

# 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 no exceptions**

In 2021, 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 has complied with all the recommendations of the Code, as amended on December 16, 2019, since submitting its declaration of conformity dated December 9, 2020.

The current declaration of conformity in accordance with section 161 AktG, which the Board of Management and Supervisory Board submitted on December 9, 2021, 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**

At the time this annual report was published, the Company's Board of Management consisted of three people: Dr. Sebastian C. Schulte (Chairman since February 13, 2022, responsible for technical and head office functions, excluding production, and responsible for finance, human resources, and information services on an interim basis; had already been responsible for finance, human resources, purchasing, and information services since March 1, 2021), Dr. Ing. Markus Müller (responsible for research and development since March 15, 2021; responsible for production and purchasing on an interim basis since February 12, 2022), and Mr. Michael Wellenzohn (responsible for sales, service, and marketing).

At the Supervisory Board meeting on March 11, 2021, following preparatory work by the Human Resources Committee and deliberation by the Arbitration Committee, the Supervisory Board appointed Dr. Ing. Markus Müller as a member of the Board of Management for the period from March 15, 2021 to March 14, 2024. From March 1, 2021, following his appointment to the Board of Management on January 1, 2021, Dr. Sebastian C. Schulte assumed responsibility for finance, human resources, purchasing, and information services, as well as the role of Human Resources Director, from Dr. Andreas Strecker, whose term of appointment on the Board of Management ended on February 28, 2021. The Supervisory Board would like to take this opportunity to thank Dr. Strecker again for the dedication that he showed in his work on the Board of Management and for the impetus that he gave the Company.

At an extraordinary Supervisory Board meeting held on February 12, 2022, the Supervisory Board decided unanimously and for good cause to revoke the appointment of Dr. Ing. Frank Hiller as Chairman of the Board of Management of DEUTZ AG, whose term of office had been extended in February 2021. At the same meeting, the Supervisory Board decided that a woman was to be appointed to the Board of Management again. The relevant process has been initiated and the Board of Management will consist of four people again once it is completed.

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.

There were no changes to the composition of the Supervisory Board in 2021. However, after Dr. Ing. Bernd Bohr stepped down as chairman of the Supervisory Board at the extraordinary Supervisory Board meeting on February 12, 2022, the Supervisory Board elected Dr. Dietmar Voggenreiter as its new chairman.

The Supervisory Board has created four committees to enable it to perform its duties effectively. These committees prepare various topics and resolutions for the full Supervisory Board. The composition of the Supervisory Board and its committees, as well as the further mandates held by its members, are shown separately on pages 200 to 201 of this annual report. In the reporting year, the Supervisory Board once again discussed in detail the results of the efficiency audit (article 5.6 DCGK, version dated February 7, 2017) that had been conducted in the prior year and identified measures for improvement on this basis.

At the time this annual report was published, the members of the Human Resources Committee were Dr. Dietmar Voggenreiter (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 external consultants. The committee held three meetings in 2021, all of which were attended by all members of the committee. Among the main matters addressed were succession planning for the Board of Management, the achievement of the Board of Management's targets for 2020, and the setting of Board of Management targets, including medium-term targets, for 2021..

At the time this annual report was published, the members of the Audit Committee were Ms. Patricia Geibel-Conrad (chairwoman), Ms. Sabine Beutert (deputy chairwoman), Ms. Corinna Töpfer-Hartung, and Dr. Dietmar Voggenreiter. The committee's work primarily focused on the preparatory review of the annual and consolidated financial statements, including the combined management report, of the proposal for the appropriation of profit, and of the separate combined non-financial report of DEUTZ AG and the DEUTZ Group. The recommendations prepared for the Supervisory Board for resolutions concerning these matters were adopted in each case. The auditor's report on its review of the condensed consolidated financial statements and the interim management report as of June 30, 2021 was discussed at length together with the Board of Management and in the presence of the auditor. The interim management statements for the first and third quarters were discussed with the Board of Management. The committee held four meetings in 2021, all of which were attended by all its members, by the Board of Management and, except on one occasion, by the auditor. The chairwoman of the committee and the auditor also shared information between the meetings on an ad hoc basis. For individual agenda items, the heads of relevant head-office functions were also available in the committee's meetings to answer questions and give reports.

At its meeting on March 1, 2022, which was attended by the auditor and the Board of Management, the Audit Committee carried out a detailed review of the annual and consolidated financial statements based on the statements themselves, the combined management report of DEUTZ AG, the Board of Management report, and the corresponding auditor's reports for 2021. During the meeting, the auditor gave a detailed report on the process and key findings of the audits of the financial statements. 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 and the auditor provided in-depth answers to all further questions. No issues were raised in the audit findings. The committee's preparatory review also encompassed the separate combined non-financial report of DEUTZ AG and the DEUTZ Group. 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. At the meeting of the full Supervisory Board, the chairwoman of the committee reported in detail on the aforementioned reviews and their findings.

