

## SUPERVISORY BOARD'S REPORT TO THE 2020 SHAREHOLDERS' MEETING

The 2019 financial year was characterized by the systematic implementation of the Group strategy and the Group's ongoing transformation in an age of digitalization and technological change. Good business development on the domestic German market and in Europe, and continued excellent business development in the United States were major features. Deutsche Telekom in general remains under high competitive and regulatory pressure. The Group held its own in the challenging environment in the telecommunications industry. Strong results brought the 2019 financial year to a successful close. The Group continues to grow. The Supervisory Board exercised its functions as an advisory and supervisory body and gave the Board of Management its full support.

### SUPERVISORY BOARD'S ACTIVITIES IN THE 2019 FINANCIAL YEAR

We continually monitored the Board of Management's activities in managing the business and the Group as a whole. Specifically, this supervisory role consisted of ensuring that these activities were lawful, compliant, appropriate, strategically relevant, and efficient.

The primary prerequisites for fulfilling this role were the Board of Management's written and oral reports. The Board of Management kept us regularly informed in good time on corporate strategy, planning, business development of the Group and its different segments, the risk situation, risk management, compliance, innovation focuses, and any deviations in the business development from original plans, as well as significant business transactions involving the Company and its significant subsidiaries and associates.

The Board of Management fulfilled its duties to inform quickly and in full. The Board of Management's reports met all statutory requirements, the standards of good corporate governance, and the criteria imposed on them by us with regard to both content and scope. In addition to the reports, we requested and received supplementary information. We reviewed, critically analyzed, and verified the plausibility of these reports and other information.

The Rules of Procedure of the Board of Management and Supervisory Board include a list of transactions and measures for which the Board of Management has to obtain approval from the Supervisory Board. We met with the Board of Management to discuss and thoroughly review the business transactions and measures presented to us in the 2019 financial year for approval in line with this document. We approved the transactions and measures submitted for resolution.

The frequency of plenary and committee meetings mean that we are in close contact with the Board of Management. The Board of Management also reports on individual issues in writing or in discussions between the meetings. In addition, the Chairman of the Supervisory Board is in contact with the Chairman of the Board of Management at regular appointments at which current business transactions, strategy issues, planning, business development, regulation, the risk situation, risk management, and compliance, as well as other significant events, are discussed.

In the 2019 financial year, four Supervisory Board meetings, a one-day off-site conference, and 27 meetings of the Supervisory Board committees took place. The overall attendance rate was around 97 percent. Each of the Supervisory Board members attended more than half of the meetings of the Supervisory Board and the respective committees on which they sit. Members unable to attend the meeting usually participated in resolutions by submitting their voting instructions in writing.

An overview of the number of meetings attended by the individual members of the Supervisory Board is provided in the section entitled "[Number of meetings attended by the individual members.](#)"

Written votes were used where resolutions were required between the meetings.

In the meeting on February 20, 2019, in the presence of the external auditor, we primarily dealt with the Company's 2018 annual financial statements and consolidated financial statements, as well as the Group management report, which is combined with the management report of Deutsche Telekom AG (combined management report), including the combined non-financial (Group) statement contained in the combined management report as a separate section. Our approval of the 2018 annual financial statements was based on the recommendation of the Audit Committee. The same applies to the review of the combined non-financial statement. We agreed to the Board of Management's proposal on the appropriation of net income. We resolved to reappoint Srinii Gopalan for the Europe Board department, we approved the agenda of the 2019 shareholders' meeting, and we dealt with several other topics including remuneration. The Board of Management reported comprehensively on the current situation and the most important financial and operational KPIs for the Company and its segments. We acknowledged the reports on Deutsche Telekom's new climate strategy and the 10th anniversary of the Data Privacy Advisory Board.

In the meeting on May 22, 2019, the Board of Management reported comprehensively on the current situation and the financial and operational KPIs for the Company and its segments in the first quarter of 2019. Following acknowledgment, we discussed the report on the current status of the planned business combination of T-Mobile US with the mobile communications provider Sprint, the 5G spectrum auction in Germany, and the broadband build-out in Germany in detail. We also resolved a change to the Board of Management's schedule of responsibilities to accommodate a planned reorganization of the units assigned to the

Board department for Data Privacy, Legal Affairs and Compliance, and we dealt with the quarterly Group risk report. Furthermore, we adopted a resolution on the transfer of Deutsche Telekom AG's stake in Ströer SE & Co. KGaA to Deutsche Telekom Trust e.V.

