

# CORPORATE GOVERNANCE REPORT

## and Annual Corporate Governance Statement for Deutsche Post AG and Deutsche Post DHL Group

### Company in compliance with all recommendations of the German Corporate Governance Code

In December 2017, the Board of Management and the Supervisory Board once again issued an unqualified Declaration of Conformity pursuant to section 161 of the *Aktien-gesetz* (AktG – German Stock Corporation Act):

“The Board of Management and the Supervisory Board of Deutsche Post AG declare that the recommendations of the Government Commission German Corporate Governance Code in the version dated 5 May 2015 and published in the Federal Gazette on 12 June 2015 have been complied with also after issuance of the Declaration of Conformity in December 2016 and that all recommendations of the Code in the version dated 7 February 2017 and published in the Federal Gazette on 24 April/19 May 2017 shall be complied with in the future.”

We also intend to implement the suggestions made in the Code, with one exception: the Annual General Meeting will only be broadcast on the internet up to the end of the CEO's address. This helps ensure frank and open discussion during the shareholders' debate.

The current Declaration of Conformity and those for the last five years can be viewed at [dpdhl.com/en/investors](https://dpdhl.com/en/investors).

### Corporate governance principles

Our business relationships and activities are based on responsible business practice that complies with applicable laws, ethical standards and international guidelines, and this also forms part of our Group strategy. Equally, we require our suppliers to act in this way. We encourage and facilitate long-term relationships with our stakeholders, whose decisions to select Deutsche Post DHL Group as a supplier, employer or investment of choice are increasingly also based on the requirement that we comply with good corporate governance criteria.

Our [Code of Conduct dpdhl.com/en](https://dpdhl.com/en) is firmly established within the company and is applicable in all divisions and regions. The Code of Conduct is based on the principles set out in the Universal Declaration of Human Rights and the United Nations (UN) Global Compact. It is consistent with recognised legal standards, including the applicable anti-corruption legislation and agreements.

The Code of Conduct also defines what we mean by diversity within the Group. Diversity and mutual respect are core values that are preconditions for the economic strength of the entire Group. The key criteria for the recruitment and professional development of our employees are their skills and qualifications. Our Diversity Council discusses the strategic aspects of diversity management and divisional requirements. Its members comprise executives from the central functions and divisions and it is chaired by the Board member for Human Resources. Members also act as ambassadors for, and promote, diversity in the divisions. The members of the Board of Management and the Supervisory Board support the Group's diversity strategy, with a particular focus on the goal of increasing the number of women on the Board of Management. Further information on the contents of the Code of Conduct and on diversity management can be found in the [Corporate Responsibility Report, dpdhl.com/cr-report2017](https://dpdhl.com/cr-report2017).

The goal of the compliance management system (CMS) is to ensure observance of the statutory provisions and internal policies applicable to the Group. The compliance programme aims to prevent breaches of the rules from occurring in the first place, or to identify them at an early stage and to take appropriate action. The effectiveness of the CMS is reviewed on an on-going basis in order to adapt it if necessary to relevant developments and new legal requirements. An overview of the compliance organisation and the elements making up the compliance programme can be found in the [Corporate Responsibility Report, dpdhl.com/cr-report2017](https://dpdhl.com/cr-report2017).

### Co-operation between the Board of Management and the Supervisory Board

As a listed German public limited company, Deutsche Post AG has a dual management system. The Board of Management manages the company. The Supervisory Board appoints, oversees and advises the Board of Management.

The Board of Management comprises the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the Board member for Human Resources, plus the members responsible for the four operating divisions: Post - eCommerce - Parcel; Express; Global Forwarding, Freight; and Supply Chain. Group management functions are centralised in the Corporate Center. The [Corporate Strategy, page 34](#), provides a framework for the whole Group. The Board of Management's rules of procedure set out the principles governing its internal organisation, management and representation, as well as co-operation between its individual members. Within this framework, Board members manage their departments independently and inform the rest of the Board about key developments at regular intervals. The Board of Management as a whole decides on matters of particular significance for the company or the Group, including all decisions that have to be presented to the Supervisory Board for approval, and all tasks that cannot be delegated to individual members of the Board. The Board of Management as a whole also decides on matters presented to it by individual members of the Board of Management for decision. When making decisions, members of the Board of Management may not act in their own personal interest or exploit corporate business opportunities for their own benefit. The Supervisory Board must be informed of any conflicts of interest without delay. No member of the Board of Management is a member of more than three supervisory boards of non-Group listed companies or of other supervisory bodies with comparable requirements. The D&O insurance for the members of the Board of Management provides for a deductible as set out in the AktG.

