

Corporate Governance Report

Mercedes-Benz South Africa Ltd 2018/2019

Mercedes-Benz





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Mercedes-Benz South Africa Ltd Overview

Mercedes-Benz South Africa Ltd. (the "Company") is a wholly-owned subsidiary of the global company, Daimler 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 Zwartkop, Gauteng.

The Zwartkop office is the operating hub of the Sales and Marketing, Finance and Controlling, Media and Communications, Information Technology, Dealer Network, After-sales 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 and smart cars; Mercedes-Benz trucks, vans and buses; FUSO and Western Star trucks for South Africa and for certain African countries.

In East London, state-of-the-art best quality Mercedes-Benz passenger cars (C-Class) are manufactured for local and export markets in both left- and right-hand drive. The passionate and dedicated employees in East London also assemble FUSO and Mercedes-Benz commercial vehicles.

As at the end of 2018 the company employed approximately 5 000 employees across the different subsidiary units and produced a record number of passenger and commercial vehicle units from its East London facility.

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, Daimler 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, Daimler AG.

The Company has published its consolidated Annual Financial Statements and this is available by following the link [Annual Financial Statements \(AFS\)](#).

The formal Board Report and Audit Committee Report are contained in the consolidated [Annual Financial Statements \(AFS\)](#).

Declaration on corporate governance

The following statements apply to Mercedes-Benz South Africa Ltd (the Company), wholly-owned subsidiary of Daimler AG.

Moving from King III™ to King IV™

Up until 31 December 2017, the Company subscribed to the practices contained in King III™. The Company's new financial year commenced on the 1st of January 2018. At the commencement of this financial year, the Board of Directors, the Company's main governing body, made the decision to align with the principles contained within the King IV™ Report on Corporate Governance for South Africa 2016 (King IV™).

The Board has started with the implementation of King IV™ since 1 April 2017. For the financial year ending 31 December 2018, the Company applied the principles as contained in King IV™.

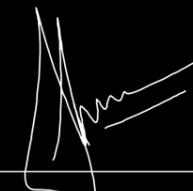
King IV™ assumes the application of the principles contained therein and requires organisations to disclose an explanation of the practices it employs for good corporate governance. Governing bodies of organisations are required to make this annual disclosure on the explanation of the implemented practices, which should be publicly available. The Company in this Corporate Governance Report, gives a holistic overview of its compliance with King IV™.

The Company subscribes to the King IV™ report and the 16 applicable principles contained therein for the purpose of good outcomes-based corporate governance. The Company employs these principles, along with the guiding light of the Integrity Code of Daimler AG as accepted and implemented by the Board of Directors of the Company, to achieve an ethical culture, good performance, effective control and legitimacy.

In this Corporate Governance Report, the Company discloses and explains the governance framework and practices of the Company. This fairly presents the governance affairs of the Company and is signed on its behalf by:



Dr Joachim Schmidt
Chairman of the Board of Directors



Denis Peterson
Company Secretary

Message from the Chairperson



Dear Stakeholders,

As the inventor of the automobile, Daimler AG, and its subsidiaries, remain at the forefront of shaping the future of the automotive industry. To build the mobility of tomorrow requires a strong base supported by a focus on the future-oriented CASE fields – Connected, Autonomous, Shared Services and Electric – to charge, shape and lead the next level of mobility.

The C-Class vehicle produced from our East London plant, continues to place South Africa as a key node in the Daimler production network with the export of the C-Class from South Africa to the world.

Our efforts to further strengthen our core business and lead the way in these CASE fields will be supported by a cultural and organisational transformation. Charting Mercedes-Benz South Africa, and its subsidiaries, on a successful course for the future of automobility, will require not losing sight of our overriding corporate objectives – to achieve profitable growth and increase shared value for all stakeholders of the Company.

For 134 years, our success has been premised on the values of integrity, respect, passion and discipline. The values govern our conduct worldwide and complement efforts to ensure effective corporate governance to minimise corporate risk and enhance value. More importantly, these values are the key underpinning of our business conduct and go beyond compliance with legislation and regulatory practices of the day.

Integrity, compliance and legal responsibility are the cornerstones of our sustainable corporate governance and serve as the basis for all our actions. With more than six decades in South Africa, Mercedes-Benz continues to diligently 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.

As one of the world's leading automakers, underpinning the philosophies of King IV™, we strive to be a leader in sustainability and believe this is attainable through carrying out activities which are in harmony with the environment and the society in which we operate. Conducted sustainably, our operations and actions will in part, contribute positively to the United Nation's Sustainable Development Goals, and the realisation of the objectives of South Africa's National Development Plan (NDP) 2030.

Our sustainability objectives and the management thereof are part of our corporate governance system and are also incorporated into the targets of our executives.

As we look towards the Company's future within the Daimler AG network, we want to safeguard and enhance our corporate success through a relentless stakeholder orientation. 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 are establishing a corporate culture that effectively supports sound corporate governance. 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 the Company on a successful path.

The Audit Committee, under the leadership of Ms Fikile De Buck, is responsible for monitoring the internal control and risk management system to ensure the Group maintain good governance, accounting and audit standards. Lead by Ms Nozipho January-Bardill, the Social and Ethics Committee has an independent responsibility to monitor how the Group 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 the business goals.

In closing, the Board, invites all stakeholders to join the Company and our parent company, Daimler AG, on a journey to the next 134 years of the automobile. Through the Board commitment to corporate governance, adherence with the King IV™ report, 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 and we will be delighted if you continue to accompany us on this journey.

The Board, as the custodian of the Company'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 2018.

A handwritten signature in black ink, appearing to read 'Joachim Schmidt', written over a horizontal line.

Dr Joachim Schmidt
Chairman of the Board of Directors

Message from the CEO

Dear Stakeholders,

Business fundamentals remained challenging throughout the 2018 financial year, with the volatility of trade conditions globally and subdued economic growth, reduced business confidence and inflationary cost pressures impacting sales for premium vehicles, locally.

As the executive team, we have worked hard to offset these challenges by maintaining focus, performing to business plans, reducing costs and driving efficiencies across the group of companies and brands.

Against the pressures of a tougher operating environment and the impact thereof on the local manufacturing industry and our company, the Company rose above the challenges whilst making substantial progress on issues that are key to our future.

East London Plant

The history of the Mercedes-Benz brand, and its rise to become the pinnacle of mobile luxury, cannot be told without including a chapter on its footprint in East London, South Africa. For decades, our company has entrenched its place within the South African history, contributing to the socio-economic fabric of this country through the vehicles it manufactures – and 2018 was no different.

Continuing with the rich manufacturing heritage in South Africa, an investment of over R200 million into the East London Plant realised the production of Mercedes-AMG models of the C-Class W205. The first customer-ready Mercedes-AMG C 43 rolled off the line in July 2017, paving the way for the C 63 and C 63 S – V8 sedans. Subsequently, the first production unit of the flagship Mercedes-Benz AMG C 63 model, rolled off the line in January 2018 – reinforcing our Plant for the highest volume of four of Daimler C-Class manufacturing factories. Another milestone for the East London plant in 2018, and a testament to the hard work and dedication of the highly efficient employees who continue to build world-class products. Additionally, through the Mercedes-Benz Learning Academy (MBLA), the company continues to demonstrate its commitment to youth empowerment and development within the automotive manufacturing industry through the provision of excellent, quality artisanal and technical skills training.

