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**EXCERPT: CORPORATE GOVERNANCE  
DECLARATION AND CORPORATE  
GOVERNANCE REPORT**

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# CORPORATE GOVERNANCE DECLARATION AND CORPORATE GOVERNANCE REPORT

For DEUTZ, a responsible approach to management that meets the standards of good **corporate governance** forms the basis for enhancing shareholder value over the long term. This is one of the main reasons why we attach great importance to the implementation of the German Corporate Governance Code (DCGK) and ensure quality and transparency in all key decisions and processes in our Company.

## CORPORATE GOVERNANCE DECLARATION PURSUANT TO SECTION 289f AND SECTION 315d HGB

### Declaration of conformity with only one exception

In 2019, the Board of Management and the Supervisory Board once again carefully considered to what extent it was proper and consistent with the Company's objectives for DEUTZ to apply all the guidelines and recommendations of the DCGK. As a result, DEUTZ AG complies with the recommendations of the Code, as amended on February 7, 2017, with the following exception:

The D&O insurance taken out by DEUTZ AG for the members of the Supervisory Board does not provide for any deductible, contrary to article 3.8 (2) and (3) DCGK. In the case of Supervisory Board members, an excess of this type is, as before, not considered an appropriate means of control.

The current declaration of conformity in accordance with section 161 AktG, which the Board of Management and Supervisory Board submitted on December 12, 2019, can be accessed in the 'Investor Relations / Corporate Governance' section of the Company's website at [www.deutz.com](http://www.deutz.com). The previous declarations of conformity can also be viewed and downloaded there.

## Composition of the Board of Management and Supervisory Board; composition and operating procedures of Supervisory Board committees

The Company's Board of Management consists of three people: Dr. Ing. Frank Hiller (Chairman, responsible for technical and head-office functions), Dr. Andreas Strecker (responsible for finance, human resources, purchasing, and information services), and Mr. Michael Wellenzohn (responsible for sales, service, and marketing).

In accordance with the provisions of the German Codetermination Act (MitbestG), the Supervisory Board of DEUTZ AG comprises twelve members, six members being the representatives of the shareholders and six members being the representatives of the employees.

The changes in the composition of the Supervisory Board in 2019 are as follows:

Firstly, the Annual General Meeting on April 30, 2019 elected Dr. Ulrich Dohle to the Supervisory Board for the remaining term of the other Supervisory Board members, i.e. until the Annual General Meeting in 2023. On December 20, 2018, at the request of the Board of Management and as recommended by the Nominations Committee, the Cologne local court had appointed Dr. Dohle as a shareholder representative on the DEUTZ AG Supervisory Board for the period from January 1, 2019 until the 2019 Annual General Meeting. He succeeded Mr. Hans-Georg Härter, who had stepped down from his post with effect from December 31, 2018. Secondly, the Annual General Meeting on April 30, 2019 elected Dr. Dietmar Voggenreiter as a shareholder representative on the Supervisory Board for the remaining term of the other Supervisory Board members. He succeeded Dr. Ing. Hermann Garbers, who stepped down as a member of the Supervisory Board with effect from the end of the 2019 Annual General Meeting.

Dr. Ing. Bernd Bohr took over from Mr. Härter as chairman of the Supervisory Board on January 1, 2019.

The Supervisory Board has created four committees to enable it to perform its duties effectively. They are the Human Resources Committee, the Audit Committee, the Arbitration Committee, and the Nominations Committee. The Human Resources Committee consists of two representatives of the shareholders and one employee representative; the Audit and Arbitration Committees both consist of two shareholder representatives and two employee representatives; and the Nominations Committee has three members, all of whom represent the shareholders. The Audit Committee follows its own rules of procedure, which can be viewed on the DEUTZ AG website, while the other committees work according to the rules of procedure that apply to the (full) Supervisory Board. In the reporting year, the Supervisory

Board initiated an efficiency audit (article 5.6 DCGK, version dated February 7, 2017) that is being conducted and evaluated by an external consultancy. The results should be available in the first half of 2020.