In the meeting on September 4, 2019, the Board of Management reported on the current situation and the financial and operational KPIs for the Company and its segments in the second quarter of 2019. We also intensively discussed the Board of Management compensation system. We approved the introduction of a clawback provision and share ownership guidelines into the Board of Management members' contracts. We also adopted a resolution on the realignment of T-Systems. In addition, we agreed to extend Adel Al-Saleh's contract as a member of the Board of Management. We acknowledged the report on the HR strategy and discussed further potential for development. Further reports submitted to us related in particular to the current status of the planned business combination of T-Mobile US with Sprint, the conclusion of the 5G spectrum auction in Germany, and to the latest regulatory developments.

At the joint off-site conference with the Board of Management on the following day, we dealt mainly with Deutsche Telekom's strategy and the major trends affecting its business. We debated the status of the strategy and progression with its implementation, and discussed individual strategic focal topics. In addition, we looked closely at T-Mobile US' operations and the telecommunications market in the United States.

In our meeting on December 18, 2019, we adopted resolutions on a variety of Board of Management compensation topics, such as target achievement for variable remuneration. The Board of Management reported on the current situation and the financial and operational KPIs in the Company and its segments in the third quarter of 2019. A further focus of the meeting was the resolution on the budget and on the annual financing plan for the 2020 financial year. We also acknowledged the medium-term planning for 2020 to 2023 and dealt with the Group risk report. Additionally, we looked at the outcome of the invitation to tender for the auditing of the annual and consolidated financial statements and other auditing services from the 2021 financial year onwards.

In our plenary meetings and in the Audit Committee in particular, we also regularly supervised the management of the Company by the Board of Management. As part of this, we made sure that the Board of Management ensured compliance with legal provisions and internal standards and policies through the Group-wide compliance organization. We also regularly met with the Board of Management to discuss the Group-wide risk management system that it had introduced. Based on our own reviews and on the audit reports from the external auditors, we came to the conclusion that the internal compliance system and the internal control and risk management system are effective. In its plenary meetings, the Supervisory Board also regularly dealt with diverse organizational matters.

Outside of its meetings, the Supervisory Board attended information events to keep up to date on the latest topics and developments.

## ORGANIZATION OF THE SUPERVISORY BOARD'S ACTIVITIES

To increase the efficiency of our work, and in consideration of the specific requirements we have to fulfill, we have set up the committees listed below, all of which have an equal number of shareholders' and employees' representatives, with the exception of the Nomination Committee. In regard to committee membership, our aim is to achieve regular rotation among the Supervisory Board members. Our objective is also to ensure that the chairperson roles on the committees are occupied by different members. The committees' chairpersons regularly reported to us at our plenary meetings on the content and results of committee meetings.

### Supervisory Board committees

#### General Committee

- Prof. Dr. Ulrich Lehner (Chairman)
- Josef Bednarski
- Dr. Rolf Bösing
- Lothar Schröder

#### Finance Committee

- Karl-Heinz Streibich (Chairman)
- Dr. Günther Bräunig
- Nicole Koch
- Dagmar P. Kollmann
- Frank Sauerland
- Karin Topel

#### Audit Committee

- Dagmar P. Kollmann (Chairwoman)
- Josef Bednarski
- Dr. Rolf Bösing
- Prof. Dr. Michael Kaschke
- Petra Steffi Kreusel
- Sibylle Spoo

#### Staff Committee

- Lothar Schröder (Chairman)
- Josef Bednarski
- Prof. Dr. Ulrich Lehner
- Margret Suckale

#### Nomination Committee

- Prof. Dr. Ulrich Lehner (Chairman)
- Dr. Rolf Bösing
- Dagmar P. Kollmann

#### Mediation Committee

- Prof. Dr. Ulrich Lehner (Chairman)
- Josef Bednarski
- Dr. Rolf Bösingher
- Lothar Schröder

#### Technology and Innovation Committee

- Lothar Schröder (Chairman)
- Odysseus D. Chatzidis
- Lars Hinrichs
- Nicole Seelemann-Wandtke
- Karl-Heinz Streibich
- Margret Suckale