The socio-economic commitment to the region of the Eastern Cape and South Africa was punctuated in June 2018, with the R10 billion investment into the expansion of the plant for the preparation of the next generation C-Class to be built at our Plant. The decision to have this model built from our shores re-affirms that East London is an important location in the Daimler C-Class production network, and extends our production capacities and further recognises the remarkable progress this Plant has made over the years in optimally serving the wishes of our global customers. In 2019, Mercedes-Benz South Africa East London Plant will celebrate 25 years of manufacturing the C-Class sedan. With the production of the new generation C-Class, we are presented with another opportunity to increase our production volumes. This is very exciting news for our plant and suppliers, as we continue to grow through the lifecycles of the C-Class model.

Coinciding with this C-Class milestone, the new year will also mark 25 years of women working on our production lines. As a continuation to our transformation and diversity journey, we will celebrate this milestone by reflecting on the pioneering spirit and contribution that women have played and continue to play in our Company's successes. With diversity and women empowerment at the core of our transformation agenda, we are committed to creating a conducive environment to allow for the fundamental development and growth of women within the Company. 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. Since 1994, when the first C-Class model rolled off our assembly line, we have never looked back in producing excellence from the Plant. By the end of 2018, 105 040 C-Class vehicles and 3451 commercial vehicles were produced and assembled at our Plant. With exports to over 90 markets globally, our "Out of Africa, for the World" slogan is befitting. This is a reaffirmation of our commitment to manufacturing excellence and the positive multiplier effect that our operations have on the economy of East London.

People

To drive change in the auto industry, we need to drive the change through our people. As a company, we have been certified as a Top Employer for our exceptional employee offerings, for three consecutive years since 2017 by the Top Employers Institute. This is proof that the wellbeing of our employees remain on our priority list. To remain the preeminent leader in the premium automotive segment, we continuously improve, culturally and structurally. Our corporate success is safeguarded through our employees and the provision of optimal employee conditions. Certification as a Top Employer supplements our organisational culture change through Leadership 2020 and sets us on the right path to ensure that attractive and conducive employee conditions are entrenched. Through Leadership 2020 activities, together with our employees, we've been working on strategic projects to kick start and support cultural change within Daimler. This applies to employee development, decision-making processes as well as the organisational structure, work methodology and tools.

Purpose

To maintain market leadership, the company has been forced to adapt to fast changing environments. The next era of automobility presents us with new challenges and opens up a variety of opportunities for growth, inclusive of connectivity, autonomous driving, shared services and electrification (CASE) are changing our business like never before. We have set clear goals: to create the best class products, positively contribute to worldwide growth and be a technology leader that integrates digitalisation into our corporate strategy. That's why we are staying true to our parent company, Daimler AG's 134-year-old tradition: Always keep moving. The purpose of the Company is clear: to remain number one in our core business by leading in the automotive premium segment. We have always understood the importance of working together for a common purpose. In the Plant, our philosophy to achieve a common purpose is captured in our concept of "Siyaphambili" – "Moving forward together." I ask that you continue with us on this journey to drive excellence, take bold steps and create long-lasting impact for the communities in which we operate.



Mr Andreas Engling
Chief Executive Officer

Governance 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 to ensure that the Company's operations contribute to Daimler AG being one of the world's leading automakers 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.

Integrity Code

The Integrity Code is based on the shared values developed globally with employees and has been accepted and implemented by the Company's Board of Directors. 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:

- ③ Respect for and protection of human rights;
- ③ Compliance with laws and internal regulations;
- ③ Appropriate conduct within the Group and in dealings with government officials, business partners and customers;
- ③ Dealing with conflicts of interest;
- ③ Prevention of all forms of corruption;
- ③ Protection of company assets; and
- ③ 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".

The Corporate Structure of the Company

The Group holds a manufacturing and distribution agreement from Daimler AG for the importation, assembly and distribution of Mercedes-Benz, Mercedes-AMG, Mercedes-Maybach and smart product ranges as well as FUSO and Western Star commercial vehicles for South Africa, Botswana, Namibia, Lesotho and Swaziland. Daimler Trucks & Buses Southern Africa has a general distribution agreement to sell commercial vehicles to Malawi, Mozambique, Zimbabwe and Zambia through approved general distributors in the respective countries.

Daimler AG is the sole shareholder of the Company.

The Company has its principle place of business in Zwartkop, Pretoria. This location takes care of sales and marketing, parts and services. It is also the principle place of business of Mercedes-Benz Financial Services South Africa (Pty) Ltd, providing financial services to consumers, and Daimler Trucks & Buses Southern Africa (Pty) Ltd, both subsidiaries of the Company.

The East London location hosts the manufacturing arm of the Company and is a world class manufacturing facility that produces the flagship vehicle, the Mercedes-Benz C-Class, out of Africa for the world. In 2018, the Company marked 60 years of production in South Africa and it remains our passion which drives the Company to be the best.

The Company is a majority shareholder of Sandown Motor Holding (Pty) Ltd. Known for exceptional sales and service, Sandown Motor Holdings (Pty) Ltd is the own retail arm of the Company and has an extensive dealer network.



Leaders: The Board and its Committees

The Board of Directors approach leadership in such a manner that it strengthens the governance and performance of the Company holistically. The below sets out the key drivers to achieve this objective.

Board of Directors

The Board of the Company is guided by a formal Board Charter that outlines the responsibilities and role of the Board. This 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 Daimler Policies. The Board Charter and sub-committee terms of reference have recently been substantially aligned with the recommendations of King IV™.

The complete Board report is contained in the [Annual Financial Statements \(AFS\)](#).

In the Charter 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 – subject at all times to the applicable Daimler policies. The Charter also clearly bestows the responsibility for good corporate governance on the Board and assigns the task of regular compliance review to the highest level of governance in the Company with comprehensive reporting to the Shareholder.

Therefore, the Board is the focal point and custodian of corporate governance in the Company.

The main governance responsibilities that the Board takes primary responsibility for are ensuring:

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

- 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;
- that it assumes responsibility for corporate citizenship by setting the direction for how it should be approached and addressed by the Group;
- that it oversees that the Group's core purpose and values, strategy and conduct are congruent with it being a responsible corporate citizen;
- that it assumes responsibility for assurance by setting the direction concerning the arrangements for assurance services and functions;
- 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;
- the Group's commitment to the principles of good corporate governance and ensuring that compliance is reviewed regularly;
- comprehensive reporting to the Shareholder; and
- where a specific task is delegated to an individual Board member, 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 the Company, 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.

The Board is satisfied that it has substantially fulfilled its responsibilities in accordance with the Board Charter.