The Audit Committee monitored the independence and qualifications of the auditor, the requirements with regard to rotation, and the quality of the auditing. It specified the catalog of approvable non-audit services to be performed by the auditor and approved the services rendered. It appointed the auditor selected by the AGM for 2021, set the auditor's fees, and determined the focus of the audit.

The Board of Management reported regularly on the course of business, the relevant key performance indicators, the liquidity and funding situation, and the Group's working capital. There were extensive discussions on the adjustment of the segment reporting to the new growth strategy for carbon-neutral, off-highway drive solutions. The measurement of investments, goodwill, and intangible assets, the structuring and refinement of non-financial reporting, and accounting-related matters were also addressed throughout the year. The committee also focused on the Board of Management's deliberations on the refinement of the financial control of investments, on tax strategy and the tax compliance management system, on IT matters, and on the management accounts requested by the Audit Committee. At various meetings, the committee examined the effectiveness of the internal control system, the adaptation of the risk management system to meet the new requirements under IDW PS 340, the effectiveness and findings of Corporate Audit, the compliance management system, and the reports on pending and potential legal disputes. The ICS coordinator, the head of Corporate Audit, and the Chief Compliance Officer gave reports on these matters and answered the Audit Committee's questions. Reports regarding potential transactions with related parties were provided on at least a quarterly basis; there were no transactions requiring approval or disclosure in the reporting year.

The committee kept up to date with the changes to the regulatory environment and discussed the measures that would need to be taken by DEUTZ AG to meet the requirements of the ESEF regulation, the German Supply Chain Act, and other new legislation, and to refine the non-financial reporting process. In the reporting year, in order to ensure compliance with the new requirements arising from the Financial Market Integrity Strengthening Act (FISG), the Supervisory Board resolved to change its rules of procedure, the rules of procedure of its Audit Committee, and its profile of skills and expertise and diversity plan.


The chairperson of the Audit Committee routinely provided updates on the committee's work at subsequent meetings of the full Supervisory Board.

At the time this annual report was published, the members of the Arbitration Committee were Dr. Dietmar Voggenreiter (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 needed to be convened once in 2021 in connection with the appointment of Dr. Ing. Markus Müller as a member of the Board of Management.

At the time this annual report was published, the members of the Nomination Committee were Dr. Dietmar Voggenreiter (chairman), Ms. Sophie Albrecht, 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 did not meet in 2021. and gave its approval to the recommendations for board resolutions submitted by the committees.

There were no changes to the composition of the Supervisory Board's committees in 2021 and up to the time that this annual report was published. At the extraordinary Supervisory Board meeting on February 12, 2022, in view of the fact that Dr. Dietmar Voggenreiter was taking over as chairman of the Supervisory Board from Dr. Ing. Bohr, it was also decided that Dr. Voggenreiter would succeed Dr. Ing. Bohr in all his committee roles with immediate effect.

The current members of the Supervisory Board are all considered independent within the meaning of article C.6 sentence 2 DCGK (version dated December 16, 2019). 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, Mr. Hans-Peter Finken, Ms. Patricia Geibel-Conrad, Mr. Alois Ludwig, Dr. Ing. Rudolf Maier, Dr. Dietmar Voggenreiter, and Mr. Ali Yener.  For further information regarding the composition of the Supervisory Board and its committees, as well as the further mandates held by its members, please refer to p. 200 et seq.

### **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 A.1. DCGK, version dated December 16, 2019). This means that external recruitment must focus on female managers.

As at the end of the reporting year, the proportion of women was 7 percent in the top level of senior management below the Board of Management and 15 percent in the second level of senior management below the Board of Management. DEUTZ AG thus attained the aforementioned target for the second level of senior management. The target for the top level of senior management was 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. At 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 in the version dated February 7, 2017 and also complying with the German Corporate Governance Code in the version dated December 16, 2019:

### 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 German Act on the Equal Participation of Women and Men in Leadership Positions in the Private and Public Sectors (FührposGleichberG). 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 42 to 55 years. The average age of the Board of Management members is 47.

#### 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, and was updated as follows at the meeting in December 9, 2021:

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 C.1 of the German Corporate Governance Code.

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 area of accounting and at least one member of the Supervisory Board and the Audit Committee must have expertise in the area of auditing (financial experts), and the members of the Supervisory Board must, collectively, be familiar with the engine manufacturing and drive systems sector or with associated machinery..



