

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

The Board of Management and the Supervisory Board follow the current initiatives and deliberations regarding the German Corporate Governance Code and in December 2018 once again issued an unqualified Declaration of Conformity pursuant to section 161 of the *Aktiengesetz* (AktG – German Stock Corporation Act):

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

We also implement the suggestions made in the Code; however, 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://www.dpdhl.com/en/investors).

Corporate governance principles and shared values

Our business relationships and activities are based upon responsible business practice that complies with applicable laws, ethical standards and international guidelines, and this also forms part of the Group's 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 upon the requirement that we comply with good corporate governance criteria.

Our [@ Code of Conduct, dpdhl.com/en](https://www.dpdhl.com/en), is firmly established within the company and is applicable in all divisions and regions. The Code of Conduct is based upon 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. Diversity and mutual respect are some of the core values that contribute to good co-operation within the Group and thus to

economic success. 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 upon the goal of increasing the number of women in the Group.

Doing business responsibly includes using our expertise as a mail and logistics services group for the benefit of society and the environment, and we motivate our employees to engage in volunteer work.

Ensuring our interactions with business partners, shareholders and the public are conducted with integrity and within the bounds of the law is vital to maintaining our reputation. It is also the foundation of Deutsche Post DHL Group's lasting business success. The goal of the compliance management system (CMS) is to ensure observance of the statutory provisions and internal policies applicable to the Group. Its effectiveness is reviewed on an on-going basis in order to adapt it if necessary to relevant developments and new legal requirements. The CMS's individual components, the Code of Conduct, and information on diversity management and CSR issues are outlined in detail in the

[@ Corporate Responsibility Report, dpdhl.com/cr-report2018](https://www.dpdhl.com/en/cr-report2018).

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'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 inter-

est without delay. No member of the Board of Management is a member of more than two supervisory boards of non-Group listed companies or of other supervisory bodies with comparable requirements. 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 chairman elected by the members from their ranks co-ordinates the work of the Supervisory Board and also represents the Supervisory Board publicly.

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 2018, Supervisory Board members held ten plenary meetings, 26 committee meetings and one closed meeting, as described in the **Report of the Supervisory Board, page 74 ff.** At 95%, the attendance rate remained very high in the year under review, as the following breakdown shows.

Attendance at plenary and committee meetings **B.06**

	%
Board members	Attendance
Dr Nikolaus von Bomhard (Chair since 24 April 2018)	100
Prof. Dr Wulf von Schimmelmann (Chair until 24 April 2018)	100
Andrea Kocsis (Deputy Chair)	100
Rolf Bauermeister	100
Dr Günther Bräunig (since 17 March 2018)	56
Dr Mario Daberkow (since 24 April 2018)	88
Ingrid Deltenre	100
Jörg von Dosky	100
Werner Gatzler	73
Gabriele Gülzau (since 24 April 2018)	100
Thomas Held (since 24 April 2018)	100
Mario Jacubasch (since 24 April 2018)	100
Prof. Dr Henning Kagermann	94
Thomas Koczelnik	96
Anke Kufalt (until 24 April 2018)	100
Ulrike Lennartz-Pipenbacher	100
Simone Menne	94
Roland Oetker	95
Andreas Schädler (until 24 April 2018)	50
Sabine Schielmann (until 24 April 2018)	100
Dr Ulrich Schröder (until 6 February 2018)	100
Dr Stefan Schulte	100
Stephan Teuscher	100
Stefanie Weckesser	100
Prof. Dr-Ing. Katja Windt	100

The **Report of the Supervisory Board, page 74 ff.**, can also be viewed at 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 year under review 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 and therefore does not exercise control. Accordingly, Werner Gatzler and Günther Bräunig are also independent within the meaning of the Code.

No former members of the Board of Management are members of the Supervisory Board.

No Supervisory Board members exceed the maximum service period of three terms of office or the age limit of 72.

Board of Management and Supervisory Board committees

The structure of the Board of Management committees applicable in the financial year included divisional executive committees that held meetings to prepare decisions to be taken by the full Board of Management and to take decisions on the matters delegated to them. Executives from the first and second tiers immediately below the Board of Management attended executive committee meetings that covered topics relevant to their fields. Since January 2019, the executive committees have been eliminated and the matters previously delegated to them are now being handled by the Board of Management.

Business review meetings continue to take place once a quarter. These meetings are part of the strategic performance dialogue between the divisions, the CEO, the Board Member for Finance or also the full Board of Management. 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 82](#).

The primary duty of the members of the Supervisory Board committees is to prepare the resolutions to be taken in the plenary meetings.

The Executive Committee does the preparatory work for appointing members of the Board of Management, drawing up their contracts of service and determining their remuneration.

The Finance and Audit Committee oversees the company's accounts, its accounting process, the effectiveness of the internal control system, risk management and internal auditing, and the financial statement audit, and in particular the selection of the auditors and their independence. In addition, the committee is responsible for preparing the voluntary external audit of the separate non-financial report, including selecting and engaging the external auditor. It also approves the Board of Management's engagement of the auditor to perform non-audit services. The committee examines corporate compliance issues and discusses the half-yearly and quarterly financial reports with the Board of Management before publication. Based upon 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. He has no relationship with the company, its governing bodies or its shareholders that could cast doubt on his independence.



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, whilst conducting the financial statement 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 2018 is contained in the  **Report of the Supervisory Board, page 74 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 77 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:

- ① When proposing candidates to the Annual General Meeting for election as Supervisory Board members, the Supervisory Board is guided purely by the best 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.

- 2 The company's international activities are already adequately reflected in the current 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.
- 3 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.
- 4 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.
- 5 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 important for the Supervisory Board, including when it comes to appointing members of the Board of Management. The company's success depends to a considerable extent upon the diversity of qualifications, personalities, skills and experience of the members of the Board of Management. All Board of Management members possess international expertise and experience. 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. They are supported when they join the company and candidates with potential are given opportunities for development.

The current target for the proportion of women on the Board of Management is 2:8, to be achieved by the date of Annual General Meeting in 2021. The previous target of 1:7, which was met, applied until the Annual General Meeting in 2018. 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 diversity criteria important to the Supervisory Board, including when considering its own composition, are outlined in the list of its goals. With seven women (35%), the Supervisory Board exceeds the statutory share of women 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 with the resolutions for the General Meeting and additional information 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.

Remuneration of the Board of Management and the Supervisory Board

The 2018 Annual General Meeting approved the current system of Board of Management remuneration with around 89% of the votes cast. An explanation of the remuneration system and information on the remuneration of the individual members of the Board of Management and Supervisory Board are provided in the

 **Remuneration Report, page 25 ff.**