

# Corporate governance report

In accordance with Item 3.10 of the version of the German Corporate Governance Code still relevant for this report of 7 February 2017, Jungheinrich AG's Supervisory Board and Board of Management report jointly on corporate governance at Jungheinrich:

At Jungheinrich, corporate governance means deliberate, value-oriented management that aims for decision-making and conduct that is efficient, responsible and focussed on long-term corporate success at all decision-making levels of the company and its subsidiaries. Jungheinrich's understanding of corporate governance is oriented towards the regulatory frameworks of relevance to the company and international best practices. Above and beyond this, the Board of Management and Supervisory Board consider the Code, which was published by the German Corporate Governance Code Government Commission, to be an important guideline for both inwardly and outwardly oriented corporate governance. In the year under review, the Board of Management and Supervisory Board once again regularly scrutinised the Code's recommendations and suggestions critically, in particular to determine whether they are useful given the nature of the company as a family-owned business and with regard to its objectives. As in the past, the Supervisory Board and the Board of Management decided to follow and implement the recommendations and suggestions of the Code almost unreservedly. Only with a few exceptions was this not the case or applicable merely to a limited extent. These deviations were reviewed in depth and communicated following the passage of the resolution.

The foundations of Jungheinrich's entrepreneurial activity are the company's quest to create value as a family-owned business, the clear and balanced distribution of tasks, authorities and responsibilities among the company's corporate bodies, the close and efficient cooperation between the offices of the Board of Management and also between the Board of Management and the Supervisory Board, open internal and external corporate communications, orderly accounting and audits of the financial statements and responsible risk management.

The Board of Management, which currently consists of five members (a reduction to four members from 1 April 2020 has been decided upon) runs and assumes responsibility for the company's operations.

Composed of six shareholder representatives and six employee representatives, the Supervisory Board has equal representation and monitors the Board of Management's business management activities, advising it on the Group's strategic and operational matters. Four women are on the Supervisory Board; two were appointed to represent shareholders and two were appointed to represent employees. The company thus satisfies the legally mandated minimum female quota of 30 per cent on the Supervisory Board. A balance between experience and qualification as well as expertise and diversity is important to the company when filling positions on this corporate body. We take a broad view on diversity, embracing not only age, gender and nationality but also other factors, such as educational background, professional qualifications and experience. The company has therefore made the decision not to create formal skills profiles that go beyond this or to apply a specifically formulated diversity policy.

The Annual General Meeting, which usually takes place in the first four months of the year, is the company's highest governing body and the occasion where shareholders have the opportunity to exercise their rights. At the Annual General Meeting, the Board of Management and the Supervisory Board report to the shareholders on business developments and the company's financial and earnings position, and answer questions from the shareholders and shareholder association representatives. Voting rights may only be exercised by holders of ordinary shares at the Annual General Meeting, while all shareholders have the right to speak and ask questions.

The independent auditors, KPMG AG Wirtschaftsprüfungsgesellschaft, Hamburg, assisted the Supervisory Board in performing the tasks entrusted to it by law and the articles of association by way of their work. Compliance with statutory regulations and internal guidelines is important to the company and its committees. Jungheinrich's compliance management system consists of more than ten core elements divided into the categories "Prevention" (particularly the Code of Conduct, guidelines, procedures, processes and control, instructions and consulting), "Detection" (particularly reports and confidential reports, business partner checks, monitoring and inspection, business data analysis) and "Reaction" (particularly dealing with faults and incidents, inspections, corrective measures, improvements).

During the year, the Board of Management and Compliance Officer regularly reported on the compliance organisation and its activities to the Supervisory Board's Finance and Audit Committee, which promptly discussed compliance issues. The company takes a cautious and restrained approach to risks.

In addition to this corporate governance report, reference is made to the report of the Supervisory Board in this annual report [pages 14 to 16](#) as well as to the Corporate Governance Statement, which has been published on the company's website for further information. [www.jungheinrich.com/investor-relations/corporate-governance](http://www.jungheinrich.com/investor-relations/corporate-governance) The financial publications, documents relating to the Annual General Meeting, the financial calendar with all important dates, particularly for analysts, investors, shareholder associations and the media, any ad-hoc and press releases along with compulsory statements, especially regarding securities transactions involving members of the Board of Management and Supervisory Board, and any related persons acquiring or selling company shares (managers' transactions) subject to obligatory reporting, voting rights notifications submitted to the company and other company information are all available on the website. [www.jungheinrich.com/investor-relations](http://www.jungheinrich.com/investor-relations)

In December 2019, following the Finance and Audit Committee's preparatory work, the identical Board of Management and Supervisory Board standard annual declarations of compliance with the recommendations and suggestions of the Government Commission's German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act was adopted and published on the company's website. It reads as follows:

"Jungheinrich AG has complied with the recommendations of the Government Commission's German Corporate Governance Code dated 7 February 2017 and published by the German Federal Ministry of Justice in the official section of the German Federal Gazette on 24 April 2017 since its last declaration of compliance in December 2018, and will continue to do so, with the following exceptions:

1. The company's D&O insurance policy does not include a deductible for the members of the Supervisory Board (Item 3.8 of the Code).

