GENERAL INFORMATION

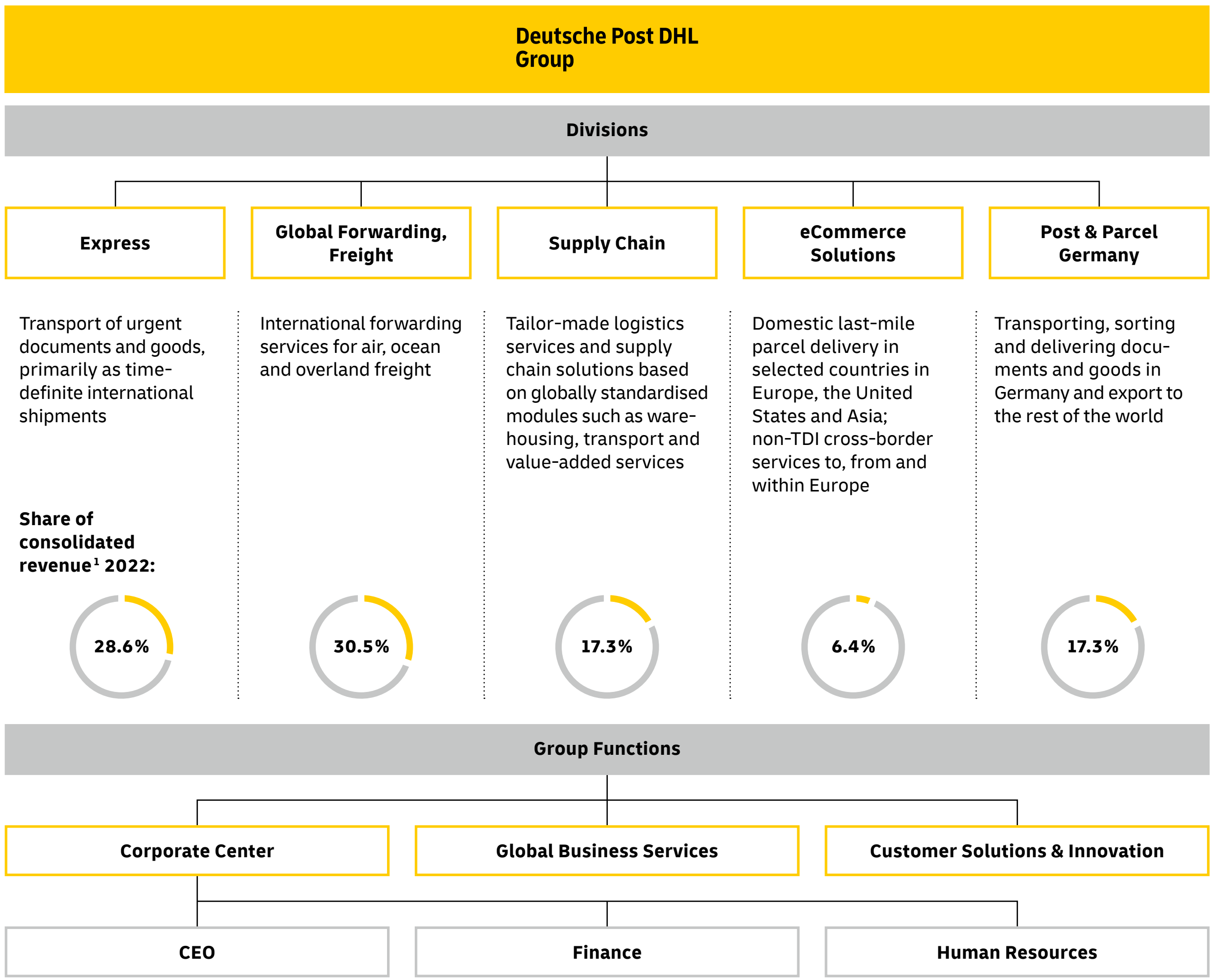
Business model

An international service portfolio

Deutsche Post AG is a listed German corporation domiciled in Bonn. Deutsche Post DHL Group unites two strong brands: DHL offers a comprehensive portfolio of services consisting of parcel shipment, international express delivery, freight transport, supply chain management and e-commerce solutions; Deutsche Post is Europe's leading mail and parcel provider. The Group is organised into five operating divisions: Express; Global Forwarding, Freight; Supply Chain; eCommerce Solutions; and Post & Parcel Germany. Each of the divisions is managed by its own divisional headquarters and subdivided into functions, business units or regions for reporting purposes.

Group management functions are centralised in the Corporate Center. The internal services that support the entire Group are consolidated in our Global Business Services unit. Customer Solutions & Innovation (CSI) is DHL's cross-divisional account management and innovation unit.

Corporate structure as at 31 December 2022



[1] Note 11 to the consolidated financial statements.

Organisational changes

Effective as of 1 July 2022, Nikola Hagleitner assumed responsibility on the Board of Management for Post & Parcel Germany from Tobias Meyer, who has since been responsible for Global Business Services.

Ken Allen left the company upon the expiration of his term of appointment on 31 July 2022. As a new member of the Board of Management, Pablo Ciano assumed responsibility for the eCommerce Solutions division as of 1 August 2022.

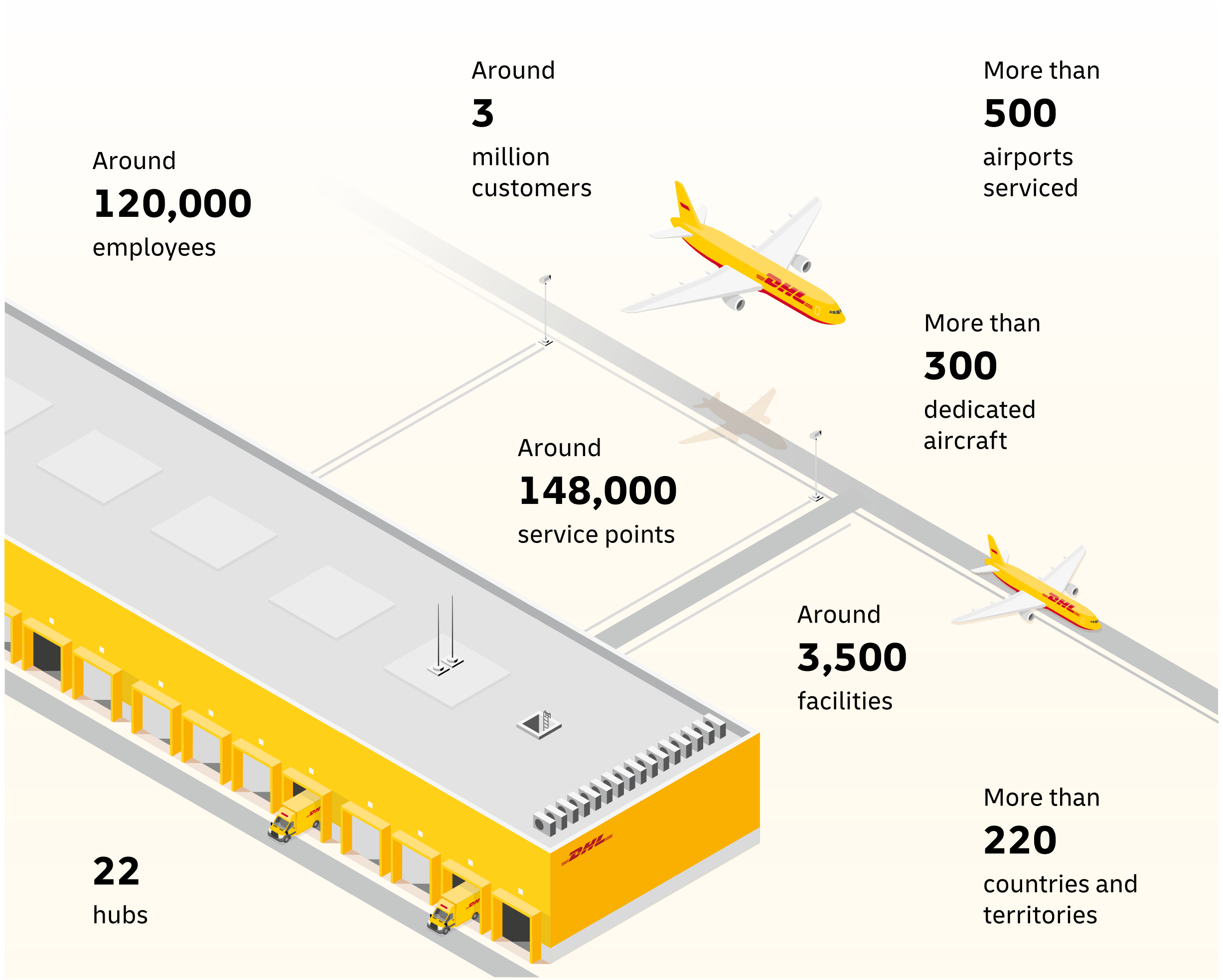
John Pearson has been responsible for CSI since 1 August 2022.

A presence that spans the globe

Our locations can be found in the List of shareholdings. The following description of the divisions shows market shares and market volumes – where available and useful – in the most important regions.

EXPRESS DIVISION

A global express network



Time-definite international shipments

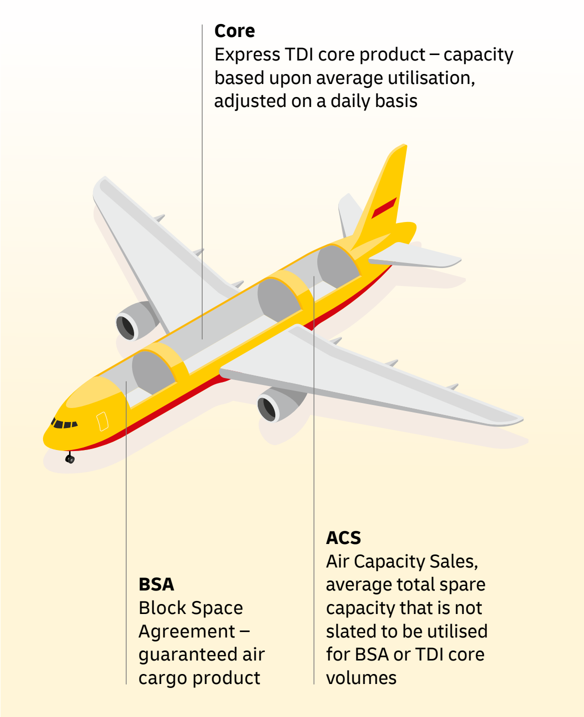
In the Express division, we transport urgent documents and goods reliably and on time from door to door. International time-definite shipments are our core business. The division's main product is Time Definite International (TDI), a cross-border transport and delivery service. Our TDI services enable delivery at predefined times, and our expertise in customs clearance keeps shipments moving as a prerequisite in ensuring fast and reliable door-to-door service. We also provide industry-specific services to round out our TDI product. For example, our Medical Express transport solution, which is tailored specifically to companies in the life sciences and healthcare sector, offers various types of thermal packaging for temperature-controlled, chilled and frozen contents.

Around 296 million TDI shipments were transported worldwide in 2022. We estimate our market share at 43% on the basis of a recent survey (2021).

Our virtual airline

Our global air freight network is operated by multiple airlines, some of which are wholly owned by the Group. The combination of our own and purchased capacities allows us to respond flexibly to fluctuating demand. The following graphic illustrates how our available freight capacity is organised and offered on the market. Most of the freight capacity is used for TDI, our main product. If any cargo space remains on our own flights, we sell it to customers in the air freight sector. The largest buyer of remaining capacity is the DHL Global Forwarding business unit.

Available capacity



Keeping our customer service promise

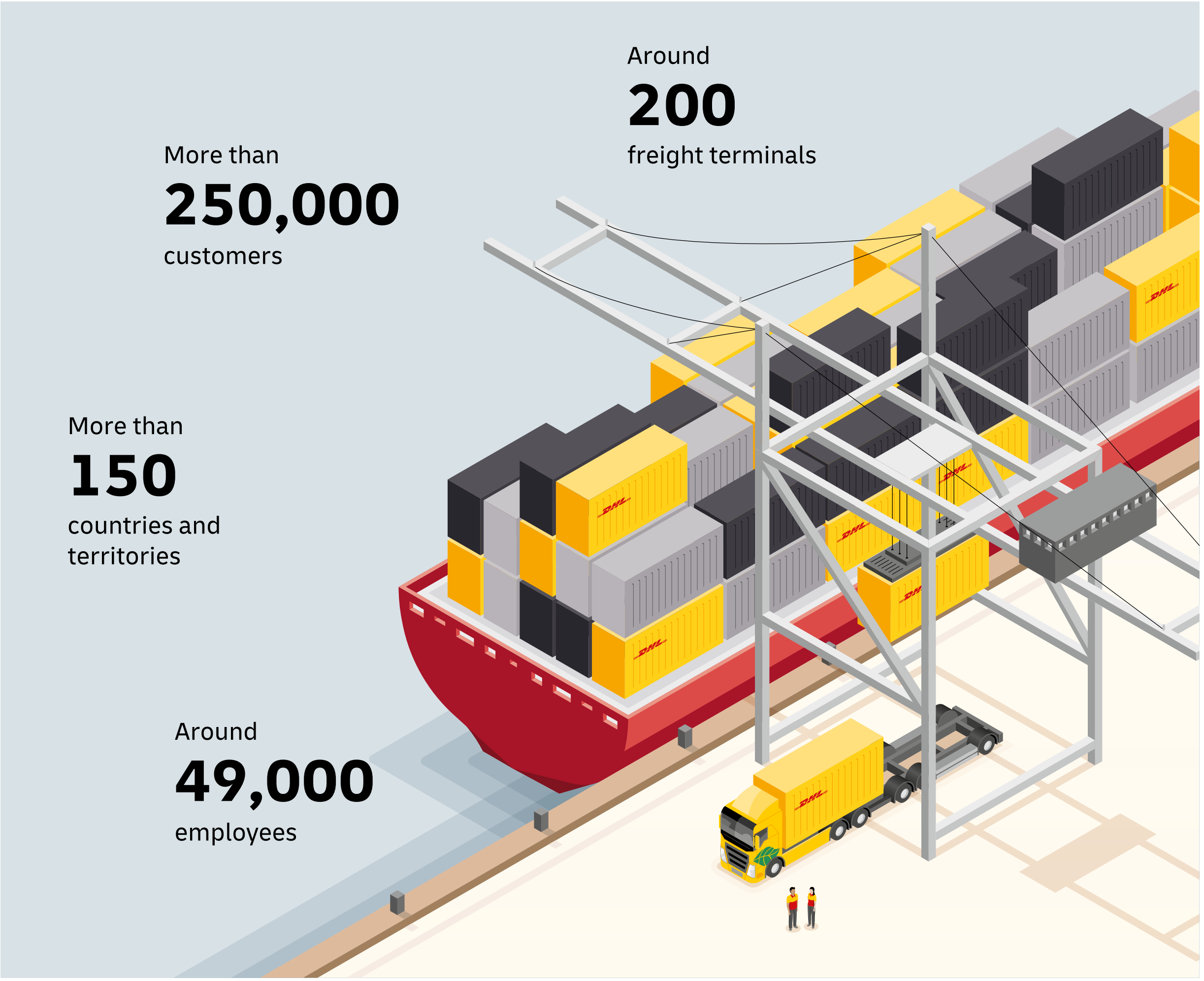
In order to keep our commitments to our customers as a global network operator, we monitor their satisfaction and changing requirements, for example through our Insanely Customer Centric Culture programme and with the Net Promoter Approach.

At our quality control centres, we track shipments across the globe and adjust the processes dynamically as required. All premium products are tracked until they are delivered.

We conduct regular reviews of operational safety, compliance with standards and quality of service at our facilities in co-operation with government authorities. Approximately 415 locations have been certified by the Transported Asset Protection Association (TAPA), making us a leader in this area.

GLOBAL FORWARDING, FREIGHT DIVISION

Air, ocean and overland freight



Air, ocean and overland freight forwarding services

Air, ocean and overland freight forwarding services are our core business. They include standardised transports as well as multimodal and sector-specific solutions, together with customised industrial projects and customs services. Our business model is based upon brokering transport services between customers and freight carriers. The global reach of our network allows us to offer efficient routing and multimodal transport options. Compared with the Group's other divisions, our operational business model is asset-light.

Volumes in air freight remained high despite uncertain market conditions

Despite the somewhat weak macroeconomic environment, we reached around 1.9 million tonnes (previous year: around 2.1 million tonnes) of export air freight transported.

Ocean freight market reports higher volumes

With around 3.3 million 20-foot container units (previous year: around 3.1 million) transported, we managed to increase the ocean freight volume under the difficult circumstances of 2022, with the additional volumes from the acquisition of Hillebrand making a noticeable difference.

Air and ocean freight market 2022: relevant volumes

	Asia Pacific	Americas	Middle East/Africa	Europe	Other	Global
Air freight (m tonnes)[1]	10.7	5.8	1.0	6.0	0.8	**24.3**
Ocean freight (m TEUs)[2]	40.1	8.5	4.7	7.6	1.1	**62.0**

[1] Data based solely on export freight tonnes. Source: estimate by Seabury Consulting. [2] Twenty-foot container units; estimated part of overall market controlled by forwarders. Data based solely on export volumes. Source: company estimates, Seabury Consulting.

