

export controls and competition law. The organisational guidelines on staff recruitment requests and approvals, capital-expenditure requests and approvals, business trips and entertainment were also revised.

Another essential element of corporate management at DEUTZ AG is rigorous environmental, quality and energy management.

In 2014, DEUTZ AG once more met the ISO 9001 criteria for quality management, the ISO 14001 criteria for environmental management and the ISO 50001 criteria for energy management. Its certificates were renewed by Det Norske Veritas/Germanischer Lloyd and can be found on the DEUTZ 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

In accordance with item 5.4.1 (2) DCGK, the Supervisory Board set out the principles and objectives of its composition in a resolution adopted at its meeting on 10 December 2013. The key points of the resolution stated below in points a) to d) currently remain valid:

The Supervisory Board must be composed in such a way that its members as a group possess the knowledge, ability and expert experience required to properly complete its tasks. In particular, the following applies:

#### a) Internationality

To reflect the international operations of the Company, at least two Supervisory Board members shall have several years' experience of international business – preferably that they have acquired abroad.

#### b) Potential conflicts of interest

The composition of the Supervisory Board shall also take into account potential conflicts of interest of its members.

All members of the Supervisory Board are obliged to disclose any conflicts of interest, especially those arising from an advisory function or directorship at customers, suppliers, lenders or other third parties.

Supervisory Board members shall not be directors of major competitors of DEUTZ AG.

#### c) Number of independent Supervisory Board members

The Supervisory Board is limiting its target concerning this aspect to the shareholder representatives. It considers this group to have an adequate number of independent members if the number of independent members equals the number of members who are not independent, i.e. at least three.

#### d) Standard age limit

At DEUTZ AG, there is no age limit for Supervisory Board members or for Board of Management members. This is because DEUTZ AG wants to retain the option of benefiting from the long years of experience brought to the Company by older members of the Board of Management and Supervisory Board.

The Supervisory Board had already met these targets in 2012, and since then it has met them at all times and has 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 item 5.4.2 sentence 2 DCGK. No conflicts of interest between members of the Supervisory Board and DEUTZ AG arose in the year under review.

As far as the Supervisory Board in the above mentioned resolution dated 10 December 2013 (see page 128 of the 2013 annual report) commented on diversity in the composition of the Supervisory Board it has had to defer its target of at least two female members in connection with the forthcoming appointment of a member to replace Ms Persson at the Annual General Meeting on 29 April 2015 because it had to give priority to experts in the areas of agricultural machinery, service and sales.

### Consideration of women when appointing Board of Management members and filling other managerial positions

The Board of Management of DEUTZ AG currently has three members, one of whom is female; this equates to a proportion of 33.3 per cent. To ensure that women are taken into consideration for vacant managerial positions, DEUTZ AG has adopted a staff development programme under which the Board of Management and HR department endeavour to include at least one woman in the short list for all vacancies at the first and second management levels below the Board of Management (item 4.1.5 DCGK).

After the anticipated effective date of the above-mentioned draft law for the equal participation of women and men in managerial positions in the private and public sectors, the Supervisory Board and Board of Management will set the targets required by the law for the proportion of women on the Board of Management and at the two management levels below it, as well as specifying deadlines for achieving these targets. The Supervisory Board will set a target for the proportion of women on the Board of Management, and the Board of Management will set a target for the proportion of women at the two management levels below the Board of Management.

### Responsible risk management

A forward-looking, prudent and responsible approach to corporate risks 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 53 to 57.

### 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 dialogue 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 reports and the annual report. Interim 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 annual financial statements are published, conference calls for analysts and institutional investors take place with the publication of interim reports. 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 and interim reports, 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 DCGK guidelines.

### 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 auditors.

The auditors have agreed to inform the chairman of the Supervisory Board or the chairman of the Audit Committee without delay if reasons for exemption or disqualification, i.e. any misrepresentations in the declaration of compliance, come to light during the audit. The auditors inform the chairman 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 paid to the Board of Management complies with the Act on the Appropriateness of Management Board Remuneration (VorstAG) and with DCGK recommendations.

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 49 to 52 of the combined management report.

### Dealings subject to reporting requirements

Section 15a of the German Securities Trading Act (WpHG) states that members of supervisory and management boards of public limited companies (Aktiengesellschaften) and persons authorised to take key operational decisions must notify both the company and the German Financial Supervisory Authority (BaFin) of their own dealings in shares of the company or in financial instruments of the company based on such shares.

Board of Management member Mr Michael Wellenzohn and Supervisory Board member Mr Hans-Georg Härter disclosed their purchase of DEUTZ shares in accordance with this regulation in 2014. No other persons required by section 15a WpHG to make such a disclosure did so before the adoption of the 2014 annual financial statements. Transactions disclosed in previous years are published on the DEUTZ AG website.

There were no shareholdings of Board of Management or Supervisory Board members that were subject to reporting requirements pursuant to item 6.3 DCGK in the year under review or before the 2014 annual financial statements were adopted.