

Corporate Governance Report / Group Declaration on Corporate Management

➤ business report information not reviewed for content

The Executive Board and Supervisory Board of DMG MORI AKTIENGESELLSCHAFT always act in accordance with good corporate governance and report on matters concerning corporate governance at DMG MORI in adherence to the German Corporate Governance Code. This is reflected in a responsible and transparent business management and corporate governance. Good corporate governance is an essential element of strategic thinking and action on all organizational levels throughout the group.

In November 2020, the Executive Board and Supervisory Board issued a declaration of conformity which confirmed compliance with all recommendations set out in the "Government Committee German Corporate Governance Code" in the Code's version dated 16 December 2019 for the time since the Code's publication in the electronic Federal Gazette on 20 March 2020, with the following exception:

- › In accordance with G.10 of the German Corporate Governance Code, the majority of the Executive Board remuneration is to be paid in the form of company shares or a corresponding share-based arrangement. DMG MORI is not implementing this recommendation but is rather basing the long-term remuneration components of the Executive Board on performance indicators the Supervisory Board has found to bear significant relevance on the company's success over the long term.

A share-based remuneration is not suitable for DMG MORI because DMG MORI AKTIENGESELLSCHAFT, as a result of the domination and profit transfer agreement from 2 June 2016, is a dependent company whose shareholders have been promised compensation under the domination and profit transfer agreement. The development of the company's share price is thus not significantly influenced by the Executive Board's performance and hence not an adequate means to determine the long-term remuneration component of the Executive Board at DMG MORI.

The Executive Board and the Supervisory Board further confirm their intention to continue adherence to the recommendations set out in the "Government Committee German Corporate Governance Code" in accordance with the declaration of conformity issued for the year 2020.

DMG MORI complies with the suggestions of the German Corporate Governance Code except for two exceptions regarding the Annual General Meeting. For organizational and cost reasons, the physical Annual General Meeting is held without

being broadcast over the Internet and without the possibility of contacting the representatives with regard to exercising the voting rights of shareholders in accordance with their instructions during the Annual General Meeting.

The current declaration of conformity and the corporate governance report together with the declarations of conformity of previous years are permanently accessible on our website.

→ en.dmgmori-ag.com/corporate-communications/corporate-governance/

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

Responsible Management of Opportunities and Risks

For us, part of good corporate governance is the comprehensive and systematic management of opportunities and risks within corporate management. Detailed information on the risks and opportunities management system can be found on page 78 et seq.

Cooperation between the Executive Board and Supervisory Board

The Executive Board and Supervisory Board work closely in the best interest of the company. The Executive Board coordinates the strategic direction of the company with the Supervisory Board and informs the Supervisory Board regularly, timely and comprehensively about all questions pertaining to the strategy, business development, risk position, risk management and compliance that are of relevance for the company. Any deviations in the course of business from the established plans and goals adopted by the group are investigated and explained. The Executive Board forwards the half-year reports and quarterly releases to the Finance and Audit Committee and discusses these reports and releases with the Finance and Audit Committee before their publication. The Articles of Association and the Rules of Procedure require the Supervisory Board's approval for a wide range of business transactions proposed by the Executive Board.

The remuneration of both the members of the Supervisory Board and Executive Board is presented in detail in the remuneration report from page 32 et seq. which forms part of the Management Report accompanying the Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT.

The Supervisory Board and the Executive Board jointly care for succession planning. To this end, the Supervisory Board regularly gives selected executives the opportunity to present themselves. The Supervisory Board has set an age limit of 60 for the (re-) appointment of Executive Board members.

Objectives concerning the Composition of the Supervisory Board

In its meeting on 22 September 2015, the Supervisory Board adopted the following resolution pursuant to Section C.1 DCGK (German Corporate Governance Code):

- › The Supervisory Board should continue to be composed of the unchanged number of shareholder representatives with experience in the management or governance of companies with global operations;
- › Consideration of employees from significant areas of DMG MORI on the employee side;
- › Consideration of knowledge of DMG MORI and of markets of particular importance to DMG MORI, as well as of technical contexts and in the management of technologies;
- › Consideration of special knowledge and experience in the application of accounting principles, internal control procedures and compliance processes;
- › At least two male and two female Supervisory Board members should be among the shareholder representatives as well as the employees' representatives;
- › A least 50% of all Supervisory Board members should be independent;
- › Avoiding conflicts of interest;
- › An upper age limit of 70 years at the time of election to the Supervisory Board should be observed; limit of five office terms;
- › Nominations for future composition of the Supervisory Board should also orient themselves, in particular, to the interests of the company, while observing the aforementioned objectives.

The re-election of the Supervisory Board in May 2018 meant that the Supervisory Board again complied with its voluntary commitment of setting a gender quota in financial year 2020. It also adhered to its voluntary commitment to ensure the independence of at least 50% of the Supervisory Board members.

In accordance with section D.13, the Supervisory Board again carried out a self-assessment in the reporting year. [→ Report of the Supervisory Board, Page 7].

