

EXCERPT:
REPORT OF THE SUPERVISORY BOARD

Report of the Supervisory Board

CLOSE COOPERATION BETWEEN SUPERVISORY BOARD AND BOARD OF MANAGEMENT

In 2020, the Supervisory Board of DEUTZ AG continued its ongoing monitoring of the management of the business in accordance with the requirements of the German Stock Corporation Act (AktG) and the German Corporate Governance Code and provided advice to the Board of Management on key decisions. The Supervisory Board was directly involved in all material decisions made by the Board of Management. In particular, the Board of Management coordinated closely with the Supervisory Board on the Company's corporate strategy.

A total of four ordinary and four extraordinary meetings of the Supervisory Board were held in 2020. Due to ill health, Dr. Ing. Ulrich Dohle was absent for all meetings prior to his departure from the Supervisory Board in October 2020. Apologies were received. Apologies for absence were received from Mr. Ali Yener for the meeting on December 9, 2020. All members of the Supervisory Board participated in all the other meetings in 2020. Furthermore, all members took part in all the meetings of the Supervisory Board committees to which they belonged.

The attendance rates of the individual Supervisory Board members were as follows:

| Supervisory Board member | Number of meetings of the Supervisory Board and its committees | Number of meetings attended | Attendance rate (%) |
|--|--|-----------------------------|---------------------|
| Dr.-Ing. Bernd Bohr Chairman of the Supervisory Board | 18 | 18 | 100 |
| Corinna Töpfer-Hartung Deputy Chairwoman of the Supervisory Board | 17 | 17 | 100 |
| Sophie Albrecht | 9 | 9 | 100 |
| Sabine Beutert | 12 | 12 | 100 |
| Yavuz Büyükdag | 8 | 8 | 100 |
| Dr. Fabian Dietrich | 8 | 8 | 100 |
| Dr.-Ing. Ulrich Dohle ¹ | 7 | 0 | 0 |
| Hans-Peter Finken | 8 | 8 | 100 |
| Patricia Geibel-Conrad | 12 | 12 | 100 |
| Alois Ludwig | 14 | 14 | 100 |
| Dr.-Ing. Rudolf Maier ² | 1 | 1 | 100 |
| Dr. Dietmar Voggenreiter | 8 | 8 | 100 |
| Ali Yener | 8 | 7 | 87.5 |

¹ Member of the Supervisory Board until October 7, 2020.

² Member of the Supervisory Board from October 7, 2020.



Dr.-Ing. Bernd Bohr
Chairman of the Supervisory Board

At each of the ordinary meetings of the Supervisory Board, the Board of Management reported on the general economic, market, and competitive environment for the DEUTZ Group, presented a business update and sales report that included detailed information on the actual performance of the business over the immediately preceding period, submitted an up-to-date risk report, provided information on key operational issues, and offered an overview of the results forecast for the year as a whole. These reports were made on the basis of the key performance indicators that were already familiar to the Supervisory Board members from the Company's written monthly reports. These key performance indicators included new orders, orders on hand, revenue, unit sales, **EBIT**, research and development expenditure, capital expenditure, **working capital**, quality data, and headcount data, in each case compared against the prior-year figures and budget. Reports from the Human Resources and Audit Committees presented by their chairperson were also a regular item on the agenda of the Supervisory Board meetings.

FOCUS OF SUPERVISORY BOARD DELIBERATIONS

The deliberations and discussions of the Supervisory Board in the year under review focused on the current business position and risk situation of the DEUTZ Group as well as on the operational and strategic development of the business. The latter was the subject of a full-day extraordinary meeting of the Supervisory Board. Particular attention was paid to the impact of the coronavirus pandemic on the Company's revenue, earnings, liquidity, and staffing levels. The China strategy, the continued expansion of the E-DEUTZ strategy, the expansion of the service business, for example through the acquisition of the DEUTZ dealer PRO MOTOR Beteiligungsgesellschaft mbH, the development of new business, and steps to bring about lasting quality improvements were also the subject of in-depth discussion.

Other key decisions concerned the 2021 budget, the medium-term planning up to 2025, and the approval of capital expenditure and development projects. As is the case every year, the Supervisory Board also adopted resolutions concerning the achievement of targets by the Board of Management – and consequently its variable remuneration for the previous year – as well as the setting of its targets and medium-term targets for the current year. In response to the changes brought about by the German Act Implementing the Second Shareholder Rights' Directive (ARUG II), the Supervisory Board also drew up and approved a new remuneration system for the Board of Management that will apply from 2021 and will submit this to the 2021 Annual General Meeting for approval.