Directing the Company to a high standard of Governance

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 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 (Daimler AG). This power includes the power to exercise the rights as direct or indirect shareholder of Group companies. The Board exercises its powers responsibly in the best interests of the Company with due regard to the interest of stakeholders.

The Board of Directors has three sub-committees which will also be discussed in short below: Audit Committee, Social and Ethics Committee and the Executive Management Committee.

How is the Board constituted?

Any nomination by the Shareholder or the Board, for the appointment of any person to the Board, shall be made subject to the Daimler Policies (subject to compliance with the Companies Act and MOI). Directors are appointed through a formal process and the Board will assist with the process of identifying suitable candidates to be considered nominated for appointment to the Board, for final approval by the Shareholder.

Notwithstanding any other provision in the Board Charter, all appointments to the Board must be made following the passing of a resolution by the Shareholder. Directors appointed by the Board to fill a vacancy on a temporary basis, retire as Directors at the first subsequent annual general meeting of the Company (unless elected at such meeting).

The Board shall comprise of no fewer than seven Directors. The Board composition should reflect:

- a majority of non-executive Directors;
- racial and gender diversity, and
- diversity in respect of the relevant business, geographic and academic backgrounds.



Group governance framework

Each subsidiary company has its own Board of Directors with the Chief Executive Officer appointed by the Company's Board of Directors. The Audit Committee, Social and Ethics Committee and Executive Management Committee of the Company fulfil their roles on behalf of the subsidiary companies.

In terms of independence a delegation of authority policy framework exists to support balance of power in decision-making within the Group.

Board composition

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 Daimler 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.

Appointments during the year included 3 independent non-executive directors following rotation of the previous incumbents, the rotation and a new appointment of Daimler AG non-executives and the resignation from the Board of Mr J Hafkamp following his appointment as Chief Executive Officer of subsidiary Daimler Trucks and Buses Southern Africa (Pty) Ltd.

The Board actively promotes gender and race diversity at Board and management levels. Daimler AG and the Board takes into account the necessary targets on race and gender diversity at board level during appointment of Directors to the Board.

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, Ms 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.

Meetings and attendance 2018

	Board	Audit Committee	Executive Management Committee	Social & Ethics Committee
Total number of meetings held during the year	2	4	7	2
Chairperson	Dr J Schmidt	Ms F De Buck	Mr A Engling	Ms N January-Bardill
<i>Actual attendance/possible maximum attendance of meetings:</i>				
Dr J Schmidt	2/2	N/A	N/A	N/A
Ms B Seeger	1/2	N/A	N/A	N/A
Mr U Bastert	1/2	N/A	N/A	N/A
Mr M Lührs	2/2	N/A	N/A	N/A
Mr A Kellerman	2/2	N/A	N/A	N/A
Mr A Engling	2/2	N/A	6/7	2/2
Mr J Fritz	2/2	N/A	7/7	2/2
Mr C Spohr	2/2	4/4	7/7	N/A
Mr A Kgotle	2/2	N/A	6/7	2/2
Ms N January-Bardill	2/2	N/A	N/A	2/2
Ms F De Buck	1/2	4/4	N/A	2/2
Ms S Zilwa	2/2	4/4	N/A	2/2
Ms N Mbhele	1/2	4/4	N/A	N/A
Mr M. Schaefer	2/2	N/A	N/A	N/A
Mr J Hafkamp	2/2	N/A	7/7	1/2

The Current Board of Directors



Dr J Schmidt

Non-Executive Directors



Ms B Seeger



Dr J Burzer



Mr U Bastert



Mr M Lührs



Mr F Hohenwarter

Executive Directors



Mr A Engling



Mr J Fritz



Mr C Spohr



Mr A Kgotle

Independent Directors



Dr N January-Bardill



Ms F De Buck

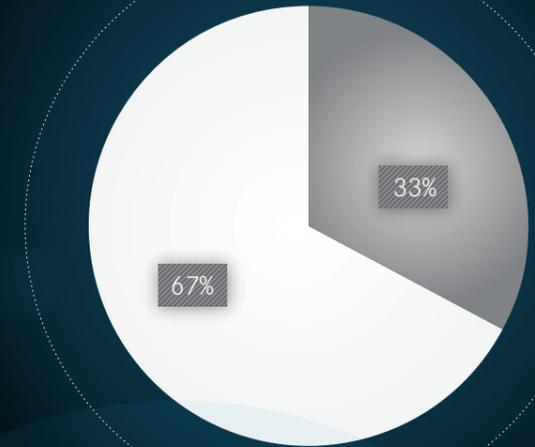
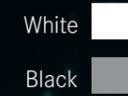


Ms S Zilwa

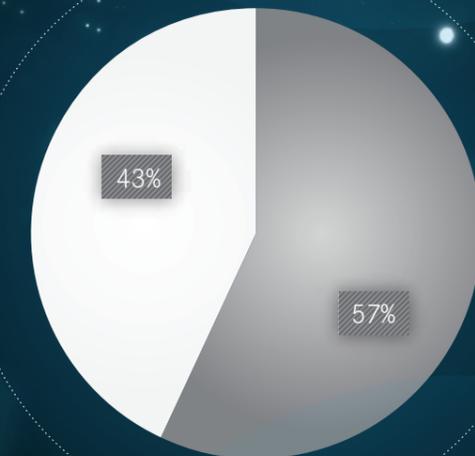
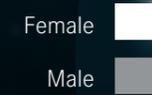


Ms N Mbhele

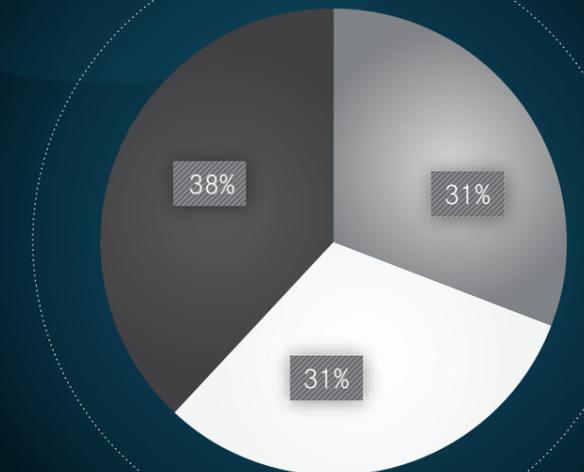
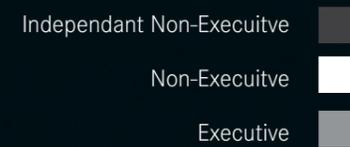
Racial Diversity of Board Members



Gender Diversity of Board Members



Non-executive Director Classification



Current members qualifications and skills



Dr J Schmidt

Chairman of the Board | Appointed: 01/01/2016

Dr Joachim Schmidt is the Chairman of the Board of Directors of Mercedes-Benz South Africa. He served Daimler AG in various roles for more than 34 years until his retirement in 2013. Dr Schmidt was born on 7 September 1948 in Sindelfingen, Germany.

