



Mercedes-Benz

# MERCEDES-BENZ SOUTH AFRICA LTD

## KING IV REPORT

### *The principles of our actions*

## **Daimler AG Group-wide standards**

The Daimler group and all subsidiaries' business conduct is based on Group-wide standards that go beyond the requirements of relevant legislation in the respective jurisdictions and territories. These standards are based on the four corporate values of integrity, respect, passion and discipline.

Locally these standards are accepted and enacted by the Board of Directors of Mercedes-Benz South Africa ( The "Company") to ensure that the Company's operations contribute to Daimler AG being one of the world's leading automakers globally. Thus the Company strives at all times to ensure that its activities are in harmony with both the environment and society.

## **Integrity Code**

The Integrity Code of the Company based on Daimler AG's shared values developed globally with its employees and has been accepted and implemented by the Board of Directors. It defines the basis for all actions at the workplace – such as fairness, responsibility, mutual respect, transparency, openness and the compliance with laws and rights. It covers interpersonal conduct within the Company as well as conduct toward customers and business partners – 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:

1. Respect for and protection of human rights;
2. Compliance with laws and internal regulations;
3. Appropriate conduct within the Group and in dealings with government officials, business partners and customers;
4. Dealing with conflicts of interest;
5. Prevention of all forms of corruption;
6. Protection of company assets; and
7. Principles of social responsibility.

The Principles of Social Responsibility as contained in the Integrity Code are applicable worldwide. The Company commits itself to the principles of the UN Global Compact and thus to internationally recognised human and workers' rights, such as the prohibition of child labour and forced labour, as well as freedom of association and sustainable protection of the environment. The Company also commits itself to guaranteeing equal opportunities and adhering to the principle of “equal pay for equal work”.

Leadership	Principle 1: The governing body should lead ethically and effectively.	King IV™ Outcome	King IV™ Reference
	<p>The Company's Board of Directors, the key governing body, exercises leadership effectively in line with the Board Charter and the Memorandum of Incorporation of the Company. The Board has the ultimate responsibility and plays a leadership role in establishing and maintaining an ethical culture for the Company and its subsidiaries in South Africa (the Group).</p> <p>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.</p> <p>The diversity in constitution of the Board of Directors enables the different members to provide balanced and independent advice throughout the governance and decision-making processes of the Company.</p> <p>The directors have the required competence and act ethically in line with the Integrity Code as guiding light in discharging their responsibility to provide effective oversight of the strategy and control of the Company.</p>	<p>Ethical Culture Good Performance Effective Control Legitimacy</p>	<p>K IV™ P1 Prac 1.a.i K IV™ P1 Prac 1.a.ii K IV™ P1 Prac 1.a.iii K IV™ P1 Prac 1.a.iv K IV™ P1 Prac 1.b.i K IV™ P1 Prac 1.b.ii K IV™ P1 Prac 1.b.iii K IV™ P1 Prac 1.c.i K IV™ P1 Prac 1.c.ii K IV™ P1 Prac 1.c.iii K IV™ P1 Prac 1.c.iv K IV™ P1 Prac 1.d K IV™ P1 Prac 1.e.i K IV™ P1 Prac 1.e.ii</p>



The Board Charter outlines the policies and practices of the Board in further detail as it pertains to integrity, competence, responsibility, accountability, fairness and transparency.

Contained in the Board Charter is the following guideline:

*“The Board of the Company 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 Daimler Group’s and the Group’s corporate governance frameworks. The Board should exercise its leadership role by:*

- *steering the Company and setting its strategic direction;*
- *approving policy and planning that give effect to the direction provided;*
- *overseeing and monitoring of implementation and execution by management; and*
- *ensuring accountability for organisational performance by means of, among others, reporting and disclosure; and by doing so*
- *aspire to apply the King IV™ Principles which apply to the Company.*

Board members devote sufficient time in preparation for meetings and receive information on the Company’s strategies, plans and performance for this preparation.

The directors on the Board are jointly accountable for the decisions made by the Board to the Shareholder (Daimler AG) and, in line with a stakeholder-centric approach, to the legitimate expectations of all relevant stakeholders.

The Board approved the Company’s delegation of authority framework, with due regard to the necessary governance principles, to empower those mandated within the framework to exercise their duties in a responsible and efficient manner.