## 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
- The ability to examine the annual financial statements, if necessary with the assistance of the independent auditors
- 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
- The willingness and ability to devote the time and effort required
- The 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

### 3.1 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.

## 3.2 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.

## 3.3 Independence and potential conflicts of interest

More than half of the shareholder representatives on the Supervisory Board should be independent within the meaning of articles C.6 (2) and C.7 of the German Corporate Governance Code. Shareholder representatives on the Supervisory Board must not hold directorships or similar positions or advisory functions for, or have a personal relationship with, major competitors of the DEUTZ Group, and must generally – or at least in the majority – be deemed independent of the Company, the Board of Management and/or a controlling shareholder. 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.

## 3.4 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.

## 3.5 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 fulfill 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 extent to which the Supervisory Board and its committees in their existing composition are able to carry out their duties effectively.

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.

#### 4. Diversity plan

##### a) 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.

##### b) 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 made by the Board of Management from different perspectives and on the basis of a wide range of experience.

##### c) 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 per cent women and at least 30 per cent men.

##### d) 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 pursuant to section 289f (2) no. 1a German Commercial Code (HGB)

The remuneration report for the last financial year, the independent auditor's report pursuant to section 162 AktG, the applicable remuneration system pursuant to section 87a (1) and (2) sentence 1 AktG, and the most recent resolution on remuneration pursuant to section 113 (3) AktG can be accessed online at [www.deutz.com](http://www.deutz.com) under Corporate Governance.

#### Disclosures relevant to corporate management practices: compliance management system, environmental, quality, and 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. At the time this annual report was published, the Chairman of the Board of Management, Dr. Sebastian Schulte, was 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.

In 2021, the code of conduct was distributed to all employees of the new affiliated companies in which DEUTZ AG holds a stake of more than 50 percent and was also made available via internal communications platforms. Third parties can view the code of conduct on the Company's website. The guidelines set out in the code of conduct are supplemented by and 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 sustainability aspects 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. In the year under review, compliance activities again centered on training and advising employees (both at the German sites and at affiliated companies abroad), focusing on the code of conduct, data protection, gifts and entertainment, export controls, competition law, and contract law. This included training delivered via an online e-learning program that featured modules on antitrust law, information security, emissions compliance, health and safety in the workplace, and prevention of corruption. In 2021, a total of 3,208 administrative employees successfully completed all modules of the e-learning program that had been assigned to them. This equates to a completion rate of 99.1 percent.

A Compliance Officer appointed by the Board of Management coordinates compliance activities at DEUTZ. 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 Company's website incorporates a whistleblowing system that can also be accessed by non-employees. Notices can also be submitted anonymously and 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.


Another essential element of corporate management is rigorous environmental, quality, energy, and workplace safety 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, and applied a system ensuring health and safety in the workplace in accordance with ISO 45001. 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 December 9, 2021, the Supervisory Board adopted the profile of skills and expertise required for its members together with the objectives regarding its composition in accordance with article C.1 et seq. DCGK as amended on December 16, 2019.  See also p. 216 onward.

The Supervisory Board has met the applicable objectives, 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 C.6 sentence 2 DCGK (version dated December 16, 2019). 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 this annual report was published, 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.  For further information on risk management, see also the risk report on p. 78 onward.

### **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. Regular, open, and proactive dialog with all stakeholders ensures trust in a company and its value creation process.

It is therefore of utmost importance to DEUTZ to ensure that all stakeholder groups receive the same information simultaneously and in a timely manner. We achieve this objective by using various communication formats and media. DEUTZ AG reports on the performance and development of its business and on significant changes and events four times a year, in its annual report, its half-year report, and its quarterly statements. The quarterly 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. At the annual analysts' meeting held when the Company's consolidated financial statements are published, and at conference calls on the publication dates of half-year reports and quarterly statements, senior management is available to answer questions from investors and analysts.  See also 'DEUTZ in the capital markets', p. 17 onward.

The Annual General Meeting, at which shareholders have the opportunity to exercise their voting rights, 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: Annual reports, half-year reports, quarterly statements, press releases, ad hoc announcements, voting right notifications, analyst recommendations, presentations, the Company's Statutes, and the remuneration systems for the Supervisory Board and Board of Management can all be found at [www.deutz.com](http://www.deutz.com). In addition, our online financial calendar provides information on upcoming events in the Company's financial year.

Our website content is generally published 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 also issues ad hoc announcements regarding 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 December 16, 2019).

### **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. From 2021, the remuneration will also comply with the German Act Implementing the Second Shareholder Rights' Directive (ARUG II).

 For further information on the remuneration systems for the Board of Management and Supervisory Board and the remuneration granted to individual board members, see also the remuneration report, p. 56 onward.

### **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 2021, Dr. Schulte 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 2021 annual financial statements. Transactions disclosed in previous years are published on the DEUTZ AG website.