Diversity

The diversity culture lived at DMG MORI allows our employees for example to become involved in the Group's international projects. This cultural exchange promotes personnel diversity and increases performance. At DMG MORI, all employees

and job applicants are held in high esteem irrespective of their nationality or ethnic origin, gender, age, religion, sexual orientation or physical impairments. The Executive Board has manifested this equal opportunity policy in the form of 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 on 30 November 2017 adopted a resolution that provides for a quota of 20% of the Executive Board of DMG MORI AKTIENGESELLSCHAFT to be filled with female members by no later than 30 June 2022.

As a result of the flat hierarchies at DMG MORI AKTIENGESELLSCHAFT, there is only one management level that is subordinate to the Executive Board. On 18 October 2017, the Executive Board agreed on a target female quota of 10% for this management level. The target is to be achieved by 30 June 2022. With regard to the Supervisory Board, the statutory quota of 30% has been met consistently since the Supervisory Board elections in 2018. The shareholders' and employees' representatives have decided to meet the legal requirements separately from each other. Two female members have been among the shareholder representatives of the Supervisory Board since the Supervisory Board's election. The same election resulted in three female members joining the Supervisory Board as employee representatives.

Prevention of Conflicts of Interest

The Executive Board and the Supervisory Board are obliged to act in the best interest of the company. The members of the Executive Board and of the Supervisory Board are prohibited from pursuing personal interests in their decisions and in connection with their office, from pursuing business opportunities the company is entitled to for their own interests, and from granting undue advantages to other persons. Conflicts of interest that may arise from these and other situations must be disclosed to the Supervisory Board without delay. The Supervisory Board must assess these conflicts and grant its approval were adequate. The Supervisory Board reports to the Annual General Meeting on any conflicts of interest and on how they are dealt with.

Shareholders and Annual General Meeting

Our shareholders exercise their rights at the occasion of the Annual General Meeting. The Annual General Meeting adopts resolutions, inter alia, on the granting of discharge to the Supervisory Board and Executive Board, as well as on the election of the auditor of the annual financial statements and proposed amendments of the Articles of Association. Shareholders may exercise their voting right in person. Shareholders who are unable to personally attend a physical Annual General Meeting are offered the option of appointing an authorized representative of their choosing to exercise their voting rights on their behalf, or to assign them to a proxy who must exercise them in accordance

with their instructions. For virtual Annual General Meetings – as for the first time during the corona pandemic – we offer our shareholders other ways of exercising their rights within the legal possibilities. It is also possible to obtain information about the Annual General Meeting timely from the Internet. All documents and information are made available to our shareholders on our website well ahead of the meeting date.

Transparency

We aspire to warrant corporate communications that offer the greatest possible transparency and currency for all target groups, including shareholders, investors, business partners, employees and the general public. Our website is continuously updated with information on the company's current affairs. Press and quarterly releases, annual reports and a detailed financial calendar are also published on the website.

Compliance

We are aware of our responsibility towards our business partners, shareholders and employees, as well as to the environment and to the society. With their best interest in mind, we are firmly committed to clear principles and values. This particularly includes the adherence to and compliance with statutory requirements and regulatory standards, voluntary commitments and our internal policies. Our compliance management system is tasked with warranting our continued alignment with our principles and values. Further information about our Compliance Management System can be found in the Sustainability Report 2020 and on our website.

Accounting and Annual Audit

For the year under review, DMG MORI and financial auditing firm PwC PricewaterhouseCoopers, Bielefeld, agreed that the Chairman of the Supervisory Board and the Chairman of the Finance and Audit Committee shall be informed promptly about any reasons for exclusion or bias that arise during the audit and cannot be remedied. 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 informs the Supervisory Board, or points out in the audit report, any circumstances 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

The group has taken out D&O insurance policies (management liability insurance) and legal expenses insurance policies for members of the Supervisory Board, all Executive Board members and all Managing Directors. The D&O insurance contains the deductible provided for in the Code or in the pertinent statutory provisions.

Shareholdings of the Executive Board and Supervisory Board members

Only one of the members of the Supervisory Board holds a significant indirect interest in DMG MORI AKTIENGESELLSCHAFT. Dr. Eng. Masahiko Mori holds shares in DMG MORI COMPANY LIMITED (Nara, Japan). In the year under review, DMG MORI COMPANY LIMITED indirectly acquired a further 9.55% of shares, thus increasing the interest in the share capital of DMG MORI AKTIENGESELLSCHAFT to 85.58%. Thus, Dr. Eng. Masahiko Mori is indirectly holding an equity interest in DMG MORI AKTIENGESELLSCHAFT.

Pursuant to Section 19 MMVO (German Market Abuse Regulations), members of the Supervisory Board or Executive Board, as well as other individuals subject to reporting requirements, must notify both the company and the Federal Financial Supervisory Authority (BaFin) whenever they buy or sell, inter alia, shares or other securities of the company. The company is then required to publish a corresponding notice without delay. The relevant notifications made by DMG MORI AKTIENGESELLSCHAFT are available on the company's website anytime.