

Corporate Governance Report // Group Declaration on Corporate Management

The Executive Board and Supervisory Board of DMG MORI AKTIENGESELLSCHAFT always act in accordance with good corporate governance and report in accordance with Section 3.10 of the German Corporate Governance Code on corporate governance at DMG MORI. This is reflected in responsible and transparent corporate management and corporate control. Good corporate governance is an essential element of strategic thinking and acting at all levels of the group. DMG MORI follows the recommendations of the German Corporate Governance Code. In November 2017, the Executive Board and Supervisory Board once again issued a compliance statement that confirmed without reservation the group's compliance with all recommendations of the "Government Commission on the German Corporate Governance Code" in the version of 5 May 2015 and its publication in the electronic Federal Gazette (Bundesanzeiger) on 12 June 2015, as well as in the version of 7 February 2017 and its publication in the electronic Federal Gazette (Bundesanzeiger) on 24 April 2017. The Executive Board and Supervisory Board likewise confirm that the recommendations of the "Government Commission on the German Corporate Governance Code" will also be complied with in the future. The current compliance statement and the group declaration on corporate management, which is combined with the corporate governance report, are permanently accessible on our website, as are the compliance statements of previous years.

→ corporate-governance-en.dmgmori.com

Pursuant to Section 317 para. 2 (6) of the German Commercial Code (HGB), the purpose of the audit of the statements of the group declaration on corporate management pursuant to Section 289 f para. 2 and 5 and Section 315 d of the HGB is limited to determining whether such statements have actually been provided.

Responsible Management of Opportunities and Risks

In our opinion, the comprehensive and systematic management of opportunities and risks within corporate management is a part of good corporate governance. For detailed information on the opportunities and risk management system of the group, please see page 64 et seq. of the Annual Report.

Cooperation between the Executive Board and Supervisory Board

The Executive Board and Supervisory Board work closely together in the interests of the company. The Executive Board agrees the strategic direction of the company with the Supervisory Board and informs the latter regularly, timely and comprehensively of all issues of relevance to the company relating to strategy, business development, the risk position, risk management and compliance. Any deviations in the course of business from the established plans and targets of the group are discussed and the reasons therefore given. The Executive Board forwards the half-year reports and quarterly releases to the Finance and Audit Committee and discusses these reports and releases in detail with the Finance and Audit Committee before their publication. The Articles of Association and the rules of procedure empower the Supervisory Board to consent to a wide range of business transactions proposed by the Executive Board. The remuneration of both the members of the Supervisory Board and of the Executive Board is presented in detail in the remuneration report on page 28 et seq. as part of the management report of the Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT.

Objectives in the Composition of the Supervisory Board

In its meeting on 22 September 2015, the Supervisory Board passed a resolution on the voluntary obligation pursuant to Section 5.4.1 DCGK (German Corporate Governance Code):

- › The Supervisory Board should be staffed with the same number of shareholder representatives with experience in managing or governing companies with global operations;
- › Employees from key DMG MORI sectors should be considered as employee representatives;
- › Knowledge about DMG MORI and key markets for DMG MORI, as well as knowledge about technical contexts and technology management should be taken into consideration;
- › Specialist knowledge and experience in the use of accounting principles, internal monitoring procedures and compliance processes should be taken into consideration;
- › At least two male and two female Supervisory Board members should be elected for both the shareholders' and the employees' sides as soon as possible, but no later than the election of the new Supervisory Board in 2018;

- › At least 50% of all Supervisory Board members should be independent;
- › Conflicts of interest should be avoided;
- › An upper age limited of 70 years at the time of election to the Supervisory Board should be observed; limit of five terms of office;
- › Nominations for future staffing of the Supervisory Board should also be made primarily with the interests of the company in mind, while observing the objectives mentioned above.

The appointment of Prof. Dr. Annette Köhler as a member of the Supervisory Board meant that the Supervisory Board complied with its voluntary obligation of setting a gender quota for the shareholders' representatives in financial year 2017. It also complied with its voluntary obligation to ensure the independence of at least 50% of the Supervisory Board members.

Diversity

The diversity culture lived at DMG MORI empowers our employees to support international group projects. At DMG MORI, all employees and job applicants are held in high esteem irrespective of their nationality or ethnic origin, sex, age, religion, sexual orientation or physical impairments. The Executive Board emphasizes this equal opportunity through the DMG MORI Code of Conduct.

Statutory Gender Quota Requirements

Taking into account the Act on Equal Participation of Men and Women in Executive Positions in Private Business and the Public Sector, the Supervisory Board passed a resolution on 22 September 2015 specifying that a quota of 20% of the Executive Board of DMG MORI AKTIENGESELLSCHAFT was to be occupied by female members of staff by 30 June 2017. This goal was not achieved by this deadline as there was no executive department with effect on 30 June 2017. On 30 November 2017, the Supervisory Board confirmed a 20% target and also passed a resolution that this should be achieved by 30 June 2022.

As a result of flat hierarchies, there is only one management level below that of the Executive Board at DMG MORI AKTIENGESELLSCHAFT. The target quota set by the Executive Board on 9 September 2015 for this management level was 6% for women and was to be achieved by 30 June 2017. At 7%, the company slightly exceeded this target as at 30 June 2017.

