

## **Explanatory statement by the Board of Management in connection with section 289 (5) and section 315 (2) no. 5 HGB**

The aim of our internal accounting-related control and risk management system is to ensure that accounting is carried out consistently and in accordance with statutory requirements, generally accepted accounting principles and internal guidelines. The accounting process itself includes those operating processes that provide the value flows for financial reporting, the process for preparing the single-entity and consolidated financial statements, and all information sources and processes from which the material disclosures in the single-entity and consolidated financial statements are derived.

In addition to the fundamental principles of separating functions and restricting access to data, DEUTZ adheres to written work instructions and, in particular, Group accounting guidelines that are regularly updated at head office and communicated throughout the Group in order to ensure that accounting is carried out properly and consistently. Each reporting entity is responsible for compliance with the guidelines, and the data reported to DEUTZ's Group accounting department is validated on an ongoing basis during the preparation of monthly financial statements. Data is reported to the Group head office using a standard reporting tool that has been implemented throughout the Group. Additional control mechanisms covering the risks in the main processes, thereby guaranteeing a reliable accounting and reporting system, are normally set up locally at departmental level. Control activities include systematic reviews carried out by the internal audit department. Information relevant to accounting is shared on an ongoing basis with the Head of Finance, Accounting and Compliance and passed on to the Chief Financial Officer in regular meetings. In addition to discussing the single-entity and consolidated financial statements, the Audit Committee set up by the Supervisory Board regularly discusses interim financial reporting as part of the quarterly financial reporting procedure. In addition, the Audit Committee's monitoring function covers the internal control system set up by the Board of Management as well as the accounting process itself.

The internal control and risk management system is subject to regular reviews by the internal audit department, which reports directly to the Board of Management. The internal audit department prepares a risk-based audit plan and verifies whether the statutory regulations and the DEUTZ Group's internal guidelines for its entire control and risk management system are being complied with. The findings allow us to eliminate any deficiencies that have been identified and ensure that the internal control system is continuously refined.

The internal control and risk management system ensures that accounting at DEUTZ AG and at all companies that are included in the consolidated financial statements is carried out consistently and in accordance with legal and statutory requirements and internal guidelines. In particular, the risk management system used throughout the DEUTZ Group is tasked with promptly identifying risks, evaluating them and communicating them appropriately. This ensures that the user concerned is provided with accurate, relevant, reliable and timely information.