K IV™ P1 Prac 1.f  
K IV™ P1 Prac 2  
K IV™ P1 Prac 3

Organisational Ethics

Principle 2: The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.

	King IV™ Outcome	King IV™ Reference
The Board of Directors sets the tone of the values of the Company and provides guidance on ethical	Ethical Culture Good Performance	K IV™ P2 Prac 4 K IV™ P2 Prac 5



business practice and conduct through the Social and Ethics Committee. Thus, the Board ensures that the ethical standards for the Company in the country are clearly articulated and receives support as an integral part of the daily operations of the Company. The Social and Ethics Committee is responsible monitoring ethics practices in the Company and reporting back to the Board on a regular basis.

The principles contained in the Integrity Code is enforced as a code of conduct for the Company, along with group-wide standards, policies and regulations.

All employees are required to adhere to the ethical business practices outlined in the Integrity Code, which guides daily principles of behaviour for conduct within and by the company as well as toward customers and business partners.

Established policies and standards are also applicable. These policies are available on the Company's local and international intranet, which is accessible to all employees from wherever they find themselves. These include, for example, policies that regulate the acceptance of gifts from third parties and declarations of potential conflicts of interests.

All employees also undergo compulsory induction which includes an understanding of the Integrity Code and ethical policies and procedures. Employees are required to acknowledge the Integrity Code and their understanding thereof by formally signing the code.

Various additional trainings are provided in areas of competition law and other compliance areas.

Strict vetting and required checks also apply to our business partners, in line with the accepted and implemented guidelines.

In order to remain accountable and responsive to the evolving norms governing the conduct of business the Board has a continuing obligation to ensure that the Company is cognisant of country-specific governance requirements and has effective governance and controls in place to meet this requirement. To this effect, through the Executive Management Committee, the responsibility for monitoring the external landscape for policy and regulatory impacts is delegated to the External Affairs department and relevant employees in the different business units.

The Company also has a system in place through parent company Daimler's business practices office

Effective Control  
Legitimacy

K IV™ P2 Prac 6.a  
K IV™ P2 Prac 6.b  
K IV™ P2 Prac 7.a  
K IV™ P2 Prac 7.b  
K IV™ P2 Prac 7.c  
K IV™ P2 Prac 8  
K IV™ P2 Prac 9.a  
K IV™ P2 Prac 9.b  
K IV™ P2 Prac 9.c  
K IV™ P2 Prac 9.d



(BPO) for accountability and checks and balances to ensure an ethical culture is maintained. Breaches in ethics and company policies follow a formal, fair and equitable process.

Various policies are in place to ensure the prevention of fraud and corruption, entrenching principles such as the four-eyes principle for procurement and sales within daily operations and segregating duties to reduce the risk of fault and violation.

Management is delegated the responsibility for implementing and executing the culture enshrined in the Integrity Code and the Board exercises oversight of the management of ethics and compliance in the Company.

Responsible corporate citizenship

Principle 3: The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.

**King IV™ Outcome**

**King IV™ Reference**

The Company has a long history and heritage in South Africa, spanning more than six decades, with the factory first opening its doors in East London in 1950. As an organisation functioning in a specific socio-economic context and existing as an integral part of society we understand that we have corporate citizenship status that confers rights, obligations and responsibilities on us towards society and the natural environment.

As a corporate citizen we recognise that we are licensed to operate by our internal and external stakeholders and by society in the broader sense and choose to see our role in South Africa from a holistic perspective. This adds to and augments the obligations placed upon us by the Companies Act (Section 7).

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

The Company. comply with all relevant regulations and legislation in South Africa. We are also guided by our four main principles of passion, integrity, discipline and respect and the fundamental principles contained in the Integrity Code that support and encourage human rights and ethics.

Ethical Culture  
Good Performance  
Effective Control  
Legitimacy

K IV™ P3 Prac 11  
K IV™ P3 Prac 12  
K IV™ P3 Prac 13  
K IV™ P3 Prac 14.a  
K IV™ P3 Prac 14.b  
K IV™ P3 Prac 14.c  
K IV™ P3 Prac 14.d



The Board and its committees, maintains oversight over all actions and activities that could impact its status as a responsible corporate citizen. The Company addresses its societal impact imperative through Skills Development, Enterprise and Supplier Development, Preferential Procurement and Corporate Social Responsibility initiatives – each with their own approved strategic focus areas to ensure to 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. This focused approach enables the Company to have a more direct and targeted impact on those who are impacted by – and impact – the operations of the Company.