The D&O insurance policy is a group insurance policy for the company's board members (Board of Management and Supervisory Board) and also for a large number of the Group's employees in Germany and abroad. Differentiating between employees and board members in principle was deemed improper in the past. Nevertheless, in view of the German law on the appropriateness of management board remuneration, the company's insurance policy was supplemented by a deductible for the members of the Board of Management in line with the sum specified by the law and the Code. However, the legislator expressly renounced mandating the introduction of a corresponding deductible for supervisory board members. Only the Code includes a recommendation to this effect. Therefore, the Supervisory Board does not see any reason to deviate from its current practice. The Supervisory Board's deliberations in this connection are based on the conviction that the prime objective is to recruit to the Supervisory Board suitable individuals whose experience is beneficial to the Supervisory Board's work in the company's interests. These goals would be counteracted if the recruited Supervisory Board members satisfying these requirements merely had limited insurance coverage for their work.

2. The remuneration of the members of the Board of Management and Supervisory Board is not published in itemised or individualised form (Items 4.2.4, 4.2.5 and 5.4.6 of the Code).

The company still does not implement the Code's recommendation to present the remuneration of the members of the Board of Management or Supervisory Board in itemised or individualised form in the notes or the management report. These are corporate bodies and disclosure by an individual board member is therefore irrelevant. Furthermore, the company believes that the benefits of such disclosure to the public and investors are not significant enough to disregard the associated disadvantages – including each of the board members' right to privacy. Ultimately, in accordance with its resolution dated 24 May 2016, the Annual General Meeting again waived the obligation of the members of the Board of Management to provide individualised disclosure for a period of five years.

3. A nomination committee for proposing suitable Supervisory Board candidates to the Annual General Meeting will not be established (Item 5.3.3 of the Code).

In light of the company's nature, which can be likened to that of a family-owned company, the Supervisory Board believes that such a committee is dispensable. Two Supervisory Board members are seconded by the registered shareholders. The candidates proposed to the Annual General Meeting for the four remaining shareholder representative positions are chosen in close coordination with the holders of ordinary shares.

4. The company renounces the determination of an age limit and tenure limit for Supervisory Board members (Item 5.4.1 of the Code).

An age limit can lead to rigid rules, which may counteract the company's goal of recruiting extremely experienced individuals to work on the Supervisory Board. Therefore, the flexibility to make decisions on a case-by-case basis has been given preference over a rigid limit. The Supervisory Board deems it inappropriate to limit the tenure of the Supervisory Board's members.

5. The company has neither created a skills profile for the whole of the Supervisory Board nor published the Supervisory Board members' CVs (Item 5.4.1 of the Code).

Jungheinrich AG's Supervisory Board meets the diversity criteria required by law and the Code. Many of the Supervisory Board members have international business experience. The candidates that will be proposed to the Annual General Meeting for the four shareholder representative positions are determined in close coordination with the holders of ordinary shares, ensuring that only suitable candidates, who cover as many of the skills that the company requires as possible, are proposed to the Annual General Meeting. For this reason, the Supervisory Board does not deem it appropriate for Jungheinrich, as a family-owned company, to also create a skills profile for the full Supervisory Board. The CVs of Supervisory Board members are not published in order to protect their privacy.

6. The Supervisory Board's composition may not meet the criteria set forth in Item 5.4.2 of the Code regarding the number of independent Supervisory Board members.

Jungheinrich AG's Supervisory Board consists of a total of twelve members, six of whom are elected by the employees. Two Supervisory Board members are seconded by the registered shareholders. The candidates proposed to the Annual General Meeting for the four remaining shareholder representative positions are chosen in close coordination with the holders of ordinary shares. Only the ordinary shareholders are entitled to cast votes at the Annual General Meeting. The process for filling the shareholder representative positions reflects the fact that the company is a family-owned business.

7. The "cooling off" period in accordance with Item 5.4.4 of the Code, pertaining to Board of Management members transferring to the Supervisory Board, will not be used.

As was the case in 2019, it will remain possible for members of the Board of Management to transfer directly to the Supervisory Board on a case-by-case basis, i.e. without the "cooling-off" period prescribed in the Code. This wish was unanimously expressed by the ordinary shareholders at the Annual General Meeting. In the opinion of the ordinary shareholders, this will ensure the continued development of the company.

Hamburg, December 2019"

During the audit of the financial statements, the independent auditors reported all findings and issues material to fulfilling their tasks to the Supervisory Board. This included the finding that internal company practice does not deviate from the declaration concerning the German Corporate Governance Code adopted by the Board of Management and the Supervisory Board. The independent auditors thus confirmed that Jungheinrich adhered to its declaration of compliance. There were no reports from the auditors containing reasons for exclusion or any bias on the part of the auditors before or during the audit of the financial statements.

Hamburg, 17 March 2020

The Supervisory Board

The Board of Management