through the donation of 1000 Continuous positive airway pressure (CPAP) ventilation devices donated to public healthcare facilities located in the Eastern Cape and Gauteng. MBSA also deepened its corporate social responsibility by augmenting its existing education investments through the donation of COVID-19 essentials to support learners based in the Eastern Cape continue with their learning, healthily and safely.

## Transformation

In terms of our transformation efforts, we have successfully managed to achieve a level 6 Broad Based Black Economic Empowerment (BBBEE) rating. The attainment of a level 6 rating was through our involvement in the Automotive Industry Transformation Fund (AITF) that provided us with Equity Equivalent points, moving us up from a level 8 on the BBBEE scorecard. MBSA remains committed to transformation of the automotive industry and will, where possible, support qualifying black owned entities, drive job creation, as well as enable meaningful transformation and growth of the automotive sector across the value chain.

## Diversity & Inclusion

MBSA’s workforce is as diverse as our customers. Our diversity is what makes us successful as a company, by consciously making us more aware of unique and varying viewpoints and acts as the driving force behind creative ideas and innovations. To entrench a culture of diversity inclusion, equity and belonging at MBSA, we launched new initiative aimed at increasing dialogue on inclusion and creating awareness. The aim of our activities is to bring together the right people to tackle our challenges, to create a work culture that promotes the performance, motivation

and satisfaction of our employees and managers, and to help attract new target groups to our products and services.

The Pretoria Women’s Forum and Women Empowerment Forums launched respectively in East London and Pretoria in 2020 were intended to encourage a network among women employees, explore avenues to support leadership development and personal growth, as well as to acknowledge and celebrate women within their personal and professional contexts. The Persons with Disabilities Forum, also launched in 2020, aims to raise disability and inclusion awareness within the organisation and is making significant strides within our organisation. Finally, MBSA participated in Johannesburg Pride as a corporate sponsor for three consecutive years, seeing 2022 as our fourth year. Our participation in this annual event is an open and important signifier of our corporate activism of championing of LGBTIQ+ rights and representation of our customer base.

### Outlook

As the Chair of the Committee, I am pleased with the progress MBSA has made in what has been a challenging and unprecedented operating environment. The Committee that I chair has helped MBSA focus on issues that are material to MBSA’s social licence to operate and aligned with the spirit of good corporate governance enshrined in King IV and other pertinent laws and regulations.

MBSA remains committed to transformation through sustainable development in the communities and working closely with partners, communities and society to ensure that value is created. Within the South African context, MBSA can translate the global imperative of sustained transformation, which is called “SpurWechsel” (the German word for “lane change”) by its parent company, Mercedes-Benz AG, into making a real and lasting impact for our employees, communities and the country.

MBSA further commits to transformation and will pursue a higher BBBEE rating facilitated by our involvement in the AITF. Transformation through creating access to market and capacity development for qualifying black owned entities, remains a key priority for MBSA.

Going forward, we will continue to place diversity, inclusion, equity and belonging at the heart of our corporate strategy. Diversity is the driving force behind our ideas, the transformation of the automotive industry as well as our culture of innovation. It remains critical to our success and enables us to reflect and cater to the diversity of our customers.

It is my firm belief that combined with six decades of manufacturing excellence, good corporate citizenship and a vested interest in the stability and growth of the economy of South Africa – MBSA is well equipped to strike a balance between economic and social issues in 2022 and beyond. The launch of the C-class was a long journey that confirmed the ability of MBSA to achieve this capital project in what must have been one of the greatest challenges in the life of MBSA.

### Mercedes-Benz South Africa remembers

Since the start of the pandemic, we have had positive cases of COVID-19 across our operations. It is with deep sadness that we report the loss of some of our employees due to COVID-19 since the onset of the pandemic. MBSA has sent its heartfelt condolences to the family, colleagues and close friends of the deceased colleagues and has observed moments of silence in their honour. We believe that the success of our company is the sum of its workforce and honour the deceased employees’ respective contributions to the company. May their souls rest in eternal peace.