The main pillars of our CSR strategy and projects are Education & Youth Development and Community Upliftment. These pillars are reinforced internally by employees of the Company through a focused approach on and encouragement of employee volunteerism.

The support provided to the CSR beneficiary partners is determined annually as part of the governance process by the Board of Director. All approved funding is channelled directly to these organisations for 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 Company's Learning Academy, based in East London.

In line with global Daimler practices, the East London plant practices responsible production, implementing benchmark energy saving programmes, such as the ISO 50 001 Energy Management System among others, in order to reduce the impact of the Group's operations on the environment and improve energy efficiencies.



Strategy and performance

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.

	King IV™ Outcome	King IV™ Reference
<p>The Board exercises oversight of and monitors the overall strategy of the Company, aligned with its core values as a responsible corporate citizen and the legitimate expectations of its stakeholders.</p> <p>The Board, together with the support of its Committees, also oversees and monitors the implementation and execution by management of all applicable policies and priorities against the overall strategy of the Company. Each supporting Committee and structure functions according to its mandate and adopted charter to prioritise the different objectives on an annual basis, taking into consideration all stakeholder needs and expectations and the materiality thereof.</p> <p>In the execution of strategy, the Board mandates authority to the various members of the Executive Committee (a sub-committee of the Board) to fulfil duties as set out in the Executive Management Committee Charter. This responsibility is then cascaded down into the strategies and business plans of all the different business units. The Board expects this committee 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.</p> <p>The Board also ensures that the Company accounts for its performance by reporting and disclosure 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. In line with this, even when conducting checks, audits, and investigations, we place high importance on transparency and treat those concerned fairly.</p> <p>The Board recognises the inter-connectivity and interdependence of the various forms of capital at its disposal (financial, manufactured, human, intellectual, natural and 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 subcommittees. Later in this report the full risk management system is explained (insert hyperlink).</p> <p>The Board is satisfied that the Company has adequate resources to continue operating for the next twelve</p>	<p>Ethical Culture</p> <p>Good Performance</p> <p>Effective Control</p> <p>Legitimacy</p>	<p>K IV™ P4 Prac 1</p> <p>K IV™ P4 Prac 2</p> <p>K IV™ P4 Prac 3.a</p> <p>K IV™ P4 Prac 3.b</p> <p>K IV™ P4 Prac 3.c</p> <p>K IV™ P4 Prac 3.d</p> <p>K IV™ P4 Prac 3.e</p> <p>K IV™ P4 Prac 3.f</p> <p>K IV™ P4 Prac 4</p> <p>K IV™ P4 Prac 5</p> <p>K IV™ P4 Prac 6</p> <p>K IV™ P4 Prac 7</p> <p>K IV™ P4 Prac 8</p>



months and the foreseeable future.

## Reporting

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.

### King IV™ Outcome

### King IV™ Reference

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.

Ethical Culture  
Good Performance  
Effective Control  
Legitimacy

K IV™ P5 Prac 9  
K IV™ P5 Prac 10  
K IV™ P5 Prac 11  
K IV™ P5 Prac 13  
K IV™ P5 Prac 14  
K IV™ P5 Prac 15.c

The Audit Committee is a statutory committee as required by the Companies Act and is established to assist the Board, in terms of the Audit Committee Charter, in various roles – including the review and preparation of accurate financial reporting and statements in compliance with all applicable legal requirements, corporate governance and accounting standards.

The 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 website, also disclosures required in regulatory reporting such as those by the National Consumer Commission and available transparently for all to inspect and make informed decisions.