He studied mathematics at the University of Stuttgart, obtaining his science doctorate there in 1976. In 1979, he joined what was then known as Daimler-Benz, working initially in passenger car development and then for over 20 years in various sales and marketing management positions. He was also the Head of Sales and Marketing for Mercedes-Benz Cars of Daimler AG for more than 10 years.



Ms B Seeger

Non-Executive Director | Appointed: 01/01/2017

Ms Britta Seeger has been a member of the Board of Management of Daimler AG since January 1, 2017, responsible for Mercedes-Benz Cars Marketing & Sales.

Previously, she was President and CEO of Mercedes-Benz Türk A.S. for over one year, with overall responsibility for the production and sales of trucks and buses in Turkey. From 2013 to 2015, Ms Seeger was President and CEO of Mercedes-Benz Korea and Daimler Trucks Korea in Seoul, South Korea.

She started her career at the former Mercedes-Benz AG in 1989 and has extensive sales and management experience. She was born in Bonn in 1969 and has studied business administration at the University of Cooperative Education in Stuttgart.



Dr J Burzer

Non-Executive Director | Appointed: 06/02/2019

Jörg Burzer became a Member of the Divisional Board for Mercedes-Benz Cars Operations in June 2019. In this role, he is responsible for passenger car production at 30 locations around the world.

Before taking on his current role, Dr Burzer was Head of Quality Management for Mercedes-Benz Cars, with worldwide responsibility for the product quality of all Mercedes-Benz model series and for the corresponding quality processes in the Development, Production, Procurement and Sales areas. As such, he also played a part in shaping the division's shift towards battery-electric vehicles and digital applications (EVA/CASE).

Joerg Burzer started his career in 1999 at the former DaimlerChrysler AG in vehicle pre-development, followed by various management positions in purchasing of materials in Stuttgart and Auburn Hills, USA. In 2007 he was appointed Head of Interior Procurement. From 2010 until June 2013 he was Head of Logistics and Production Control at the Mercedes-Benz US plant in Tuscaloosa/Alabama. He then joined Daimler Greater China in Beijing, China, as Vice President with responsibility for Platform Management, Product and Location Strategy in China, and for Localization and Supplier Quality.

Dr Jörg Burzer was born in Nuernberg in 1970, is married and has three children.



Mr U Bastert

Non-Executive Director | Appointed: 26/03/2015

Mr Ulrich Bastert is Head of Marketing, Sales and Customer Services for Daimler Buses and Sales Director at EvoBus GmbH. He studied Business Administration at the University of Paderborn before completing several internships in France.

He joined Daimler-Benz AG in 1985 through the International Management Associate Program. Between 1986 and 1999 he worked in various sales and marketing roles within the company's commercial vehicles division, including Head of Sales Planning and Reporting at Mercedes-Benz Trucks. In 2000 he was appointed President of DaimlerChrysler AG in the Czech Republic, before becoming Head of Sales and Marketing for Commercial Vehicles at DaimlerChrysler in France in 2004. In April 2007 he took on the role of Head of Marketing, Sales & Services at Mercedes-Benz Trucks, where he was in charge of truck sales management as well as all marketing and communication matters for the Mercedes-Benz Trucks brand in Europe and overseas. From January 2014 his area of responsibility was extended to include aftersales for Mercedes-Benz Trucks.

On July 1, 2015 Mr Bastert was appointed Head of Marketing, Sales and Customer Services for Daimler Buses and Sales Director at EvoBus GmbH. In this role, he is responsible for the global marketing, sales and aftersales activities for Daimler Buses.



Mr F Hohenwarter

(Alternate Director for Dr J Burzer)
Non-Executive Director | Appointed: 01/05/2019

Florian Hohenwarter started 1999 after his degree in electrical engineering as a quality engineer at the company before he moved on to Procurement (Mercedes-Benz Cars) in 2001 for various functions. In 2008, he took over the management of the Quality Engineering Center in combination with the supplier recourse MBC. From 2011 he was responsible for the BBAC localization project management at Beijing location, followed by the construction of the platform management GRC and then BBAC plant logistics in China. End of 2015, he moved to Sindelfingen to take over responsibility for the supply chain S-/E-Class. Since 2018, he has been managing the Production Structural Parts Powertrain and Chassis' production network for cast/forged components and axles with the main locations in Mettingen, Maribor (Slovenia) and Most (Czech Republic).



Mr M Lührs

(Alternate Director for Ms B Seeger)
Non-Executive Director | Appointed: 01/09/2017

Mr Matthias Lührs is the Head of Region Overseas Mercedes-Benz Cars at Daimler AG since July 2017.

After graduating from the University of Hamburg with a degree in Business Administration he started his career at Daimler AG in 1987 and obtained various positions within the Mercedes-Benz sales organisation in Germany, Mexico and Singapore. From 2000 to 2003 Mr Lührs served as Managing Director of Mercedes-Benz Passenger Cars responsible for the Region Asia/Pacific.

At the beginning of 2003 he became Director of the DaimlerChrysler Employee Car Business at Daimler AG.

Afterwards he acted as Director of Central/Eastern Europe, Africa and Asia, Sales and Marketing for Mercedes-Benz Passenger Cars, smart and Maybach at Daimler AG.

Since 2009 he had been responsible for the global sales of Mercedes-Benz Cars including smart. From April 2015 to June 2017 Mr Lührs was Vice President Sales Functions Mercedes-Benz Cars and Product Management Mercedes-Benz Passenger Cars, before he took over his current position.



Mr A Engling

Executive Director | Appointed: 01/04/2017

Mr Andreas Engling is the Executive Director Manufacturing and CEO of Mercedes-Benz South Africa.

He was born and raised in the north of Germany and qualified as a mechanical engineer before starting his career with Daimler in 1986. His career with the Daimler organisation now spans three decades. His previous position, before joining Mercedes-Benz South Africa from 1 April 2017, was Head of Engine Production for Daimler's Untertürkheim plant in Germany. Prior to that, he held the position of CEO of MDC Power, a wholly-owned subsidiary of Daimler AG.

With an inclusive leadership approach, Andreas takes the people with him in the journey of decision-making to ensure the outcome benefits all.



Mr J Fritz

Executive Director | Appointed: 01/09/2017

Born in Stuttgart, Mr Johannes Fritz grew up in Bavaria. He graduated from the Baden Wuerttemberg Cooperative State University, Stuttgart, and also holds an MBA from Brunel University London. Along with his home language of German, he speaks fluent English. Mr Fritz started his career as a Sales Representative for Mercedes-Benz Passenger Cars in the German market in 1988, and subsequently held the positions of Sales Training Manager with Global Training and Executive Assistant to the President and CEO of the former Mercedes-Benz Overseas organisation, before he was appointed CEO of our former Chrysler Jeep Sales Company in Turkey.