### Ambassador Nozipho January-Bardill Chairperson

# The Executive Committee



The Executive Management Committee (“The EMC”) is a committee of the Board and the first EMC was duly constituted on 29 April 2010. The EMC is responsible for directing, coordinating and controlling the business activities of the Group in the framework of the defined goals as set out in the Excom Charter, resolutions of the Board, resolutions of the Shareholder, the governance authorities and in the Mercedes-Benz Group AG. The business activities of the Company and the Group were conducted independently by the members of the EMC in line with their respective divisional responsibilities. The role, function and powers of the EMC, its members and its relationship vis-a-vis other organs of the Group are determined by the Companies Act, the Memorandum of Incorporation and any applicable law or regulatory provision which applies to the Company, as well as the Board Charter.

**On 1 May 2022, Mr Andreas Brand will be appointed as the new CEO and Executive Director: Manufacturing. Below is the Executive Management Committee for the period of this report.**

**Mr Andreas Engling**  
CEO and Executive Director:  
Manufacturing

**Mr Klaus Eser**  
CFO and Executive Director:  
Finance and Controlling

**Ms Nadia Trimmel**  
Vice-President: Mercedes-Benz  
Vans

**Mr Mark Raine**  
Executive Director Mercedes-  
Benz Passenger Cars & Co-CEO  
Mercedes-Benz South Africa  
Limited

**Mr Abey Kgotle**  
Executive Director: Human  
Resources

**Mr Robert Hoffmann**  
CEO Mercedes-Benz Financial  
Services South Africa (Pty) Ltd

**Mr Andreas Engling**  
**Chief Executive Officer**

# Principles of King IV

# Principle 1

The governing body should lead ethically and effectively.

The Mercedes-Benz Group AG and all subsidiaries' business conduct is based on Group-wide standards that underpin and go beyond the requirements of relevant legislation in the respective local jurisdictions and territories. Locally, these standards are accepted and enacted by the Board of Directors to ensure that the Company's operations contribute to Mercedes-Benz Group AG being one of the world's leading automotive manufacturers and retailers globally and that the governance principles applied in the Company are of the highest international standards. Thus, the Company strives at all times to ensure that its activities are in harmony with both the environment and society, while demonstrating agility and responsiveness.

## Integrity Code

The Integrity Code is based on the shared values developed globally with employees and has been accepted and implemented by the Board. It defines the basis for all actions at the workplace - such as fairness, responsibility, mutual respect, transparency, openness and compliance with laws and rights. It covers interpersonal conduct within the Company as well as conduct toward customers, business partners and other key stakeholders thus defining the underlying principles of behaviour of the Company in daily business.

The Integrity Code includes general rules of conduct along with requirements and regulations on the following topics:

- Respect for and protection of human rights;
- Compliance with laws and internal regulations;
- Appropriate conduct within the Group and in dealings with government officials, business partners and customers;
- Dealing with conflicts of interest;
- Prevention of all forms of corruption;
- Protection of company assets; and
- Principles of Social Responsibility.

# Principle 2

The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.

The Board is the main governing body of the Company and ensures that codes of conduct and ethics policies articulate and give effect to the Board's direction on ethical behaviour. The Board assigns tasks of regular compliance reviews to ensure the highest level of compliance. The main governance responsibilities that the Board takes primary responsibility for are ensuring:

1

That codes of conduct and ethics policies that articulate and give effect to the Board's direction on organisational ethics are approved;

2

That the codes of conduct and ethics policies encompass the Group's interaction with both internal and external Stakeholders and the broader society and address the key ethical risks of the Group;

3

Regulations by the Group and the Group's own governing documents, codes of conduct, legal and ethics policies;

4

That it assumes responsibility for corporate citizenship by setting the direction for how it should be approached and addressed by the Group;

5

That it oversees that the Group's core purpose and values, strategy and conduct are congruent with it being a responsible corporate citizen;

6

That it assumes responsibility for assurance by setting the direction concerning the arrangements for assurance services and functions;

7

That it satisfies itself that the combined assurance model is effective and sufficiently robust for the Board to be able to place reliance on the combined assurance underlying the statements that the Board makes concerning the integrity of the Group's external reports;

8

The Group's commitment to the principles of good corporate governance and ensuring that compliance is reviewed regularly;

9

Comprehensive reporting to the Shareholder; and

10

Where a specific task is delegated to an individual Board member, this is recorded clearly in the minutes of Board meetings.

# Principle 3

The governing body should ensure that the organisation is, and is seen, to be a responsible corporate citizen.

