

KING IV Report 2023

Daimler Truck Southern Africa Ltd.

DAIMLER TRUCK
Southern Africa



King IV Principles Applied

The Board of Directors of Daimler Truck Southern Africa Limited (the “Company”) have consistently applied the principles as enshrined within King IV since the formation of the Company as a stand-alone juristic entity on 17 May 2018. This practice has continued well into its subsequent conversion from a private company into a public company, on 12 April 2022, thus fostering an environment of consistently employing these practices pertaining to good corporate governance, entrenching them into the very fibre of the culture of the Company.

Within this King IV report (the “Report”), you will find details pertaining to the companies’ compliance with King IV. The Company fully adheres to King IV and the application of its principles.

2022 was characterised by a host of challenges, including but not limited to global economic uncertainties, fluctuations in exchange rates and energy supply concerns, the effects of which were experienced not only domestically but also on an international scale. Yet and still, in the face of such adversity, the Company forged ahead, undeterred by the local and globally, prevailing challenges. The King IV principles; robust internal controls and policies; and a clear and concise code of conduct, “the Daimler Truck Code of Conduct”, have married together to ensure an on-the-ground realisation of an ethical corporate culture with effective checks and balances, forming part of the foundations for exemplary company-wide commercial performance.

Mr. Hartmut Schick
Chairperson of the Board



Mr. Hartmut Schick



The Committee Landscape

A number of committees, each with varying and equally important, yet segregated roles, have been established to aid the Board in the discharge of its responsibilities. Within this committee landscape exists the Audit Committee; the Social and Ethics Committee and the Executive Management Committee of the Company, hereafter collectively referred to as “the Committees”. The Committees are each properly constituted as per legislative requirements and in line with the founding documents of the Company and the relevant company Charters. The Board, with the exception of the Audit Committee whose members are appointed by the Shareholder, appoints the members of these Committees. External advisers and members of the local and global management team are invited to attend Committee meetings as and when required. The Board is satisfied that each of the Committees have fully discharged of their responsibilities in accordance with the applicable terms of reference, WorkPlans and Charters of the respective Committees, in full alignment and adherence to the relevant provisions of the Companies Act.





Ms Nondumiso Medupe

The Audit Committee

The Audit Committee is a statutory committee of the Board, performing the functions as set out in the Companies Act; the approved Terms of Reference and WorkPlan of the Committee; and being guided by the principles contained in King IV.

The Audit Committee plays an important role in ensuring that the SA Group of companies functions in accordance with principles of good governance, as well as applicable accounting and auditing standards. The Audit Committee monitors the adoption of appropriate, effective controls, risk management, accounting policies and combined assurances applicable to the Company.

The Audit Committee, through the governance framework, WorkPlan and Charter applicable to it, discharged of its responsibilities, ensuring that there is a safeguard of Company assets; that the Company operates with adequate systems and appropriate, effective controls; and that the Annual Financial Statements are prepared in accordance with the applicable standards as required by the Companies Act and International Financial Reporting Standards.

Audit Committee Members:

Ms Nondumiso Medupe (Chairperson)

Ms Beatrice Tsakani Nkambule

Mr Tshegofatso Sefolo.



The Social and Ethics Committee

The Social & Ethics Committee SEC (“The SEC”) is a statutory committee of the Board, performing the functions as set out in the Companies Act; the approved Terms of Reference and WorkPlan of the Committee; and being guided by the principles contained in King IV.

Always acting within the governance framework, WorkPlan and Charter applicable to it, the SEC shoulders the responsibility to recommend for approval, monitor and advise on all social and ethically relevant issues that have or could in future have a significant impact on Daimler Truck Southern Africa Limited; its subsidiaries; its stakeholders and for all who keep Africa moving forward. The Company forms an integral part of the broader society and communities within which it operates and it is against this backdrop that the SEC operates.

The SEC, much like the Audit Committee, has an independent role but remains accountable to the Board. The SEC focuses on socio-economic development; good corporate citizenship; corporate social responsibility; sustainability; B-BBEE; transformation; employment equity; employee relations and other matters duly defined by the Board and pertinent to the approved Terms of Reference and WorkPlan of the Committee.

Members of the Social & Ethics Committee:



Mr Tshegofatso Sefolo
(Chairperson)

Ms Nondumiso Medupe
Mr Michael Dietz.





Mr Michael Dietz

The Executive Committee

The Executive Management Committee (“The EXCOM”) is a committee of the Board. The EXCOM is responsible for directing, coordinating and controlling the business activities of the Company.

Members of the EXCOM, in line with their respective divisional responsibilities, conduct the business activities of the Company independently and with the requisite level of skill and care expected of the Executive Management Team.

The Companies Act, the Memorandum of Incorporation of the Company and all applicable laws and regulatory provisions, which apply to the Company, as well as the relevant Charter, determines the role, function and ambit of the powers of the EXCOM, its members and its relationship as it pertains to the other juristic entities within the SA Group.

Mr Michael Dietz
Chief Executive Officer



Principles of King IV

Principle 1

The governing body should lead ethically and effectively.