The members of the Human Resources Committee are Dr. Ing. Bernd Bohr (chairperson), Ms. Corinna Töpfer-Hartung, and Mr. Alois Ludwig. The Human Resources Committee makes preparations for all Supervisory Board decisions concerning the appointment of members of the Board of Management and their contracts of employment, including the remuneration specified therein, and all issues arising in this connection. It particularly focuses on long-term succession planning, which involves identifying suitable candidates at an early stage. In this task, it is supported by consultants with relevant expertise. The committee held two meetings in 2019, both of which were attended by all the members of the committee. Among the main matters addressed were the achievement of the Board of Management's targets for 2018 and the setting of Board of Management targets, including medium-term targets, for 2019.

The members of the Audit Committee are Ms. Patricia Geibel-Conrad (chairperson), Ms. Sabine Beutert (deputy chairperson), Ms. Corinna Töpfer-Hartung, and Dr. Ing. Bernd Bohr. The committee's main tasks were monitoring the financial accounting process, conducting the preparatory review of the annual and consolidated financial statements and of the combined management report of DEUTZ AG, and discussing the condensed consolidated financial statements and interim management report for the first half of the year and the interim management statements for the first and third quarters with the Board of Management before their publication. The committee held four meetings in 2019, all of which were attended by all the members of the committee and Board of Management and, except on one occasion, by the auditor.

In its meeting on February 25, 2020, which was attended by the Board of Management and the auditor, the Audit Committee examined in detail the annual and consolidated financial statements on the basis of those statements and the combined management report of DEUTZ AG, the proposal for the appropriation of profit, the separate combined non-financial report, the Board of Management report, and the corresponding auditor's reports for 2019. During the meeting, the auditor gave a detailed report on the process and key findings of the audits. The internal control system relating to the accounting system, the early-warning system for risk, the key audit matters, and the defined focus of the audit were discussed in detail; according to the findings of the audits, they did not give rise to any issues. The auditor provided in-depth answers to all further questions. The committee's preparatory review also encompassed DEUTZ AG's separate

combined non-financial report. In preparation for the review, the Supervisory Board had engaged PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft to also conduct a review with limited assurance of the non-financial report and to produce a related assurance report. The auditor reported in detail on this review as well. This was followed by an intensive discussion of the main results and findings.

Another of the Audit Committee's tasks was to review the independence and qualification of the auditor and to review the additional non-audit services that it performed. The agreed fees were discussed and preparations for engaging the auditor on December 31, 2019 were made. The focus of the audit was agreed with the auditor.

In 2019, the Audit Committee held in-depth discussions on the situation at suppliers Gusswerke Saarbrücken GmbH and Gusswerke Leipzig GmbH, the course of business at the subsidiaries, and the measurement of investments, goodwill, and intangible assets. Throughout the year, it scrutinized the planned changes to the German Act Implementing the Second Shareholder Rights' Directive (ARUG II), the revised DCGK, and the resulting legal considerations for DEUTZ AG.

The effectiveness of the risk management system, accounting-related internal control system and internal audit, were also discussed in detail, as were matters related to **compliance**. In the meeting on April 30, 2019, the Chief Compliance Officer gave a report and answered the Audit Committee's questions. The head of Corporate Audit did the same on July 29, 2019.

The members of the Arbitration Committee are Dr. Ing. Bernd Bohr (chairperson), Ms. Corinna Töpfer-Hartung, Ms. Sophie Albrecht, and Mr. Ali Yener. The Arbitration Committee set up pursuant to section 27 (3) of the German Codetermination Act (MitbestG) is responsible for the activities described in section 31 (3) MitbestG. It did not need to be convened during the year under review.