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

Information is also disseminated through the media, as an important stakeholder, for the public to transparently 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.		
Primary role and responsibilities	Principle 6: The governing body should serve as the focal point and custodian of corporate governance in the organisation.		
		<b>King IV™ Outcome</b>	<b>King IV™ Reference</b>
	<p>The Board Charter contains the roles, functions and responsibilities of the Board. In this document it is clearly defined that the Board is the main governing body of the Company and shall ensure that codes of conduct and ethics policies that articulate and give effect to the Board's direction on organisation ethics are approved. This charter also clearly bestows the responsibility for good corporate governance on the Board and assigns the task of regular compliance review to this highest level of governance in the Company with comprehensive reporting to the Shareholder.</p> <p>Therefore the Board is the focal point and custodian of corporate governance in the Company.</p> <p>The main governance responsibilities that the Board takes primary responsibility for are ensuring:</p> <ol style="list-style-type: none"> <li>1. that codes of conduct and ethics policies that articulate and give effect to the Board's direction on organisational ethics are approved;</li> <li>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;</li> <li>3. ethical behaviour and compliance with laws and regulations by the Group and the Group's own governing documents, codes of conduct, legal and ethics policies;</li> <li>4. that it assumes responsibility for corporate citizenship by setting the direction for how it should be approached and addressed by the Group;</li> <li>5. that it oversees that the Company's core purpose and values, strategy and conduct are congruent with it being a responsible corporate citizen;</li> <li>6. that it assumes responsibility for assurance by setting the direction concerning the arrangements for assurance services and functions;</li> <li>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;</li> <li>8. the Group's commitment to the principles of good corporate governance and ensuring that</li> </ol>	Ethical Culture Good Performance Effective Control Legitimacy	K IV™ P6 Prac 1.a K IV™ P6 Prac 1.b K IV™ P6 Prac 1.c K IV™ P6 Prac 1.d K IV™ P6 Prac 2 K IV™ P6 Prac 3 K IV™ P6 Prac 5.b



compliance is reviewed regularly; and  
 9. comprehensive reporting to the Shareholder.

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

Directors of the Board have access, at reasonable times, to all members of the sub-committees, including the Executive Management Committee of Mercedes-Benz South Africa Ltd., to obtain relevant information to assist them in the discharge of their duties and responsibilities. Directors have unrestricted access to Company documentation and are entitled to seek independent professional advice.

The Board is responsible for maintaining accurate records of its actions and this responsibility is delegated to the Company Secretary.

Composition 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 Board consists of a independent chairperson, non-executive directors, of which the majority are independent, and executive directors. In accordance with the Board Charter, Directors to the Board of Directors are appointed through a formal process and the Board will assist with the process of identifying suitable candidates to be considered for nomination and appointment to the Board, for final approval by the Shareholder. The Company has a formal policy that governs the appointment of Directors. This policy is in line with the Memorandum of Incorporation ("MOI") and ensures that an independent, transparent, fair and equitable process is applied with the nomination, election and ultimate appointment of a Director by the Shareholder.

The Board Charter and the MOI provides detailed processes for the appointment of the Chairperson of the Board, Executive Directors, Non-Executive Directors and Independent Directors.

The Board will at no time be comprised of fewer than seven Directors and should reflect a majority of non-executive Directors, racial and gender diversity, as well as diversity in respect of the relevant business,

**King IV™ Outcome**

**King IV™ Reference**

Ethical Culture	K IV™ P7 Prac 6
Good Performance	K IV™ P7 Prac 7.a
Effective Control	K IV™ P7 Prac 7.b
Legitimacy	K IV™ P7 Prac 7.c
	K IV™ P7 Prac 7.d
	K IV™ P7 Prac 7.e
	K IV™ P7 Prac 7.f
	K IV™ P7 Prac 8
	K IV™ P7 Prac 9
	K IV™ P7 Prac 10
	K IV™ P7 Prac 11
	K IV™ P7 Prac 12
	K IV™ P7 Prac 15
	K IV™ P7 Prac 16.a
	K IV™ P7 Prac 16.b



geographic and academic backgrounds.

The Board may also undertake an annual self-assessment procedure to review its mix of skills, performance during the year and the contribution of individual Directors for reporting to the Shareholder.