Weaker growth in the European road freight market

After the European road freight market benefited from a significant increase in volumes in the previous year, the market developed more slowly in 2022. We recorded a decline in volumes by 4.8%. Capacity shortages, higher personnel costs, changes to commercial road freight and the significant rises in the diesel prices have led to a considerable increase in costs.

Satisfied customers and the digitalisation roadmap

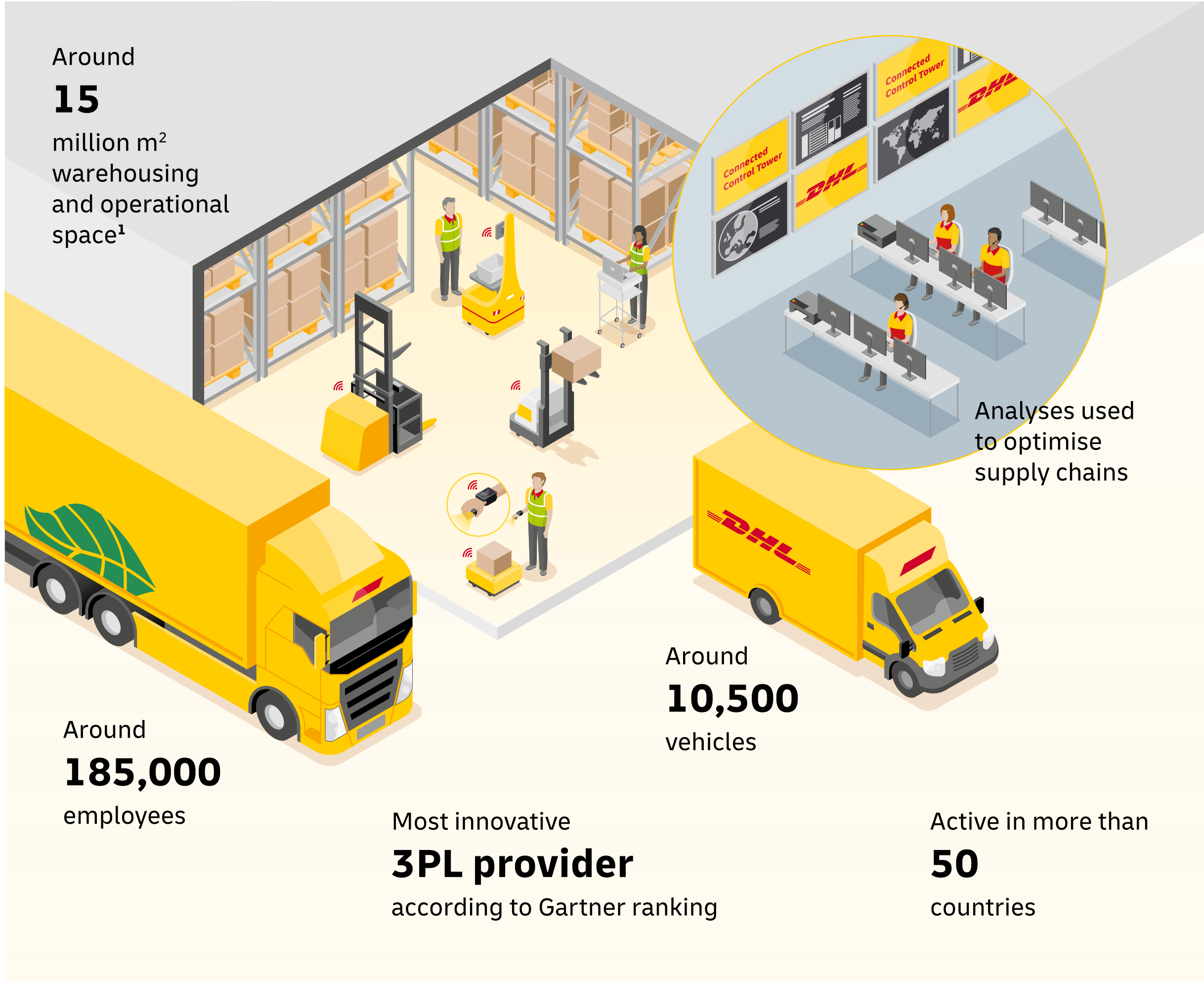
We aim to design our services to be as user-friendly as possible. To do so, we systematically record customer feedback by calculating Net Promoter Scores and conducting annual satisfaction surveys. Based upon the information received, we define initiatives and actions aimed at steadily improving our products and services.

The global network of the Global Forwarding, Freight division meets the highest safety standards demanded by customers and authorities, including TAPA and CTPAT; we therefore have the most advanced ISO-certified business continuity management programme in the industry.

With a global Transport Management System, we laid the foundation for further scaling of global applications and processes in the Global Forwarding business unit. We further implemented a standardised Transport Management System in the Freight business unit as well. Meanwhile, we are continually registering new user groups in our myDHLi portal and see increasing activity on our digital customer interaction tools, such as Saloodo! – our digital marketplace for road freight – and the Freight Customer Portal which is successfully running in Sweden.

SUPPLY CHAIN DIVISION

Solutions that reduce customer supply chain complexity



[1] Includes owned and leased warehouses only and not customer-owned facilities operated by DHL.

Tailor-made supply chain solutions

Our core business comprises tailor-made logistics services and supply chain solutions in order to reduce the complexity for our customers and to add sustainable value. We offer a broad product portfolio including warehouse operations and transport as well as value-added services such as eFulfillment, omnichannel solutions and returns management, Lead Logistics Partner (LLP), Real Estate Solutions, Service Logistics and packaging solutions targeted to our customer's needs across all strategic industry sectors. We offer modular solutions that allow our customers' operations to be more agile and more flexible to respond to changing supply chain needs and requirements.

Standardisation and use of innovative technologies

We are constantly striving to increase speed and agility along the entire supply chain through modular standardisation and the use of new technologies. State-of-the-art digital solutions are already used at more than 80% of our locations, for example with some 4,000 collaborative robots and some 38,000 smart wearables deployed. In addition, we leverage data analytics to drive operational efficiencies and to enhance the customer experience. We are integrating physical and digital supply chain solutions.

Leading position in contract logistics

The global contract logistics market is estimated at around €231.3 billion for the year 2021. DHL is the global market leader in the fragmented market of contract logistics with a market share of 6.0 % (2021) and operations in more than 50 countries. The market share of the next leading providers is half as large.

Meeting or exceeding customers’ expectations

With the globally consistent operating standards of our “Operations Management System First Choice”, we ensure that we consistently either meet or exceed our customers’ quality expectations and continuously improve.

Thanks to our systematic follow-up on customer feedback, our satisfaction values (Net Promoter Approach) remain on a high level.

Contract logistics market 2021[1]

€ billion	Asia Pacific	Americas	Middle East/Africa	Europe	Global
Contract logistics	81.6	67.4	7.9	74.4	**231.3**

[1] Company estimate.

ECOMMERCE SOLUTIONS DIVISION

Domestic last-mile parcel delivery and non-TDI cross-border services

More than
20
countries

More than
1.5
billion parcels

More than
90,000
service points

8
dedicated aircraft

Around
40,000
employees

Around
25,000
vehicles

Domestic and international non-time-sensitive parcel delivery

Our core business is domestic last-mile parcel delivery in selected countries in Europe, in the United States, in selected countries in Asia, in particular in India, and non-TDI cross-border services primarily to, from and within Europe, as well as to and from the United States.

The domestic last-mile parcel delivery service is provided via our own and partner networks, serving a mix of B2C and B2B customers across all sectors. Our non-TDI cross-border service provides worldwide shipping solutions to enable our customers to capitalise on strong growth in cross-border trade, whilst meeting their expectations for speed, transparency and quality. The DHL Parcel Connect platform is our delivery and returns solution developed especially for e-commerce in Europe, catering to both B2B and B2C, which simplifies pan-European cross-border shipping with a harmonised label, common IT systems, core features and local services.

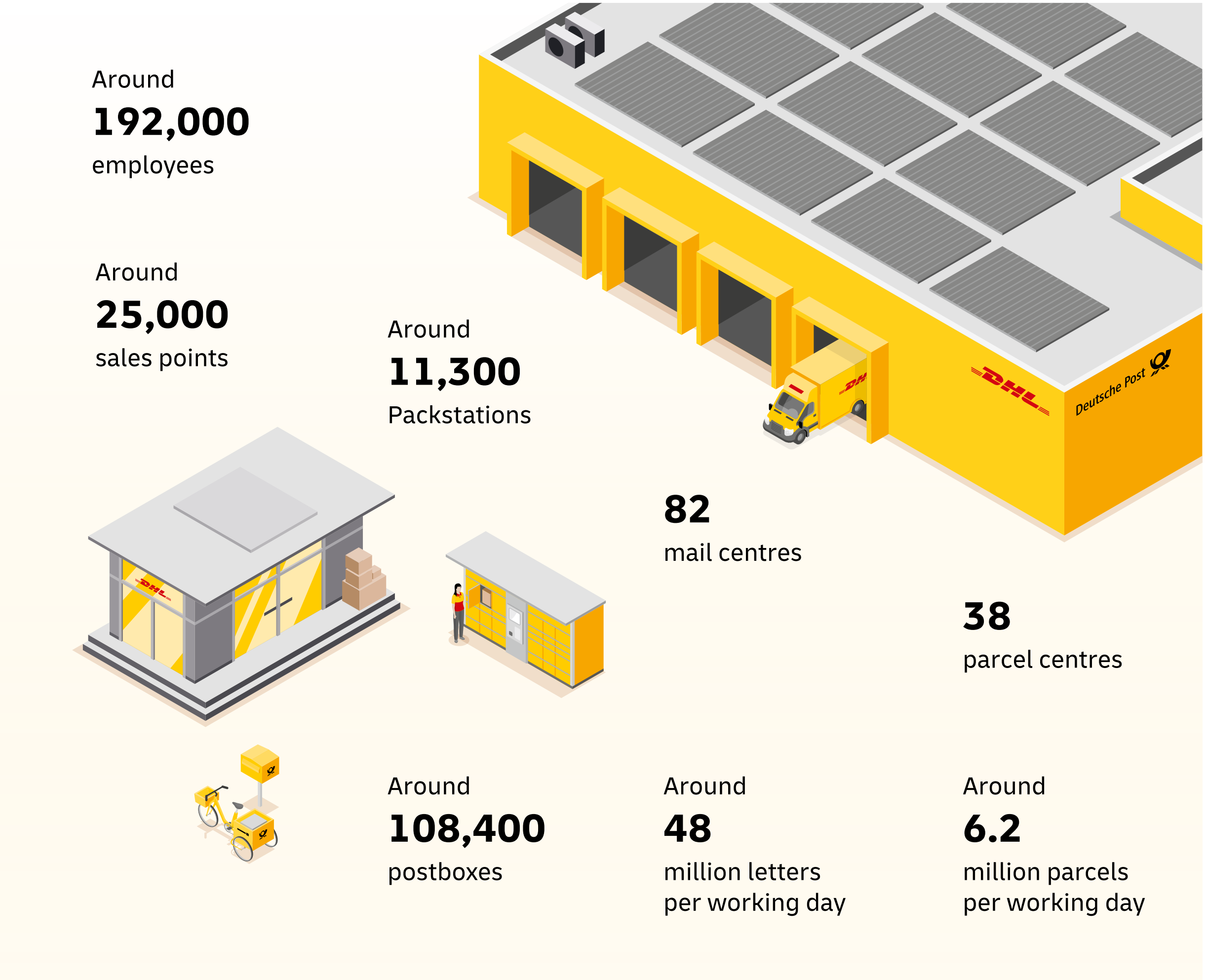
The B2C volume had risen significantly during the pandemic years, with the first half of 2021 representing the highest basis for comparison. The expected normalisation pattern came to be in 2022, with a lesser decrease in the second half of the year compared to the significant declines in the first six months of the year.

Satisfied customers and a high level of delivery reliability

We focus on delivering industry-leading performance as well as quality and service excellence. With this focus, we succeeded in achieving an overall global delivery quality of 95.5% (previous year: 95%).

POST & PARCEL GERMANY DIVISION

Nationwide post and parcel network in Germany



The postal service for Germany

As Europe's largest postal company, our core business is the transport, sorting and delivery of documents and goods. We maintain a nationwide post and parcel network in Germany, which we continually expand in consideration of digitalisation and sustainability.

Our products and services in the mail communication segment are targeted towards both private and business customers and range from physical and hybrid letters to special products for the delivery of goods, and include additional services such as registered mail, cash on delivery and insured items.

In the year under review, the German market for mail communication for business customers was worth around €4.3 billion (previous year: around €4.2 billion). With declining volumes, the slight rise is due primarily to price increases for some mail products subject to regulation effective from 1 January 2022. The decline in mail volumes in the reporting period is attributable to, amongst other factors, the unusually high level of mail-in ballots in the German federal and state elections in 2021. We monitor the market in which we compete, including the companies that operate as service providers to customers in this market – i.e. both competitors offering end-to-end services and consolidators providing partial services. Our market share increased slightly to 62.1% compared with the prior year (61.4%) due to gains recovered from the competition.

German mail communication market, business customers, 2022

Market volume: around €4.3 billion

Deutsche Post	62.1%
Competition	37.9%

Source: company estimate.

Cross-channel dialogue

On request, our Dialogue Marketing unit offers end-to-end solutions to advertisers – from address services and tools for design and creation to printing, delivery and evaluation. This supports cross-channel, personalised and automated dialogue so that digital and physical items with interrelated content are delivered according to a co-ordinated timetable and without any coverage waste.

The German advertising market grew by 4.4% in 2022 to come in at €29.9 billion, ultimately not growing as dynamically as in the previous year. Our share of this highly fragmented advertising market amounted to 5.7% (previous year: 5.9%).

German advertising market[1] 2022

Market volume: €29.9 billion

Competition	94.3%
Deutsche Post	5.7%

[1] Includes all advertising media with external distribution costs; the placement costs are shown as ratios.

Source: company estimate.

DHL Parcel for companies and private individuals

We maintain a dense network of parcel acceptance and drop-off points in Germany, which we expanded and digitalised in the reporting year.

We offer support to businesses to grow their online retail business. Along with the Supply Chain division, we are able to cover the entire logistics chain through to returns management on request.

Various services enable individualised and convenient parcel delivery for private customers: parcels can be delivered to an alternative address, a specific retail outlet or a Paketshop at short notice. Furthermore, registered customers can now have all items sent automatically to a Packstation or selected retail outlet. Additionally, the digital delivery notification for parcels introduced in the previous year is more transparent and more convenient.

The German parcel market continues to be subject to competition-driven structural changes, with established as well as new companies offering their services. In e-commerce, the delivery of a portion of shipments is handled by the merchant's own distribution networks.

There has been no interruption in the medium- and long-term growth trend in the number of online orders. In light of this as well, we will increase the number of Packstations to more than 15,000 in the coming years to make it even more convenient for customers all over Germany to send and receive parcels, and to create an environmentally friendly, traffic-reduced parcel delivery system. Following a successful pilot phase in 2021, we will also make progress in the expansion of Poststations.

Reliable delivery in a challenging environment

According to surveys conducted by Quotas, a quality research institute, around 86% of all domestic letters posted in Germany during daily opening hours at our retail outlets or before final collection were delivered the very next day in the year under review. Around 96% were delivered within two days. This puts us above the legally required levels of 80% (D+1) and 95% (D+2).

These figures can be deemed very positive in light of the challenging environment in which they were achieved. In the third year of the pandemic, we dealt with high levels of illness amongst employees at times. In addition, the situation on the German labour market remains tense overall.

Our approximately 25,000 person-operated sales points were open for an average of 55 hours per week in the year under review, as was the case in the previous year. Consumers who use the products and services offered by Deutsche Post retail outlets operated mostly by retailers are surveyed annually regarding customer satisfaction by "Kundenmonitor Deutschland". This study attested to the high level of approval enjoyed by Deutsche Post retail outlets: a total of 94.2% of the persons surveyed were satisfied with the quality and service (previous year: 94.5%). In addition, customers gave our sales points an average rating of 4.37 out of 5 stars in the Deutsche Post location finder (previous year: 4.31). The fixed-location acceptance and sales network has grown to around 36,300 sites (previous year: around 34,000) thanks to the expansion of our Packstation network.

Strategy

Navigating safely through a volatile, fast-changing environment

We announced Strategy 2025 in October 2019. It draws on the successful elements of Strategy 2015 and 2020, which established us as the world's leading logistics company. Building on this strong foundation, Strategy 2025 helps us to cement and grow that leading position as the pace of change in the world around us accelerates.