The members of the Nominations Committee are Dr. Ing. Bernd Bohr (chairperson), Dr. Ing. Hermann Garbers (until April 30, 2019), Ms. Sophie Albrecht (from September 26, 2019), and Mr. Alois Ludwig. The Nominations Committee is tasked with proposing to the Supervisory Board suitable candidates as shareholder representatives on the Supervisory Board. The Nominations Committee met once in 2019. At this meeting, which was attended by all members of the committee, it primarily discussed the election of a successor to Dr. Garbers during the 2019 Annual General Meeting.

The entire Supervisory Board was informed of the outcome of all discussions in the committees and gave its approval to the recommendations for board resolutions submitted by the committees.

The composition of the Supervisory Board committees changed as follows in 2019: At its meeting on September 26, 2019, the shareholder representatives elected Ms. Albrecht to succeed Dr. Ing. Hermann Garbers as a member of the Nominations Committee.

The current members of the Supervisory Board are all considered independent within the meaning of article 5.4.2 sentence 2 DCGK (version dated February 7, 2017). The names of the independent members are Dr. Ing. Bernd Bohr, Ms. Corinna Töpfer-Hartung, Ms. Sophie Albrecht, Ms. Sabine Beutert, Mr. Yavuz Büyükdag, Dr. Fabian Dietrich, Dr. Ing. Ulrich Dohle, Mr. Hans-Peter Finken, Ms. Patricia Geibel-Conrad, Mr. Alois Ludwig, Dr. Dietmar Voggenreiter, and Mr. Ali Yener.

Details of all members of the Supervisory Board and its committees, as well as other directorships held by its members, are shown separately on pages 168 to 169.

### **Targets and timeframes in accordance with sections 76 (4), 111 (5) AktG**

On August 21, 2017, the Board of Management of DEUTZ AG set certain targets and timeframes in accordance with section 76 (4) AktG. The proportion of women employed by DEUTZ AG at the top level of senior management below the Board of Management is to be increased to 13 percent by June 30, 2022. The proportion of women at the second level of senior management below the Board of Management is to be increased to 7 percent over the same period. The top level of senior management below the Board of Management encompasses all managers in Germany who report directly to a member of the Board of Management. The second level of senior management below the Board of Management comprises all managers in Germany who report directly to a manager in the top level of senior management.

To ensure that women are taken into consideration for vacant managerial positions, DEUTZ AG has adopted a staff development program. When positions in the top and second levels of senior management below the Board of Management become available, the Board of Management and the HR department are striving to ensure that at least one woman is always shortlisted for the post (article 4.1.5 DCGK, version dated February 7, 2017). This means that external recruitment must focus on female managers.

At the time of publication of this annual report, the proportion of women in the top level of senior management below the Board of Management is 11.7 percent and in the second level of senior management below the Board of Management 14.6 percent. DEUTZ AG thus attained the aforementioned target for the second level of senior management. The target for the top level

of senior management was just missed. The Company remains unable to achieve the target for the first level of senior management because only a few management positions have had to be filled since the Board of Management set the targets on August 21, 2017. Furthermore, it remains the case that women continue to be under-represented in the scientific and technical degree courses that are of particular relevance to DEUTZ AG.

At its meeting on September 21, 2017, the Supervisory Board of DEUTZ AG set the following target in accordance with section 111 (5) AktG: On June 30, 2022, the Board of Management of DEUTZ AG should have at least one female member.

### **Disclosures regarding compliance with the statutory quotas for women and men on the Supervisory Board**

In accordance with the Law for the equal participation of women and men in managerial positions in the private and public sectors (law on the quota for women), the Supervisory Board of DEUTZ AG had to have at least four female members and four male members following the election of the Supervisory Board at the Annual General Meeting on April 26, 2018, if not before.

The Supervisory Board of DEUTZ AG has been in compliance with these statutory quotas since the Supervisory Board election held in 2018.