The Supervisory Board appoints, advises and oversees the Board of Management. It has established rules of procedure for itself containing the principles for its internal organisation, a catalogue of Board of Management transactions requiring its approval and the rules governing the work of the Supervisory Board committees.

The Supervisory Board meets at least four times a year. Extraordinary Supervisory Board meetings are held whenever particular developments or measures need to be discussed or approved at short notice. In financial year 2017, the Supervisory Board held six plenary meetings, 22 com-

mittee meetings and one closed meeting, as described in the [Report of the Supervisory Board, page 90 ff.](#) At 92 %, the attendance rate remained very high in the reporting period, as the following breakdown shows. Ulrich Schröder's absences were due to health reasons.

#### Attendance at plenary and committee meetings

**B.06**

%	Attendance
Supervisory Board member	
Prof. Dr Wulf von Schimmelfmann (Chair)	100
Andrea Kocsis (Deputy Chair)	100
Rolf Bauermeister	100
Dr Nikolaus von Bomhard	100
Ingrid Deltenre	100
Jörg von Dosky	100
Werner Gatzert	89
Prof. Dr Henning Kagermann	83
Thomas Koczelnik	91
Anke Kufalt	100
Ulrike Lennartz-Pipenbacher (since 1 July 2017)	100
Simone Menne	85
Roland Oetker	100
Andreas Schädler	100
Sabine Schielmann	100
Dr Ulrich Schröder	0
Dr Stefan Schulte	100
Stephan Teuscher	100
Helga Thiel (until 30 June 2017)	100
Stefanie Weckesser	100
Prof. Dr-Ing. Katja Windt	100

The [Report of the Supervisory Board, page 90 ff.](#), can also be viewed at [dpdhl.com/en/investors](https://dpdhl.com/en/investors).

The Board of Management and the Supervisory Board regularly discuss the Group's strategy, the divisions' objectives and strategies, the financial position and performance of the company and the Group, key business transactions, the progress of acquisitions and investments, compliance and compliance management, risk exposure and risk management, and all material business planning and related implementation issues. The Board of Management informs the Supervisory Board promptly and in full about all issues of significance. The Chairman of the Supervisory Board and the CEO maintain close contact about current issues.

The Supervisory Board carries out an annual efficiency review of its work. In the current reporting period it again concluded that it had performed its monitoring and advisory duties efficiently and effectively. Suggestions made by individual members are also taken up and implemented during the year. Supervisory Board decisions are prepared and discussed in advance in separate meetings of the shareholder representatives and the employee representatives, and by the relevant committees. Each plenary Supervisory Board meeting includes a detailed report on the committees' work and the decisions taken. Supervisory Board members are personally responsible for ensuring they receive the training and professional development measures they need to perform their tasks (e.g. on changes to the legal framework and on issues relating to the future); the company supports them in this by arranging presentations by internal and external speakers, among other things.

No Supervisory Board members hold positions on the governing bodies of, or provide consultancy services to, the Group's main competitors.

All Supervisory Board members are independent within the meaning of the German Corporate Governance Code. The number of independent Supervisory Board members therefore exceeds the target we had set ourselves of at least 75% of the Supervisory Board as a whole. In light of the European Commission's recommendation on the independence of non-executive or supervisory directors and the wide-ranging protection against summary dismissal and ban on discrimination contained in the *Betriebsverfassungsgesetz* (BetrVG – German Works Constitution Act) and the *Mitbestimmungsgesetz* (MitbestG – German Co-determination Act), being an employee of the company is not inconsistent with the requirement for independence as defined by the Code. The largest shareholder in the company, KfW Bankengruppe, currently holds approximately 21% of the shares in Deutsche Post AG. There are therefore no controlling shareholders as defined in the Code with whom relationships might exist that could call the Supervisory Board's independence into question.


With the exception of Wulf von Schimmelmann, who was a member of the Board of Management until June 2007, there are no former members of the Board of Management on the Supervisory Board.