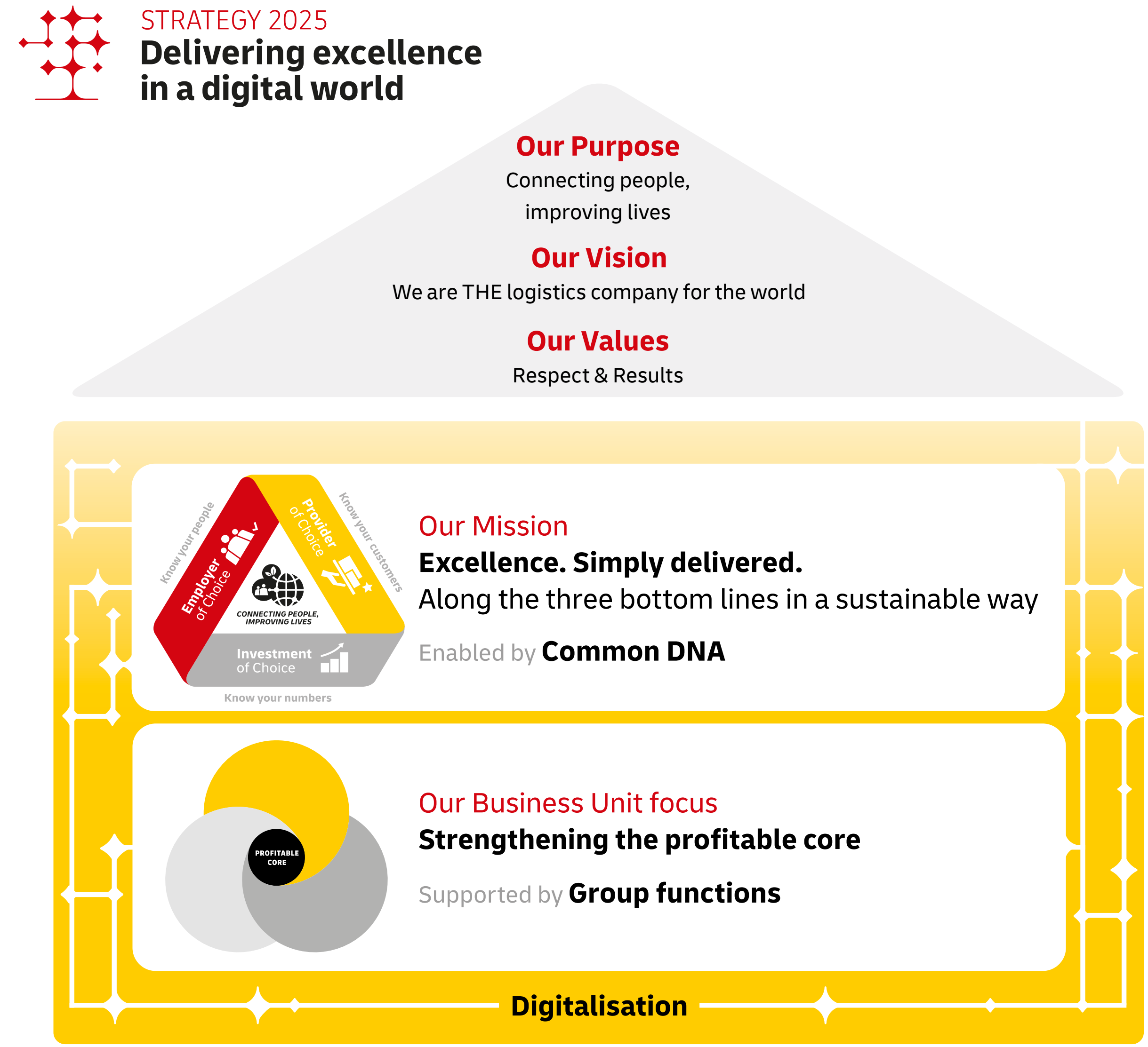
We defined our strategic goals in a comprehensive process in which we worked with relevant stakeholders including employees, customers, suppliers and investors. Our "Strategy House" graphic illustrates the most important elements of our strategy and how they are connected.

Strategy 2025 guided us safely through the volatile, fast-changing environment. As part of a yearly assessment, we undertook a detailed review of our corporate strategy and found it not only to be fundamentally sound, but that it had also made Deutsche Post DHL Group more resilient. That resilience is the result of disciplined and consistent execution of our Group strategy, with each and every element playing a key role.

Strategic triad of purpose, vision and values

Our purpose of "Connecting people, improving lives" has never been more important than it is today. In keeping with our vision of being THE logistics company for the world, Deutsche Post DHL Group strives to continue leading the industry – and doing so in an increasingly digital and sustainability-oriented world. Our core values "Respect & Results" are just as much a part of our strategy today as they have been in the past.

Strategy House



The triad of purpose, vision and values underpins the three building blocks of Strategy 2025: sustained execution excellence along the three bottom lines; becoming an employer, provider and investment of choice; a focus on our profitable core business and digital transformation. We have also cemented sustainability into every part of our business strategy through purpose and our own values. Respect and Results mean that we are committed to each other and together make a positive social contribution. Our purpose "Connecting people, improving lives" guides our efforts and sense of responsibility.

Execution excellence along the three bottom lines
Our mission, "Excellence. Simply delivered.", is defined by the three bottom lines. We believe having motivated and skilled employees is the key to providing excellent service quality and achieving profitable growth.

At Deutsche Post DHL Group, when we speak of our common DNA we mean the set of behaviours, tools and programmes that we put into practice throughout the Group. Group-wide programmes such as Certified, First Choice and Safety First play an important part in building the common DNA by influencing what we do on a day-to-day basis. Irrespective of division, geographical region or function, our common DNA is an expression of who we are and how we do things at Deutsche Post DHL Group.

As an integral part of our strategy, sustainability is anchored along our three bottom lines. New policies and regulations across industries, increasingly changing buying habits and the growing focus on sustainable investments have motivated us to serve as a sustainability role model in our industry and to set ourselves ambitious targets. We therefore made sustainability a cornerstone of our Strategy 2025 and an essential element of our mission.

With our ESG Roadmap, we build on our past achievements and plot a course for future success. The roadmap will serve as guidance in the three areas of environment, social responsibility and corporate governance. Clear objectives were set for each of these areas. We strive for environmentally friendly logistics and aim to be a great place to work for all and a trustworthy company and partner.

We set transparent, time-bound targets and KPIs with which we make sustainability an integral component in the yearly planning and strategic cycle, with targets integrated into our decision-making process. One key target is to increase the pace of our company's planned decarbonisation, Non-financial statement.

Divisions focus on profitable core business
Our divisions continue to focus relentlessly on their profitable core. In so doing, they ensure that our services and solutions can be provided reliably, even in unusual circumstances.

Digital transformation as a key lever
Representing a significant lever for sustainable business growth, digital transformation plays a crucial role in our strategy. We therefore invest in initiatives designed to improve the experiences our customers and employees have with the company and to increase operational efficiency. Our digitalisation framework has two elements. We are upgrading the IT infrastructure and utilising new technologies throughout the Group. At the same time, we are scaling business models that augment our core.

In our divisions, we have several initiatives and programmes in place to upgrade the IT backbone, ensure our future agility and increase IT efficiency. In our Centres of Excellence, we have combined technologies and expertise, e.g. in the areas of automation and robotics, data science, API, blockchain and the Internet of Things. They are allowing us to foster and build up in-house know-how and scale digital solutions across the divisions.

Research and development

As a service provider, Deutsche Post DHL Group does not engage in research and development activities in the narrower sense and therefore has no significant expenses to report in this connection.

Steering metrics

Financial and non-financial key performance indicators

Deutsche Post DHL Group uses both financial and non-financial performance indicators in its management of the Group. The monthly, quarterly and annual changes in these indicators are compared with prior-year data and forecast data to assist in making management decisions. The year-to-year changes in the financial and non-financial performance indicators described here also play an important role in the calculation of management remuneration. The Group's financial performance indicators are intended to preserve a balance between profitability, the efficient use of resources and adequate liquidity. How these metrics are computed is illustrated in the Calculations graphic. The performance of the financial key figures in the reporting year is described in the Report on economic position. As planned, the following non-financial key performance indicators were additionally introduced as management-relevant in the year under review: absolute logistics-related greenhouse gas (GHG) emissions, Realised Decarbonisation Effects, share of women in middle and upper management, lost time injury frequency rate (LTIFR) per 200,000 working hours and share of valid compliance-relevant training certificates in middle and upper management. Targets and results for these key performance indicators are described in the Non-financial statement.

Additional metrics that we will report beginning in 2023 are described and forecast in the Expected developments, opportunities and risks section.

EBIT and EAC (EBIT after asset charge)

The profitability of the Group's operating divisions is measured as profit from operating activities (EBIT).

EBIT after asset charge (EAC) is another key performance indicator used by the Group. EAC is calculated by subtracting the asset charge, a cost-of-capital component, from EBIT. Making the asset charge a part of business decisions encourages the efficient use of resources and ensures that our operational business is geared towards increasing value sustainably whilst improving cash flow.

The asset charge is calculated on the basis of the weighted average cost of capital, or WACC, which is defined as the weighted average net cost of interest-bearing liabilities and equity, taking into account company-specific risk factors in accordance with the Capital Asset Pricing Model.

A standard WACC of 8.5% is applied across the divisions. That figure also represents the minimum target for projects and investments within the Group. The WACC is generally reviewed once annually on the basis of the current situation on the financial markets. To ensure better comparability of the asset charge with previous figures, in 2022 the WACC used here was maintained at a constant level compared with the previous years.

The asset charge is calculated each month so that fluctuations in the net asset base can also be taken into account during the year. The Calculations graphic shows the composition of the Group's net asset base.

Free cash flow facilitates liquidity management

Along with EBIT and EAC, cash flow is another key performance metric used by Group management. The goal is to maintain sufficient liquidity to cover all of the Group's financial obligations from debt repayment and dividends, in addition to meeting payment commitments arising from the Group's operations and investments. Cash flow is calculated using the cash flow statement.

Operating cash flow (OCF) includes all items that are related directly to operating value creation. Another key parameter impacting OCF is net working capital. Effective management of net working capital is an important way for the Group to improve cash flow in the short to medium term.

Free cash flow (FCF) is a management indicator derived from OCF. It is used as an indicator of how much cash is available to the company for paying out dividends or repaying debt at the end of a reporting period.

Calculations

Revenue
+ Other operating income
± Changes in inventories and work performed and capitalised
– Materials expense
– Staff costs
– Depreciation, amortisation and impairment losses
– Other operating expenses
± Net income/loss from investments accounted for using the equity method

= **EBIT**
Profit from operating activities

EBIT
– Asset charge

= Net asset base
× Weighted average cost of capital (WACC)

= **EAC**
EBIT after asset charge

Operating assets

- Intangible assets
- Property, plant and equipment
- Goodwill
- Trade receivables (included in net working capital)[1]
- Other non-current operating assets[2]

– Operating liabilities

- Operating provisions (excluding provisions for pensions and similar obligations)
- Trade payables (included in net working capital)[1]
- Other non-current operating liabilities[2]

= **Net asset base**

EBIT
+ Depreciation, amortisation and impairment losses
± Net income/loss from disposal of non-current assets
± Non-cash income and expense
± Change in provisions
± Change in other non-current assets and liabilities
+ Dividends received
± Income taxes paid
= **Operating cash flow before changes in working capital (net working capital)**
± Change in net working capital
= **Net cash from/used in operating activities (operating cash flow, OCF)**
± Cash inflow/outflow arising from change in property, plant and equipment and intangible assets
± Cash inflow/outflow arising from acquisitions/divestitures
– Cash outflow for leases
± Net interest paid (excluding leases)

= **FCF**
Free cash flow

[1] Includes EBIT-related current assets and liabilities. Not included are assets and liabilities related to taxes, financing and cash and cash equivalents, for example.
[2] Includes EBIT-related other non-current assets and liabilities. Not included are assets and liabilities related to taxes or bonds, for example.

Managing and reducing greenhouse gas emissions

We aim to reduce the greenhouse gas (GHG) emissions produced by our operations, as well as our dependency on fossil fuels, in order to mitigate the impact of our operations on the global climate.

As planned, we introduced new key performance indicators in the year under review: the absolute logistics-related GHG emissions as a medium- and long-term target and Realised Decarbonisation Effects. We use the latter KPI to measure the emissions that we were able to avoid through the use of energy from renewable sources and sustainable technologies compared with conventional energy and technologies.

The calculation methodology for GHG emissions is based on recognised international standards such as the Greenhouse Gas Protocol, DIN EN 16258 and the Global Logistics Emissions Council Framework. For Realised Decarbonisation Effects, we also take the guidelines of the Smart Freight Centre for insetting and emissions calculation from sustainable aviation fuels into account.

As part of our reporting, we show the logistics-related GHG emissions including the upstream chain from fuel production (well-to-wheel) and include the GHG emissions caused or avoided by our transport subcontractors (Scope 3). We record the GHG emissions from categories 3, 4 and 6 in the calculation of Scope 3 emissions. The legally required blending of sustainable fuels is not included in the Realised Decarbonisation Effects.

Employee engagement as a factor for success

Motivated and committed employees contribute to the success of the company. In the annual Group-wide survey, all employees have the opportunity to anonymously rate the company's strategy and values as well as its working conditions. We derive the Employee Engagement key performance indicator from these results.

Increase share of women in middle and upper management

We use the performance indicator of share of women in middle and upper management to measure the success of our diversity measures. As part of this measurement, executives working part-time are counted on a per-person basis.

Reduce LTIFR

We measure the effect of workplace accidents based on the lost time injury frequency rate (LTIFR), which is determined using the number of work-related accidents per 200,000 working hours which lead to at least one day of missed work for the affected person following the accident.

Conduct compliance-relevant training

Our aspiration is to be a reliable and trustworthy partner in all business relationships. When conducting day-to-day business, our managers serve an important function as role models to the employees and business partners, which is why corresponding training is of such importance for executives. We measure success in this area on the basis of the share of valid training certificates at the middle and upper management levels.

REPORT ON ECONOMIC POSITION

Forecast/actual comparison

Targets for 2022	Results for 2022	Targets for 2023
EBIT[1]	**EBIT**	**EBIT**
• Group: around €8.4 billion • DHL divisions: around €7.5 billion • Post & Parcel Germany division: around €1.35 billion • Group Functions: around €–0.45 billion	• Group: €8.4 billion • DHL divisions: €7.6 billion • Post & Parcel Germany division: €1.3 billion • Group Functions: €–0.45 billion	• Group: between €6.0 billion and €7.0 billion • DHL divisions: between €5.5 billion and €6.5 billion • Post & Parcel Germany division: around €1.0 billion • Group Functions: around €–0.45 billion
EAC	**EAC**	**EAC**
• Slight decline if asset charge increases as forecast	• Slight decline to €5.1 billion due to asset charge increases	• Slight decline if asset charge increases as forecast
Cash flow[1]	**Cash flow**	**Cash flow**
• Free cash flow[2] amounts to more than €4.2 billion	• Free cash flow[3] amounts to €4.6 billion	• Free cash flow amounts to around €3.0 billion
Capital expenditure (capex)	**Capital expenditure (capex)**	**Capital expenditure (capex)**
• Investment spending (excluding leasing): around €4.2 billion	• Investment spending (excluding leases): €4.1 billion	• Investment spending (excluding leasing): €3.4 billion to €3.9 billion
Dividend distribution	**Dividend distribution**	**Dividend distribution**
• Dividend payout of 40% to 60% of net profit	• To be proposed: dividend payout of 41.1% of net profit	• Dividend payout of 40% to 60% of net profit

[1] Forecast adjusted several times during the year. [2] Calculation excluding acquisitions/divestitures. [3] Calculated excluding acquisitions/divestures; including acquisitions/divestures: €3.1 billion.

For reasons of clarity, targets and results for the non-financial key performance indicators used for managing the Group are described in the Non-financial statement.

Overall assessment

In the 2022 financial year, Deutsche Post DHL Group generated EBIT of €8.4 billion. In light of a tense macroeconomic environment, the divisions were faced with a variety of influencing factors. Declining shipment volumes caused results in the Express, eCommerce Solutions and Post & Parcel Germany divisions to fall below prior-year figures, whilst revenue increases in Supply Chain and, in particular, in Global Forwarding, Freight resulted in significant profit growth. The decrease of free cash flow to €3.1 billion was due in particular to the acquisition of the Hillebrand Group. Free cash flow excluding acquisitions and divestitures rose to a record figure of €4.6 billion. We also support future growth in the core business in a challenging macroeconomic environment with investments of €4.1 billion.

Economic parameters

The following data describing the economic conditions stem from S&P Global Market Intelligence (S&P Global, formerly IHS Markit).

Global economy experiences decline due to energy crisis and inflation

The nascent post-pandemic global economic recovery suffered a marked decline in 2022 due to the fallout from the war in Ukraine. The economic sanctions of Western countries against Russia triggered by this event, the halt to most Russian natural gas deliveries to Europe and the severe curtailment of Ukrainian grain exports to the world have boosted inflation in many countries. Leading central banks like the US Federal Reserve and the European Central

Bank tightened monetary policy substantially from mid-2022 onwards in order to prevent high energy and food prices from leading to a sustained boost to general inflation expectations.