### **Description of the diversity plan for the composition of the Board of Management**

The Supervisory Board, with the support of the Human Resources Committee and the involvement of the Board of Management, carries out long-term planning for appointments to the Board of Management. In its meeting on September 27, 2018, the Supervisory Board agreed the following diversity plan for the composition of the Board of Management, incorporating the recommendations of the German Corporate Governance Code (version dated February 7, 2017):

#### **1. Description of the diversity plan**

The Supervisory Board has developed the following diversity plan for the composition of the Board of Management in accordance with section 289f (2) no. 6 HGB:

In addition to basic suitability criteria such as good character, integrity, outstanding leadership qualities, professional expertise needed for the member's specific remit, proven track record, knowledge of the Company, and the ability to adapt business models and processes to the needs of a changing world, the Supervisory Board also considers **diversity** when selecting candidates for a position on the Board of Management. The Supervisory Board regards diversity as meaning, in particular:

appropriate gender representation

- an adequate mix of ages among the members of the Board of Management
- a range of educational backgrounds and occupations.

## 2. Objectives of the diversity plan

The objective of the diversity plan for the Board of Management is to consciously harness diversity as a means of driving the Company forward. After all, taking account of different perspectives, skills, backgrounds, and experience will be key to maintaining our competitiveness and success over the long term. Diversity within the Board of Management will, in particular, help us to better understand new business models and the wide-ranging expectations of our customers from around the world.

## 3. Manner of implementation

The Supervisory Board takes particular account of the following aspects with regard to the composition of the Board of Management:

- Members of the Board of Management should have several years of managerial experience.
- Members of the Board of Management should bring experience from a wide range of occupations and professional backgrounds.
- The Board of Management collectively should have technical expertise, particularly knowledge and experience of manufacturing and sales of all types of engines and of other technical products, as well as international experience.
- The Board of Management collectively should have many years' experience in the areas of research and development, production, sales, finance, and human resources.
- The Board of Management collectively should have international experience.
- The Supervisory Board has formally agreed a target quota in accordance with the Law for the equal participation of women and men in managerial positions in the private and public sectors. The resolution stipulates that there should be at least one woman on the Board of Management of DEUTZ AG on June 30, 2022.
- An age limit of 65 (standard retirement age) applies in principle to the members of the Board of Management.

The Supervisory Board determines which candidate should be offered a specific position on the Board of Management. Its decision is based on the best interests of the Company, taking all the circumstances of the individual case into account.

## 4. Current composition

As well as many years of experience within the Group, the members of the Board of Management also have extensive knowledge and experience – some international – from various activities outside DEUTZ AG. In its current composition, the three-person Board of Management meets all the specified targets apart from that regarding the proportion of women. The current age range on the Board of Management is 53 to 58 years. The average age of the Board of Management members is 55.

## OBJECTIVES FOR THE COMPOSITION OF THE SUPERVISORY BOARD, PROFILE OF THE SKILLS AND EXPERTISE REQUIRED OF ITS MEMBERS, AND DESCRIPTION OF THE DIVERSITY PLAN

The diversity plan for the Supervisory Board was adopted by the Supervisory Board at its meeting on September 27, 2018 together with the objectives for the Supervisory Board's composition and profile of skills and expertise:

The Supervisory Board of DEUTZ AG has defined specific targets for its composition and has drawn up a profile of skills and expertise for the Supervisory Board as a whole in accordance with article 5.4.1 of the German Corporate Governance Code (version dated February 7, 2017).

The composition of the Supervisory Board has to ensure that its members have the knowledge, skills, and professional experience required to properly perform all duties within an international group of companies. This does not mean that each individual member of the Supervisory Board must have all the knowledge and experience required, but that for each key area of the Supervisory Board's activities, at least one member has competence in that area so that collectively – including the employee representatives and taking account of the special features of the right of codetermination – the Supervisory Board covers the required knowledge and experience.

