

Management with effect from 1 January 2017 and for a term of five years up to 31 December 2021. The appointments of Dr Haase and Mr Wellenzohn continue until 30 April and 31 December 2018 respectively.

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 2016 are described below.

At the request of the Board of Management, and in accordance with the proposal by the General Works Council, the local court in Cologne on 21 April 2016 appointed Ms Gisela Füssel as an employee representative on the Supervisory Board of DEUTZ AG with effect from 1 June 2016 for the remaining term of the current Supervisory Board membership cycle. The appointment became necessary when Mr Dietmar Paust stepped down from his post with effect from 31 May 2016.

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.

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. The committee met on nine occasions in 2016. Among the main matters addressed were the preparation of the resolutions to be adopted by the full Supervisory Board in relation to Dr Hiller succeeding Dr Leube as Chairman of the Board of Management, to the achievement of the Board of Management's targets for 2015 and to the setting of Board of Management targets, including medium-term targets, for 2016.

The work of the Audit Committee in the year under review focused on monitoring the financial accounting process, on assessing the annual and consolidated financial statements and the combined management report of DEUTZ AG and the Group for 2015 and the corresponding auditors' reports, the condensed consolidated financial statements for the six months

to 30 June 2016 and their review by the auditors, the interim management statements for the periods ended 31 March and 30 September 2016, and the discussion of the audit engagement for the year ended 31 December 2016, including a review of auditor quality and independence. Other matters addressed by the committee included risk management, compliance, the internal control system, internal audit, strategic planning, key performance indicators and the new statutory regulations on auditing, particularly in connection with the stricter rules that will be coming into force concerning the provision of non-audit services by auditors. In 2016, the Audit Committee held four meetings, three of which were also attended by the external auditors.

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) of the Act. It did not need to be convened during the year under review.

The Nominations Committee is tasked with proposing to the Supervisory Board suitable candidates as shareholder representatives on the Supervisory Board. It also did not convene last year.

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 membership of the Supervisory Board committees did not change in 2016. At its meeting on 9 March 2017 the Supervisory Board elected Ms Füssel to succeed Mr Paust as a member of the Arbitration Committee.

Full 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 120 to 121.

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 publication, the proportion of women in the top level of senior management below the Board of Management is 11.11 per cent and in the second level of senior management below the Board of Management 5.26 per cent. Although these figures are an improvement on last year (9.19 per cent and 3 per cent), DEUTZ AG has not yet attained the targets specified above. This is because only very few management positions have been newly filled since the Board of Management set the targets on 12 August 2015. 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 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 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 must have at least four female members and four male members after the elections scheduled for 2018, if not before.

At the time this law came into effect on 1 January 2016 the Supervisory Board of DEUTZ AG comprised eleven men and one woman. Since 1 June 2016, following the appointment of Ms Füssel to succeed Mr Paust, it has had ten male members and two female members.

As both women are employee representatives, and the Supervisory Board decided that the minimum quota has to be met separately for shareholder and employee representatives, the employee representatives are already in compliance with the statutory quota.

This is not currently the case for the shareholder representatives, as it has not been necessary to appoint new shareholder representatives to the Supervisory Board since the law on the quota for women came into effect.

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 use preventive measures to ensure that the business practices of DEUTZ AG and the internal regulations and policies are known across the Group. 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 behaviour towards business partners and employees is fair and in compliance with the law. Employees can access the code of conduct 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 formalised in specific 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, that help to ensure that employees are aware of the relevant laws and policies 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 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. Furthermore, since the beginning of 2017, the DEUTZ AG website has featured a whistleblowing system that can also be