The Company operates as a socially responsive and responsible corporate citizen, with a history and heritage that spans more than six decades in South Africa. It is of the utmost importance to the Board and its respective Committees that the Company plays its part in ensuring that all of South Africa continues to grow economically and socially. Understanding, engaging, and forming cooperative relationships, with all of the Company's internal and external stakeholders is the only way this goal can be achieved.

It is the Company's aim to be socially responsive, a responsible corporate citizen and, at all times, to conduct its businesses in South Africa ethically and sustainably. As part of this goal, the Company understands that it is important to function within the larger framework of the societies that the Company impacts with business functions and operations.

The Board and its Committees, maintain oversight over all actions and activities that could impact its status as a responsible corporate citizen.

The Company addresses its societal impact through Skills Development, Enterprise

and Supplier Development, Preferential Procurement and Corporate Social Responsibility initiatives - each with their own approved strategic focus areas to ensure the most sustainable results.

The Company's Corporate Social Responsibility ("CSR") interventions are focused on the direct communities in which it operates, as well as neighbouring communities and has responded effectively to the needs of the greater society in the midst of the prevailing Covid-19 pandemic.

The support to the CSR beneficiary partners is determined on an annual basis as part of the governance process by the Board and all approved funding is directed towards these organisations for the benefit of the beneficiaries.

The Company's daily operations also impact significantly on society. As

the business grows, so too does the number of people it employs and the contribution it makes to the national economy. The Board monitors management's progress against growth plans, ensuring sustained employment and contribution to the national economy. As the country's biggest exporter of premium vehicles to the rest of the world, the Company is actively addressing the shortage of skilled and trained automotive technicians in the country through the Mercedes-Benz South Africa Learning Academy, based in East London.

# Principle 4

The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

The Board exercises oversight of and monitors the overall strategy of the Company, which is aligned to the values of the Company. The Board also oversees and monitors, with the support of its Committees as set out in the Board Charter, the implementation and execution by management of all applicable policies and priorities as it pertains to the overall strategy of the Company. Each Committee functions according to its mandate and adopted Charter to prioritize the different objectives on an annual basis, taking into consideration all stakeholder needs as well

as expectations and the materiality thereof.

In the execution of the strategy, the Board mandates authority to the various members of the Executive Management Committee to fulfill duties as set out in the Charter. This responsibility is cascaded down into the strategies and business plans of all the different business units. The Board expects the Committees to report back twice each calendar year on the progress and developments in line with the strategic direction. Thus, the Board assesses key performance measures throughout the year and actively exercises its oversight role.

The Board also ensures that the Company accounts for its performance by reporting

and making disclosures as required by the applicable laws of South Africa, as well as in line with the various guidelines that stipulate that responsible collaboration requires decisions that are transparent and comprehensible. Accordingly, even when conducting checks, audits, and investigations, the Company places high importance on transparency and treats those concerned fairly.

The Board recognizes the inter-connectivity and interdependence of the various forms of capital at its disposal (financial, manufactured, human, intellectual, natural, social and relationship capital) and assesses strategy in light thereof. All material issues, risks and opportunities which could impact positively or negatively on sustained value creation are brought to the Board through the Committees.

The Board is satisfied that the Company has adequate resources to continue operating for the next twelve months and the foreseeable future.

# Principle 5

The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long term prospects

The Board, assisted by the Audit Committee, assumes responsibility for transparent reporting on the activities and financial performance of the Company, and all other statutory reporting on key matters affecting the Company and its stakeholders.

The individual and consolidated Annual Financial Statements are reviewed and assured by a combined assurance model. Certain indicators such as Broad-Based Black Economic Empowerment status, is verified by external, independent and accredited specialists.

All relevant information for the stakeholders of the Company is published on the Company's website, also disclosures required in regulatory reporting.

Reporting requirements as set out by the Johannesburg Stock Exchange of South Africa for debt issuers are also adhered to in terms of the Domestic Medium Term Note Programme of the Company and distributed by the debt sponsor via the stock exchange news system (sens) of the JSE.

Information is also disseminated through the media, as an important stakeholder, for the public to be aware of the business operations of the Company. The Board delegates the responsibility for publishing all required reports and any release to the media to the Executive Management Committee of the Company.

# Principle 6

The governing body should serve as the focal point and custodian of corporate governance in the organisation.