### 1. Description of the areas of expertise required for the Supervisory Board

The Supervisory Board of DEUTZ AG should be composed of individuals who collectively provide a range of skills and expertise that ensures the Supervisory Board can comprehensively and effectively advise and supervise the Board of Management on every aspect of DEUTZ's business activity. The Supervisory Board regards the following as key elements of this skill set:

- Experience in managing and supervising international companies
- Familiarity of the members collectively with the Company's key areas of activity and of the associated markets and value chains
- Understanding of the Company's strategy and its future strategic development, including against the background of any changing market requirements
- Knowledge of codetermination law
- Adequate knowledge of finance, financial reporting, accounting, **compliance**, and risk management
- In-depth experience in the area of technological research and development, industrial manufacturing, or service
- In-depth experience in the area of sales, service, or marketing in the industrial sector for engines, drive systems, or associated machinery
- Expertise in corporate social responsibility (CSR)
- Expertise in digital strategy and Industry 4.0
- Communications expertise
- Fundamental knowledge of stock market law, stock corporation law, and the financial markets

In addition, in accordance with the requirements of section 100 (5) AktG, at least one member of the Supervisory Board and the Audit Committee must have expertise in the areas of accounting or auditing (financial expert) and the members of the Supervisory Board must, collectively, be familiar with the engine manufacturing, drive systems, or associated machinery sectors.

## 2. Minimum requirements for professional expertise and personal capabilities

The individual members of the Supervisory Board should have certain minimum competencies that are necessary for the proper performance of their role:

- The ability to understand and critically scrutinize the business model
- Fundamental knowledge of the relevant legal provisions
- Fundamental knowledge of **compliance**

- Fundamental financial expertise, particularly in accounting and annual financial statements
- Ability to examine the annual financial statements, if necessary with the assistance of the independent auditor
- The ability to understand, critically scrutinize, and draw conclusions from the reports of the Board of Management and of the Supervisory Board committees
- The ability to assess the propriety, commercial viability, appropriateness, and legality of business decisions and to check their plausibility
- Willingness and ability to devote the time and effort required
- Willingness to undertake ongoing professional development in the form of both inhouse and external training activities
- Personal independence and integrity

## 3. Objectives for the composition of the Supervisory Board as a whole

### ▪ Diversity

In terms of the **diversity** of its composition, the Supervisory Board strives to ensure the appropriate participation of both genders, a range of professional and international experience, and the inclusion of members with many years of relevant experience. As DEUTZ AG is a publicly listed company that is subject to the German Codetermination Act, the Supervisory Board must include at least 30 percent women and at least 30 percent men in accordance with the principles laid down in section 96 (2) AktG.

### ▪ International expertise

As DEUTZ is an international group of companies, care must be taken to ensure that the Supervisory Board has a sufficient number of members with many years of international experience. Supervisory Board members can satisfy this requirement in a variety of ways, e.g. by currently or previously holding a senior management role in an international company or by currently or previously living and working in another country.

### ▪ Independence and potential conflicts of interest

More than half of the Supervisory Board members should be independent within the meaning of article 5.4.2 of the German Corporate Governance Code. The Supervisory Board does not believe that fulfilment of the Code's independence criteria can be called into question solely because a member exercises their Supervisory Board mandate as an employee representative. Supervisory Board members must not hold directorships or similar positions or advisory



functions for major competitors of the DEUTZ Group. Conflicts of interest that are substantial and not merely temporary relating to the personal circumstances of a Supervisory Board member shall result in the termination of the mandate.

▪ **Time required to perform Supervisory Board duties**

The Supervisory Board believes it is important that both its current members and future candidates for Supervisory Board seats are able to devote sufficient time to preparing for and following up the regular Supervisory Board meetings, taking part in such meetings, and reading the regular reports. Additional time is required if members are elected to committees, particularly if they chair such committees. Based on these criteria, the time demanded of Supervisory Board members and candidates in respect of seats on other supervisory or advisory bodies, their active professional activity, or other duties must be taken into account.

▪ **Regular review/evaluation**

(1) In the process for selecting shareholder representatives, the Nominations Committee proposes candidates to the Supervisory Board, taking account of the above criteria, and the Supervisory Board then proposes these candidates for election by the Annual General Meeting. The representatives to be elected to the Supervisory Board by the employees must also fulfil the key criteria of this profile of skills and expertise.