#### Special Committee for U.S. Business

- Prof. Dr. Ulrich Lehner (Chairman)
- Dr. Günther Bräunig
- Constantin Greve
- Dr. Helga Jung
- Lothar Schröder
- Sibylle Spoo

#### Special Committee on the Acquisition of Spectrum in Germany (from January 1, 2019, to June 12, 2019)

- Prof. Dr. Ulrich Lehner (Chairman)
- Josef Bednarski
- Lothar Schröder
- Karl-Heinz Streibich

The **General Committee** met eight times in 2019, one meeting of which was held jointly with the Finance Committee. The committee focused mainly on preparing the recommendations for decision for the plenary meetings in regard to all of the decisions on Board of Management and Supervisory Board matters. Among other things, the committee reviewed the compensation system and the appropriateness of Board of Management remuneration as scheduled. Succession planning for the Board of Management was also discussed in the meeting. In the joint meeting with the Finance Committee, the General Committee dealt in particular with the 2020 budget and the medium-term planning for 2020 to 2023.

The **Finance Committee** met three times, of which one meeting was together with the General Committee. Investment planning and focuses were the subject of the meetings. The committee also dealt with general topics such as interest and foreign currency management, pension obligations and capital investments, net debt and rating, and a spectrum review. In the joint meeting with the General Committee, the Finance Committee discussed the 2020 annual financing plan in particular.

The **Audit Committee** met five times in 2019. The external auditor was present at all of these meetings. The Audit Committee's area of responsibility is defined by German legislation and the German Corporate Governance Code. It includes, in particular, the monitoring of accounting and the accounting process, the effectiveness of the internal control system, risk management and the internal auditing systems, compliance, and data privacy. The Audit Committee also handled matters relating to the audit of the Company's financial statements, in particular selecting and ensuring the independence of the external auditor, and monitored the additional services provided by the external auditor, the commissioning of the external auditor, the stipulation of the main focuses of the audit, and the agreement on fees. After thorough discussion, the Audit Committee issued a recommendation to us about our suggestion for the external auditor to be nominated by the 2019 shareholders' meeting. The Audit Committee also regularly discussed the quarterly reports on business development. Additionally, the Audit Committee continually shaped and supervised the tendering process it had initiated in 2019 for the auditing of the annual and consolidated financial statements and other auditing services from the 2021 financial year onwards. Furthermore, the Audit Committee commissioned PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt/Main with a limited assurance engagement on the combined non-financial statement contained within the combined management report. In the 2019 financial year, the Audit Committee again held one extraordinary meeting on fundamental issues affecting the Group. At this meeting, the committee dealt in particular with the effectiveness of the reporting system on the internal control, risk management and internal auditing systems, and on the compliance system, including the ongoing development of the reporting structure. When the Audit Committee dealt with the risk management system, this year it focused in particular on the cybersecurity situation. At the same meeting, the Audit Committee dealt with the topic of data privacy and data security and the members discussed and familiarized themselves with new requirements and developments regarding German and EU law as well as financial accounting standards. Outside of its meetings, the Audit Committee members attended a deep dive workshop on the risk management system.

Dagmar P. Kollmann, Chairwoman of the Audit Committee, has expert knowledge of accounting and auditing. She is also particularly knowledgeable and experienced in the application of accounting standards and internal control procedures. She is independent, and is not a former member of the Board of Management of Deutsche Telekom AG. Like the members of the full Supervisory Board, the members of the Audit Committee overall are very familiar with the sector in which Deutsche Telekom AG is active.

The **Staff Committee** held two meetings in 2019 and mainly discussed matters relating to headcount planning and qualitative and quantitative staff-requirements planning for the purpose of preparing Supervisory Board resolutions on the 2020 budget. The committee also dealt with topics such as the HR strategy, the women's quota, and talent management. In addition, the Staff Committee looked in detail at the results of employee surveys.

The **Nomination Committee** met once in 2019, and dealt in its meeting with succession planning for the Supervisory Board.

The **Mediation Committee** to be formed in accordance with § 27 (3) of the Codetermination Act did not meet in 2019.

The **Technology and Innovation Committee** held three meetings in 2019 and dealt with a very broad range of topics from a variety of areas. For example, the committee discussed trends and strategic approaches, 5G, the transformation of the Technology and Innovation Board department, the data strategy, and the topic of the connected customer experience. The committee also dealt with the current trend radar. The committee supports and promotes innovation and technological developments at infrastructure and product level; it supports the Board of Management with advice on how to tap new growth areas.