- K IV™ P7 Prac 16.c
- K IV™ P7 Prac 17
- K IV™ P7 Prac 18
- K IV™ P7 Prac 19
- K IV™ P7 Prac 21
- K IV™ P7 Prac 22
- K IV™ P7 Prac 23
- K IV™ P7 Prac 25
- K IV™ P7 Prac 26
- K IV™ P7 Prac 27
- K IV™ P7 Prac 28.a
- K IV™ P7 Prac 28.b
- K IV™ P7 Prac 28.c
- K IV™ P7 Prac 28.d
- K IV™ P7 Prac 28.e
- K IV™ P7 Prac 28.f
- K IV™ P7 Prac 28.g
- K IV™ P7 Prac 28.h
- K IV™ P7 Prac 28.i
- K IV™ P7 Prac 29
- K IV™ P7 Prac 30.i
- K IV™ P7 Prac 31
- K IV™ P7 Prac 33
- K IV™ P7 Prac 34
- K IV™ P7 Prac 35
- K IV™ P7 Prac 36.a
- K IV™ P7 Prac 36.e

Committees

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.

King IV™ Outcome

King IV™ Reference



Committees have been established to assist the Board in discharging its responsibilities set out in the Board Charter. The Committees of the Board comprise the Audit Committee, the Social and Ethics Committee and the Executive Management Committee.

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.

In terms of independence a Delegation of Authority Policy Framework exists and is approved by the Board to support balance of power in decision-making in the Company.

The general roles and responsibilities of each Committee as well as its membership is dealt with in detail in their respective charters which are aligned with the Companies Act, the MOI and other governance authorities.

Ethical Culture  
Good Performance  
Effective Control  
Legitimacy

K IV™ P8 Prac 39  
K IV™ P8 Prac 40  
K IV™ P8 Prac 41  
K IV™ P8 Prac 42  
K IV™ P8 Prac 43.a  
K IV™ P8 Prac 43.b  
K IV™ P8 Prac 43.c  
K IV™ P8 Prac 43.e  
K IV™ P8 Prac 43.f  
K IV™ P8 Prac 43.g  
K IV™ P8 Prac 43.h  
K IV™ P8 Prac 44.a  
K IV™ P8 Prac 44.b  
K IV™ P8 Prac 44.c  
K IV™ P8 Prac 45  
K IV™ P8 Prac 46  
K IV™ P8 Prac 47  
K IV™ P8 Prac 48  
K IV™ P8 Prac 49  
K IV™ P8 Prac 51.a  
K IV™ P8 Prac 51.b  
K IV™ P8 Prac 52  
K IV™ P8 Prac 53  
K IV™ P8 Prac 54  
K IV™ P8 Prac 55  
K IV™ P8 Prac 56  
K IV™ P8 Prac 59.a.i  
K IV™ P8 Prac 59.a.ii  
K IV™ P8 Prac 59.a.iii  
K IV™ P8 Prac 59.b  
K IV™ P8 Prac 59.c  
K IV™ P8 Prac 59.e  
K IV™ P8 Prac 59.f



			<p>K IV™ P8 Prac 68          K IV™ P8 Prac 69          K IV™ P8 Prac 70</p>
Evaluations of the performance	<p>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.</p>		
		<b>King IV™ Outcome</b>	<b>King IV™ Reference</b>
	<p>The Board is conscious of its responsibility to evaluate its own performance, that of its sub-committees, its chair 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. The evaluations are conducted every biennial with regards to the committees and the performance of the Board. The next evaluations will be conducted in the year of 2018.</p> <p>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 individual directors are conducted.</p>	<p>Ethical Culture          Good Performance          Effective Control          Legitimacy</p>	<p>K IV™ P9 Prac 71</p>
Appointment and delegation to management	<p>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.</p>		
		<b>King IV™ Outcome</b>	<b>King IV™ Reference</b>
	<p>The Board Charter distinguishes between matters that is reserved only for the Board and those that can be delegated to the different sub-committees and members within those sub-committees (with specific reference to the roles and responsibilities of the Executive Management Committee and other Board sub-committees).</p> <p>The Board is satisfied that the delegation of authority framework, as approved and reviewed on an annual basis, contributes to role clarity and the effective exercise of authority in the discharge or responsibilities.</p>	<p>Ethical Culture          Good Performance          Effective Control          Legitimacy</p>	<p>K IV™ P10 Prac 76          K IV™ P10 Prac 77          K IV™ P10 Prac 78          K IV™ P10 Prac 79          K IV™ P10 Prac 80          K IV™ P10 Prac 84          K IV™ P10 Prac 85          K IV™ P10 Prac 86          K IV™ P10 Prac 87.a          K IV™ P10 Prac 87.b</p>



K IV™ P10 Prac 90  
 K IV™ P10 Prac 91  
 K IV™ P10 Prac 92  
 K IV™ P10 Prac 93  
 K IV™ P10 Prac 94  
 K IV™ P10 Prac 95  
 K IV™ P10 Prac 96  
 K IV™ P10 Prac 97

Risk governance

Principle 11: The governing body should govern risk in a way that supports the organisation in setting and achieving strategic objectives.