The Board of Management ensured that it provided the Supervisory Board with comprehensive, regular, and timely information at all times. Between meetings, the Board of Management informed the members of the Supervisory Board in writing about all important events. In addition, the chairman of the Supervisory Board and the chairman of the Board of Management remained in close and regular contact to discuss all important transactions, imminent decisions, and optimization measures. All the decisions that the Supervisory Board was required to make in accordance with the law and Statutes were made on the basis of the reports and draft resolutions submitted by the Board of Management and, where necessary, following preparation by the relevant committees of the Supervisory Board.

COMPOSITION OF THE BOARD OF MANAGEMENT

At the time that the responsibility statement was signed, the Company's Board of Management consisted of four people: Dr. Ing. Frank Hiller (Chairman, responsible for technical and head-office functions, and sustainability), Dr. Andreas Strecker (responsible for finance, human resources, purchasing, and information services until February 28, 2021), Mr. Michael Wellenzohn (responsible for sales, service, and marketing), and Dr. Sebastian C. Schulte (responsible for finance, human resources, purchasing, and information services from March 1, 2021).

At the Supervisory Board meeting on August 4, 2020, following preparatory work by the Human Resources Committee, the Supervisory Board appointed Mr. Sebastian C. Schulte as a member of the Board of Management for the period from January 1, 2021 to December 31, 2023. From March 1, 2021, following his appointment to the Board of Management on January 1, 2021, Dr. Sebastian C. Schulte will assume 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 ends on February 28, 2021. The Supervisory Board would like to thank Dr. Strecker for the dedication that he showed in his work on the Board of Management and for the impetus that he gave the Company.

At the Supervisory Board meeting on February 10, 2021, following preparatory work by the Human Resources Committee, the Supervisory Board extended Dr. Ing. Frank Hiller's appointment by a further five years, i.e. for the period from January 1, 2022 to December 31, 2026.

CORPORATE GOVERNANCE: DECLARATION OF CONFORMITY NO DEVIATIONS

At its meeting on December 9, 2020, the Supervisory Board held in-depth discussions on the German Corporate Governance Code (DCGK, version dated December 16, 2019) and, together with the Board of Management, issued a declaration of conformity pursuant to section 161 AktG. This declaration does not include any deviations from the Code. Since December 10, 2020, it has been available in the 'Investor Relations/Corporate Governance' section of the Company's website at www.deutz.com, where it can be downloaded.

MATTERS HANDLED EFFICIENTLY BY FOUR COMMITTEES

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. 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 166 to 167 of this annual report. In the reporting year, the Supervisory Board completed an efficiency audit (article 5.6 DCGK, version dated February 7, 2017) that had been conducted in the prior year by an external consultancy. The results were discussed in detail by the Supervisory Board as a whole.

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 external consultants. The committee held five meetings in 2020, 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 drawing up of a new remuneration system for the Board of Management in response to the changes brought about by the German Act Implementing the Second Shareholder Rights' Directive (ARUG II), the achievement of the Board of Management's targets for 2019, and the setting of Board of Management targets, including medium-term targets, for 2020.

The Audit Committee's members are Ms. Patricia Geibel-Conrad (chairperson), Ms. Sabine Beutert (deputy chairperson), Ms. Corinna Töpfer-Hartung, and Dr. Ing. Bernd Bohr. Its work primarily focused on the preparatory review of the annual and consolidated financial statements, including the combined management report, and of DEUTZ AG's separate combined non-financial report. The recommendations prepared for the Supervisory Board for these resolutions were adopted. The auditor's report on its review of the condensed consolidated financial statements and the interim management report 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 2020, all of which were attended by all the members of the committee and Board of Management and, except on one occasion, by the auditor. The chairperson of the Audit 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 9, 2021, 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 2020. 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. The chairperson of the Audit Committee reported in detail on the committee's review of the annual and consolidated financial statements at the full Supervisory Board meeting.

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 consented to the services rendered. It appointed the auditor selected by the AGM for 2020, determined the focus of the audit, and set the auditor's fees.

Because of the unprecedented circumstances brought about by the coronavirus pandemic, the Board of Management reported regularly on the pandemic's impact on the earnings and net assets of the Group's operating segments, the liquidity and funding situation, the Group's working capital, and the relevant measures that were being taken. The measurement of investments, goodwill, and intangible assets, non-financial reporting, and accounting-related matters were also addressed. At several of its meetings, the committee examined the effectiveness and refinement of the internal control system, the risk management system, the effectiveness and findings of Corporate Audit, the compliance management system, and the reports on pending and potential legal disputes. In various meetings, 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.