In 2004, Mr Fritz moved to Dubai and joined Daimler Chrysler Middle East & Levant as Director Sales & Marketing MBC, before returning to Stuttgart in 2008 to head the Chrysler/Jeep/Dodge Division at DCAA. This was followed by six years as Director Sales & Marketing Mercedes-Benz Cars with former DCAA (Daimler Central/Eastern Europe, Africa & Asia), before taking on the role of Director Sales Operations Mercedes-Benz Cars for the 179 markets of the Region Overseas in Stuttgart, for the last two and a half years. As Co-CEO of Mercedes-Benz South Africa and Executive Director of Mercedes-Benz Cars South Africa, Mr Fritz holds responsibility for Sales, Marketing, After Sales and Network Management for Mercedes-Benz Cars as well as the MBSA Marketing and Sales Campus at Zwartkop.



Mr C Spohr

Executive Director | Appointed: 01/06/2016

Mr Carsten Spohr is CFO of Mercedes-Benz South Africa & Executive Director Finance & Controlling. He has been a member of the Executive Committee of Mercedes-Benz South Africa since June 2016. Prior to this, he was CFO of Mercedes-Benz France. From 2011 through to January 2014, he served as CFO of Mercedes-Benz Milano, Daimler's corporate retail branch in northern Italy. Before that, he was responsible for the Controlling department of Daimler's Wholesale Organisation for the German market, based in Berlin.

Carsten Spohr was born on September 6, 1975 in Goslar, Germany. He studied Business Administration at the Baden-Wuerttemberg Cooperative State University in Stuttgart, Germany. Immediately following his graduation in 1999, he joined the former DaimlerChrysler AG in Stuttgart.



Mr A Kgotle

Executive Director | Appointed: 01/04/2017

Mr Abey Kgotle is the Executive Director: Human Resources of Mercedes-Benz South Africa.

Mr Kgotle has extensive experience in the human resources field, with his career starting in government in 1994 as a Community Development Officer. He has subsequently held various management and executive positions in local government and the mining industry for Human Resource Development and Human Capital Development respectively.

He was appointed Executive Vice-President Human Resources for Lonmin on the 1st of August 2013, the position he held until joining Mercedes-Benz South Africa on the 4th of April, 2017.



Dr N January-Bardill

Lead Independent Director | Appointed: 01/01/2016
Chairperson of Social and Ethics Committee

Dr Nozipho January-Bardill has extensive experience in both the local and international public and private sectors. She is an Independent Non-Executive Director on the boards of AngloGold Ashanti and Mercedes-Benz South Africa, and chairs the Social, Ethics and Sustainability board Sub-Committees of both companies. She is also a member of the MTN Foundation and was appointed the Chairperson of Council of the Nelson Mandela University in October 2017.

Dr Nozipho January-Bardill is the chairperson of the Interim Board of the newly registered UN Global Compact Local Network in South Africa and a board member of Shared Value Africa Initiative (SVAI). She serves on the boards of 2 NGOs, Phenduka Literacy project and Tshwaranang Legal Advocacy to end violence against women. She was the Acting Chief of Staff of UN Women from January 2014 to March 2015 and Special Adviser to UN Women in SA and New York until the end of 2016.

Before serving as a Director of Companies, Dr Nozipho January-Bardill was appointed to the MTN Group as head of Corporate Affairs and Spokesperson, and served on multiple boards of operations in the MTN footprint. Prior to MTN she was the South African Ambassador to Switzerland, Lichtenstein and the Holy See, and the Deputy Director General of Human Capital Management in the South African Department of Foreign Affairs (now DIRCO).

She served for 12 years as a member of the UN Committee for the Elimination of Racial Discrimination and among other publications on race and gender justice, recently contributed a chapter in a Manchester University Press publication (11/2017) entitled Fifty Years of the International Convention on the Elimination of all Forms of Racial Discrimination- A Living instrument. Besides her passion for working on issues related to human rights and social justice, Nozipho is active in advancing good corporate governance, ethical leadership, responsible business and sustainable development, including the promotion of the 2030 Global Goals in all the institutions on which boards she serves as well as other platforms.



Ms F De Buck

Independent Director | Appointed: 30/01/2018
Chairperson of Audit Committee

Ms Fikile De Buck is a chartered certified accountant, she was the second person to obtain this qualification in Botswana. She was awarded the Stuart Crystal Prize for Best Accounting Student at Birmingham Polytechnic (UK), now Birmingham University, the first black overseas student to be awarded this prize.

Ms Fikile De Buck is a fellow of the Association of Chartered Certified Accountants United Kingdom. From 2000 to 2008, she worked in various capacities, including as chief financial officer and chief operations officer at the Council for Medical Schemes in South Africa. Prior to that, she worked in various capacities at the Botswana Development Corporation and was its first treasurer. She also served on various boards representing the corporation's interests, and was the founding chairman of the Credit Guarantee Insurance Corporation of Africa Limited.

She has 24 years' experience in financial reporting at executive level. Ms Fikile De Buck is a director of D&D Company Proprietary Limited, a non-executive director and chairman of the audit committee and a member of various other committees of Atlatsa Resources Corporation. Fikile is chairman of the audit committee of Harmony Gold Mining Company Ltd and a member of the social and ethics committee, the remuneration committee and the nomination committee. She is also a non-executive director and chairman of the audit committee and a member of the social and ethics committee of Mercedes-Benz South Africa.

Ms Fikile De Buck is the South African Chapter President of the Global Forum of Women Entrepreneurs. She was included in the coffee table book, "South Africa's Most Inspirational Women" in 2011. She mentors a number of young people, mostly women, and is also a member of Women In Mining South Africa.



Ms S Zilwa

Independent Director | Appointed: 31/01/2018

Ms Sindi Zilwa qualified as the second black woman Chartered Accountant in South Africa in 1990 and co-founded Nkonki in 1993, which she then led as a CEO from 1998 until retirement through a management buyout in October 2016. As a retired entrepreneur in the Accounting and Auditing profession, Sindi is a Chartered Director as certified by the Institute of Directors in 2016. Her other qualifications include Advanced Diploma in Taxation from Unisa, Advanced Diploma in Financial Planning from UOFS and the Higher Diploma in Banking from RAU.

Ms Sindi Zilwa is a published Author of 2 books, The ACE Model –Winning Formula for Audit Committees published in 2013 and the "Board Committee Effectiveness Model" published in 2016.

As a Professional Director, Ms Sindi Zilwa is a board member of Discovery Limited, Aspen Limited and Metrofile Limited. Her non-equity listed company boards include Mercedes-Benz South Africa, Tourvest Group and Gijima Limited. She chairs the audit committees of Metrofile and Tourvest Group and is a member of the audit committees of Discovery, Aspen, Mercedes-Benz South Africa and Gijima. She also chairs the Social and Ethics Committee of Discovery and Aspen and is the member of the Social and Ethics Committee of Mercedes-Benz South Africa and Metrofile. She is also a member of Discovery's Actuarial Committee and of Discovery's Risk and Compliance Committee.

Her past directorships include – ACSA non-executive Chairman, Woolworths Limited, Telkom, Wiphold, Rebosis Limited, Ethos Private Equity, Telkom, Primedia, ATNS, Alexkor and Transkei National Building Society. She was a Chairman of the BUSA Standing Committee on Transformation and a past member of the SARB panel.