(2) In addition, evaluations must be carried out at regular intervals to establish the extent to which the members of the Supervisory Board and the composition of the Supervisory Board remain compliant with the objectives specified in point (1) and the Supervisory Board in its existing composition is able to carry out its duties effectively.

**4. Diversity plan**

▪ **Description of the diversity plan**

The Supervisory Board has also resolved to strive for a diverse composition, particularly with regard to age, gender, educational background, and occupation.

▪ **Objective of the diversity plan**

The objective of the diversity plan for the Supervisory Board is to ensure that it has a broad understanding of the social and business requirements placed upon DEUTZ AG. In particular, diversity should help the Supervisory Board to judge the business decisions taken by the Board of Management from different perspectives and on the basis of a wide range of experience.

▪ **Manner in which the diversity plan is to be implemented**

The Supervisory Board must be able to draw on as wide a range of expertise, capabilities, and experience as possible. It is therefore important to take due account of **diversity** in its composition and, when preparing election nominations, to make sure that the profiles of the candidates complement those of the existing members.

In accordance with statutory provisions, the Supervisory Board includes at least 30 percent women and at least 30 percent men.

A further target for the composition of the Supervisory Board is that members do not remain in post beyond the end of the Annual General Meeting following the member's 75th birthday (standard retirement age), unless special circumstances apply. Nor should members of the Supervisory Board serve any more than three full terms, unless special circumstances apply.

**Results of the diversity plan achieved in the past year** The current composition of the Supervisory Board reflects the stated objectives and matches the agreed profile of skills and expertise.

**Disclosures relevant to corporate management practices: compliance management system, environmental and quality management, energy management**

DEUTZ AG has a compliance management system that is firmly anchored in the Company's organizational structure. The system is continually enhanced in order to meet changing requirements. Dr. Ing. Hiller is the member of the Board of Management responsible for **compliance**.

The prime objective of the compliance management system is to prevent violations of applicable laws, rules, regulations, and internal policies. To this end, employees are given help in familiarizing themselves with the relevant laws, regulations, and policies as well as guidance on how to apply them correctly. This is primarily achieved through a structured policy management system in which existing policies are reviewed on an ongoing basis to see if they need updating and new policies are published. The policy management system is based on the code of conduct, which provides a framework for ensuring that behavior toward business partners and employees is fair and in compliance with the law. The code of conduct was revised in 2019. Employees can access it via the internal communications platform. Third parties can view the code of conduct on the DEUTZ AG website. The guidelines set out in the code of conduct are formalized in specific policies, including a compliance policy, a policy on gifts and entertainment, an information security policy, a policy on engaging external sales service providers, an anti-money laundering policy, a policy on

export controls, a privacy policy, and an insider trading policy. These policies help to ensure that employees are aware of the relevant laws and regulations and are able to apply them correctly.

The Board of Management supports and promotes ethical conduct. It is unreservedly committed to corporate compliance and declines to be involved in any transactions that are inconsistent with these values. The Board of Management does not tolerate any form of corruption and is fully committed to compliance with competition law and to incorporating the notion of sustainability into the Company's activities.

Training is intended to ensure that employees are aware of the relevant laws and corporate policies, and that they comply with them at all times in their day-to-day work. Salaried staff in the head-office sales, procurement, research and development, and administration units, as well as in the subsidiaries, generally receive annual training sessions that are specifically tailored to their areas of activity. In the production plants, **compliance** training takes place in conjunction with the regular safety training.

A Compliance Officer appointed by the Board of Management coordinates compliance activities at DEUTZ AG. The individual business units and subsidiaries have their own compliance coordinators, who are responsible for **compliance** in their organizations and submit regular structured reports in writing to the Compliance Officer, who in turn reports to the Board of Management and Audit Committee. The basic principles of the compliance organization are described in the **compliance** organizational policy. The duties of the relevant employees are set out in job descriptions.