In response to the new provisions of the German Stock Corporation Act (AktG) regarding transactions with related parties, the Supervisory Board and Board of Management agreed on an internal process that meets the requirement to obtain the Supervisory Board's consent for such transactions. The Supervisory Board approved the internal control process for these transactions ("related party transactions") and delegated responsibility for the approval and monitoring of this process to the Audit Committee. There were no transactions requiring approval or disclosure in the reporting year.

The Audit 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, to refine the non-financial reporting process, and to implement the new arrangements for the risk management system.

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

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 Nomination Committee are Dr. Ing. Bernd Bohr (chairperson), 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 met once in 2020. Discussion at this meeting, which was attended by all members of the committee, focused on who would succeed Dr. Ing. Ulrich Dohle following his departure from the Supervisory Board due to ill health. 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.

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS AUDITED IN DETAIL AND APPROVED

The annual financial statements of DEUTZ AG prepared by the Board of Management in accordance with the German Commercial Code (HGB), the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS), and the combined management report for DEUTZ AG and the DEUTZ Group, in each case for the year ended December 31, 2020, were audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Cologne, Germany, the auditor appointed by the Annual General Meeting on June 25, 2020. The auditor issued unqualified opinions. The annual financial statements of DEUTZ AG, the consolidated financial statements, the combined management report, the Board of Management's proposal for the appropriation of profit, and the auditor's reports were made available to all members of the Supervisory Board and were examined by the Supervisory Board. The auditors explained their audit findings in detail to the Audit Committee meeting held on March 9, 2021 and to the Supervisory Board meeting held on March 11, 2021 and answered any supplementary questions raised. The Supervisory Board approved the findings of the auditor's reports on DEUTZ AG and the DEUTZ Group. The concluding findings of the Supervisory Board's own review have not led to any reservations about either the annual financial statements or the consolidated financial statements, and the Supervisory Board has therefore approved them. The annual financial statements have thus been adopted. Finally, the Supervisory Board reviewed the separate combined non-financial report in accordance with its obligation pursuant to section 171 (1) sentence 4 AktG. It did not identify any issues.

COMPOSITION OF THE SUPERVISORY BOARD
AND ITS COMMITTEES

In 2020, the following changes were made to the composition of the Supervisory Board: At the request of the Supervisory Board and by means of a resolution dated October 7, 2020, the local court in Cologne removed Dr. Ing. Ulrich Dohle as a member of the Supervisory Board and appointed Dr. Ing. Rudolf Maier as a member of the Supervisory Board for a term that is limited until the next Annual General Meeting in 2021. This limited term is in line with the recommendation of the German Corporate Governance Code (article C.15, sentence 2 in the version dated December 16, 2019). Due to ill health, Dr. Ing. Ulrich Dohle was no longer able to fulfill his mandate as a member of the Supervisory Board and therefore had to be relieved of his office.

There were no changes to the composition of the Supervisory Board's committees in 2020.

DEUTZ AG supports members when they first join the Supervisory Board and subsequently offers them training and continuing professional development (CPD). Suitable training and CPD measures are regularly discussed by the Supervisory Board members among themselves and also with the Board of Management and the chairman of the Supervisory Board. New members are provided with comprehensive information on the Company's **corporate governance**. As is customary at DEUTZ AG, Supervisory Board members are given the chance to get to know the Company and the individual departments for themselves. In 2020, for example, this included a personal induction for the new member of the Supervisory Board Dr. Ing. Rudolf Maier and meetings with managers at the Cologne site.

CONFLICTS OF INTEREST / INDEPENDENCE
OF SUPERVISORY BOARD MEMBERS /
THANKS

No conflicts of interest between members of the Supervisory Board and DEUTZ AG arose in the year under review. The current members of the Supervisory Board of DEUTZ AG are all considered independent within the meaning of article C.6 sentence 2 of the German Corporate Governance Code. The Supervisory Board would like to express its thanks and appreciation to all employees of the DEUTZ Group in Germany and abroad, to the elected employee representatives, and to the Board of Management for their valuable efforts and the considerable dedication they showed in 2020. Special thanks are due for the hard work and flexibility shown by all employees as they fought for the Company while having to cope with financial sacrifices and the measures taken to combat the coronavirus crisis.

Cologne, March 2021



Dr.-Ing. Bernd Bohr
The Supervisory Board