The Daimler Truck Group AG and all subsidiaries therein, conduct their business based on Group-wide standards and policies that underpin and add to the existing requirements of relevant legislation in the respective local jurisdictions and territories. Locally, these standards and policies are accepted and enacted by the EXCOM and later ratified by the Board of Directors. Daimler Truck Group AG remains one of the world's leading commercial vehicle manufacturers and retailers and the governance principles applied in the Company are of the highest international standards. The Company strives at all times to ensure that its activities are in harmony with the environment and the communities within which it operates.

Daimler Truck Code of Conduct

For Daimler Truck Group AG, behaving with integrity means:

- We manage our work sustainably.
- We stand for our responsibility towards people, the environment and society.
- We act ethically and in a legally responsible manner.
- We respect and follow the rules.
- We address issues openly and create transparency.
- We consider fairness and respect as the foundation for our cooperation.
- We practice diversity and learn from each other.

Only those who act responsibly will be successful in the long term, which is why Daimler Truck chooses to lead by example.



Principle 2

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

The Board ensures that Daimler Truck Code of Conduct is enacted and applied company-wide, and in all locations, in order to give effect to the Board and Daimler Truck Group AG's direction on ethical behaviour. The Board assigns tasks of regular compliance reviews to ensure the highest level of compliance. The main governance responsibilities that the Board takes primary responsibility for are ensuring:

1. That the Daimler Truck Code of Conduct and ethics policies that articulate and give effect to the Board's direction on organisational ethics are enacted and ratified;
2. That the Daimler Truck Code of Conduct and ethics policies encompass the Group's interaction with both internal and external Stakeholders and the broader society and address the key ethical risks of the Group;
3. Regulations by the Group and the Group's own governing documents, Daimler Truck Code of Conduct, legal and ethics policies, are maintained and upheld;
4. That it assumes responsibility for corporate citizenship by setting the direction for how it should be approached and addressed by the SA Group;
5. That it oversees that the SA Group's core purpose and values, strategy and conduct align with it being a responsible corporate citizen;
6. That it assumes responsibility for assurance by setting the direction concerning the arrangements for assurance services and functions;
7. That it satisfies itself that the combined assurance model is effective and sufficiently robust for the Board to be able to place reliance on the combined assurance underlying the statements that the Board makes concerning the integrity of the Group's external reports;
8. The Group's commitment to the principles of good corporate governance and ensuring compliance in relation thereto is reviewed regularly;
9. Comprehensive reporting to the Shareholder takes place in line with the Company MOI; and
10. Where a specific task is delegated to an individual Board member, this is recorded clearly in the minutes of Board meetings.

Principle 3

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

The Company operates as a socially responsive and responsible corporate citizen. The Company understands that it has a role to play in ensuring that South Africa continues to grow economically and socially. Understanding, engaging, and forming cooperative relationships with all of the Company's internal and external stakeholders is the manner in which this goal can be achieved.

The Company is socially responsive, a responsible corporate citizen and, at all times, conducts its businesses in South Africa ethically and sustainably. The Company understands the importance of functioning within the larger framework of the societies and communities that the Company affects directly and indirectly with its business functions and operations.

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

The Company addresses its societal impact through Skills Development, Enterprise and Supplier Development, Preferential Procurement and Corporate Social Responsibility initiatives - each with their own approved strategic focus areas to ensure the most sustainable results.

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

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

The Company's daily operations impact surrounding communities and their local economies. 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.

Principle 4

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

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

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

The Board ensures that the Company accounts for its performance by reporting and making disclosures as required by the applicable laws of South Africa, as well as in line with the various guidelines that stipulate that responsible collaboration requires decisions that are transparent and comprehensible. When conducting checks, audits, and investigations, the Company places high importance on transparency and treats those concerned fairly.

All material issues, risks and opportunities, which could impact positively or negatively on sustained value creation, are brought to the Board through the Committees. Sustainability is a crucial factor for our future business success.

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



Principle 5

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

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

The individual and consolidated Annual Financial Statements are reviewed and assured by a combined assurance model. The Broad-Based Black Economic Empowerment status of the Company is verified by external, independent and accredited verification agencies.

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

Reporting requirements as set out by the Johannesburg Stock Exchange of South Africa for debt issuers are 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 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 EXCOM of the Company.



Principle 6

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

Great Leadership Behaviours within the Company strengthen good governance and the overall performance of the Company. The Board is guided by a formal Board Charter outlining the roles and responsibilities of the Board. The Charter is subject to the provisions of the Companies Act, the Memorandum of Incorporation and any applicable law or regulatory provision that applies to the Company, as well as the Governance Authorities and the Daimler Truck Group AG policies.

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

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

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

Principle 7

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

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

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

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

The Board considers the Chairperson to be independent in terms of the considerations set out in King IV. To further enhance independent leadership of the Board a lead independent director, Ms Nondumiso Medupe, has been appointed 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.

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





Principle 8

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

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

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

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

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

The EXCOM is constituted to have representation of the Company and the subsidiaries. The EXCOM has the ability to holistically manage the Group and to find synergies to support governance compliance.