The terms of office of those members of the Supervisory Board who are elected individually by the Annual General Meeting comply, in all cases, with the age limit of 72 that has been set and with the requirement that, as a general rule, members should not serve more than three terms of office.

### Executive committees and Supervisory Board committees

Three executive committees prepare the resolutions to be passed by the full Board of Management and take decisions on matters delegated to them. The duties of the executive committees include preparing and/or approving investments and transactions. The Deutsche Post Executive Committee is responsible for the Post - eCommerce - Parcel division; the DHL Executive Committee is in charge of the DHL divisions; the CC & GBS Executive Committee covers the Corporate Center and Global Business Services. The CEO, the CFO and the Board member for Human Resources have permanent representation on the committees, whilst the Board members responsible for the divisions are represented on the committees in relation to matters affecting their divisions. Executives from the first and second tiers immediately below the Board of Management attend executive committee meetings that cover topics relevant to their fields. The Deutsche Post Executive Committee and the DHL Executive Committee each meet once or twice a month, whilst the CC & GBS Executive Committee usually meets every quarter.

Business review meetings also take place once a quarter. These meetings are part of the strategic performance dialogue between the divisions, the CEO and the CFO. The business review meetings discuss strategic initiatives, operational matters and the budgetary situation in the divisions.

The  members of the Board of Management and the mandates held by them are listed on [page 95](#).

The Supervisory Board has formed six committees to ensure its duties are discharged effectively. In particular, these committees prepare the resolutions to be taken in the plenary Supervisory Board meetings. The procedures applicable in the committees are governed by the rules set out in the rules of procedure for the Supervisory Board, with the necessary modifications.

The Executive Committee does the preparatory work for appointing members of the Board of Management and drawing up their contracts of service, and prepares the resolution by the full Supervisory Board that determines their remuneration.

The Finance and Audit Committee oversees the company's accounts, its accounting process, the effectiveness of the internal control system, the risk management and internal auditing systems, and the audit of the financial statements, and in particular the selection of the auditors and their independence. It approves the engagement of the auditor to perform non-audit services. It examines corporate compliance issues and discusses the half-yearly and

quarterly financial reports with the Board of Management before publication. Based on its own assessment, the committee submits proposals for the approval of the annual and consolidated financial statements by the Supervisory Board. The Chairman of the Finance and Audit Committee, Stefan Schulte, is an independent financial expert as defined in sections 100(5) and 107(4) of the AktG.

An agreement has been reached with the auditors that the Chairman of the Supervisory Board and the Chairman of the Finance and Audit Committee shall be informed without delay of any potential grounds for exclusion or for impairment of the auditors' independence that arise during the audit, to the extent that these are not immediately remedied. In addition, it has been agreed that the auditors shall inform the Supervisory Board without delay of all material findings and incidents occurring in the course of the audit. Furthermore, the auditors must inform the Supervisory Board if, while conducting the audit, they find any facts leading to the Declaration of Conformity issued by the Board of Management and Supervisory Board being incorrect.

The Personnel Committee discusses human resources principles for the Group.

The Mediation Committee carries out the duties assigned to it pursuant to the MitbestG: it makes proposals to the Supervisory Board on the appointment of members of the Board of Management in those cases in which the required majority of two-thirds of the votes of the Supervisory Board members is not reached. The committee did not meet in the past financial year.

The Nomination Committee presents the shareholder representatives of the Supervisory Board with recommendations for shareholder candidates for election to the Supervisory Board at the Annual General Meeting.

The Strategy Committee prepares the Supervisory Board's strategy discussions and regularly discusses the competitive position of the enterprise as a whole and of the individual divisions. In addition, it does preparatory work on corporate acquisitions and divestitures that require the Supervisory Board's approval.