**King IV™ Outcome King IV™ Reference**

The Board delegates the responsibility for the oversight and evaluation of risk management to the Audit Committee as contained in the Audit Committee Charter.

In a complex and interconnected world, with complexity increasingly rising, 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 Shareholder, Daimler AG, are required to implement a system for the early identification of risks in compliance with legislation. Therefore an Opportunity Management System integrated in the Risk Management System exists which the Company must follow and reports into.

Daimler AG has an internal control system, 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 was adopted and implemented by the Board of the Company with alignment of local governance authorities.

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 of actions that will allow the Company or one of its units to meet or surpass its targets. Therefore Opportunity Management is purposing the early identification of potential opportunities within the scope of business

Ethical Culture  
 Good Performance  
 Effective Control  
 Legitimacy

K IV™ P11 Prac 1.a  
 K IV™ P11 Prac 1.b  
 K IV™ P11 Prac 2  
 K IV™ P11 Prac 3  
 K IV™ P11 Prac 4.a  
 K IV™ P11 Prac 4.b  
 K IV™ P11 Prac 5  
 K IV™ P11 Prac 6.a  
 K IV™ P11 Prac 6.b  
 K IV™ P11 Prac 6.c  
 K IV™ P11 Prac 6.d  
 K IV™ P11 Prac 6.e  
 K IV™ P11 Prac 6.f  
 K IV™ P11 Prac 7



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 sub-committees of the Board. Once a year a full Daimler Risk and Opportunities Management System audit is conducted. Regularly corporate audits are conducted with the overall objective to determine whether the organization'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

The Daimler Risk and Opportunities Management System and Internal Control System, as set out above, was adopted by the Board of the Company and was implemented accordingly.

Technology and information governance

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 strategy and direction of Daimler AG. Therefore policies that articulate and give direction to the governance of information technology are implemented and monitored. In so doing, the Board, through its sub-committees monitors and exercise oversight with regards to :

1. Arrangements for governing and managing technology and information;
2. Key areas of focus for technology and information;
3. Actions taken to monitor the effectiveness of technology and information management and how the outcomes were addressed;
4. The effect of technology on financial reporting; and
5. Planned areas of future information technology focus.

**King IV™ Outcome**

**King IV™ Reference**

Ethical Culture

K IV™ P12 Prac 10

Good Performance

K IV™ P12 Prac 11

Effective Control

K IV™ P12 Prac 12

Legitimacy

K IV™ P12 Prac 13.a

K IV™ P12 Prac 13.b

K IV™ P12 Prac 13.c

K IV™ P12 Prac 13.d

K IV™ P12 Prac 13.e

K IV™ P12 Prac 13.f

K IV™ P12 Prac 13.g

K IV™ P12 Prac 13.h

K IV™ P12 Prac 13.i

K IV™ P12 Prac 14.a

K IV™ P12 Prac 14.b

K IV™ P12 Prac 14.c

K IV™ P12 Prac 14.d



			<p>K IV™ P12 Prac 15.a          K IV™ P12 Prac 15.b          K IV™ P12 Prac 15.c          K IV™ P12 Prac 16</p>
Compliance governance	<p>Principle 13: The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.</p>		
		<b>King IV™ Outcome</b>	<b>King IV™ Reference</b>
	<p>The Board exercises oversight over the direction for 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, where 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 and other regulatory requirements. The regulatory and legal Eco-system are also monitored to ensure appropriate responses to changes and developments in applicable regulations and law.</p> <p>The Company's compliance and legal departments have teams that reports back to the Executive Management Committee regarding the programmes it employs to enhance and enforce the compliance and regulatory framework established by the Board. This 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 in place a compliance management system that takes into consideration the implications of the rules and non-binding rules and applicable laws holistically.</p>	<p>Ethical Culture          Good Performance          Effective Control          Legitimacy</p>	<p>K IV™ P13 Prac 18          K IV™ P13 Prac 19          K IV™ P13 Prac 20          K IV™ P13 Prac 21.a          K IV™ P13 Prac 21.b          K IV™ P13 Prac 21.c          K IV™ P13 Prac 22</p>
Remuneration governance	<p>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.</p>		
		<b>King IV™ Outcome</b>	<b>King IV™ Reference</b>
	<p>The Company has comprehensive and binding compensation and benefits policies in place. These policies</p>	<p>Ethical Culture          Good Performance</p>	<p>K IV™ P14 Prac 26          K IV™ P14 Prac 27</p>