Ms N Mbhele

Independent Director | Appointed: 29/01/2018

Ms Nontuthuko ("Thuthu") Mbhele is a Chartered Accountant (SA) and Director with over 16 years' experience in ensuring complete and appropriate compliance with IFRS, accounting and audit requirements as imposed by various accounting and regulatory bodies. Her industry experience includes small, medium and large organisations in manufacturing, automotive, gaming and entertainment, media and publishing, logistics and non-profit entities.

She is recognised for strong leadership skills with proven ability to positively influence others to achieve results. In her most recent role at Transnet Port Terminals, she was the Operating Division Lead and Client Relationship Director on all internal audit projects, including audits of finance, information technology, safety, health, environmental, quality, enterprise risk management, capital projects, human capital management, commercial and supply chain management.

Ms Mbhele holds a Postgraduate diploma in Accounting and a Bachelor of Commerce in accounting degree through the University of Cape Town.

Additional Members to Executive Committee



Mr D Peterson

Company Secretary | Appointed: 01/09/2016

Mr Denis Peterson has been the Company Secretary for Mercedes-Benz South Africa since 1 September 2016. He is an admitted attorney and has been a legal professional for the past thirteen years.

His formal qualifications include a BComm, LLB and MBA degree. He specialised in South African Corporate Governance, Commercial and Corporate Law. Internationally he specialised in International Transport Law, World Trade Organisational Law and International Business Law. He has experience with relation to the Company Secretarial role within the private and public sector in South Africa.



Mr J Essig

Chief Executive Officer
Mercedes-Benz Financial Services South Africa

Mr Joerg Essig is the Chief Executive Officer, Mercedes-Benz Financial Services South Africa and was previously the Managing Director of Mercedes-Benz Bank in Poland.

What began as an internship first in Stuttgart at Daimler HQ, then at MB Leasing in Buenos Aires, Argentina, has now turned into 20 years of employment at the company, all of them at Daimler Financial Services. After earning his university degree in 1995, he obtained a trainee position at Mercedes-Benz Bank's management associate program in Stuttgart. Once he had completed his training, he moved to the sales department, where he was initially responsible for a sales region in Northern Germany.

He has first-hand experience on how cars are built, as he frequently worked at the Sindelfingen plant to help finance his university education in economics. Mr Joerg Essig later spent more than three years working at MB Bank in Poland as the Managing Director. Under his leadership, Mercedes-Benz Bank Poland grew substantially. The main ingredients of his recipe to success was focus on speed to market, digital customer solutions and strong relationships with the brand partner and dealerships. During his time, Mercedes-Benz Bank Poland achieved the world's best dealer satisfaction survey in DFS globally.



Ms N Trimmel

Vice President
Mercedes-Benz Vans South Africa

Ms Nadia Trimmel was appointed the Vice-President of Mercedes-Benz Vans Southern Africa, effective 1 January 2017.

Ms Nadia Trimmel holds a Bachelor of Commerce Degree in Marketing and Economics from the University of the Witwatersrand. She started her career in the motor industry as a Marketing/Sales Trainee in 2000 at another automotive manufacturer. She was soon promoted to District Sales Manager.

She went on to fill the roles of Sales Strategy and Campaign Manager, Product Manager, Regional Manager, Chief Marketing Manager for light commercial vehicles and Senior Manager Aftersales Marketing and Strategy with another automotive manufacturer.

In 2014, she joined Mercedes-Benz South Africa as the National Sales Manager (Vehicles Sales and Aftersales), bringing a new dimension of inspired leadership and competence.



Mr J Hafkamp

Chief Executive Officer
Daimler Trucks & Buses Southern Africa

Mr Jasper Hafkamp joined Mercedes-Benz Nederland in 1995 where he held various positions within Marketing and Product Management for Mercedes-Benz Vans and Trucks. In 2008, Mr Jasper Hafkamp became responsible for Mercedes-Benz Truck Sales in the Netherlands and then progressed to the position he held before joining Mercedes-Benz South Africa on the 1st of December 2016 – that of Managing Director: Mercedes-Benz Trucks in the Netherlands.

During his tenure with Mercedes-Benz Nederland, Mr Hafkamp steered the growth of the market share of Trucks from 10% in 2010 to a sustainable 17%. This success was based on a structured conquest programme, Total Cost of Ownership approach and a further professionalisation of the Dutch Truck dealer network. He also integrated Fuso Trucks sales within the Mercedes-Benz Trucks organisation.

The Board Committees

Committees 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 hereinafter 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 sub-committee has fulfilled its responsibilities in accordance with the applicable terms of reference.

The general roles and responsibilities of each committee as well as its membership is highlighted in detail in the next section of this report.

The Audit Committee



Ms Fikile De Buck
Chairperson of the Audit Committee

In terms of section 94 of the Companies Act, the Company is obliged to have an Audit Committee. Consequently, 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 according to good governance, accounting and audit standards. The Audit Committee has monitored the adoption of the necessary appropriate risk management arrangements, accounting policies, accounting adjustments and assurances provided by the combined assurance arrangements applicable to the Company.

The Audit Committee, through the governance framework 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 Audit Committee is established to assist the Board in:

1. identifying and managing financial and other risks;
2. the evaluation of the adequacy of the Group's assurance systems;
3. the review and preparation of accurate financial reporting and statements in compliance with all applicable legal requirements, corporate governance and accounting standards; and
4. addressing statutory and regulatory issues, specifically the nomination for appointment, removal and replacement of the Company's auditors, with the decisions being subject to the approval by the Shareholder at the next annual general meeting.

How is it constituted?

It is outlined in the Audit Committee Charter that the Shareholder (Daimler AG) must appoint the Audit Committee at each annual general meeting, for the following financial year. The Audit Committee shall consist of not less than three Directors, all of whom shall be independent non-executive Directors.

The members of the Audit Committee must, as a whole, have the necessary financial literacy, skills and experience to execute their duties effectively, including an understanding of the following: financial and sustainability reporting; internal financial controls; external audit process; internal audit process; corporate law, risk management; sustainability issues; information technology governance as it relates to integrated reporting; and governance processes within the Company. The Audit Committee should keep up-to-date with developments affecting the required skill set.

The Audit Committee, in carrying out its tasks under these terms of reference, may obtain such outside or other independent professional advice, as it considers necessary to carry out its duties.

The performance of the Audit Committee and significant issues dealt with during the year are contained in the report of the Audit Committee included in the consolidated [Annual Financial Statements \(AFS\)](#).

Current members of the Audit Committee

The current Audit Committee Members are Ms Fikile Tebogo De Buck (Chairperson), Ms Sindi Zilwa and Ms Nonhuthuko Mbhele.

Social and Ethics Committee



Dr Nozipho January-Bardill

Chairperson of the Social and Ethics Committee

The Social and Ethics 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 ethical relevant issues that have a significant impact on Mercedes-Benz South Africa and its stakeholders.