The manner in which the Board approaches leadership strengthens the governance and performance of the Company, holistically. The Board is guided by a formal Board Charter that outlines the role and responsibilities of the Board. The Charter is subject to the provisions of the Companies Act, the Memorandum of Incorporation and any applicable law or regulatory provision which applies to the Company, as well as the Governance Authorities and the Mercedes-Benz Group AG Policies.

The Board is responsible for directing the Group towards achieving high standards of corporate governance based on local and international corporate practice and is ultimately accountable for achieving the Group's strategy, operating performance and financial results within the respective corporate governance frameworks of the Group and of the Mercedes-Benz Group AG.

The Board accordingly has the power to make any decisions in respect of the Company, which has not been specifically reserved for decision-making by the Shareholder (Mercedes-Benz Group AG). The Board exercises its powers responsibly in the best interests of the Company with due regard to the interest of its stakeholders. Each subsidiary company has its own directors. Through the Committees, the Board ensures that the necessary and proper governance principles and policies are implemented.

To support the balance of power in decision-making within the Group, independence exists for the subsidiaries.



# Principle 7

The governing body should comprise the appropriate balance of knowledge, skills experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

The diversity in constitution of the Board of the Company enables the different members to provide balanced and independent advice throughout the governance and decision-making processes of the Company.

Succession is managed by Mercedes-Benz Group AG and is subject to discretionary rotation in terms of a global rotation with cognisance to the nine year tenure threshold recommended by King IV™. Independent non-executive directors are typically rotated after serving a term of four to six years.

The Board actively promotes gender and race diversity at Board and management levels. Mercedes-Benz Group AG and the Board promotes race and gender diversity when appointments are made to the Board and other management levels.

The Board considers the Chairperson to be independent in terms of the considerations set out in King IV™. To further enhance independent leadership of the Board a lead independent director, Ambassador Nozipho January-Bardill, was appointed on 21 November 2018 with roles and responsibilities assigned in the Board Charter as defined in King IV™.

Each Board member has the necessary qualifications to exercise their responsibilities effectively. Board members have extensive business experience and specialist skills across a range of sectors, these being highlighted in this report.

The Board has concluded that it has an appropriate mix of knowledge, skills, experience, diversity and independence in order to carry out its mandate and responsibilities in accordance with the Board Charter.

# Principle 8

The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.

The Board ensures that the necessary delegation of power and segregation of duties exists in its structures and in the organisation as a whole. The Committees of the Board have been established to assist the Board in discharging its responsibilities. The Committees are appropriately constituted and members are appointed by the Board, with the exception of the Audit Committee whose members are nominated by the Board, but appointed by the Shareholder.

External advisers, executive directors and members of management attend Committee meetings by invitation to ensure that all the dimensions of the business are properly represented and taken into consideration.

Each subsidiary in the structure of the Company functions independently. The Board, through its Social and Ethics Committee and Audit Committee monitors the compliance of the subsidiaries with the various governance principles to ensure a healthy governance environment exists.

The general roles and responsibilities of each of the Committees as well as the Board are properly recorded in the approved applicable Charters and Workplans.

The Executive Management Committee (“EMC”) is constituted to have representation of the Company and the subsidiaries. Based on this format, the EMC has the ability to holistically manage the Group and to find possible synergies to support governance compliance.



# Principle 9

The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.

The Board is conscious of its responsibility to evaluate its own performance, that of its sub-committees, its Chairperson and of the Company Secretary. These evaluations can be conducted with the help of external experts and advisors if the Board so decides in a formally constituted Board meeting. Contained in the Board Charter is the responsibility that resides with the Chairperson to ensure performance evaluations of the Board, the Board Committees, the Audit Committee and directors are conducted.

The Board has conducted its performance evaluation for the period of the financial year ending 2021. Such evaluation is currently being considered by the Board. Notwithstanding, the Board is of the view that the Board is a high performing Board that is dedicated to ensuring the highest standards in the execution of its duties and responsibilities.

The performance evaluation of the Executive Directors is conducted by Mercedes-Benz Group AG in accordance with group performance management and remuneration incentive programs and Mercedes-Benz Group AG policies.

# Principle 10

The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.

The Board appointed an Executive Committee that represents the Company and its subsidiaries. The roles, responsibilities and authority of the members of the Executive Committee are clearly defined. Through the structure put in place by the charters of the Board and the

Committees, it clearly delineates the roles and responsibilities of all members of the Board. The Board is fully supported by a suitably qualified and experienced Company Secretary who exercises his duties as per the Companies Act.