The **Special Committee for U.S. Business** held two meetings in 2019 and primarily discussed the planned business combination of T-Mobile US and mobile communications provider Sprint.

The **Special Committee on the Acquisition of Spectrum in Germany** was constituted from January 1 through June 12, 2019. The committee was kept updated by the Board of Management regarding the Federal Network Agency's 5G auction in Germany and provided guidance and advice in this context. The Special Committee on the Acquisition of Spectrum in Germany was dissolved upon conclusion of the 5G auction on June 12, 2019.

#### Number of meetings attended by the individual members

Member of the Supervisory Board	Meeting	Attendance	Attendance rate in %
<b>Prof. Dr. Lehner, Ulrich</b>			
	Supervisory Board plenary meeting/off-site conference	5/5	100%
	General Committee	8/8	100%
	Staff Committee	2/2	100%
	Nomination Committee	1/1	100%
	Special Committee for U.S. Business	2/2	100%
	Special Committee on the Acquisition of Spectrum in Germany <sup>a</sup>	3/3	100%
	<b>Total</b>	<b>21/21</b>	<b>100%</b>
<b>Schröder, Lothar</b>			
	Supervisory Board plenary meeting/off-site conference	5/5	100%
	General Committee	8/8	100%
	Staff Committee	2/2	100%
	Technology and Innovation Committee	3/3	100%
	Special Committee for U.S. Business	2/2	100%
	Special Committee on the Acquisition of Spectrum in Germany <sup>a</sup>	3/3	100%
	<b>Total</b>	<b>23/23</b>	<b>100%</b>
<b>Bednarski, Josef</b>			
	Supervisory Board plenary meeting/off-site conference	5/5	100%
	General Committee	8/8	100%
	Audit Committee	5/5	100%
	Staff Committee	2/2	100%
	Special Committee on the Acquisition of Spectrum in Germany <sup>a</sup>	3/3	100%
	<b>Total</b>	<b>23/23</b>	<b>100%</b>
<b>Dr. Bösinger, Rolf</b>			
	Supervisory Board plenary meeting/off-site conference	5/5	100%
	General Committee	7/8	88%
	Audit Committee	5/5	100%
	Nomination Committee	1/1	100%
	<b>Total</b>	<b>18/19</b>	<b>95%</b>
<b>Dr. Bräunig, Günther</b>			
	Supervisory Board plenary meeting/off-site conference	4/5	80%
	Finance Committee	3/3	100%
	Special Committee for U.S. Business	2/2	100%
	<b>Total</b>	<b>9/10</b>	<b>90%</b>
<b>Chatzidis, Odysseus D.</b>			
	Supervisory Board plenary meeting/off-site conference	5/5	100%
	Technology and Innovation Committee	3/3	100%
	<b>Total</b>	<b>8/8</b>	<b>100%</b>
<b>Greve, Constantin</b>			
	Supervisory Board plenary meeting/off-site conference	5/5	100%
	Special Committee for U.S. Business	2/2	100%
	<b>Total</b>	<b>7/7</b>	<b>100%</b>

<sup>a</sup> Constituted from January 1, 2019 to June 12, 2019.