The SEC has an independent role but is accountable to the Board. The SEC shall not assume the functions of management, which remain the responsibility of the Executive Directors, prescribed officers and other members of senior management.

The responsibilities of the SEC are:

1. To monitor and advise, and where necessary make recommendations on the Company’s activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to:
 - 1.1. Social and economic development, including the Company’s standing in terms of the goals and purposes of:
 - 1.1.1. the 10 principles set out in the United Nations Global Compact;

- 1.1.2. the OECD recommendations regarding corruption;
- 1.1.3. the Employment Equity Act; and
- 1.1.4. the Broad-Based Black Economic Empowerment Act.
- 1.2. Good corporate citizenship, including the Company’s:
 - 1.2.1. promotion of equality, prevention of unfair discrimination, and reduction of corruption;
 - 1.2.2. contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and
 - 1.2.3. record of sponsorship, donations and charitable giving.
- 1.3. Sustainability, including the Company’s:
 - 1.3.1. status on sustainability issues;
 - 1.3.2. encouragement of independently managed subsidiaries, associates and significant investments on development polices, guidelines and practices congruent with the Company’s sustainability policies and practices;
 - 1.3.3. the environment, health and public safety, including the impact of the Company’s activities and of its products or services; and
 - 1.3.4. consumer relationships, including the Company’s advertising, public relations and compliance with consumer protection laws.
 - 1.3.5. labour and employment, including:
 - 1.3.5.1. the Company’s standing in terms of the International Labour Organization Protocol on decent work and working conditions; and
 - 1.3.5.2. the Company’s employment relationships, and its contribution toward the educational development of its employees.
- 1.4. To draw matters within its mandate to the attention of the Board as occasion requires.

How is it constituted?

The Board of Directors shall appoint the SEC and delegate any of the authority of the Board to the SEC. The SEC shall at all times comprise of not less than 3 (three) directors or prescribed officers of the Company, at least 1 (one) of whom must be a non-executive director. The Chief Executive Officer shall be an ex-officio member of the SEC.

Current members of the Social and Ethics Committee

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

Executive Management Committee



Mr Andreas Engling

Chief Executive Officer

The Executive Management Committee (“The EMC”) is a committee of the Board of Directors of The Company and the first Executive Management Committee was duly constituted on 29 April 2010.

The EMC is responsible for directing, coordinating and controlling of the business activities of the Group in the framework of the defined goals as set out in the Board Charter, resolutions of the Board, resolutions of the Shareholder, the governance authorities and in the Daimler Policies.

The business activities of the Company and the Group shall be conducted independently by the members of the EMC in line with their respective divisional responsibilities and only insofar jointly by the members of the EMC as may be required in law.

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.

How is it constituted?

The members of the EMC are not required to be Directors; however each member of the EMC must be eligible to be a member of a committee of the Board, as contemplated in section 69 of the Companies Act. The members of the EMC shall be deemed to be prescribed officers as per the Companies Act.

Any nomination for the appointment of any person to the EMC, shall be made by the Board (subject to the Daimler Policies and compliance with the Companies Act and the Memorandum of Incorporation).

Certain members of the EMC can be appointed by the Shareholder for specific mandated positions and tasks.

Current members of the Executive Management Committee

Mr Andreas Engling
CEO and Executive Director: Manufacturing

Mr Johannes Fritz
Co-CEO and Executive Director: Mercedes-Benz Cars

Mr Carsten Spohr
CFO and Executive Director: Finance and Controlling

Mr Abey Kgotle
Executive Director: Human Resources

Mr Jasper Hafkamp
CEO: Daimler Trucks and Buses Southern Africa

Ms Nadia Trimmel
Vice-President: Mercedes-Benz Vans

Mr Joerg Essig
CEO Mercedes-Benz Financial Services

Setting an Ethical Roadmap for the Company.

The Board 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 Group.

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 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 for the strategy and control of the Company.

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. The Board Charter contains certain guidelines which are set out below:

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 Daimler Group's and the South African 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 of 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.

The Board sets the tone of the values of the Company and provides guidance on ethical 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 for 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. Thus, as outlined earlier in this report, 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 which is aligned with Daimler AG.

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 (BPO), which is the whistleblower system, 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.

The BPO, which is independent, is available to employees and external parties to report any indications of major risks violations including, for example, bribery, breaches of antitrust law, money laundering and other non-compliance violations. Our whistleblower system places great importance on fairness, and confidentiality, in dealing with both the whistleblowers and those affected by an accusation.

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. The compliance function in the Company supports and advises internal stakeholders to ensure business is conducted in a compliant manner. The focus rests on preventing corruption, fraud, breaches of trust and money laundering. As data is becoming a key element in the business of the Company, there is, and will be, a strong focus on the management and protection thereof by the Board.

The Oversight & Monitoring Principles of the Board

The Board exercises oversight of and monitors the overall strategy of the Company, 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 structures its 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.

In the execution of the strategy, the Board mandates authority to the various members of the Executive Management Committee to fulfil duties as set out in the 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.

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, the Company places high importance on transparency and treat those concerned fairly.

The Board recognises the interconnectivity 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 Committees.

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

Evaluation

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 individual directors are conducted. Given the recent adoption of King IV™ and substantial rotation of directors the Board has planned the next externally facilitated performance evaluation for 2019 that will be focused on the King IV™ principles.

The Board is of the view that the performance evaluation process improves the performance and effectiveness of the Board.

The performance evaluation of the Executive Directors is conducted by Daimler AG in accordance with group performance management and remuneration incentive programs. The Executive Directors are required to provide 1 months notice upon resignation, unless otherwise agreed. There are no special termination benefits in place and succession planning is managed at Daimler AG Group level. The Executive Directors do not hold any directorships outside of the Group.

The following diagram shows the integrated governance structure of The Company as explained above.



Reporting Principles to Stakeholders

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 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 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.

Risk Management

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 Daimler 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.

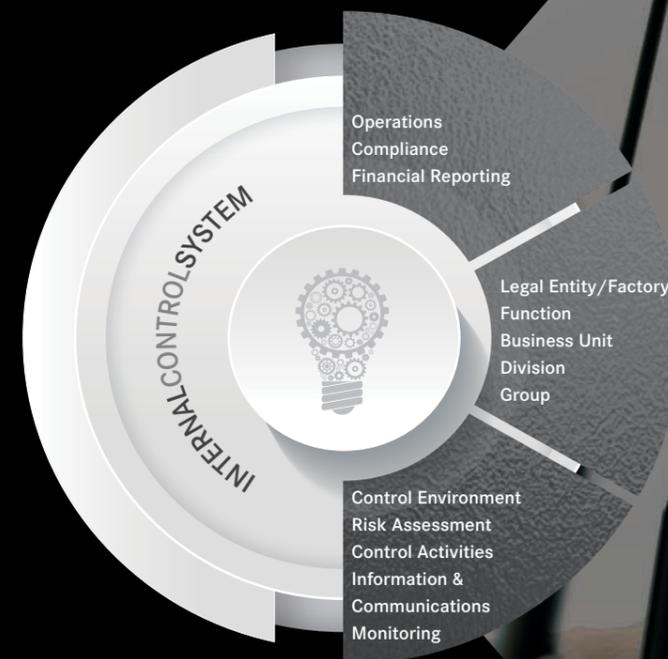
Opportunities are potential developments, events or actions that will allow the Company or one of its units to meet or surpass its targets. Therefore, Opportunity Management is the early identification of potential opportunities within the scope of business operations and to use them in the best possible 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 sub-committees of the Board. Once a year a full Daimler Risk and Opportunities Management System audit is conducted.