Global GDP growth has halved from 6.0% in 2021 to 3.0% in 2022. Growth in advanced industrialised countries declined from 5.4% to 2.6%, whilst growth in emerging markets fell from 7.1% to 3.5%. The main contributors to this decline were the United States with a drop in GDP growth from 5.9% to 2.0% and China with a decline from 8.4% to 2.8%. China's economy was hit additionally by the consequences of its zero-COVID policy. The below-average recovery in the eurozone in 2021 (5.3%) limited the degree of moderation, leading to a growth pace of 3.4% in 2022. This was especially true for Germany, where average GDP growth slowed down from 2.6% to 1.9%.

Trade flows reflect global economic cool-down

Global industrial production, which is relevant for the logistics sector, reflects the overall economic cool-down: Following growth of 7.4% in 2021, this figure weakened over the course of 2022 to 2.9%. Global trade also underwent less significant growth in the year under review at 6.8%, compared with 10.8% in the previous year. For Deutsche Post DHL Group, this slowdown in industrial demand manifests itself in the revenue and earnings trends of the DHL divisions during the year. Whilst global trade was still relatively well supported at the beginning of the year, the growth trend slowed with increasing clarity over the course of the year. Accordingly, on account of lessened demand and increased inventories, the typical seasonal rise in volumes in the second half of the year was not visible in ocean freight nor in air freight. At the same time, the restrictions in place during the pandemic gradually cleared up in the ocean freight fleets as well as in cargo capacities in passenger flights. In light of this, the market capacities for transport services – which had been very heavily utilised until then – eased, resulting in the expected normalisation in air, ocean and road freight rates in the second half of 2022.

E-commerce normalises at a high level

As expected, 2022 was also shaped by a normalisation of consumer behaviour. Compared with the prior-year growth, which was significantly accelerated by the pandemic, e-commerce-based volumes thus declined, in particular in the first half of 2022. However, the remainder of the year confirmed that the pandemic caused a sustained acceleration of the structural growth trend in e-commerce-based business. Although consumer behaviour was held back by continued high inflation during the Christmas season, e-commerce-based volumes remained significantly above pre-pandemic levels.

Legal environment

In view of our leading market position, many of our services are subject to sector-specific regulation under the *Postgesetz* (PostG – German Postal Act). Further information regarding this issue and legal risks is contained in Note 45 to the consolidated financial statements.

Significant events

In August 2021, Deutsche Post DHL Group signed an agreement to acquire the J.F. Hillebrand Group (Hillebrand). After the responsible antitrust authorities gave their approval, the purchase price of €1,452 million was paid fully at the end of March 2022, all shares of Hillebrand were transferred and the acquisition was completed. Initial consolidation resulted in goodwill of €1,211 million.

As at 31 December 2022, we had repurchased shares in the amount of €1,015 million as part of the first two tranches of the 2022–2024 share buy-back programme. On 14 February 2023, the Board of Management resolved to expand the current share buy-back programme so that a total of up to 105 million treasury shares are to be purchased at a price of now up to €3 billion through the end of 2024.

Results of operations

Changes to the portfolio

In January, we sold the production rights and other assets relating to the production of StreetScooter electric vehicles to ODIN Automotive, Luxembourg.

In March, the subsidiaries of Hillebrand were incorporated into the Global Forwarding, Freight division.

The third quarter saw the completion of the acquisition of the Australia-based Glen Cameron Group, a specialist in road freight and contract logistics, as well as the company's integration into the Supply Chain division.

The acquisition of a majority holding in the Netherlands-based Monta B.V. was completed in October. With its e-fulfilment services, Monta will also support the Supply Chain division.

Selected indicators for results of operations

		2021	2022	Q4 2021	Q4 2022
Revenue	€m	81,747	94,436	23,378	23,776
Profit from operating activities (EBIT)	€m	7,978	8,436	2,213	1,922
Return on sales[1]	%	9.8	8.9	9.5	8.1
EBIT after asset charge (EAC)	€m	5,186	5,118	1,488	1,065
Consolidated net profit for the period[2]	€m	5,053	5,359	1,484	1,335
Earnings per share[3]	€	4.10	4.41	1.21	1.11
Dividend per share	€	1.80	1.85[4]	–	–

[1] EBIT/earnings. [2] After deduction of non-controlling interests. [3] Basic earnings per share. [4] Proposal.

Consolidated revenue up 15.5%

In the 2022 financial year, consolidated revenue rose from €81,747 million to €94,436 million, also benefiting from positive currency effects in the amount of €2,957 million. Hillebrand has generated revenue of €1,640 million since April 2022. The proportion of revenue generated abroad rose from 73.6% to 76.8%. In the fourth quarter of 2022, revenue increased by 1.7% from the prior-year period to €23,776 million, supported by positive currency effects in the amount of €356 million.

Higher income from currency translation in particular caused other operating income to increase by €634 million to €2,925 million.

Increase in materials expense

Materials expense climbed significantly from €43,897 million to €53,473 million, primarily as a result of higher transport costs and increased kerosene prices, as well as currency effects in the amount of €2,272 million and the initial consolidation of Hillebrand in the amount of €1,330 million. Staff costs rose by €2,156 million to €26,035 million, particularly as a result of the increased number of employees. At €4,177 million, depreciation, amortisation and impairment losses came in €409 million above the prior year, primarily on account of investments. Other operating expenses came to €5,712 million, thus likewise exceeding the prior year (€4,896 million) driven by factors such as higher currency translation expenses as well as increased travel, entertainment and training costs.

Consolidated EBIT up 5.7%

Totalling €8,436 million in the year under review, profit from operating activities (EBIT) came in €458 million higher than the prior-year figure (€7,978 million). It amounted to €1,922 million in the fourth quarter (previous year: €2,213 million). At €–525 million, net finance costs improved over the prior year (€–619 million) mainly as a result of lower strain from the measurement of stock appreciation rights (SARs) at fair value. Profit before income taxes rose by €552 million to €7,911 million. As a consequence, income taxes increased by €258 million to €2,194 million, also due to a slightly higher tax rate.

Improved consolidated net profit

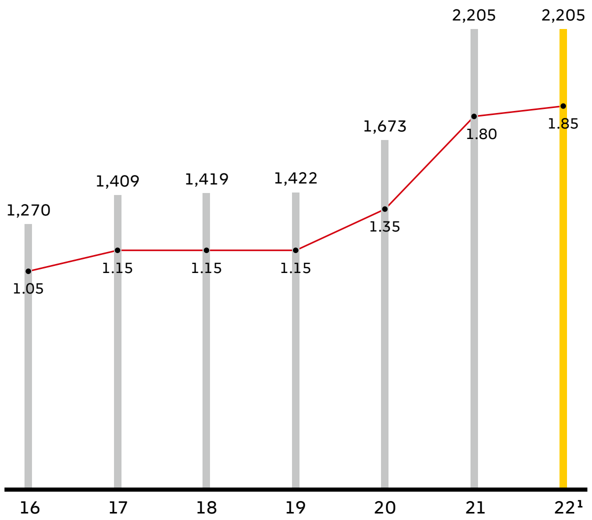
Consolidated net profit showed an improvement in the 2022 financial year, rising from €5,423 million to €5,717 million. Of this amount, €5,359 million is attributable to Deutsche Post AG shareholders and €358 million to non-controlling interest shareholders. Basic earnings per share also rose from €4.10 to €4.41 and diluted earnings per share from €4.01 to €4.33.

Dividend of €1.85 per share proposed

Our finance strategy calls for paying out 40 % to 60 % of net profit as dividends as a general rule. The Board of Management and the Supervisory Board will therefore propose to the shareholders at the Annual General Meeting on 4 May 2023 a dividend of €1.85 per share for the 2022 financial year (previous year: €1.80). The payout ratio in relation to the consolidated net profit attributable to Deutsche Post AG shareholders amounts to 41.1%. The net dividend yield based on the year-end closing price for our shares is 5.3%. The dividend will be disbursed on 9 May 2023.

Total dividend and dividend per no-par-value share

€m



Dividend per no-par-value share (€).

¹ Proposal.

EBIT after asset charge declines slightly

EAC declined slightly in 2022, falling from €5,186 million to €5,118 million. Whilst EBIT was up, the imputed asset charge rose disproportionately.

EBIT after asset charge (EAC)

€m

	2021	2022	+/– %
EBIT	7,978	8,436	5.7
– Asset charge	–2,792	–3,318	–18.8
= **EAC**	**5,186**	**5,118**	**–1.3**

The net asset base increased by €5,644 million to €40,137 million as at the reporting date. Intangible assets and property, plant and equipment increased, mainly on account of the consolidation of Hillebrand as well as the acquisition of freight aircraft and investments in warehouses, sorting facilities and the vehicle fleet. Net working capital decreased compared with the previous year.

Operating provisions remained at the level of the previous year, whilst other non-current assets and liabilities fell slightly.

Net asset base (consolidated)[1]

€m

	31 Dec. 2021	31 Dec. 2022	+/– %
Intangible assets and property, plant and equipment[2]	36,996	42,785	15.6
± Net working capital	–162	–296	–82.7
– Operating provisions (excluding provisions for pensions and similar obligations)	–2,472	–2,464	0.3
± Other non-current assets and liabilities	131	112	–14.5
= **Net asset base**	**34,493**	**40,137**	**16.4**

¹ Assets and liabilities as described in the segment reporting, Note 10 to the consolidated financial statements.
² Including assets held for sale.

Divisions

EXPRESS

Continuing to expand and modernise network and intercontinental fleet
As part of upgrading our intercontinental fleet, we signed contracts with Boeing between 2018 and 2022 to purchase a total of 28 new B777 aircraft. By the end of 2022, 18 of the aircraft ordered had been delivered and entered service. The remaining ten aircraft will be delivered in the years 2023 to 2025. Furthermore, over the course of 2022, we continued to expand our air network with the addition of new direct services, for example between Brussels (BRU) and Atlanta (ATL).

In Europe, our fleet of next-generation aircraft grew to five A321-200s and twelve B737-800s in service in the year under review. We now operate three airlines regionally: DHL Air UK expanded its B767 operations in its new intercontinental role and added new B777s to its fleet. We also completed the integration of DHL Air Austria into the EU Aviation platform, and European Air Transport (EAT) has expanded operations into Asia (Bangkok, Hong Kong) and into the United States.

In the Americas region, we've opened a new regional hub located in Atlanta, USA. The hub in Mexico City was also expanded. At the end of the year, ten B737-800s were in service in the United States. Furthermore, DHL Aero Expresso Panama will become our primary carrier between the United States and Central and South America in the first half of 2023, with another converted B767-300 being introduced. Dedicated flights from Miami to Viracopos, Brazil, were introduced, with more than 300 tons of cargo capacity added per week.

In the Asia Pacific region, we added intercontinental connections, increased direct flights to and from South and East China and added intra-Asia capacity on key growth lanes. Further, DHL Express and Singapore Airlines signed a crew and maintenance agreement in March 2022 to expand our link to the Americas. The first of the five freighters arrived in August 2022, and the second entered service in November 2022. An additional converted Airbus 330-300 aircraft entered service in September 2022, which enabled the upgrade of capacity between Hong Kong and Chengdu, China. Another four converted aircraft of this model are planned for delivery during 2023. With Air Incheon, a new regional partner airline was added to our network in northern Asia.

In the MEA region, we continue to invest in our infrastructure by building new facilities in Abu Dhabi and Dubai, United Arab Emirates, Muscat – the capital of Oman – as well as Jeddah and Dammam in Saudi Arabia, and by expanding our hub in Bahrain. We also acquired seven B767-300 aircraft for conversion, of which the last entered service in May 2022. Furthermore, we introduced new flights to the Asia Pacific and Europe regions, improving the link between east and west.

In sub-Saharan Africa, we committed to four converted ATR 72-500 aircraft; the first was delivered in the year under review, and the rest will follow in 2023.

Impacts of external factors on our business
Pandemic-related restrictions were lifted in the reporting year. Also for this reason, B2C Express shipment volumes declined year-on-year due to economic instability, but they are still well above pre-pandemic levels. The macroeconomic slowdown after the start of the war in Ukraine was noticeable in B2B volumes. With the volatile economic environment, our virtual airline model ensures high network flexibility, allowing us to constantly adapt our capacity to volume expectations.

Continued growth in international business revenue
Revenue in the division increased by 13.9% in the year under review to €27,592 million. This includes positive currency effects of €1,044 million. Excluding these effects, the revenue increase was 9.6%. The revenue figure also reflects the fact that fuel surcharges were higher than in the previous year in all regions. Excluding currency effects and fuel surcharges, revenue was up by 2.3%. In the Time Definite International (TDI) product line, per-day revenues were up, whilst shipment volumes were down. In the Time Definite Domestic (TDD) product line, per-day revenues were flat, whilst shipment volumes were down.

Revenue in the Europe region increased by 10.7% to €11,287 million in the year under review. That figure includes negative currency effects of €153 million. Growth excluding currency effects was 12.2% compared to the previous year. In the TDI product line, revenue per day increased by 14.5%. Per-day TDI shipment volumes decreased by 5.0%. In the fourth quarter of 2022, international revenues per day were up by 9.4% and per-day shipment volumes down by 6.3%.

Key figures, Express

€m	2021	2022	+/–%	Q4 2021	Q4 2022	+/–%
Revenue	24,217	27,592	13.9	6,856	7,029	2.5
of which Europe	10,193	11,287	10.7	2,863	2,994	4.6
Americas	5,120	6,149	20.1	1,464	1,563	6.8
Asia Pacific	8,871	9,908	11.7	2,560	2,475	–3.3
MEA (Middle East and Africa)	1,361	1,569	15.3	364	400	9.9
Consolidation/Other	–1,328	–1,321	0.5	–395	–403	–2.0
Profit from operating activities (EBIT)	4,220	4,025	–4.6	1,111	941	–15.3
Return on sales (%)[1]	17.4	14.6	–	16.2	13.4	–
Operating cash flow	5,894	5,549	–5.9	1,331	1,173	–11.9

[1] EBIT/revenue.

Express: revenue by product

€m per day[1]	2021	2022	+/–%	Q4 2021	Q4 2022	+/–%
Time Definite International (TDI)	72.7	81.2	11.7	82.0	84.0	2.4
Time Definite Domestic (TDD)	6.0	6.0	–	6.5	6.2	–4.6

[1] To improve comparability, product revenues were translated at uniform exchange rates. These revenues are also the basis for the weighted calculation of working days.

Express: volume by product

Items per day (thousands)	2021	2022	+/–%	Q4 2021	Q4 2022	+/–%
Time Definite International (TDI)	1,211	1,145	–5.5	1,282	1,192	–7.0
Time Definite Domestic (TDD)	645	554	–14.1	671	564	–15.9

Revenue in the Americas region rose by 20.1% to €6,149 million in 2022. That figure includes positive currency effects of €481 million. Excluding currency effects, revenue increased by 10.7%. Per-day TDI revenues grew by 15.0% and shipment volumes reduced by 1.5%. In the fourth quarter of 2022, per-day international revenues declined 1.4% and shipment volumes by 4.9%.

In the Asia Pacific region, revenue improved by 11.7% to €9,908 million in the reporting year. The revenue figure includes positive currency effects of €407 million. Revenue growth excluding currency effects was 7.1%. In the TDI product line, revenue per day increased by 8.1%, whilst per-day volumes decreased by 6.9%. Changes in the fourth quarter of 2022 came to –2.8% for revenues per day and –8.2% for per-day volumes.

Revenue in the MEA (Middle East and Africa) region improved by 15.3% to €1,569 million in the reporting period. The revenue figure includes positive currency effects of €98 million. Revenue growth excluding currency effects was 8.1%. Per-day TDI revenues increased by 8.3% and per-day volumes decreased by 12.8%. Changes in the fourth quarter of 2022 came to 6.8% for revenues per day and –11.5% for per-day volumes.

EBIT declines year-on-year

In light of the volume development described, division EBIT declined by 4.6% in 2022 to €4,025 million. Return on sales decreased from 17.4% to 14.6%. The previous year included a special bonus payment to employees that amounted to €37 million. Fourth-quarter EBIT for the division was down by 15.3% to €941 million.

GLOBAL FORWARDING, FREIGHT

Key figures, Global Forwarding, Freight

€m

	2021	2022	+/–%	Q4 2021	Q4 2022	+/–%
Revenue	22,833	30,212	32.3	7,134	6,805	–4.6
of which Global Forwarding	18,108	24,976	37.9	5,894	5,435	–7.8
Freight	4,848	5,374	10.8	1,270	1,405	10.6
Consolidation/Other	–123	–138	–12.2	–30	–35	–16.7
Profit from operating activities (EBIT)	1,303	2,311	77.4	403	402	–0.2
Return on sales (%)[1]	5.7	7.6	–	5.6	5.9	–
Operating cash flow	1,008	3,221	>100	622	999	60.6

[1] EBIT/revenue.