Member of the Supervisory Board	Meeting	Attendance	Attendance rate in %
<b>Hinrichs, Lars</b>			
	Supervisory Board plenary meeting/off-site conference	4/5	80%
	Technology and Innovation Committee	2/3	67%
	<b>Total</b>	<b>6/8</b>	<b>75%</b>
<b>Dr. Jung, Helga</b>			
	Supervisory Board plenary meeting/off-site conference	5/5	100%
	Special Committee for U.S. Business	2/2	100%
	<b>Total</b>	<b>7/7</b>	<b>100%</b>
<b>Prof. Dr. Kaschke, Michael</b>			
	Supervisory Board plenary meeting/off-site conference	5/5	100%
	Audit Committee	2/5	40%
	<b>Total</b>	<b>7/10</b>	<b>70%</b>
<b>Koch, Nicole</b>			
	Supervisory Board plenary meeting/off-site conference	5/5	100%
	Finance Committee	3/3	100%
	<b>Total</b>	<b>8/8</b>	<b>100%</b>
<b>Kollmann, Dagmar P.</b>			
	Supervisory Board plenary meeting/off-site conference	5/5	100%
	Audit Committee	5/5	100%
	Finance Committee	3/3	100%
	Nomination Committee	1/1	100%
	<b>Total</b>	<b>14/14</b>	<b>100%</b>
<b>Kreusel, Petra Steffi</b>			
	Supervisory Board plenary meeting/off-site conference	5/5	100%
	Audit Committee	5/5	100%
	<b>Total</b>	<b>10/10</b>	<b>100%</b>
<b>Krüger, Harald</b>			
	Krüger, Harald		
	Supervisory Board plenary meeting/off-site conference	5/5	100%
	<b>Total</b>	<b>5/5</b>	<b>100%</b>
<b>Sauerland, Frank</b>			
	Supervisory Board plenary meeting/off-site conference	5/5	100%
	Finance Committee	3/3	100%
	<b>Total</b>	<b>8/8</b>	<b>100%</b>
<b>Seelemann-Wandtke, Nicole</b>			
	Supervisory Board plenary meeting/off-site conference	5/5	100%
	Technology and Innovation Committee	3/3	100%
	<b>Total</b>	<b>8/8</b>	<b>100%</b>
<b>Spoos, Sibylle</b>			
	Supervisory Board plenary meeting/off-site conference	5/5	100%
	Audit Committee	4/5	80%
	Special Committee for U.S. Business	2/2	100%
	<b>Total</b>	<b>11/12</b>	<b>92%</b>
<b>Streibich, Karl-Heinz</b>			
	Supervisory Board plenary meeting/off-site conference	5/5	100%
	Finance Committee	3/3	100%
	Technology and Innovation Committee	3/3	100%
	Special Committee on the Acquisition of Spectrum in Germany <sup>a</sup>	3/3	100%
	<b>Total</b>	<b>14/14</b>	<b>100%</b>
<b>Suckale, Margret</b>			
	Supervisory Board plenary meeting/off-site conference	5/5	100%
	Staff Committee	2/2	100%
	Technology and Innovation Committee	3/3	100%
	<b>Total</b>	<b>10/10</b>	<b>100%</b>
<b>Topel, Karin</b>			
	Supervisory Board plenary meeting/off-site conference	5/5	100%
	Finance Committee	3/3	100%
	<b>Total</b>	<b>8/8</b>	<b>100%</b>

<sup>a</sup> Constituted from January 1, 2019 to June 12, 2019.

## CONFLICTS OF INTEREST

Dr. Rolf Bösing is a member of the Supervisory Board of Deutsche Telekom AG and, at the same time, State Secretary at the Federal Ministry of Finance. Dr. Günther Bräunig is a member of the Supervisory Board of Deutsche Telekom AG and is also CEO of the Executive Board at Kreditanstalt für Wiederaufbau (KfW). We are aware that Deutsche Telekom AG is currently involved in legal disputes in which the Federal Republic of Germany is the opposing party. There were no conflicts of interest requiring action with any of the aforementioned members of the Supervisory Board. Should a conflict of interest arise, the Supervisory Board members will discuss how to proceed with the Chairman of the Supervisory Board.

## CORPORATE GOVERNANCE

The Supervisory Board and Board of Management are aware that good corporate governance is an important foundation for corporate success. The provisions of the German Corporate Governance Code are hence reflected in the Company's statutes. The Board of Management and the Supervisory Board last issued their Declaration of Conformity with the German Corporate Governance Code on December 30, 2019.

For further information on the Company's corporate governance, please refer to the [Corporate Governance Report 2019](#).

## CHANGES IN THE COMPOSITION OF THE BOARD OF MANAGEMENT

The profiles of all Board of Management members are available at <https://www.telekom.com/en/investor-relations/management-and-corporate-governance/board-of-management>

At its meeting on February 21, 2018, the Supervisory Board of Deutsche Telekom AG resolved to extend Timotheus Höttges' contract as Chairman of the Board of Management by five years. Timotheus Höttges was reappointed as Chairman of the Board of Management effective January 1, 2019. Also at its meeting on February 21, 2018, the Supervisory Board of Deutsche Telekom AG resolved to appoint Dr. Christian P. Illek as the new Board member responsible for Finance (CFO) effective January 1, 2019.