# Principle 11

The governing body should govern risk in a way that supports the organisation in setting and achieving strategic objectives.

The Board delegates the responsibility for the oversight and evaluation of risk management to the Audit Committee, as contained in the Audit Committee Charter. The Audit Committee's overall objective is to determine whether the organisation's network of risk management, internal control, and governance processes designed and represented by management is adequate and functioning in a manner to ensure that risks are appropriately identified and managed and operations work efficiently.

In a complex and interconnected world, risk management is imperative to any business. Since 1998 the Boards of Management of all companies listed on a German stock exchange, such as the Company's parent company Mercedes-Benz AG, are required to implement a system for the early identification of risks in compliance with legislation. Therefore an Opportunity Management System is integrated in the Risk Management System which the Company follows and reports into. There is an internal control system in the Company, described as the entirety of all regulations that serve the business purpose (policies,

process descriptions, procedural instructions, working instructions etc.), that ensures that the business processes function properly. This internal control system can be portrayed as per Internal Control System diagram.

Risk Management is a group-wide standardised, continuous and systematic process, aiming to protect the Company's existence and the achievement of corporate targets, while increasing risk awareness. Risks are potential developments, events or actions that may prevent the Company or one of its units from achieving its targets or implementing its strategies. Opportunities are potential developments, events or actions that will allow the Company or one of its units to meet or surpass its targets. Therefore, Opportunity Management is the early identification of potential opportunities within the scope of business operations and to use them in the best possible way by applying suitable measures. Consequently, Risk Management and Opportunity Management are closely integrated into planning activities. Risks and opportunities are reported through the different business units and escalated to the relevant subcommittees of the Board. Once a year a full Mercedes-Benz Risk and Opportunities

Management System audit is conducted. Risk reporting thresholds are set within the framework provided by the Mercedes-Benz Group AG risk management policies. Actual risk exposures are regularly reported against these thresholds and mitigating actions are put in place where thresholds have been exceeded. There were no unexpected, unusual or unforeseen risks outside of tolerance levels during the period under review. Continued focus areas include regulatory and policy developments affecting the automotive sector, including the future of the Automotive Production and Development Programme (APDP), economic and socio-political developments, automotive sector technological developments and disruption, consumer trends and cyber risk especially affecting data privacy and protection. The Mercedes-Benz Risk and Opportunities Management System and Internal Control System, as set out above, was adopted by the Board of the Company and was fully implemented accordingly.

# Principle 12

The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.

The Board monitors and exercises oversight on the direction for management and development of information technology with due consideration of the overall risk, strategy and direction of Mercedes-Benz Group AG and the Company. Therefore, policies that articulate and give direction to the governance of information technology are implemented and monitored. The Company has a strong internal technology management framework leveraging upon the well established international information technology governance framework of Mercedes-Benz Group AG. The coronavirus crisis

has shown us that digital solutions can make our lives much easier. Connectivity, digitalization, and the ability to process large amounts of data will provide huge benefits for mobility in the future as well. Many of our customers already take advantage of live traffic information and other data-based services. In production, greater connectivity makes processes more efficient while digital product planning helps conserve resources. Data-based products also benefit our customers when it comes to sales and service.

Data responsibility involves more than just data protection. Mercedes-Benz is taking on this responsibility by pursuing a holistic data governance approach that covers not only legal but also cultural and organizational aspects. The key aims are the sustainable design of data-based business

models and the responsible handling of data in the interests of our customers, employees, and other stakeholders. In order to achieve these goals, we have taken a number of measures, for example, employee training or the provision of in-depth information to our customers. Mercedes-Benz Group AG has also established a Group-wide Data Governance System that consists of our Group-wide Data Governance Structure, data vision, data culture, and Data Compliance Management System.

# Principle 13

The governing body should govern compliance with applicable laws and adopted, nonbinding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.

The Board exercises oversight of how compliance should be approached and addressed in the Company. The Board approves and enacts policies that articulates and gives effect to this direction on compliance and delegates the responsibility for the implementation of compliance to the Executive Management Committee. The function resides in the structures of the Company

within the legal and compliance departments.