Global Forwarding: revenue

€m

	2021	2022	+/–%	Q4 2021	Q4 2022	+/–%
Air freight	8,788	10,428	18.7	2,848	2,200	–22.8
Ocean freight	7,115	11,477	61.3	2,456	2,455	0.0
Other	2,205	3,071	39.3	590	780	32.2
Total	**18,108**	**24,976**	**37.9**	**5,894**	**5,435**	**–7.8**

Global Forwarding: volumes

Thousands

		2021	2022	+/–%	Q4 2021	Q4 2022	+/–%
Air freight exports	tonnes	2,096	1,902	–9.3	561	449	–20.0
Ocean freight	TEU[1]	3,142	3,294	4.8	802	769	–4.1

[1] Twenty-foot equivalent units.

Impacts of external factors on our business

The global forwarding market was volatile in 2022. Market tailwind continued at the beginning of the year. Market volume slowed down over the course of the year in line with the development of the macro environment, which was influenced by factors such as the war in Ukraine, pandemic-related lockdowns in Asia and high inflation. Additionally, with the recovering capacity in the air and ocean freight markets, the prices showed a quick decline in the second half of the year.

In the European road freight market, the economic slowdown became apparent as demand eased and volumes declined, especially as of the third quarter of 2022. Despite this development, capacities remained scarce, due primarily to the prevailing driver shortage. In conjunction with the effects of the pandemic and rising diesel prices, this led to an immensely high cost level, which remained high throughout the year.

Positive revenue trend

Revenue in the division increased by 32.3% in the year under review to €30,212 million. Excluding positive currency effects of €896 million, revenue was up by 28.4% year-on-year. In the fourth quarter of 2022, revenue amounted to €6,805 million and fell short of the prior-year figure by 4.6%. In the Global Forwarding business unit, revenue was up 37.9% to €24,976 million, due primarily to the largely high freight rates in the year under review. Excluding positive currency effects of €966 million, the increase was 32.6%. At €4,949 million, gross profit in the Global Forwarding business unit was likewise up on the prior-year figure of €3,366 million.

Higher gross profit in air freight

We registered a decrease of 9.3% in air freight volumes in 2022, due to lower demand as well as shifts to ocean freight. Declines were seen primarily on the trade lanes between China and the United States as well as between China and Europe. Air freight revenue exceeded the prior-year level by 18.7%; gross profit improved by 48.5%. In the fourth quarter of 2022, lower volumes and rates caused air freight revenue to decrease by 22.8%, whilst gross profit was up 10.8%.

Capacity situation in ocean freight eases

Ocean freight volumes for the year under review were up 4.8% year-on-year. Excluding the acquisition of Hillebrand, this figure was 7.4% below the prior-year level, with the decline in volume development caused by trade lanes from China. Ocean freight revenue increased by 61.3% in the reporting year; excluding Hillebrand, the increase amounted to 41.5%. Gross profit improved by 54.5%. The capacity situation continued to ease on the ocean freight market in the fourth quarter of 2022 and the freight rates declined significantly. In the fourth quarter of 2022, ocean freight revenue remained flat, whilst gross profit was up 6.2%.

Revenue increase in European overland transport business

In the Freight business unit, revenue rose by 10.8% to €5,374 million in the reporting year, with negative currency effects of €73 million. The volume was down by 4.8% year-on-year. The gross profit of the business unit rose by 7.3% to €1,330 million in the reporting year. The fourth quarter also proved to be stronger with revenue 10.6% above the previous year.

Earnings significantly exceed prior-year figure

In light of the price development described, EBIT in the division increased significantly from €1,303 million to €2,311 million in the year under review, accompanied by an EBIT margin of 7.6%. In the Global Forwarding business unit, EBIT amounted to 43.7% of gross profit. The previous year included a special bonus of €14 million. At €402 million, division EBIT in the fourth quarter of 2022 was slightly below the prior-year level of €403 million.

SUPPLY CHAIN

Key figures, Supply Chain

€m	2021	2022	+/– %	Q4 2021	Q4 2022	+/– %
Revenue	13,864	16,431	18.5	3,655	4,363	19.4
of which EMEA (Europe, Middle East and Africa)	6,596	7,252	9.9	1,806	1,946	7.8
Americas	5,266	6,832	29.7	1,329	1,787	34.5
Asia Pacific	2,046	2,419	18.2	534	649	21.5
Consolidation/Other	–44	–72	–63.6	–14	–19	–35.7
Profit from operating activities (EBIT)	705	893	26.7	198	225	13.6
Return on sales (%)[1]	5.1	5.4	–	5.4	5.2	–
Operating cash flow	1,582	1,433	–9.4	664	820	23.5

[1] EBIT/revenue.

Impacts of external factors on our business

External factor such as high inflation, ongoing regional constraints due to the pandemic, shortages in labour and partially materials as well as geopolitical conflicts continued to cause global supply chain bottlenecks and additional complexity for businesses in the year under review. We were able to manage our customers' supply chains well thanks to our flexibility, our standardised processes and our targeted data analyses.

Double-digit revenue growth

Revenue in the division was up by 18.5% to €16,431 million in the year under review. Excluding positive currency effects of €780 million, revenue – which also included the most recent acquisitions – was up by 12.9% year-on-year. Revenue growth is furthermore based on new business and contract renewals. Additionally, eFulfillment and omnichannel solutions supported the growth. The positive development can be seen in all regions and all sectors, with Consumers and Auto-mobility recording the highest revenue growth. In the fourth quarter of 2022, revenue increased by 19.4% to €4,363 million.

Supply Chain: revenue by sector and region, 2022

Total revenue: €16,431 million

of which Retail	28%
Consumer	23%
Auto-mobility	15%
Technology	12%
Life Sciences & Healthcare	12%
Engineering & Manufacturing	6%
Others	4%
of which Europe/Middle East/Africa/Consolidation	44%
Americas	41%
Asia Pacific	15%

New business worth €1,493 million secured

The division concluded additional contracts with new and existing customers worth €1,493 million (annualised revenue) in the year under review, which corresponds to a contract volume of €6,505 million. The increase in additional contracts compared to the previous year was 6.0%. The Retail, Consumer and Technology sectors accounted for most of the new business. E-commerce-based solutions accounted for a 33% share of new business. The annualised contract renewal rate remained at a consistently high level.

EBIT above prior-year level

EBIT in the division increased to €893 million in the year under review (previous year: €705 million). The previous year included a special bonus of €47 million. Strong revenue performance spurred earnings growth in the reporting year, which was sustained by productivity improvements due to investments in standardisation and digitalisation. The EBIT margin was 5.4% in the year under review. EBIT for the fourth quarter of 2022 grew from €198 million to €225 million.

ECOMMERCE SOLUTIONS

Key figures, eCommerce Solutions

€m	2021	2022	+/–%	Q4 2021	Q4 2022	+/–%
Revenue	5,928	6,142	3.6	1,664	1,696	1.9
of which Americas	2,079	2,188	5.2	617	636	3.1
Europe	3,140	3,235	3.0	855	884	3.4
Asia	719	720	0.1	195	177	–9.2
Consolidation/Other	–10	–1	90.0	–3	–1	66.7
Profit from operating activities (EBIT)	417	389	–6.7	93	91	–2.2
Return on sales (%)[1]	7.0	6.3	–	5.6	5.4	–
Operating cash flow	654	582	–11.0	99	113	14.1

[1] EBIT/revenue.

Impacts of external factors on our business

The war in Ukraine and the marked increase in cost of living led to a slight decrease in parcel volumes in some regions. Thanks to our diversified portfolio, however, our business remained resilient and avoided extreme fluctuations. We are experiencing volumes well above the level from before the pandemic in 2019 in all markets.

Revenue growth in all regions in the year under review

The division generated revenue of €6,142 million in the year under review, up 3.6% on the prior-year figure. This figure was reduced by €112 million through portfolio adjustments in Asia. Excluding positive currency effects of €272 million, revenue was down by 1.0% year-on-year. Division revenue increased by 1.9% in the fourth quarter of 2022 to €1,696 million.

EBIT declines year-on-year

In the year under review, EBIT in the division was €389 million, thus coming in below the prior-year figure of €417 million. This was due to decreasing volumes in B2C business and higher costs. The previous year included a special bonus of €11 million. The EBIT margin was 6.3% in the year under review. EBIT amounted to €91 million (previous year: €93 million) in the fourth quarter of 2022.

POST & PARCEL GERMANY

Impacts of external factors on our business

The structural transformation in letter mail business continues: as conventional letter mail volumes containing documents continue to decline, volumes of goods shipments in the mail network are growing, in some cases substantially.

The Dialogue Marketing business unit performed well, with the advertising spend in mail-order retail growing compared with the previous year, which was still clearly impacted by the pandemic.

The German parcel market was shaped by multiple effects: The successive withdrawal of pandemic-related restrictions in retail business, the continuing war in Ukraine and the increase in living costs dampened the mood in online shopping and led to a decline in parcel volumes.

Revenue down compared to strong prior-year level

At €16,779 million, division revenue fell by 3.8% in the year under review. The decrease was driven in particular by the decline in the German parcel business, which came in below the strong prior-year level. Revenue for the fourth quarter of 2022 was down by 3.1% versus the prior year.

Varying business unit performance

In the reporting year, Mail Communication saw revenue and volumes follow the overall downward trend, as expected. This development was exacerbated by the effect from high numbers of mail-in voting in the prior year. The effects the decline in volumes had on revenue were mitigated but not compensated for by regaining customers and price increases effective from 1 January 2022.

In 2022, Dialogue Marketing's revenue and sales volumes were above their levels of the previous year, which suffered from lower advertising expenditure in retail in particular.

In the German parcel business, macroeconomic developments led to declining volumes compared with the high-growth prior year. Even the pre-Christmas business could not increase year-on-year. Mitigated by price increases, revenue generated by Parcel Germany fell by 5.6% in the year under review. Parcel volume declined by 8.3%.

The trend of decreasing document shipments continued in international business. Shipments of lightweight goods also fell, in import due primarily to increased import regulations. By contrast, the number of parcels shipped by business customers increased once again.

EBIT down sharply year-on-year

Division EBIT in 2022 amounted to €1,271 million and thus fell 27.2% short of the remarkable prior year, in which we had generated higher revenues in parcel business in particular. Strict cost management helped mitigate higher materials costs as a result of accelerating inflation, but this did not fully compensate for the development. The special bonus amounting to €52 million was included in the previous year's figure. Division EBIT in the fourth quarter of 2022 totalled €384 million, a decline of 33.3% versus the comparable prior-year figure. The revenue decreases as well as higher material costs due to inflation and to ensure high quality during the Christmas season, a high sickness rate as well as higher personnel recruiting expenses influenced EBIT.

Key figures, Post & Parcel Germany

€m

	2021	2022	+/–%	Q4 2021	Q4 2022	+/–%
Revenue	17,445	16,779	–3.8	4,771	4,623	–3.1
of which Post Germany	7,995	7,892	–1.3	2,197	2,055	–6.5
Parcel Germany	6,785	6,408	–5.6	1,840	1,856	0.9
International	2,570	2,400	–6.6	714	693	–2.9
Consolidation/Other	95	79	–16.8	20	19	–5.0
Profit from operating activities (EBIT)	1,747	1,271	–27.2	576	384	–33.3
Return on sales (%)[1]	10.0	7.6	–	12.1	8.3	–
Operating cash flow	1,811	1,558	–14.0	346	411	18.8

[1] EBIT/revenue.

Post & Parcel Germany: revenue

€m

	2021	2022	+/–%	Q4 2021	Q4 2022	+/–%
Post Germany	7,995	7,892	–1.3	2,197	2,055	–6.5
of which Mail Communication	5,473	5,361	–2.0	1,478	1,384	–6.4
Dialogue Marketing	1,811	1,833	1.2	530	491	–7.4
Other/Consolidation Post Germany	711	698	–1.8	189	180	–4.8
Parcel Germany	6,785	6,408	–5.6	1,840	1,856	0.9

Post & Parcel Germany: volumes

Mail items (millions)

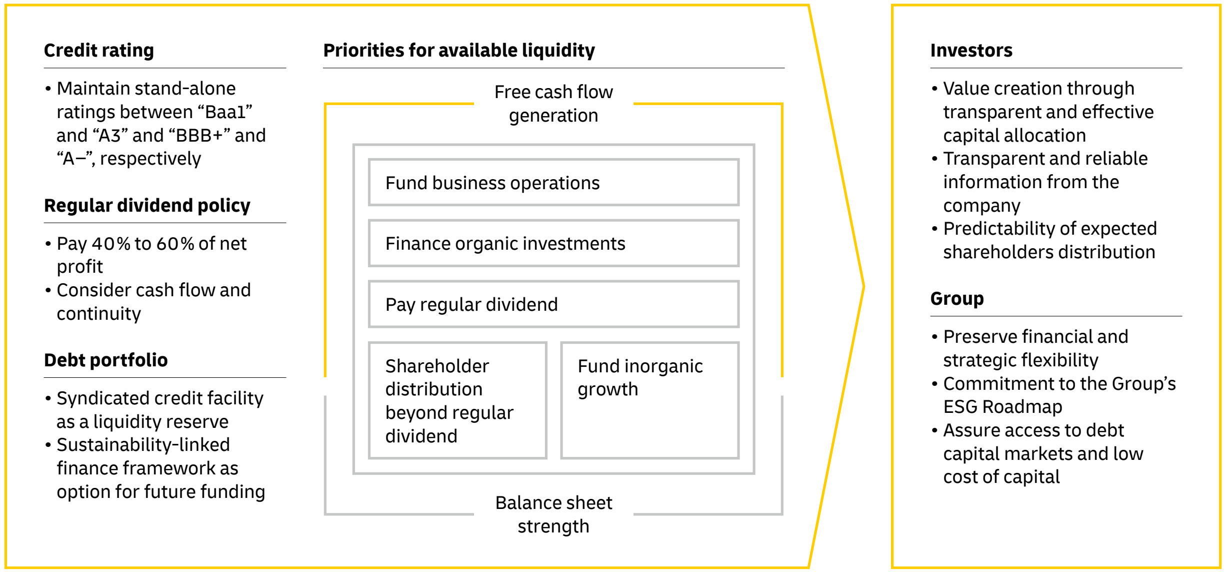
	2021	2022	+/–%	Q4 2021	Q4 2022	+/–%
Post Germany	14,216	14,122	–0.7	3,942	3,689	–6.4
of which Mail Communication	6,314	6,256	–0.9	1,687	1,639	–2.8
Dialogue Marketing	6,928	6,946	0.3	1,992	1,810	–9.1
Parcel Germany	1,818	1,668	–8.3	488	487	–0.2

Financial position

Selected cash flow indicators

€m	2021	2022	Q4 2021	Q4 2022
Cash and cash equivalents as at 31 December	3,531	3,790	3,531	3,790
Net change in cash and cash equivalents	–1,055	375	–444	–127
Net cash from operating activities	9,993	10,965	2,616	3,090
Net cash used in investing activities	–4,824	–3,179	–2,184	–2,087
Net cash used in financing activities	–6,224	–7,411	–876	–1,130

Finance strategy



Financial management is a centralised function in the Group

The Group’s financial management activities include managing liquidity along with hedging against fluctuations in interest rates, currencies and commodity prices, arranging Group financing, issuing guarantees and letters of comfort and liaising with rating agencies. Responsibility for these activities rests with Corporate Finance at Group headquarters in Bonn, which is supported by three Regional Treasury Centres in Bonn (Germany), Weston (Florida, USA) and Singapore. The regional centres act as interfaces between Group headquarters and the operating companies, advise the companies on financial management issues and ensure compliance with Group-wide requirements.

Corporate Finance’s main task is to minimise financial risk and the cost of capital in addition to preserving the Group’s financial stability and flexibility over the long term.

Updated finance strategy

Building on the principles and objectives of financial management, and in light of the Group’s strong financial position, the Corporate Board updated the finance strategy in January 2022. It takes into account the shareholders’ interests and the lenders’ requirements, focusing on value creation through a transparent and effective allocation of capital. It also aims to maintain financial flexibility and a low cost of capital for the Group with a high degree of continuity and predictability for investors, and to support the Group’s ESG roadmap.

One key component of the strategy is a stand-alone target rating between "Baa1" and "A3" and "BBB+" and "A–", respectively. The strategy also sets clear priorities on how available liquidity is allocated. It will first be used to fund business operations, finance organic investments and make regular dividend payments. Thereafter, additional dividend payments or share buy-backs as well as inorganic growth will be considered.

Cash and liquidity managed centrally

The cash and liquidity of our globally operating subsidiaries is managed centrally by Corporate Treasury. Approximately 80% of the Group's external revenue is consolidated in cash pools and used to balance internal liquidity needs. In countries where this practice is ruled out for legal reasons, internal and external borrowing and investment are managed centrally by Corporate Treasury. In this context, we observe a balanced banking policy in order to remain independent of individual banks. Our subsidiaries' intra-Group revenue is also pooled and managed by our in-house bank (inter-company clearing) in order to avoid paying external bank charges and margins. Payment transactions are executed in accordance with uniform guidelines using standardised processes and IT systems. Many Group companies pool their external payment transactions in the intra-Group Payment Factory, which executes payments on behalf of the respective companies via Deutsche Post AG's central bank accounts.