On 18 October 2017, the Executive Board of DMG MORI AKTIENGESELLSCHAFT decided that a 10% female quota needed to be achieved for this management level by 30 June 2022.

With regard to the Supervisory Board, the statutory 30% quota has so far not been met, as there have been no suitable vacancies. The shareholders' and employees' representatives have decided to meet these legal requirements separately from each other. During the reporting period, there were two female Supervisory Board members among the shareholders. With the resignation of Dr. Constanze Kurz on 30 November 2017, there were no longer any female Supervisory Board members among the employee representatives.

Avoiding Conflicts of Interest

Members of the Executive Board and Supervisory Board are obliged to act in the interests of the company. In making decisions and in connection with their functions, the members of the Executive Board and of the Supervisory Board may not pursue any personal interests or business opportunities that the company is entitled to, nor may they grant any unjustified benefits to any other persons. Any conflicts of interest that arise out of these or any other situations must be notified to the Supervisory Board without delay, assessed and authorized by the Supervisory Board as necessary. The Supervisory Board reports to the Annual General Meeting on any conflicts of interest and on how they are addressed.

Shareholders and Annual General Meeting

Our shareholders exercise their rights at the Annual General Meeting. The Annual General Meeting passes resolutions, inter alia, on the approval of the actions of the Supervisory Board and Executive Board, as well as on the election of the annual auditor or any changes to the Articles of Association. Shareholders may exercise their voting right in person. Shareholders who are unable to attend the Annual General Meeting personally are given the opportunity to exercise their voting right by proxy through an authorized person of their choice or by transfer of proxy to a representative of the group who will act as per their instruction. In addition, it is possible to obtain information about the Annual General Meeting in a timely manner via the Internet. All documents and information are made available to shareholders in good time on our website.

Transparency

We strive to ensure that our corporate communication is as transparent and as relevant as possible for all stakeholders, such as shareholders, capital lenders, business partners and employees, as well as for the general public. Our website provides further information at any time on the group's current position, and this is also where press releases and quarterly reports, annual reports and a detailed financial calendar are published.

Compliance

We are aware of our responsibility towards our business partners, shareholders and employees, as well as to the environment and to society. We therefore specifically undertake to uphold clear principles and values. In particular, this includes observing and upholding legal requirements and regulatory standards as well as voluntary obligations and our own internal guidelines. Our Compliance Management System is designed to safeguard our principles and values. Further information about our Compliance Management System can be found in the Sustainability Report 2017 and on our website.

Financial Accounting and Annual Audit

We have again agreed with the annual auditors, KPMG AG Wirtschaftsprüfungsgesellschaft, Bielefeld, for this reporting period that the Chairman of the Supervisory Board and the Chairwoman of the Finance and Audit Committee must be informed without delay of any grounds for exclusion or bias that may arise during the audit insofar as these cannot be eliminated. In addition, the auditor shall also immediately report any findings and events that arise during the audit of the Financial Statements and Consolidated Financial Statements that have a significant bearing on the work of the Supervisory Board. Moreover, the auditor will inform the Supervisory Board or note in the audit report if, when conducting the audit, any facts are discovered that are inconsistent with the declaration of conformity issued by the Executive Board and Supervisory Board under the Corporate Governance Code.

Insurance for Members of the Supervisory Board and the Executive Board of DMG MORI

D&O insurance (directors' and officers' liability insurance) and legal protection insurance have been taken out for members of the Supervisory Board, all the Executive Board members and the managing directors at DMG MORI. The D&O insurance contains the deductible provided for in the Code and in the pertinent statutory provisions, respectively.

Share Ownership of the Executive Board and Supervisory Board Members

Only one member of the Supervisory Board is an indirect shareholder in DMG MORI AKTIENGESELLSCHAFT. The Supervisory Board member Dr. Eng. Masahiko Mori holds shares in DMG MORI COMPANY LIMITED (Nara, Japan). According to its last notification of voting rights, DMG MORI COMPANY LIMITED, indirectly held a 76.03% share of voting rights in the share capital of DMG MORI AKTIENGESELLSCHAFT. Hence, Dr. Eng. Masahiko Mori is indirectly a shareholder of DMG MORI AKTIENGESELLSCHAFT.

Pursuant to Section 15a WpHG (German Securities Trading Act), members of the Supervisory Board or Executive Board, and other individuals subject to reporting requirements, must notify both the company and the Federal Financial Supervisory Authority (BaFin) whenever they buy or sell company shares or other company securities. The company is then legally required to publish such notification without delay. The corresponding notifications made by DMG MORI AKTIENGESELLSCHAFT can be viewed on the company website at all times.

Suggestions of the German Corporate Governance Code

DMG MORI also complies with the suggestions of the German Corporate Governance Code to a large extent. There are currently deviations in the area of the Annual General Meeting. The Code suggests that it should be possible to contact the proxy exercising the shareholder's voting rights as instructed by the shareholder during the Annual General Meeting. For organizational reasons, no provision has been made to livestream the entire Annual General Meeting.