Legal compliance systems and processes are in place to mitigate the risk of non-compliance with the law. The regulatory environment is monitored to ensure appropriate responses to changes and developments in applicable regulations and law. The Company's compliance and legal departments have teams that report back to the Executive Management Committee regarding the programs it employs. The compliance department extends training to all employees, including compulsory induction training, to educate the staff complement about the use and function of the department in the

organisation. The compliance department has implemented a compliance management system.

The Compliance Department is not only responsible for Training, but for the Compliance Management System for the Compliance Fields: Anti Corruption, Sanction Compliance, Anti Financial Crime, Data Compliance and Integrity Management at the entity. There were no material fines or penalties for regulatory transgressions imposed against the Group during the period under review.

# Principle 14

The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

The Company and Mercedes-Benz Group AG have had comprehensive and binding compensation and benefits policies in place since 2007. These policies regulate the framework for the structure and application of the Company's compensation system, elements and processes and formulate the framework requirements for compensation within the Company.

These requirements ensure transparency and enhance process reliability in the configuration and application of employee compensation and benefits arrangements in line with global directives which is relevant to local market conditions. Mercedes-Benz Group AG remunerates work in accordance with the same principles at all its affiliates around the world.

The Corporate Compensation Policy, which is valid for all groups of employees, establishes the framework conditions and minimum requirements for the design of the remuneration systems. In the desire to offer salaries and benefits that are customary in the industry and the respective markets, consideration is given to local market conditions within the specified framework. The salaries are determined on the basis of the employees' tasks and

performance, and in line with their qualifications and experience. In setting the remuneration of the employees, the Company is not guided by gender or place of origin, but exclusively by the employee's job and responsibility. These policies regulate the framework for the structure and application of the Company's compensation system, elements and processes and formulate the framework requirements for compensation within the Company.

The Board accepted and approved the principles for the configuration and application of the compensation system as defined, and set out above, of Mercedes-Benz Group AG. Mercedes-Benz Group AG sets the compensation policy by specifying the compensation principles and decisions related to their implementation. These are then interrogated and implemented by the Company.

# Principle 15

The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.

Combined assurance emanates from the Risk and Opportunities Management System linked through to the Internal Controls System. Assurance layers run through the establishment of sound control environments, assessment of risks, control activities, information and communication processes linked to monitoring procedures. These systems are overseen by management with internal assurance from Mercedes-Benz Group AG Corporate Audit and

various other Mercedes-Benz Group AG oversight bodies. In addition, external assurance is sought from various independent sources, from external auditors to certification agencies like ISO. The extent of assurance is determined with reference to risk assessments annually and executed by Corporate Audit, and the outcomes of such assessments are reported to the Audit Committee for monitoring and oversight.

# Principle 16

In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.

The Company defines stakeholders as "those groups or individuals that can reasonably be expected to be significantly affected by an organisation's business activities, outputs or outcomes, or whose actions can reasonably be expected to significantly affect the ability of the organisation to create value over time". There is a greater expectation on stakeholders today to fulfill their role as social activists in a world where the triple context of the economy has become the norm. It is of the utmost importance to the Board and its respective Committees that the Company plays its part in ensuring that all of South Africa continues to grow economically and socially.

This requires a stakeholder-inclusive model of governance.  
As part

of its decisionmaking in the best interests of the organisation, the Board of the Company strives to take into account all stakeholder groups in order to balance their legitimate and reasonable needs, interests and expectations. All of this is performed in line with the overall fiduciary duty to act in the best interest of the organisation.

The internal and external corporate affairs teams oversee the stakeholder engagement process to ensure that appropriate policies and escalation procedures are in place. There are then reported to the Social and Ethics Committee. Management needs an ongoing relationship with stakeholders. The Company's external affairs department, closely liaising with Mercedes-Benz Group AG, assist the management in the execution of this responsibility.

Mercedes-Benz South Africa Ltd.

General representatives of Mercedes-Benz and Smart vehicles in South Africa  
(Reg. No. 1962/000271/06)

Wierda Road (R576/M10 West)

Zwartkop

PO Box 1717

Pretoria

0001

South Africa

Tel +27 (0) 12 677 1500

Fax +27 (0) 12 673 6050

[www.mercedes-benzsa.co.za](http://www.mercedes-benzsa.co.za)

Mercedes-Benz – are registered trademarks of Mercedes-Benz AG, Stuttgart, Germany