Limiting market risk

The Group uses both primary and derivative financial instruments to limit market risk. Interest rate swaps are used to hedge against interest rate risks, and forward transactions are used for currency risks. We pass on most of the risk arising from commodity price fluctuations to our customers and, to some extent, use commodity swaps to manage the remaining risk. The parameters, responsibilities and controls governing the use of derivatives are laid down in internal guidelines.

Flexible and stable financing

The Group covers its long-term financing requirements by means of equity and debt. This ensures our financial stability and also provides adequate flexibility. Our most important source of funds is net cash from operating activities.

We also have a syndicated credit facility in a total volume of €2 billion that guarantees us favourable market conditions and acts as a secure, long-term liquidity reserve. The term of the syndicated credit facility is through 2025, it does not contain any further covenants concerning the Group's financial indicators and, thanks to our solid liquidity situation, it was not drawn down during the year under review.

As part of our banking policy, we spread our business volume widely and maintain long-term relationships with the financial institutions we entrust with our business. In addition to credit lines, we meet our borrowing requirements through other independent sources of financing, such as bonds, promissory note loans and leases. Most debt is taken out centrally in order to leverage economies of scale and specialisation benefits and hence minimise borrowing costs.

One bond in the amount of €500 million was repaid in the year under review. Information on bonds is contained in **Note 39 to the consolidated financial statements.**

Group's credit rating improved

In April, the outlook on our credit rating was changed from stable to positive by the rating agency Fitch Ratings, and the BBB+ rating was confirmed. Additionally, in June, our credit rating was upgraded by Moody's Investors Service from A3 to A2 with a continued stable outlook. We are well positioned in the transport and logistics sector with these ratings. The following table shows the ratings as at the reporting date and the underlying factors. The complete and current analyses by the rating agencies and the rating categories can be found under **Creditor relations.**

Agency ratings

Fitch

Long-term: BBB+
Short-term: F2
Outlook: positive

+ Rating factors

- Company size and geographic diversification
- Broad portfolio of services and customers
- Market leadership
- Excellent results, driven by a clear rise in global trade and the continuation of strong e-commerce
- Balanced business risk profile between the parcel and express segments, which are growing due to online retail, contract logistics business and the cyclical freight forwarding business
- Solid key figures and liquidity

– Rating factors

- Structural volume decline in letter mail business
- Increased capital expenditure and dividends to shareholders

Moody's

Long-term: A2
Short-term: P–1
Outlook: stable

+ Rating factors

- Large scale and global presence as the world's biggest logistics company, supported by leading market positions in express and logistics, and by the large German letter mail business
- Indirect shareholding of the German government
- Solid financial profile
- Good earnings momentum

– Rating factors

- Cost inflation, in particular for fuel
- Challenges faced in domestic letter mail business which result from the structural decrease in conventional letter mail business
- Exposure to highly competitive markets and volatile market conditions in the logistics segment
- Increasing capital spending, which hampers cash generation

Liquidity and sources of funds

As at the reporting date, the Group reported centrally available liquidity in the amount of €2.0 billion (previous year: €3.6 billion), which is comprised of cash and cash equivalents as well as current financial assets. Due to our solid liquidity situation, the syndicated credit line in the amount of €2 billion was not drawn. In addition to the syndicated credit line, unused bilateral credit lines totalling €1.4 billion were available to the Group at the reporting date.

The following table gives a breakdown of the financial liabilities reported in the balance sheet. Additional information is provided in Note 39 to the consolidated financial statements.

Financial liabilities

€m	2021	2022
Lease liabilities	11,805	13,514
Bonds	6,669	6,180
Amounts due to banks	544	530
Promissory note loans	150	100
Financial liabilities at fair value through profit or loss	13	134
Other financial liabilities	716	1,360
	19,897	**21,818**

Capital expenditure for assets acquired above prior-year level

Investments in property, plant and equipment, and intangible assets acquired (excluding goodwill) amounted to €4,123 million in the year under review (previous year: €3,895 million). Please refer to Note 10, 22 and 23 to the consolidated financial statements for a breakdown of capex into asset classes and regions.

Capex and depreciation, amortisation and impairment losses, full year

	Express		Global Forwarding, Freight		Supply Chain		eCommerce Solutions		Post & Parcel Germany		Group Functions		Consolidation[1]		Group	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Capex (€m) relating to acquired assets	1,707	1,528	132	159	483	504	245	431	883	1,043	445	459	0	–1	**3,895**	**4,123**
Capex (€m) relating to leased assets	1,246	1,860	215	281	667	900	178	135	14	27	760	536	0	0	**3,080**	**3,739**
Total (€m)	**2,953**	**3,388**	**347**	**440**	**1,150**	**1,404**	**423**	**566**	**897**	**1,070**	**1,205**	**995**	**0**	**–1**	**6,975**	**7,862**
Depreciation, amortisation and impairment losses (€m)	1,511	1,690	245	318	756	859	179	198	334	354	744	758	–1	0	**3,768**	**4,177**
Ratio of total capex to depreciation, amortisation and impairment losses	1.95	2.00	1.42	1.38	1.52	1.63	2.36	2.86	2.69	3.02	1.62	1.31	–	–	**1.85**	**1.88**

[1] Including rounding.

Capex and depreciation, amortisation and impairment losses, Q4

	Express		Global Forwarding, Freight		Supply Chain		eCommerce Solutions		Post & Parcel Germany		Group Functions		Consolidation[1]		Group	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Capex (€m) relating to acquired assets	758	825	37	59	166	155	138	213	403	375	136	178	0	–2	**1,638**	**1,803**
Capex (€m) relating to leased assets	334	470	60	91	155	237	90	41	5	6	263	166	–1	1	**906**	**1,012**
Total (€m)	**1,092**	**1,295**	**97**	**150**	**321**	**392**	**228**	**254**	**408**	**381**	**399**	**344**	**–1**	**–1**	**2,544**	**2,815**
Depreciation, amortisation and impairment losses (€m)	400	428	65	84	117	232	51	52	90	97	190	199	–1	0	**912**	**1,092**
Ratio of total capex to depreciation, amortisation and impairment losses	2.73	3.03	1.49	1.79	2.74	1.69	4.47	4.88	4.53	3.93	2.10	1.73	–	–	**2.79**	**2.58**

[1] Including rounding.

Investments in the Express division related to buildings and technical equipment. Continuous maintenance and renewal of our intercontinental air fleet represented an additional focus of investment spending, Divisions. Some of these investments were attributable to rights of use.

In the Global Forwarding, Freight division, we invested in warehouses, office buildings and IT.

In the Supply Chain division, the majority of funds were invested to support customer implementations in all regions, above all in the Americas and EMEA regions.

In the eCommerce Solutions division, most of the investments were attributable to network expansion in the Netherlands, Poland and the United States.

In the Post & Parcel Germany division, the largest capex portion was attributable to the expansion of our infrastructure. The acquisition and development of property were stepped up in the year under review. Another key focus was expanding Packstations.

At Group Functions, investments in the reporting year were mainly in the vehicle fleet and IT solutions.

Increase in net cash from operating activities

Net cash from operating activities rose from €9,993 million to €10,965 million. The improved EBIT was offset by increased income tax payments. The cash inflow from changes in the working capital was €215 million, compared with a cash outflow of €430 million in the previous year.

Net cash used in investing activities fell from €4,824 million to €3,179 million, although we made payments for the acquisition of subsidiaries and other business units amounting to €1,613 million. The acquisition of Hillebrand at €1,379 million net (less assumed cash) was the main contributor in this regard. Cash paid to acquire non-current assets rose from €3,736 million to €3,912 million and related primarily to the expansion and renewal of our vehicle and air fleets. The change in current financial assets produced a cash inflow of €1,664 million. For the most part, we sold money market funds to cover the dividend payment to the shareholders and the purchase price for Hillebrand. This is in contrast to a cash outflow of €1,508 million in the previous year, primarily for the purchase of money market funds in the amount of €950 million.

Free cash flow declined substantially from €4,092 million to €3,067 million and mainly reflects the payments for the acquisition of companies. Adjusted for the payments for acquisitions and divestitures of €1,540 million net, free cash flow stood at €4,607 million.

Calculation of free cash flow

€m	2021	2022	Q4 2021	Q4 2022
Net cash from operating activities	**9,993**	**10,965**	**2,616**	**3,090**
Sale of property, plant and equipment and intangible assets	190	112	102	36
Acquisition of property, plant and equipment and intangible assets	−3,736	−3,912	−1,456	−1,507
Cash outflow from change in property, plant and equipment and intangible assets	**−3,546**	**−3,800**	**−1,354**	**−1,471**
Disposals of subsidiaries and other business units	13	69	10	0
Disposals of investments accounted for using the equity method and other investments	1	4	1	0
Acquisition of subsidiaries and other business units	0	−1,613	0	−99
Acquisition of investments accounted for using the equity method and other investments	−2	0	0	0
Cash inflow/outflow from acquisitions/divestitures	**12**	**−1,540**	**11**	**−99**
Proceeds from lease receivables	143	179	122	45
Interest from lease receivables	16	21	16	6
Repayment of lease liabilities	−2,051	−2,283	−532	−631
Interest on lease liabilities	−383	−452	−100	−123
Cash outflow for leases	**−2,275**	**−2,535**	**−494**	**−703**
Interest received (without leasing)	75	159	22	46
Interest paid (without leasing)	−167	−182	−68	−81
Net interest paid	**−92**	**−23**	**−46**	**−35**
Free cash flow	**4,092**	**3,067**	**733**	**782**

Net cash used in financing activities rose from €6,224 million to €7,411 million. The dividend paid out to our shareholders in May increased by €532 million to €2,205 million. Payments for the acquisition of treasury shares in the amount of €1,099 million were made primarily as part of the current share buy-back programme, slightly below the level of the previous year (€1,115 million).

Cash and cash equivalents increased from €3,531 million as at 31 December 2021 to €3,790 million.

Net assets

Selected indicators for net assets

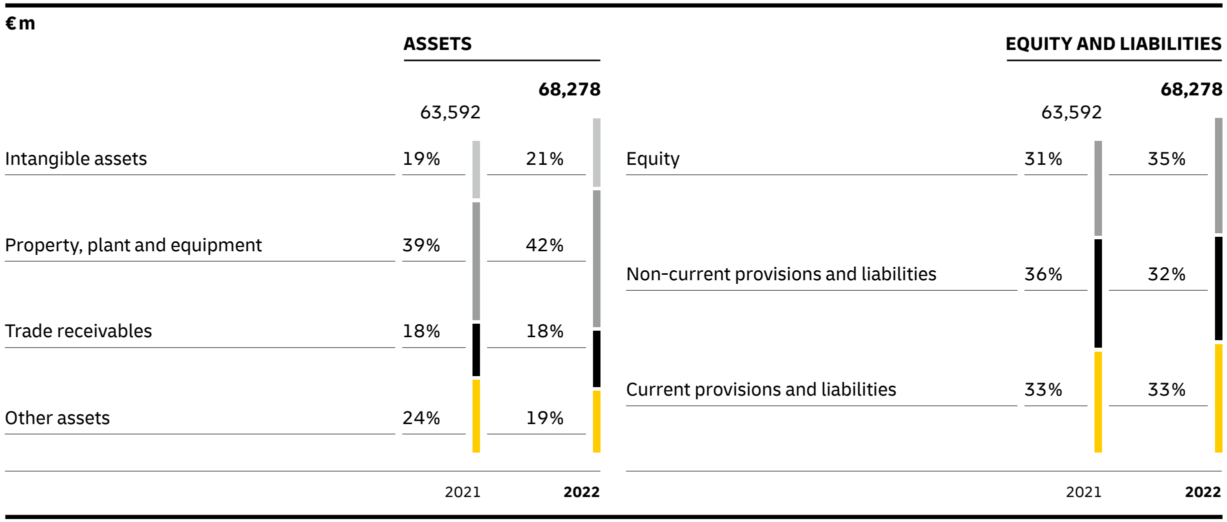
		31 Dec. 2021	31 Dec. 2022
Equity ratio	%	30.7	34.7
Net debt	€m	12,772	15,856
Net interest cover		17.4	18.6
Net gearing	%	39.6	40.1

Increase in consolidated total assets
The Group's total assets amounted to €68,278 million as at 31 December 2022 and were thus €4,686 million higher than at 31 December 2021 (€63,592 million).

Intangible assets rose from €12,076 million to €14,096 million. In particular the consolidation of Hillebrand caused goodwill and the purchased customer lists to increase significantly. Property, plant and equipment grew significantly from €24,903 million to €28,688 million, as investments exceeded disposals and depreciation, amortisation and impairment losses. Current financial assets dropped considerably from €3,088 million to €1,355 million, due mainly to the sale of money market funds. Trade receivables increased by €570 million to €12,253 million.

At €23,236 million, equity attributable to Deutsche Post AG shareholders was considerably higher than at 31 December 2021 (€19,037 million). The consolidated net profit for the period, currency effects and the remeasurement of pension provisions increased this figure, whilst the dividend payment and share buy-backs decreased it. In particular, higher interest rates resulted in a significant decline of €2,249 million in provisions for pensions and similar obligations to €1,936 million. Financial liabilities rose from €19,897 million to €21,818 million, primarily because lease liabilities increased on account of investments. Trade payables increased from €9,556 million to €9,933 million. The increase of €374 million in other current liabilities to €6,512 million stems from a series of smaller factors.

Balance sheet structure of the Group as at 31 December



Higher net debt

Our net debt increased from €12,772 million as at 31 December 2021 to €15,856 million as at 31 December 2022. At 34.7%, the equity ratio was well above the prior-year figure (30.7%). At 18.6, net interest cover also exceeded the previous year's level (17.4). Net gearing was 40.1% as at 31 December 2022.

Net debt

€m

	31 Dec. 2021	31 Dec. 2022
Non-current financial liabilities	16,589	17,616
+ Current financial liabilities	2,802	3,486
= **Financial liabilities**[1]	**19,391**	**21,102**
– Cash and cash equivalents	3,531	3,790
– Current financial assets	3,088	1,355
– Positive fair value of non-current financial derivatives[2]	0	101
= **Financial assets**	**6,619**	**5,246**
Net debt	**12,772**	**15,856**

[1] Less operating financial liabilities.
[2] Recognised in non-current financial assets in the balance sheet.

DEUTSCHE POST AG (HGB)

Deutsche Post AG as parent company

In addition to the reporting on the Group, the performance of Deutsche Post AG is outlined below.

As the parent company of Deutsche Post DHL Group, Deutsche Post AG prepares its annual financial statements in accordance with the principles of the *Handelsgesetzbuch* (HGB – German Commercial Code) and the *Aktiengesetz* (AktG – German Stock Corporation Act).

There are no separate performance indicators relevant for management purposes that are applicable to the parent company Deutsche Post AG. For this reason, the explanations presented for Deutsche Post DHL Group are also applicable to Deutsche Post AG.

Employees

The number of full-time equivalents at Deutsche Post AG at the reporting date was 161,772 (previous year: 165,221).

Results of operations

Revenue fell by a total of €478 million (2.9%) year-on-year.

Revenue from German letter mail business was €7,537 million in the year under review and thus 1.7% below the prior-year level of €7,670 million. Of this revenue, €4,861 million (previous year: €4,952 million) was attributable to Mail Communication, €1,711 million (previous year: €1,697 million) to Dialogue Marketing and €965 million (previous year: €1,021 million) to other services. Revenue in the German parcel business in the reporting year was €5,820 million, falling short of the prior-year figure of €6,120 million by 4.9%. This is attributable primarily to lower delivery volumes, because the previous year was heavily influenced by the pandemic. Revenue of €2,049 million (previous year: €2,159 million) was reported for our International business unit in the reporting period. Other revenue amounted to €726 million (previous year: €661 million) and includes mainly reimbursements for employee leasing, rental agreements and leases, and income from service level agreements.

Income statement for Deutsche Post AG (HGB) 1 January to 31 December

€m

	2021	2022
Revenue	16,610	16,132
Other own work capitalised	77	96
Other operating income	1,109	1,265
	17,796	**17,493**
Materials expense	–5,756	–5,887
Staff costs	–8,844	–8,740
Amortisation of intangible assets and depreciation of property, plant and equipment	–317	–338
Other operating expenses	–2,134	–2,636
	–17,051	**–17,601**
Financial result	**3,616**	**3,078**
Taxes on income	**–426**	**–369**
Result after tax / Net profit for the period	**3,935**	**2,601**
Retained profits brought forward from previous year	**6,304**	**8,034**
Net retained profit	**10,239**	**10,635**

Other operating income registered a year-on-year increase of €156 million, or 14.1%, driven mainly by higher income from currency translation (€365 million) with offsetting lower income from the disposal of real estate (€174 million).

Materials expense rose by €131 million on account of an increase in the cost of transport services for letters and parcels as well as an increase for leases and rents due to higher costs on account of inflation.

Staff costs were down by €104 million year-on-year. In the year under review, lower expenses for early-retirement programmes and severance payments totalling €47 million were presented. In addition, a special bonus of €52 million was paid in the previous year.