At its meeting on July 13, 2018, the Supervisory Board of Deutsche Telekom AG resolved to appoint Birgit Bohle as the new Board of Management member responsible for Human Resources and as Labor Director effective January 1, 2019. Birgit Bohle succeeded Dr. Christian P. Illek in this position.

At its meeting on September 4, 2018, the Supervisory Board of Deutsche Telekom AG resolved to extend the Group Board of Management by setting up the Board department USA and Group Development. The new Board department has been headed up by Thomas Langheim since January 1, 2019.

On February 20, 2019, the Supervisory Board resolved to reappoint Srin Gopalan as the Board member responsible for the Europe Board department for the period from January 1, 2020 through December 31, 2024.

At its meeting on May 22, 2019, the Supervisory Board resolved to dissolve the Board department for Data Privacy, Legal Affairs and Compliance effective March 31, 2020 to coincide with the end of Dr. Thomas Kremer's term of office, and it also resolved to reassign the department's individual units to other Board departments effective January 1, 2020: The Data Privacy, Legal Affairs, and Compliance units were assigned to the HR Board department, which was renamed Human Resources and Legal Affairs as of January 1, 2020. The Risk Management and Internal Audit units were assigned to the Finance Board department, and Security was assigned to the Technology and Innovation Board department. As the Board member responsible for Data Privacy, Legal Affairs and Compliance, Dr. Kremer is overseeing the transition of these units to their receiving departments from January 1, 2020 until his departure from the Company.

In a resolution of September 4, 2019, Adel Al-Saleh's original three-year appointment was extended by a further two years through December 31, 2022.

## CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD

The profiles of all Supervisory Board members are available at <https://www.telekom.com/en/investor-relations/management-and-corporate-governance/supervisory-board>

**Shareholders' representatives.** After being appointed to the Supervisory Board of Deutsche Telekom AG by the Bonn District Court until the end of the shareholders' meeting, succeeding Dr. Johannes Geismann effective June 1, 2018, the shareholders' meeting on March 28, 2019 elected Dr. Rolf Bösing to the Supervisory Board of Deutsche Telekom AG until the end of the 2024 shareholders' meeting.

At the shareholders' meeting on March 28, 2019, Lars Hinrichs was elected for a further term of office as a member of the Supervisory Board of Deutsche Telekom AG until the end of the 2024 shareholders' meeting.

At the shareholders' meeting on March 28, 2019, Karl-Heinz Streibich was elected for a further term of office as a member of the Supervisory Board of Deutsche Telekom AG until the end of the 2024 shareholders' meeting.

## REVIEW OF THE ANNUAL FINANCIAL STATEMENTS OF THE PARENT COMPANY AND THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2019 FINANCIAL YEAR

The Board of Management submitted the annual financial statements, the consolidated financial statements, and the Group management report, of which the latter is combined with the management report of Deutsche Telekom AG (combined management report) and includes the non-financial (Group) statement as a separate section, together with its proposal for the appropriation of net income, to us in good time.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, which was appointed as auditor of the single-entity financial statements and auditor of the consolidated financial statements (external auditor) for the 2019 financial year by the shareholders' meeting on the recommendation of the Audit Committee and proposed for appointment by the entire Supervisory Board, audited the annual financial statements as of December 31, 2019, which were prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB), and the combined management report, as well as the consolidated financial statements as of December 31, 2019, which were prepared in accordance with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB, and the combined management report, and issued an unqualified audit opinion for each document. The auditor also issued an unqualified audit opinion for the combined non-financial statement contained in the combined management report.

Before the Audit Committee passed a resolution on its recommendation to the Supervisory Board for the proposal for election to be submitted to the shareholders' meeting, the external auditor confirmed that there are no business, financial, personal or other relationships between itself, its corporate bodies, and audit managers on the one hand, and the Company and its corporate body members on the other that may cast doubt on its independence. The auditor also stated to what extent non-audit services were rendered for the Company in the previous financial year and to what extent such services have been contracted for the following year. On this basis, the Audit Committee verified and confirmed the external auditor's requisite independence. It informed us of the outcome of this review before we prepared our resolution to propose to the shareholders' meeting the election of said independent auditor.

The external auditor also confirmed to the Audit Committee and the Supervisory Board in their financial statement review meetings on February 17 and February 18, 2020, respectively, that there are no circumstances that may give rise to doubts about the external auditor's impartiality. In this context, the auditor also reported on any services rendered in addition to auditing services. In the Supervisory Board meeting on February 17, 2020, the Audit Committee informed us about its monitoring of the auditor's independence while taking account of the non-audit services provided, and of its conclusion that the auditor continues to be independent as necessary.