	<p>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 and relevant to local market conditions.</p> <p>The Board of Directors accepted, approved and implemented the principles for the configuration and application of the compensation system, as defined globally by Daimler AG.</p> <p>The Board of Directors mandates the Executive Management Committee of the Company with the implementation of remuneration management and maintains oversight over this role with the support of the Social and Ethics Committee. The Following tasks are completed and reported to the Board:</p> <ol style="list-style-type: none"> <li>1. Annual Review of Compensation, Employee Benefits and Tax Arrangements.</li> <li>2. Identification of any and all aspects for continuous improvement to ensure the Group reaches its desired Employer of Choice Status offering competitive, flexible, dynamic and cost-effective pay and benefits arrangements.</li> </ol>	<p>Effective Control Legitimacy</p>	<p>K IV™ P14 Prac 28.a K IV™ P14 Prac 28.b K IV™ P14 Prac 28.c K IV™ P14 Prac 28.d K IV™ P14 Prac 29.a K IV™ P14 Prac 29.b K IV™ P14 Prac 29.c K IV™ P14 Prac 30.a K IV™ P14 Prac 30.b K IV™ P14 Prac 30.c K IV™ P14 Prac 30.d K IV™ P14 Prac 30.f K IV™ P14 Prac 31 K IV™ P14 Prac 35.a.i K IV™ P14 Prac 35.a.ii K IV™ P14 Prac 35.a.iii K IV™ P14 Prac 36</p>
<p>Assurance</p>	<p>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.</p> <p>The Board of Directors, through a mandate to its Audit Committee, ensures the implementation of the combined assurance model in combining, co-ordinating and aligning assurance activities across the various business units and lines of assurance.</p> <p>These include:</p> <ol style="list-style-type: none"> <li>1. Line functions that own and manage risk and opportunity;</li> <li>2. Specialist functions that facilitate and oversee risk and opportunity;</li> <li>3. Internal assurance providers:</li> </ol>	<p><b>King IV™ Outcome</b></p> <p>Ethical Culture Good Performance Effective Control Legitimacy</p>	<p><b>King IV™ Reference</b></p> <p>K IV™ P15 Prac 40.a K IV™ P15 Prac 40.b K IV™ P15 Prac 40.c K IV™ P15 Prac 41 K IV™ P15 Prac 42.a K IV™ P15 Prac 42.b K IV™ P15 Prac 42.c K IV™ P15 Prac 42.d K IV™ P15 Prac 42.e</p>



	<p>4. External assurance providers, and; 5. Governing Body and Committees. This role and responsibility is contained within the Audit Committee Charter and outlined in detail therein.</p>		<p>K IV™ P15 Prac 42.f K IV™ P15 Prac 43 K IV™ P15 Prac 44 K IV™ P15 Prac 45.a K IV™ P15 Prac 45.b K IV™ P15 Prac 45.c K IV™ P15 Prac 46 K IV™ P15 Prac 47.a K IV™ P15 Prac 47.b K IV™ P15 Prac 48 K IV™ P15 Prac 55 K IV™ P15 Prac 58.a K IV™ P15 Prac 58.b K IV™ P15 Prac 59</p>
<p>Stakeholders</p>	<p>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.</p> <p>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”.</p> <p>There is a greater expectation on stakeholders today to be socially, environmentally and economically and conscious - in a world where the triple context of the economy has become the norm. In this same context it has become increasingly important and evident that companies cannot ignore the impact its business decisions has on society as large and should, as a good governance principle, always make decisions with all stakeholders in mind.</p> <p>As quoted in the King IV™ report, “the duty of care has become more complex and more necessary a business judgement call that does not take account of the impacts of an organisations’ business model on the triple context could lead to a decrease in the organisations’ value.”</p>	<p><b>King IV™ Outcome</b></p> <p>Ethical Culture Good Performance Effective Control Legitimacy</p>	<p><b>King IV™ Reference</b></p> <p>K IV™ P16 Prac 1 K IV™ P16 Prac 2 K IV™ P16 Prac 3 K IV™ P16 Prac 4.a K IV™ P16 Prac 4.b K IV™ P16 Prac 4.c K IV™ P16 Prac 4.e K IV™ P16 Prac 6 K IV™ P16 Prac 11 K IV™ P16 Prac 12 K IV™ P16 Prac 13 K IV™ P16 Prac 14 K IV™ P16 Prac 15 K IV™ P16 Prac 16.a</p>