The increase in other operating expenses by €502 million stemmed mainly from higher expenses from currency translation (€402 million).

The financial result in the amount of €3,078 million (previous year: €3,616 million) mainly comprises net investment income of €3,739 million (previous year: €4,085 million) and a net interest expense of €657 million (previous year: €460 million). The change in net investment income is due mainly to the €346 million decrease in income from profit transfer agreements attributable to Deutsche Post Beteiligungen Holding GmbH, whose earnings were the result of lower profit transfers from subsidiaries from the Express and Post & Parcel Germany divisions as well as higher dividend income from investments having an opposite effect. Lower income from plan assets/assets due to a decreased return as well as changes in fair value led to the worsening of net interest expenses.

After accounting for taxes on income of €–369 million (previous year: €–426 million), net profit for the period totalled €2,601 million (previous year: €3,935 million). Including retained profits carried forward, net retained profit for the period amounted to €10,635 million (previous year: €10,239 million).

Net assets and financial position

Total assets up

Total assets rose to €46,735 million as at the reporting date (previous year: €46,255 million).

Fixed assets increased from €17,365 million to €17,882 million. Investments in property, plant and equipment totalled €828 million (previous year: €700 million) and related mainly to land and buildings (€241 million), technical equipment (€173 million) and advance payments and assets under development (€357 million). Investments were made mainly in mail and parcel centres, conveyor and sorting systems, Packstations and real estate for network expansion. Non-current financial assets were down by €93 million, due primarily to lower loans to affiliated companies.

Balance sheet of Deutsche Post AG (HGB) as at 31 December

€m	2021	2022
ASSETS		
Fixed assets		
Intangible assets	232	281
Property, plant and equipment	3,848	4,409
Non-current financial assets	13,285	13,192
	17,365	**17,882**
Current assets		
Inventories	79	88
Receivables and other assets	24,795	26,436
Securities	1,745	0
Cash and cash equivalents	1,861	2,026
	28,480	**28,550**
Prepaid expenses	**410**	**303**
TOTAL ASSETS	**46,255**	**46,735**
EQUITY AND LIABILITIES		
Equity		
Subscribed capital	1,239	1,239
Treasury shares	–15	–40
Issued capital	**1,224**	**1,199**
(Contingent capital: €159 million)		
Capital reserves	4,679	4,679
Earnings reserves	3,598	2,711
Net retained profit	10,239	10,635
	19,740	**19,224**
Provisions	**5,227**	**5,867**
Liabilities	**21,198**	**21,510**
Deferred income	**90**	**134**
TOTAL EQUITY AND LIABILITIES	**46,255**	**46,735**

Current assets grew by €70 million, with receivables from affiliated companies increasing by €1,462 million mainly as a result of higher intra-Group cash management (€1,807 million) and the lower receivables from profit transfer agreements (€346 million). Securities holdings of €1,745 million were completely sold. Cash and cash equivalents increased by €165 million.

Equity was down from €19,740 million in the previous year to €19,224 million. Net profit for 2022 of €2,601 million exceeded the dividend paid to shareholders of €2,205 million in 2022. Earnings reserves declined by €887 million, due in particular to the offsetting of share buy-backs amounting to €1,058 million. The offsetting increase in the earnings reserves by €171 million is attributable to the commitment and settlement of shares for executive remuneration plans. The equity ratio decreased slightly from 42.7% to 41.1%.

Provisions were up by €640 million in the reporting period. Provisions for pensions and similar obligations increased by €685 million due to lower returns from, and fair value changes in, plan assets/assets. The decline in provisions for taxes of €56 million is due to higher advance income tax payments and the lower net income in the 2022 financial year.

Liabilities increased by €312 million to €21,510 million. The liabilities arising from bonds remain unchanged. Liabilities to banks fell by €40 million. Trade payables and liabilities to investees increased by €85 million and €64 million, respectively. The increase in liabilities to affiliated companies amounting to €197 million resulted largely from intra-Group cash management.

Increase in cash funds

Deutsche Post AG's cash funds rose by €165 million to €2,026 million in the 2022 financial year.

Increase in debt

Deutsche Post AG's debt (provisions and liabilities) rose by €952 million to €27,377 million compared with the previous year. The increase was due chiefly to an increase of €685 million in provisions for pensions and similar obligations as well as higher liabilities to affiliated companies (€197 million).

Expected developments, opportunities and risks

The international strategy and associated performance forecast of Deutsche Post DHL Group also reflect the expectations for Deutsche Post AG as the parent company. Since Deutsche Post AG is interconnected with the companies of Deutsche Post DHL Group through arrangements, including financing and guarantee commitments and direct and indirect investments in its investees, Deutsche Post AG's opportunities and risks fundamentally align with those of the Group. The section titled Expected developments, opportunities and risks therefore also covers expected developments, opportunities and risks with respect to Deutsche Post AG as the parent company. The Post & Parcel Germany division reflects Deutsche Post AG's core business in material respects. The subsidiaries have an indirect influence on Deutsche Post AG through net investment income from profit transfer agreements. As a result, the subsidiaries' future operating results also influence the future results of Deutsche Post AG. The HGB financial statements are material to calculating the dividend. For the 2023 financial year, we anticipate a result for Deutsche Post AG that will enable a dividend payment compatible with our financial strategy.

NON-FINANCIAL STATEMENT

for Deutsche Post AG and for Deutsche Post DHL Group in accordance with Sections 289b(1) and 315b(1) HGB

The year 2022 was one of the most challenging of the last few decades. The war in Ukraine and the economic sanctions it caused and the discontinuation of energy supplies from Russia, as well as the significant rise in natural disasters due to extreme weather conditions, impacted living conditions around the world and put the stability of supply chains to the test. Moreover, employees and business partners as well as the capital market are still all increasing their expectations for sustainable business. In addition, legislators continued to intensify their requirements of sustainable financing and reporting.

General information

The Global Reporting Initiative (GRI) standards are taken as the framework for determining material non-financial topics, supplemented by HGB requirements. The key performance indicators used for managing the Group were determined in accordance with the HGB and the German Accounting Standard 20 was applied.

ESG standards anchored in the Code of Conduct

We conduct our business in accordance with applicable law and high ethical, social and environmental standards. As a signatory to the UN Global Compact, Deutsche Post DHL Group implements its ten principles in areas where we have influence. Additionally, we take guidance from the principles set out in the Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises and the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, as well as from the principle of social partnership. Our ethical, social and environmental values are anchored for the entire Group in our Code of Conduct for employees, and in the Supplier Code of Conduct for our suppliers and subcontractors. Since respect for human rights is particularly important to us, we specify them in our Human Rights Policy Statement, Corporate governance.

Moreover, we participate in numerous United Nations initiatives and support the UN Sustainable Development Goals (SDGs). Our commitment is most closely aligned with the goals of Quality Education (SDG 4), Gender Equality (SDG 5), Decent Work and Economic Growth (SDG 8), Sustainable Cities and Communities (SDG 11), Climate Action (SDG 13) and Partnerships for the Goals (SDG 17), Company website.

Strategic orientation

Our purpose – Connecting people, improving lives – reflects our understanding of sustainability, which is embedded in our strategic bottom lines throughout the Group. The degree to which we meet the needs of our key stakeholder groups, minimise the environmental impact of our business, increase our contributions to society and act as trustworthy business partners are also determinants of the success of our company. That is why we adhere to principles aimed at reducing our environmental footprint, creating a safe, inclusive and motivating workplace for our employees, and ensuring that our business practices are transparent and in compliance with the law.

Our ESG Roadmap increasingly realigns our climate action and environmental protection activities with decarbonisation measures and further defines our strategies towards social responsibility and corporate governance, Strategy. In addition, all three ESG areas were incorporated into, and for the year under review account for 10% respectively, of the target portfolio for annual bonus calculation of the Board of Management. The details are provided in a separate statutory remuneration report that will be published on our Website. From 2023, ESG metrics will also be included in the annual bonus calculation for executives in upper-level management.

To support our commitment to our sustainability agenda, we published a sustainability-linked finance framework which enables us to issue sustainable financing instruments. The framework follows the Sustainability-Linked Bond Principles of the International Capital Market Association and provides an overview of our activities and initiatives aimed at achieving our ambitious ESG targets, along with an overview of the potential structure of a sustainable financial instrument, Company website.

Material topics and performance indicators

The materiality analysis was updated at its regular interval in 2021. Using this, six topics were derived on which our business has a material influence or, conversely, which can affect our business. These topics also represent the basis for the alignment of our ESG Roadmap, which was reviewed together with the Board of Management and the Supervisory Board during the year under review: the topics were confirmed and the cybersecurity rating key figure introduced in the reporting year was additionally determined to be steering- and remuneration-relevant for the 2023 financial year.

Material topic	Performance indicator
Climate and environmental protection with a focus on greenhouse gas (GHG) emissions	Absolute logistics-related GHG emissions and Realised Decarbonisation Effects
Employee Engagement	Employee Engagement: Approval rate in the annual survey
Diversity and inclusion	Share of women in middle and upper management
Occupational health and safety	Lost time injury frequency rate (LTIFR)[1]
Compliance	Share of valid compliance-relevant training certificates in middle- and upper-level management
Cybersecurity	Cybersecurity rating[2]

[1] Work-related accidents per 200,000 working hours resulting in at least one working day of absence for the affected person following the accident.
[2] Steering- and remuneration-relevant from the 2023 financial year.

The development of actual versus planned key performance indicators is presented to the Board of Management along with financial KPIs, and discussed monthly. Deviations are analysed and solutions developed and approved. The Employee Engagement KPI is determined once per year and discussed with the Board of Management. We completely integrated the ESG metrics and targets into our financial systems and reporting and planning processes, as well as the internal control system and the opportunity and risk management process in the reporting period.

Non-financial risks

Opportunity and risk management takes place in Group Controlling and also covers sustainability-related aspects. In addition to financial assessment, opportunities and risks arising from climate change are analysed on the basis of a scenario analysis according to the standards of the Task Force on Climate-related Financial Disclosures (TCFD), which was developed further in the year under review and supplemented with provisions of the EU Taxonomy. This involves discussing and assessing both transitory and physical risks stemming from climate change using various scenarios. The details are provided under the heading Environment. ESG risks of medium significance for the Group were determined in the material issues of climate change (risk categories: operational, market- and customer-specific and from regulation), employee matters (risk category: human resources) and in cybersecurity (risk category: information technology), Expected developments, opportunities and risks.

Responsibility for the ESG topics and performance indicators

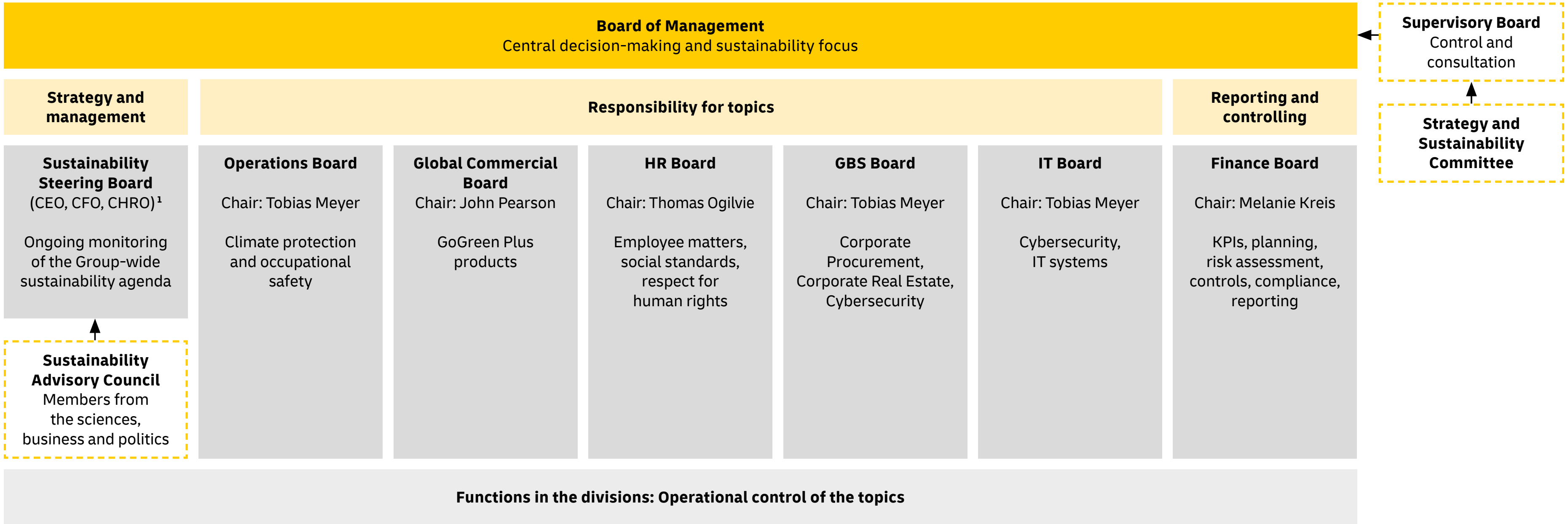
The Board of Management is the central decision maker on Group-wide sustainability focus, whereas the divisions are responsible for implementation of the measures. The progress achieved is regularly discussed by the Board of Management. The ESG topics are also regularly dealt with in the meetings of the Supervisory Board as well as the Strategy and Sustainability Committee, Report of the Supervisory Board.

Our Code of Conduct provides all employees and managers with clear rules and standards for contributing to our success within the scope of their jobs and responsibilities. Additional guidelines were derived from the Code of Conduct to offer more specific guidance, including the guidelines on anti-corruption and standards for business ethics and on the environment and energy, as well as the Human Rights Policy Statement. All our employees, but in particular our executives, play a key role when it comes to implementing our values and objectives, so we have made the Code of Conduct an integral component of their employment contracts.

The Code of Conduct for Suppliers (Supplier Code of Conduct) is a reflection of the ethical, social and environmental standards we set for ourselves and it is a binding component of the Group's relationships with our suppliers, including subcontractors. By signing, they commit to complying with our standards and implementing them in their own supply chains.

The codes and the guidelines are regularly reviewed to ensure that they are complete and up to date.

Relevant boards for sustainability issues



[1] Chief Executive Officer, Board of Management members responsible for Finance and HR.

Responsibility for strategic orientation, the materiality analysis, stakeholder dialogue and implementation of the strategic and operational ESG programme falls under the auspices of the CEO board department, where the ESG topics are developed further in the Group strategy and regularly reviewed by the Sustainability Steering Board. The Sustainability Steering Board comprises the CEO, the CFO and the Board member for Human Resources, as well as executives from central and divisional functions.

Group-wide concepts for leadership and corporate culture, promotion of talents and skills, specifications related to HR processes and services, maintaining relationships with the employee representatives and respect for human rights in our workforce are developed, implemented across divisions and managed by the HR board department.

Responsibility for ESG reporting and controlling, opportunity and risk assessment, integration of the internal control system and the financial systems, compliance management and data protection fall under the purview of the CFO board department.

Among other topics, the Global Business Services board department is responsible for determining the Group-wide standards for sustainable procurement and the process for selecting suppliers, as well as the specifications for cybersecurity and Corporate Real Estate.

Contents of the combined non-financial statement

Reporting in accordance with Sections 289b(1) and 315b(1) HGB

Aspects (HGB)	Concepts	Target for 2022[1]	Result for 2022	Target for 2023[1]	Heading
Business model					General information
Environmental matters	Climate and environmental protection: Avoiding GHG emissions	Limit logistics-related GHG emissions to 41 million tonnes of CO_2e	Logistics-related GHG emissions[1,2] decrease to 36.46 million tonnes of CO_2e	Limit logistics-related GHG emissions[2] to a maximum of 39 million tonnes of CO_2e	Steering metrics Environment Expected developments
		Generate Realised Decarbonisation Effects of 969 kilotonnes of CO_2e	1,004 kilotonnes of CO_2e avoided through Realised Decarbonisation Effects[1,2]	Generate Realised Decarbonisation Effects[2] of 1.3 million tonnes of CO_2e	
Employee matters	Maintain employee engagement and motivation at a high level	Employee Engagement KPI approval rate of more than 80%	Employee Engagement[1,2] at the prior-year level: approval rate at 83%	Employee Engagement KPI approval rate[2] of more than 80%	Steering metrics Workforce Expected developments
	Diversity and inclusion: Increase share of women in middle and upper management	The share of women in middle and upper management amounts to 25.9%	The share of women in middle and upper management[1,2] amounts to 26.3%	Share of women in middle and upper management[2] amounts to 27.7%	
	Ensure health at work: Prevent accidents	LTIFR[3] amounts to 3.7	LTIFR[1,2,3] amounts to 3.4	LTIFR[2,3] amounts to 3.5	
Social matters	Corporate citizenship: Measure employee pride in contribution to society		Approval rate of 79% for this question in annual survey of employees[2]	–	Society
Compliance, including anti-corruption and -bribery matters	Compliance with laws, principles and policies: Participation by executives in compliance training	At least 97% valid training certificates in middle and upper management	98% valid training certificates in middle and upper management[1,2]	98% valid training certificates in middle and upper management[2]	Steering metrics Corporate governance Expected developments
Respect for human rights	Carry out internal audits with regard to human rights		33 audits carried out[2]	–	Corporate governance
	Implement standards in the supply chain		Key figures introduced: Supplier spend covered by an accepted Supplier Code of Conduct	–	
Cybersecurity	Guarantee IT system and data security		Introduced cybersecurity rating[2] key figure	Rating[2] is at least 710 out of 900 points	Corporate governance Expected developments
Taxes	Avoid corporate structuring only for the purpose of tax optimisation		Tax strategy adhered to Group-wide	–	Corporate governance

[1] Steering-relevant. [2] Reviewed with reasonable assurance, Assurance Report. [3] Work-related accidents per 200,000 working hours with at least one day of absence for the affected person following the accident.