Principle 9

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

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

The Board is a recently formed yet high performing Board that is dedicated to ensuring the highest standards in the execution of its duties and responsibilities.

The performance evaluation of the Executive Directors is conducted by Daimler Truck Group AG in accordance with group performance management and remuneration incentive programs and applicable Daimler Truck Group AG policies.

Principle 10

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

The Board appointed an Executive Committee that represents the Company and its subsidiaries. The roles, responsibilities and authority of the members of the Executive Committee are clearly defined.

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



Principle 11

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

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

Risk management is imperative to any business. 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 and the like.), that ensures that the business processes function properly.

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.

Risk Management is closely integrated into planning activities. Risks and opportunities are reported through the different business units and escalated to the relevant subcommittees of the Board.

Risk reporting thresholds are set within the framework provided by the Daimler Truck Group AG risk management policies. Actual risk exposures are regularly reported against these thresholds and mitigating actions are put in place where thresholds have been exceeded. There were no unexpected, unusual or unforeseen risks outside of the tolerance levels during the period under review.



Principle 12

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

The Board monitors and exercises oversight on the direction for management and development of Information Technology as a business enabler, with due consideration of the overall risk, strategy and direction of the Daimler Truck Group AG and the Company. 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 IT governance framework of Daimler Truck Group AG.

In production, greater connectivity makes processes more efficient while digital product planning helps conserve resources. Telematics and fleet management products benefit our customers directly and streamline efficiencies within the business operations of the customer.

Holistic data governance covers not only legal but also cultural and organizational aspects of data protection and data security. The key aims are the sustainable design of data-based business models and the responsible handling of data in the interests of our customers, employees, and relevant stakeholders.

The Company provides in-depth fleet related information to its customers. Data compliance is an integral part of the overall, integrated one Compliance Measure Set for all compliance fields.



Principle 13

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

The Board exercises oversight of how compliance should be approached and addressed in the Company. The Board approves and enacts policies that articulate and give effect to this direction on compliance and delegates the responsibility for the implementation of compliance to the EXCOM. The function itself resides in the structure of the Company within the legal and compliance department.

Legal and compliance systems and processes are in place to mitigate the risk of non-compliance with the law. The regulatory environment is monitored to ensure appropriate responses to changes and developments in applicable regulations and law. The Company's compliance and legal department reports back to the EXCOM regarding the programs it employs. Relevant, targeted training is rolled out to all employees, including compulsory training to educate the staff about the use and function of the department within the organisation. Daimler Truck has a sole Compliance Measure Set covering all compliance related fields, including: Anti-Corruption, Anti-Money Laundering, Anti-Trust, Data Compliance, Human Rights Compliance, Product Compliance and Sanctions Compliance at the Company. There were no material fines or penalties for regulatory transgressions imposed against the Group during the period under review

Principle 14

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

The Company and Daimler Truck Group AG have comprehensive and binding compensation and benefits policies in place. 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 are relevant to local market conditions. Daimler Truck Group AG remunerates work in accordance with the same principles at all its affiliates around the world.

The Corporate Compensation Policy, which is valid for all groups of employees, establishes the framework conditions and minimum requirements for the design of the remuneration systems. In the desire to offer salaries and benefits that are customary in the industry and the respective markets, consideration is given to local market conditions within the specified framework. The salaries are determined on the basis of the employees' tasks and performance, and in line with their qualifications and experience. In setting the remuneration of the employees, the Company is not guided by gender or place of origin, but exclusively by the employee's job and responsibilities.

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



Principle 15

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

Combined assurance emanates from the Risk and Opportunities Management System linked through to the Internal Controls System. Assurance layers run through the establishment of sound control environments, assessment of risks, control activities, information and communication processes linked to monitoring procedures.

These systems are overseen by management with internal assurance from Daimler Truck Group AG Corporate Audit and various other

Daimler Truck Group AG oversight bodies. In addition, external assurance is sought from various independent sources, from external auditors to certification agencies like ISO.

The extent of assurance is determined with reference to risk assessments annually and executed by Corporate Audit, and the outcomes of such assessments are reported to the Audit Committee for monitoring and oversight.



Principle 16

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

It is of the utmost importance to the Board and its respective Committees that the Company plays its part in ensuring that all of South Africa continues to grow economically and socially.

This requires a stakeholder-inclusive model of governance. As part of its decision making in the best interests of the organisation, the Board of the Company strives to take into account all stakeholder groups in order to balance their legitimate and reasonable needs, interests and expectations. All of this is performed in line with the overall fiduciary duty to act in the best interest of the organisation.

The internal and external affairs department oversees the stakeholder engagement process to ensure that appropriate policies and escalation procedures are in place. These are then reported to the Social and Ethics Committee. The Company's external affairs department, closely liaising with Daimler Truck Group AG, assists the management in the execution of the responsibility to maintain a close relationship with its customers include of all relevant external stakeholders.







A NEW TRUCK FOR A NEW *e*RA

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