

As the election of Mr Härter as chairman of the Supervisory Board on 12 March 2015 succeeding Mr Moberg also meant that Mr Härter automatically became chairman of the Human Resources Committee and the Nominations Committee – two committees of which he was already an ordinary member – and of the Arbitration Committee and the Audit Committee, the Supervisory Board on the same day elected Mr Moberg as the second shareholder representative on the Human Resources Committee and as a member of the Nominations Committee. The Supervisory Board also decided that Mr Dietmar Paust would be appointed as the second employee representative on the Arbitration Committee to succeed Mr Zieher.

At its meeting on 29 April 2015, the Supervisory Board then elected Mr Herbert Kauffmann to succeed Mr Moberg as the second shareholder representative on the Human Resources Committee and to succeed Mr Haupt as the second shareholder representative on the Arbitration Committee. It also elected Mr Kauffmann and Mr Göran Gummesson to replace Mr Haupt and Mr Moberg on the Nominations Committee.

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 124 and 125.

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

On 12 August 2015, 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 per cent by 30 June 2017. The proportion of women at the second level of senior management below the Board of Management is to be increased to 7 per cent 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 programme. 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). This means that external recruitment must focus on female managers.

At the time of going to press, the proportion of women in the top level of senior management below the Board of Management is 9.1 per cent and in the second level of senior management below the Board of Management 3 per cent. DEUTZ AG has therefore not yet attained the targets specified above. The reasons for this are that only a relatively short period of time has passed since the Board of Management set the targets on 12 August 2015 and since then DEUTZ AG has hardly recruited any new employees at all. A further factor affecting trends in the future is 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 24 September 2015, the Supervisory Board of DEUTZ AG set the following target in accordance with section 111 (5) AktG: on 30 June 2017, the members of the Board of Management of DEUTZ AG should still include at least one woman.

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 organisational structure. The system is continually enhanced in order to meet changing requirements. Dr Haase is the member of the Board of Management responsible for compliance.

The overriding objective of the compliance management system is to prevent breaches of legislation and other applicable rules anywhere in the Company. It therefore also helps employees to familiarise themselves with the applicable laws and regulations and learn how to apply them correctly. This is supported by a code of conduct and specific guidelines or policies, including a zero-tolerance policy, a policy on gifts and entertainment, a policy on engaging external sales service providers, an anti-money laundering policy and an insider-trading policy.

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 2015, 727 employees from these units, representing around 60 per cent of all the employees in the units received this training. 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 organisations 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 organisation are described in rules of procedure. 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. Any information supplied is rigorously followed up. Any necessary investigations are carried out by internal audit, with external support if required.

Regular meetings are held to develop, discuss and coordinate compliance initiatives. These activities focus on preventing corruption, tackling money laundering and complying with export regulations (including export controls). They also ensure safety in the workplace, IT & 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 centred on the continuation and stepping up of regular staff training (including for staff at affiliated companies abroad), focusing on the code of conduct, money laundering, gifts, commission, export controls and competition law. As part of the ongoing review of our organisational policies, we have enhanced the business travel policy, comprehensively revised the bid guidelines, set out procedures for dealing with officials within the framework of the policy on gifts, and for the first time issued an information security policy.

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 Det Norske Veritas/Germanischer Lloyd 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

The Supervisory Board re-drafted the specific objectives regarding its composition in accordance with articles 5.4.1 (1) and (2), 5.4.2 DCGK at its meeting held on 24 September 2015. The new version is as follows:

“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 account of potential conflicts of interest of its members.