Employees can supply information or direct questions to line managers, compliance coordinators, the Compliance Officer, or the managers responsible for the legal affairs or internal audit units. Furthermore, the DEUTZ AG website incorporates a whistleblowing system that can also be accessed by non-employees. Any information supplied is rigorously followed up. Any necessary investigations are carried out by the Compliance Officer, with external support if required.

Regular meetings are held to develop, discuss, and coordinate compliance initiatives. The compliance activities focus on preventing corruption, tackling money laundering, and complying with export regulations (including export controls). They also ensure safety in the workplace, IT and data security, corporate security, and product safety. A further aim is to prevent breaches of environmental, antitrust, and insider trading laws.

As and when needed, the Board of Management and the Compliance Officer take legal advice on establishing and continuously improving the compliance management system. The internal audit department reviews the activities, and the Audit Committee monitors them on behalf of the Supervisory Board.

Compliance activities during the year under review again centered on the continuation and stepping up of regular classroom-based training for staff (including for staff at affiliated companies abroad), focusing on the code of conduct, data protection, gifts and entertainment, export controls, competition law, and contract law. A further focus was the delivery of training courses via an online e-learning program that featured modules on antitrust law, information security, and prevention of corruption.

In 2019, a total of 2,615 employees successfully completed individual modules or all modules of the e-learning program.

Another essential element of corporate management at DEUTZ AG is rigorous environmental, quality, and energy management. In the year under review, DEUTZ AG continued to satisfy the quality management requirements in accordance with ISO 9001, the environmental management requirements in accordance with ISO 14001, and the energy management requirements in accordance with ISO 50001. The relevant certificates from TÜV Rheinland can be found on the DEUTZ AG website.

All standards set by the Deutsches Institut für Normung e.V., Berlin (DIN) can be inspected free of charge at DIN standards repositories.

## **CORPORATE GOVERNANCE REPORT**

### **Basic principles and objectives of the composition of the Supervisory Board; particularly, conflicts of interest/independence of Supervisory Board members and the consideration of women**

At its meeting held on September 27, 2018, the Supervisory Board adopted the profile of skills and expertise required for its members together with the objectives regarding its composition in accordance with articles 5.4.1 (1) and (2), 5.4.2 DCGK (version dated February 7, 2017). We refer here to our detailed remarks on pages 26 to 30.

Except for the target relating to female representation, which was achieved on the shareholder representative side only after the Supervisory Board election in 2018, the Supervisory Board has continuously met these objectives since 2012. It has even exceeded them in cases such as the international experience available on the Supervisory Board and the number of independent members. The current members of the Supervisory Board are all considered independent within the meaning of article 5.4.2 sentence 2 DCGK (version dated February 7, 2017). No conflicts of interest between members of the Supervisory Board and DEUTZ AG arose in the year under review.



### Consideration of women when making appointments to the Board of Management

At the time of publication, the Board of Management of DEUTZ AG consisted of three members, none of whom were female. This equates to a ratio of 0 percent.

### Responsible risk management

A forward-looking, prudent, and responsible approach to corporate risk is a core aspect of good **corporate governance** and forms the basis for the risk management system at DEUTZ. The Board of Management regularly notifies the Supervisory Board of any existing or anticipated risks. Details of the DEUTZ Group's risk management systems can be found in the risk report on pages 69 to 74.

### Comprehensive transparency and active investor relations

The transparent presentation of developments and decisions in a company forms the core of any model system of **corporate governance**. Continuous, open dialog with all stakeholders ensures trust in a company and its value creation process. DEUTZ therefore attaches the greatest importance to ensuring that all relevant target groups are given the same information at the same time and in a timely manner.