Further information about the work of the Supervisory Board and its committees in financial year 2017 is contained in the [Report of the Supervisory Board, page 90 ff.](#) Details on the members of the Supervisory Board and the composition of the Supervisory Board committees can be found in the section on the [Supervisory Board, page 93 f.](#)

#### Targets for the Supervisory Board's composition and skills profile

The Supervisory Board has set itself the following targets for its composition; they also represent the skills profile it has set itself:

- ➊ When proposing candidates to the Annual General Meeting for election as Supervisory Board members, the Supervisory Board shall act purely in the interests of the company. Subject to this requirement, the Supervisory Board aims to ensure that independent Supervisory Board members as defined in number 5.4.2 of the German Corporate Governance Code account for at least 75% of the Supervisory Board, and that at least 30% of the Supervisory Board members are women.
- ➋ The company's international activities are already adequately reflected in the composition of the Supervisory Board. The Supervisory Board aims to maintain this and its future proposals to the Annual General Meeting will therefore consider candidates whose origins, education or professional experience equip them with particular international knowledge and experience.
- ➌ The Supervisory Board should be in a position to collectively provide competent advice to the Board of Management on fundamental future issues; in its opinion this includes, in particular, the digital transformation.
- ➍ The Supervisory Board should collectively have sufficient expertise in the areas of accounting or financial statement audits. This includes knowledge of international developments in the field of accounting. Additionally, the Supervisory Board believes that the independence of its members helps guarantee the integrity of the accounting process and ensure the independence of the auditors.
- ➎ Conflicts of interest affecting Supervisory Board members are an obstacle to providing independent and efficient advice to, and supervision of, the Board of Management. The Supervisory Board will decide how to deal with potential or actual conflicts of interest on a case-by-case basis, in accordance with the law and giving due consideration to the German Corporate Governance Code.



- 6 In accordance with the age limit adopted by the Supervisory Board and laid down in the rules of procedure for the Supervisory Board, proposals for the election of Supervisory Board members must ensure that their term of office ends no later than the close of the next Annual General Meeting to be held after the Supervisory Board member reaches the age of 72. As a general rule, Supervisory Board members should not serve more than three full terms of office.

The current Supervisory Board meets these targets and this skills profile.

### Diversity

Diversity is an important criterion for the Supervisory Board when it comes to appointing members of the Board of Management. With their varied qualifications, personalities, skills and experience, the members of the Board of Management play a significant role in the company's success. The CEO, the CFO and all other members of the Board of Management with operational responsibility have extensive international expertise and experience. Their different ages help ensure a range of opinions within this body. Long-term succession planning in all divisions aims to guarantee that there will be an adequate pipeline of qualified successors for appointments to the Board of Management in the future. Particular attention is given to ensuring that women can advance within the company; specially designed measures support them from the start of their careers, and candidates with potential are given opportunities for development.

The current target for the proportion of women on the Board of Management is 1:7. This target is met at present. The goal is to achieve a target of 2:8 by the end of the Annual General Meeting in 2021. The Board of Management has set target quotas for the proportion of women in the two executive tiers below the Board of Management of 20% for tier 1 and 30% for tier 2; these targets apply to the period between 1 January 2017 and 31 December 2019. The two executive tiers are defined on the basis of their reporting lines: tier 1 comprises executives assigned to the N-1 reporting line, whilst tier 2 consists of executives from the N-2 reporting line.

The list of goals mentioned above, which the Supervisory Board expanded most recently in December 2017, provides an overview of the key diversity issues for the Supervisory Board that it takes into account when considering its own composition. With eight women (40%), the Supervisory Board exceeds the statutory gender quota of 30%.

### Shareholders and General Meeting

Shareholders exercise their rights, and in particular their right to receive information and to vote, at the General Meeting. Each share in the company entitles the holder to one vote. The agenda for the General Meeting, the resolutions proposed by the Board of Management and Supervisory Board to the General Meeting, and additional documents and information about the General Meeting will be made available at [dpdhl.com/en/investors](https://dpdhl.com/en/investors) at the latest when the General Meeting is convened. We assist our shareholders in exercising their voting rights not only by making it possible to submit postal votes but also by appointing company proxies, who cast their votes solely as instructed to do so by the shareholders and who can also be reached during the General Meeting. Additionally, shareholders can authorise company proxies, submit postal votes and grant proxies to banks and shareholder associations attending the General Meeting via the company's online service.

The Board of Management and the Supervisory Board intend to make use of the option permitted under the AktG at the 2018 Annual General Meeting to allow the General Meeting to resolve on the approval of the remuneration system for members of the Board of Management.

### Remuneration of the Board of Management and the Supervisory Board

The remuneration of the Board of Management and the Supervisory Board can be found in the [Group Management Report, page 40 ff.](#)