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 of Directors and its respective sub-committees that the Company plays its part in ensuring that all of South Africa continues to grow economically and socially. Understanding and engaging, and forming cooperative relationships, with all of the Company's important internal and external stakeholders is the only way this goal can be achieved.

This requires a stakeholder-inclusive model of governance. As part of its decision-making in the best interests of the organisation, the Board of Directors of Mercedes-Benz South Africa Ltd. 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.

In order to do this, management needs an ongoing relationship with those stakeholders. The Company has an external affairs department, closely liaising with parent company Daimler's applicable departments, to facilitate this understanding and relationship-building.

### **Stakeholder Engagements**

**Employees:** All persons employed by the business, contributing to the value creation activities of the Company.

Internal communication through face-to-face engagements as well as facilitating two-way communication through digital platforms.

**Customers:** Everyone making use or procuring the goods and services of the different business units within the Company.

Customer Assistance Centre, customer events, dealer interface, digital communication and social media platforms

**Shareholder and parent company:** Daimler AG is the sole shareholder of the Company.

K IV™ P16 Prac 16.c  
K IV™ P16 Prac 16.d  
K IV™ P16 Prac 16.e  
K IV™ P16 Prac 17



# Mercedes-Benz

Regular reporting and interaction on an operational basis and through formal governance structures.

**Investors:** Raising funds on the local interest rate market through our debt sponsor makes us accountable to the investors who put their trust in the business and its continued success.

Reporting and information sharing as required by BESA. Facilitated by internal Treasury department.

**Suppliers:** Due to our diverse product offering and requirements for production, the Company. has a range of production and non-production suppliers.

Structured engagements through International Procurement Services.

**Independent directors:** In adherence to good corporate governance principles, our independent directors and their role on the governing body is of integral importance.

Governance meetings and interactions, regular reporting.

**Agency / Dealer network:** Our independent agency/dealer network are authorised and licensed to sell and service our products in South Africa.

Engagements to facilitate adherence to licensing requirements and standards.

**Industry Bodies:** Effective operation is facilitated and leveraged through affiliation and association with relevant industry bodies such as the Southern African-German Chamber of Commerce and Industry (SAGCCI) and Automotive Industry Export Council

Participation facilitated through the office of the External Affairs department.

**Government stakeholders, policy makers and regulators:** The Company adheres to all applicable regulations and laws prescribed for the automotive industry in which it operates. In our operational business this includes interaction with both government officials and regulatory bodies.

Engagements and operational meetings facilitated through the office of the External Affairs department.

**Media:** The Company operates in line with the value system of parent company Daimler, which guides us



Mercedes-Benz

towards transparent operations. Representatives of the media fraternity in South Africa assists in this goal.

Dedicated media specialists to manage interaction. Events around product and corporate news.

**Communities:** The Company defines community as the local communities and businesses surrounding our operations and impacted by it.

Engagement through the office of the External Affairs department and relevant Corporate Social Responsibility specialists.

**Bargaining Councils and Union representatives:** The Company complies with the collective agreements negotiated in the National Bargaining Forum for our production employees, and views these forums and the union representatives as valued partners. These engagements support our business by prompting employee support offerings.

Utilising the above stakeholder map, the governing body of Mercedes-Benz South Africa Ltd. sets the direction of how stakeholder relationships should be approached and conducted, has stakeholder relationships as a recurring item on the agenda to exercise oversight in the overall stakeholder relationship management of the Company.