We achieve this objective by using various media. DEUTZ AG reports on the performance and development of its business and on significant changes and events four times a year in its interim management statements, half-year report, and annual report. The interim management statements and half-year reports are published within 45 days of the end of a reporting period; the annual report is published within 90 days of the end of the financial year. The Company maintains constant contact with investors and analysts through its regular investor relations activities. In addition to the annual analysts' meeting held when the Company's consolidated financial statements are published, conference calls for analysts and institutional investors also take place when the interim management statements and half-year report are published. The Annual General Meeting is usually held in the first five months of the year; shareholders who do not attend the AGM in person can instruct proxies to vote on their behalf.

Our website also offers comprehensive information on the Company: DEUTZ AG annual reports, half-year reports, and interim management statements, press releases and ad hoc announcements, analyst recommendations, and investor relations presentations as well as key dates in the financial calendar can all be found at [www.deutz.com](http://www.deutz.com). The Company's Statutes are also available online. Almost all the pages on our website are provided in both German and English to ensure that important company news and information is as accessible as possible, including to an international audience. Apart from the regularly published information, DEUTZ AG also provides details of circumstances that are not in the public domain but that could have a significant impact on DEUTZ's share price were they to become known. The Company's reporting policy therefore complies both with legal requirements and the guidelines in the DCGK (version dated February 7, 2017).

### Accounting and auditing

DEUTZ AG's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The consolidated financial statements are prepared by the Board of Management and reviewed by the auditor.

The auditor has agreed to inform the chairperson of the Supervisory Board or the chairperson of the Audit Committee without delay if grounds for disqualification or release of the auditor, or any misrepresentations in the declaration of conformity, come to light during the audit. The auditor informs the chairperson of the Supervisory Board without delay of any issues or incidents relevant to the role of the Supervisory Board that arise during the audit of financial statements.

### Conflicts of interest and consultancy agreements

Information about conflicts of interests in relation to Supervisory Board members can be found under 'Basic principles and objectives of the composition of the Supervisory Board' at the start of this corporate governance report.

The Company does not have any consultancy agreements with members of the Supervisory Board.

The members of the Board of Management must disclose any conflicts of interest to the Supervisory Board. The Supervisory Board then reports these cases, along with any conflicts of interest relating to its own members, to the Annual General Meeting.

**Remuneration report**

The remuneration of the Board of Management complies with the German Act on the Appropriateness of Management Board Remuneration (VorstAG) and the recommendations in the DCGK (version dated February 7, 2017).

A description of the main features of the remuneration systems for the Board of Management and Supervisory Board, along with details of the remuneration for each member, can be found in the remuneration report on pages 65 to 68 of the combined management report.

**Dealings subject to reporting requirements**

Article 19 of the Market Abuse Regulation (MAR) state that persons with executive functions or persons with whom they are closely associated must notify both the company and the German Federal Financial Supervisory Authority (BaFin) of their own dealings in shares of the company or in financial instruments of the company based on such shares.

In 2019, Dr. Ing. Hiller, Dr. Strecker, Mr. Wellenzohn, and Supervisory Board members Dr. Ing. Bohr, Dr. Dietrich, Dr. Dohle, Mr. Ludwig, and Dr. Voggenreiter disclosed the purchase of DEUTZ shares in accordance with article 19 MAR. No other persons required to make such a disclosure did so before the adoption of the 2019 annual financial statements. Transactions disclosed in previous years are published on the DEUTZ AG website.

## FINANCIAL CALENDAR

### 2020

May 7	Interim management statement for the first quarter of 2020 Conference call with analysts and investors
May 14	Annual General Meeting in Cologne
August 11	Interim report for the first half of 2020 Conference call with analysts and investors
November 10	Interim management statement for the first to third quarter of 2020 Conference call with analysts and investors

### 2021

March	2020 annual report Annual results press conference with analysts and investors
April 29	Annual General Meeting

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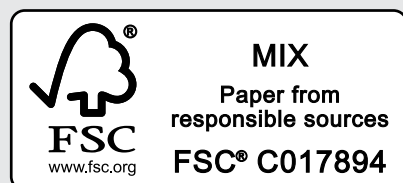
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