Risk reporting thresholds are set within the framework provided by the Daimler AG Group 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 Daimler 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.



Internal Control System Diagram

The Internal Control System follows the COSO Standard. It governs the control environment and the control activities. The control activities include control processes, which are the base of the risk identification.



Technology and Information

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 Daimler 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 Daimler AG.

The Company has set cyber security goals and will perform local information security assessments in 2019. The Company, as part of the global network, capitalises on enhancements

and efficiencies with regards to cyber security, management of data and other information technology areas to ensure that the highest international standards and practices are incorporated into the digital environment of the Company.

Digitalisation of processes and interfaces with stakeholders are a focus area to ensure that service delivery and efficiencies are further enhanced. Data is the new oil within the Company and strategic priorities are identified to ensure an agile, responsive and secure information technology eco-system with full integration of people, processes and technology.

Processes, policies and frameworks are put in place to manage risks with the necessary business continuity

and data recovery plans. This aforementioned structure is securely build on the Companies corner stones for enhancement of cyber security i.e. protection, detection, respond and recover.

With the necessary infrastructure and action plans that are in place, the Company can ensure the integrity, security, sustainability and stability of data from stakeholders.

Internal and external assurances are in place to monitor the technology environment of the Company so that the highest standards can be met. As key focus areas, the Board will prioritise security and privacy, infrastructure, technology operation and management of data for the coming year.

Combined assurance

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 Daimler AG Corporate Audit and various other Daimler 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 Daimler AG Corporate Audit, which outcomes of such assessments are reported to the Audit Committee for monitoring and oversight.

Compliance

The Board exercises oversight over the direction for how compliance should be approached and addressed in the Company. The Board approves and enacts policy 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. The regulatory environment is also monitored to ensure appropriate responses to changes and developments in applicable regulations and law.

The Company's compliance department has a team that reports back to the Executive Management Committee regarding the programmes it employs. 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

There were no material fines or penalties for regulatory transgressions imposed against group companies during the period under review.

Remuneration Report

The Company and Daimler 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.

Daimler AG remunerates work in accordance with the same principles at all their 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 Daimler AG. Daimler 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.

The Board mandates the Executive Management Committee of the Company with the implementation of remuneration management and maintains oversight over this role. The following tasks are completed and reported to the Board:

1. Annual review of compensation, employee benefits and tax arrangements; and
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.

The Board, through the Executive Management Committee, considers and, if suitable for the local market, implements the remuneration structure and guidelines of Daimler AG. The reason for this approach is to ensure the Group remains competitive, not only locally, but internationally.

Structure

The remuneration of the Company is structured through a base salary, financial targets, non-financial targets and transformation targets.

The base salary is fixed remuneration relating to the entire year, oriented towards the area of responsibility.

The financial target is oriented toward the operating result of the Daimler AG earnings before interest and tax (EBIT). The target value of EBIT for each financial year is derived based on the desired medium-term return, which is set by the Supervisory Board of Daimler AG and is especially ambitious, oriented toward the competitive environment, and derived from the growth targets. The starting point of the calculation is the revenue of financial year 2018

The non-financial targets, which are oriented toward sustainability and are for the first time uniform at all management levels and are divided into categories. Each category is weighted equally and receives an addition or a deduction of up to 2.5 percentage points to or from the degree of achievement of the financial target. After the end of the financial year, the degree of target achievement is calculated by comparing the target value and the actual value.

The transformation targets take into account the implementation of the future-oriented measures for the technological and sustainable realignment of the Group. The divisions will annually define key performance indicators and target values for the future-oriented CASE fields – Connected, Autonomous, Shared & Services, Electric. After the end of a financial year, a comparison of the target values and the actual values will be conducted for each division.

Long-term incentives (LTI)

The Performance Phantom Share Plan (PPSP) is a long-term, stock-based plan of Daimler AG that enables Level 1–3 managers to participate in longer-term corporate success. Payment is made four years after the grant of performance phantom shares and is based on the share price as well as the success of the Daimler Group, which is measured by criteria defined in the respective plan terms and conditions and has a uniform structure worldwide.

Benefits, allowances and other compensation

Benefits or allowances are standardised for all employees in the compensation systems or specified separately for each employee group (e.g. management levels) or defined functions and include company car and travel allowances, medical aid and pension contributions, mobility allowances, long service awards and other specified allowances.

The Company is wholly owned and operates within the compensation system of Daimler AG, and therefore there is no requirement for a non-binding advisory vote by shareholders on the remuneration policy and implementation thereof.

Non-executive director fees

Independent non-executive directors receive fees for services on the Board and committees, which are determined and advised by Daimler AG with reference to market positioning and external benchmarking. Non-executive directors, with a mandated function, assigned by Daimler AG, do not receive director fees from the Company.

The details and disclosures of remuneration of Directors are contained in the consolidated [Annual Financial Statements](#) for 2018.

Engaging with our Stakeholders

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 fulfil their role as social activists 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 at large and should, as a good governance principle, always make decisions with all stakeholders in mind.

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.”

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 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.

Our internal and external corporate affairs teams oversee the stakeholder engagement process ensuring appropriate policies and escalation procedures are in place and report through to the Social and Ethics Committee that in turn reports through to the Board.

In order to do this, management needs an ongoing relationship with those stakeholders. The Company’s external affairs department, closely liaising with Daimler AG’s applicable departments, 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	Regular reporting and interaction on an operational basis.
Investors: Raising funds in the local market which makes the Company accountable to the investors who put their trust in the business and its continued success.	Reporting and information sharing as required by JSE. 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.
Dealer network: Our independent dealer network, authorised and licensed to sell and service our products in South Africa.	Engagements to facilitate adherence to licencing 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 towards transparent operations. Representatives of the media fraternity in South Africa assist 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.

Our Corporate and Social Responsibility

The Company has a long history and heritage in South Africa, since 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 on which society depends.

As a corporate citizen we embrace the fact 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 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 Company complies with all relevant regulations and legislation in South Africa. The Company is also guided by the four main principles of passion, integrity, discipline and respect.

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 that the Company emphasises as part of its CSR projects are Education & Youth Development and Community Upliftment. Supporting both these areas is a focused approach on and encouragement of Employee Volunteerism amongst the employees of the Company.

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 goes directly to 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.

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 on the environment and encourage efficient energy and resource use.





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