The external auditor submitted its reports on the nature and extent as well as the result of its audits (audit report) to us. The documentation on the financial statements (including the combined non-financial statement), the external auditor's audit report, and the Board of Management's proposal for the appropriation of net income were made available to all members of the Supervisory Board in good time.

We conducted our own in-depth review of the documents submitted by the Board of Management and the external auditor's audit reports. In preparation, the Audit Committee had conducted a thorough review of the aforementioned documents. The annual financial statements, the consolidated financial statements, and the combined management report (including the combined non-financial statement contained therein), as well as the Board of Management's proposal for the appropriation of net income, were explained in detail by the Board of Management to the members of the Audit Committee at its meeting on February 17, 2020. The members of the Board of Management also answered the committee members' questions. Moreover, the external auditor also attended this meeting and reported on its audit, in particular the key audit areas defined in agreement with the Audit Committee and the Supervisory Board, and the main findings of its audit, and explained its audit report. The external auditor did not identify any material weaknesses in the internal control system at Group level, in the risk management system, or in the accounting process. The members of the Audit Committee acknowledged and critically reviewed the audit report and audit opinion, and discussed them, as well as the audit itself, with the external auditor. The review included questions about the nature and extent of the audit and about the audit findings. The Audit Committee satisfied itself that the audit and the audit report were compliant. In particular, its members had assured themselves that the audit report and the audit conducted by the independent auditor met the legal requirements. The Audit Committee agrees with the external auditor that there were no material weaknesses, in particular with regard to the accounting process, in the internal control or risk management systems at Group level. The same applies to the combined non-financial statement. The Audit Committee recommended that we approve the results of the audit conducted by the external auditor and, since it had no objections to the documents submitted by the Board of Management, that we approve the annual financial statements and the consolidated financial statements; it also recommended that we not raise any objections against the combined management report including the combined non-financial statement, and that we support the Board of Management's proposal for the appropriation of net income.

We performed the final review of the annual financial statements, the consolidated financial statements, and the combined management report, including the combined non-financial statement, as well as the Board of Management's proposal for the appropriation of net income, at the Supervisory Board meeting on February 18, 2020, taking into account the report and recommendations of the Audit Committee and the external auditor's audit report. The Board of Management attended this meeting, explained the documents they had submitted, and answered our questions. The external auditor also attended this meeting and reported on its audit and the main findings of its audit, explained its audit report, and answered our questions,

in particular relating to the nature and extent of the audit and the audit findings. Based on this and the report presented by the Audit Committee, we were satisfied that the audit and the audit report were compliant. We followed the Audit Committee's recommendation and approved the result of the external auditor's audit. The same applies to the combined non-financial statement.

Based on the final outcome of our review of the annual financial statements, the consolidated financial statements, and the combined management report, including the combined non-financial statement, as well as the Board of Management's proposal for the appropriation of net income, no objections need be raised. The same applies to the Corporate Governance Statement even insofar as it is not to be audited by the external auditor. We followed the Audit Committee's recommendation and approved the annual financial statements and the consolidated financial statements.

The approval of the Supervisory Board constitutes formal approval of the annual financial statements.

The Supervisory Board's assessment of the position of the Company and the Group is the same as that which the Board of Management presented in its combined management report, including the combined non-financial statement. It followed the Audit Committee's recommendation and approved these documents.

When dealing with the budget and medium-term planning on December 18, 2019, we conducted an in-depth examination of financial and investment plans, discussing in particular the development of earnings, free cash flow, the equity ratio, and balance sheet ratios. The Board of Management's proposal concerning the appropriation of net income was examined by the Audit Committee on February 17, 2020, and by the Supervisory Board on February 18, 2020. The external auditor was present at both meetings. We followed the Audit Committee's recommendation to approve and support the Board of Management's proposal to pay out shareholder remuneration of around EUR xx million and to carry forward EUR xx million to unappropriated net income.

We would like to thank the members of the Board of Management, all employees and the works committees for their commitment and dedication in the 2019 financial year.

Bonn, February 18, 2020  
The Supervisory Board

Prof. Dr. Ulrich Lehner

Chairman