Reporting on the facilitation of sustainable investments (EU Taxonomy)

pursuant to Regulation 2020/852, Article 8, of the European Parliament and of the Council as well as Delegated Regulation 2021/2178 of the European Commission

EU Taxonomy	Result for 2022	Heading
Determine the taxonomy-eligible and -aligned shares of revenue, capital expenditure (capex) and operating expenditure (opex)	53% of revenue, 63% of capex, 58% of opex are taxonomy-eligible 12% of revenue, 25% of capex, 11% of opex are taxonomy-aligned	EU Taxonomy

Environment

Climate action in the focus of our operations

Our business activities impact the climate and the environment mainly in the form of greenhouse gases (GHG), which contribute to climate change. Within the framework of our ESG Roadmap, we have defined measures and ambitious targets to minimise these effects.

Medium term: We have set ourselves a target of reducing our emissions to below 29 million tonnes of CO_2e by the year 2030. This target also includes the transport services carried out by our subcontractors (Scope 3). It was developed based on the requirements of the Science Based Targets Initiative and supports global efforts to limit global warming in accordance with the Paris Agreement of the United Nations.

In the year under review, the Science Based Targets Initiative verified the following sub-targets in this regard and assessed them as aligned with limiting global warming to 1.5 degrees Celsius: using 2021 as the base year, Deutsche Post DHL Group has committed to reducing its absolute direct emissions from the use of fuels and the indirect emissions from purchased energy (Scopes 1 and 2) by 42% by the year 2030. Absolute Scope 3 emissions from fuel- and energy-related activities, upstream transport and sales and business travel are to be reduced by 25% by 2030.

Long-term: We want to reduce the GHG emissions of our logistics services to net zero by 2050. That means we will use active reduction measures to reduce emissions (Scopes 1, 2 and 3) down to an unavoidable minimum, which is to be fully compensated for with recognised countermeasures (excluding offsetting).

The central climate protection measures are defined by Corporate Development in the board department of the CEO. The Finance board department collects environmental data, monitors progress towards goals, assesses opportunities and risks and carries out internal and external reporting, embedded in the internal control system.

Orientation and targets with regard to climate and environmental protection are set out in Group policies: in the Code of Conduct and the Supplier Code of Conduct, in the Environmental and Energy Policy, the Paper Policy, the Sustainable Fuel Policy (not public) and the policies for procurement processes.

For achieving our goals by 2030, we plan to spend up to an additional €7 billion to expand the use of sustainable fuels and technologies in our fleets and buildings. We round out this package of measures with a range of specifically environmentally friendly products: GoGreen Plus enables customers to make a conscious decision for sustainable transport solutions or the use of sustainable fuels. This approach allows us to uphold our responsibility to the climate and the environment.

In addition, together with our subcontractors, we work as part of initiatives to reduce fuel consumption and lower GHG emissions. This also enables us to procure the consumption and emissions data necessary for subcontractor management, which is why we take part in industry-wide initiatives and collaborate closely with customers, suppliers and industry partners.

Risks arising from climate change

In the reporting period, we assessed our opportunities and risks arising from climate change using a scenario analysis according to the standards of the Task Force on Climate-related Financial Disclosures (TCFD). This involved applying scenarios including possible warming of the planet by 2.0, 2.4 or 4.3 degrees Celsius to assess physical risks which could result from a rise in ocean levels, for instance. For transitory risks, we used the sustainable development scenarios of the International Energy Agency.

Together with the respective Board of Management members responsible for the divisions, we analysed and evaluated the possible effects of climate change on our business models, strategy and operational business in workshops and considered them in view of our mission of achieving net zero GHG emissions by 2050. Moreover, locations with an increased physical risk were assessed as part of division-internal workshops and measures were defined and documented.

This results mainly in transitory risks for the Group, particularly with regard to the development of carbon pricing, GHG emissions and operational limitations due to stricter regulation and the availability of sustainable fuels and energy from renewable sources. This conclusion underscores the strategy behind our climate action activities: reducing GHG emissions and using sustainable technologies and fuels to minimise dependency on fossil fuels. We provide details on opportunity and risk management in Expected developments, opportunities and risks.

Decarbonisation avoids 1 million tonnes of CO_2e

The management and the reporting are focused on the development of absolute logistics-related GHG emissions and the GHG emissions avoided by our decarbonisation measures. Our calculation includes the entire process chain for generating and supplying energy for transport as an additional Scope 3 category, General information, Steering metrics.

In the year under review, development of the absolute logistics-related GHG emissions was better than planned, decreasing to 36.46 million tonnes of CO_2e. Our GHG intensity amounts to 386 grams per euro of revenue. The GHG emissions are the result of the air (69%), land (22%) and ocean (8%) modes of transport, as well as buildings (1%).

The decrease in GHG emissions is attributable primarily to lower transport volumes and was additionally supported by the improved utilisation of passenger aircraft after the increasing loosening of restrictions on account of the pandemic. In addition, Realised Decarbonisation Effects from our measures contributed 1,004 kilotonnes of CO_2e to this decrease; this includes 205 kilotonnes of CO_2e through the use of sustainable fuels. An additional reduction of 178 kilotonnes of CO_2e results from the statutory blending of biofuels.

We estimate the amount of the non-logistics-related Scope 3 emissions (Category 1: Purchased goods and services, 2: Capital goods, 7: Employee commuting) to be around 6 million tonnes of CO_2e, which are not accounted for in our medium-term target.

According to our planning for the medium-term 2030 target, despite limited availability we expect a further increase in blending of sustainable fuels in air and ocean freight for the coming reporting year.

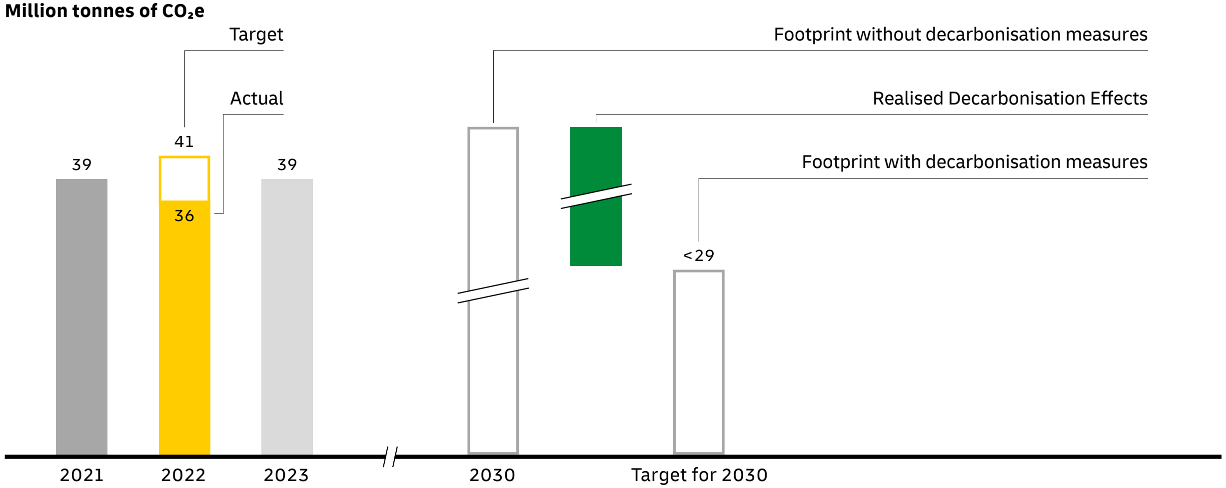
GHG emissions (well-to-wheel)

		2021	2022	+/– %
Total GHG emissions	**million tonnes of CO_2e**	**39.36**	**36.46**	**–7.4**
of which Scope 1		7.30	8.30	13.7
Scope 2[1]		0.20	0.07	–65.0
Scope 3[2]		31.86	28.09	–11.8
Realised Decarbonisation Effects	kilotonnes of CO_2e	728	1,004	37.9
Reduction resulting from statutory blending of biofuels	kilotonnes of CO_2e	172	178	3.5

[1] Market-based method. [2] Logistics-related emissions of GHG categories 3, 4 and 6.

Our path to the 2030 target

Million tonnes of CO_2e



Development of GHG emissions in 2023 will also depend on the development of the global economy. If transport volumes undergo weaker development, we expect GHG emissions to remain approximately at the prior-year level; if the economy proves to be more dynamic, we aim to limit GHG emissions to a maximum of 39 million tonnes of CO_2e. This includes decarbonisation effects of 1.3 million tonnes of CO_2e which we plan to realise in 2023. We continue to expect a significant reduction to not come until the second half of the decade.

Using sustainable technologies and fuels

Our focus of our measures is mainly on the modes of transport using the most fuel and generating the most emissions, namely air and ocean freight and road transport, and further increasing the electrification of our fleet of pick-up and delivery vehicles. We also invest in technologies to design our own new buildings to be climate neutral. The share of sustainable fuels is to top 30% in air, ocean and road freight by 2030. In pick-ups and deliveries, 60% of vehicles used are to be electric vehicles. All of the company's new buildings are to be climate-neutral. We also drive decarbonisation with our range of GoGreen Plus products, with which we enable our customers to make use of, among other things, air and ocean freight transports with sustainable fuels, @ Company website.

In the year under review, we nearly doubled additional expenditure for decarbonisation measures compared to the previous year to €284 million, and in doing so avoided around 1 million tonnes of CO_2e.

The share of sustainable fuels increased by 0.5 percentage points to 1.7% (previous year: 1.2%). In pick-ups and deliveries, we increased the number of e-vehicles used in the reporting period by 34% to approximately 27,800 (previous year: 20,700). At 94%, the share of electricity from renewable sources used was well above the level of the previous year (previous year: 86%).

In addition to our reduction measures, we offer our customers offsetting products to compensate for GHG emissions. However, in accordance with the GHG Protocol and for the presentation of the Realised Decarbonisation Effects, this offsetting is not taken into account as an emissions reduction for the calculation of our GHG footprint.

Expenditure for decarbonisation measures

€m

	2021	2022	+/–%
Sustainable fuels and technologies	**156**	**284**	**82.1**
of which sustainable fuel	28	66	>100
electrification of the fleet	115	179	55.7
buildings	13	24	84.6
further measures (shifting shipments to rail, biogas trucks)	–	15	–

Examples from the divisions in the year under review

In the year under review, Express was able to conclude further delivery contracts for sustainable aircraft fuels. Moreover, the modernisation of the aircraft fleet was continued and the network of partnerships with transport subcontractors was expanded. In addition, the Alice – the first all-electric aircraft – successfully completed its maiden flight, with the first deliveries of this model scheduled for 2027 to be used for shuttle flights in the United States. Moreover, we continued with the expansion of our international fleet of e-vehicles.

Global Forwarding, Freight expanded its partnerships for insetting with sustainable fuels. Unlike offsetting, insetting offers the ability to specifically implement climate protection in our own supply chain, enabling a positive impact on the achievement of our targets through the direct replacement of fossil fuels. With its Green Carrier Certification, the division creates transparency regarding the sustainability of our subcontractors. Global Forwarding, Freight is one of the first companies in our industry to offer air and ocean freight solutions that make use of sustainable fuels. The myDHLi customer platform offers real-time GHG reports in all modules and thus supports customers in air and ocean freight in achieving their own sustainability objectives.

Supply Chain is driving the decarbonisation of its supply chains with a portfolio of state-of-the-art, sustainable products for carbon-neutral storage, transport and packaging. In the year under review, the focus was on the expansion of carbon-neutral warehouses and sustainable transport, one example of which is the use of trucks that run on biogas in the United Kingdom.

eCommerce Solutions focused on the expansion of its fleet of e-vehicles and the increased use of electricity from renewable sources. In addition, the division incorporated GoGreen products into its portfolio in further countries.

Post & Parcel Germany continued the expansion of its fleet of electric vehicles and already has some 23,000 electric vehicles in use in pick-ups and deliveries. The use of rail transport for parcels is another measure to promote sustainability. The rail transport service enables private customers to actively opt for rail transport when sending parcels and thus avoid GHG emissions.

Energy consumption and efficiency

Group-wide energy consumption (Scopes 1 and 2) rose to 34,498 million kWh in the reporting period. We increased the energy used from renewable sources by 24% compared to the previous year. Energy efficiency amounts to 0.4 kWh per euro of revenue.

In our business model, air freight is the most energy-intensive mode of transport. With continuous modernisation processes in our own fleet and at our locations, we will have a positive impact on our energy consumption. Moreover, our divisions are increasingly using our own fleet and training the pilots in the use of energy-conserving flight manoeuvres.

Energy consumption of the company's own fleet and buildings (Scopes 1 and 2)

Million kWh

	2021	2022	+/–%
Total energy consumption	**30,486**	**34,498**	**13.2**
from fossil sources	**28,660**	**32,227**	**12.4**
of which air transport	22,484	26,649	18.5
road transport (excluding e-vehicles)	4,486	4,237	–5.6
buildings and facilities	1,690	1,341	–20.7
from renewable sources	**1,826**	**2,271**	**24.4**
of which air transport	175	343	96.0
road transport[1]	150	242	61.3
of which e-vehicles	–	58	–
buildings and facilities	1,501[2]	1,686	12.3

[1] Includes legally required blending.
[2] Includes consumption by electric vehicles.

Workforce

Common DNA as a factor for success

Our corporate culture makes us strong. It is underpinned by common values, convictions and behaviours and is one of the most important factors in our business success. We call it our common DNA, Strategy. It connects us across all business units and operating regions and defines who we are and how we operate. As early as 2006 we defined a Code of Conduct applicable to the whole Group. We value the diversity of our workforce and treat one another with respect, so that we may work together cooperatively and lay the foundation for our company's financial success.

Being an employer of choice

Our employees are our most valuable asset. With some 600,000 employees, we are one of the world's largest employers in our sector and aim to be an employer of choice, attracting competent and committed employees, continuously developing them and retaining them over the long term. Only motivated employees deliver excellent service quality, meet our customers' needs satisfactorily and therefore ensure the sustainable profitability of our business activities. For this reason, we want to strengthen and lock in their commitment at a high level. We are dedicated to the principles of diversity, equity, inclusion and belonging to create a work environment free of discrimination where each individual is valued and to guarantee workplaces that promote health.

Employee matters

Material topic	KPI		2021	2022	2023[2]	2025[2]
Employee Engagement	Employee Engagement[1]: Approval rate in the annual survey	%	84	83	At least 80	Maintain at the high level
	Continuing education: Total training hours	million hours	–	3.7	–	–
Diversity and inclusion	Share of women in middle and upper management[2]	%	25.1	26.3	27.7	At least 30%
	Employees with disabilities[3]	headcount	14,652	14,274	–	–
	Employment rate[3]	%	8.0	8.0	–	–
Occupational health and safety	Lost time injury frequency rate (LTIFR)[2,4]		3.9	3.4	3.5	Less than 3.1
	Sickness rate	%	5.5	6.3	–	–

[1] Steering- and remuneration-relevant in the year under review. [2] Steering-relevant KPIs. [3] Deutsche Post AG (principal company in Germany), pursuant to section 163 SGB IX. [4] Work-related accidents per 200,000 working hours with at least one working day of absence for the affected person following the accident.

Preserving employee interests

In addition to direct dialogue with their superiors and management representatives, our employees can turn to employee committees, works councils, trade unions and other bodies to indirectly represent their interests. At the global level, we engage in regular, open dialogue with international trade union confederations such as UNI Global Union (UNI) and International Transport Workers' Federation (ITF). At the European level, employee concerns are regularly discussed with our European works council, the Deutsche Post DHL Forum. The Board Member for Human Resources takes part in the discussions twice per year. UNI and the European Transport Workers' Federation are also represented.

In addition, as the largest postal service provider in Europe, the Group is a member of the EU Commission's European Social Dialogue Committee for the Postal Sector and has been the Committee Chair since 2016. The work of this committee involves exchange between the employers and union representatives in the postal sector of European member states on relevant topics in consideration of social matters.

Together with the two trade union confederations, we reviewed and strengthened the joint OECD Protocol from 2019 in the year under review, Company website. With this agreement, all parties undertake to maintain a continuous dialogue on employment and working relationships for the next three years. During the yearly meeting between the secretaries general of the ITF and UNI and the Board Member for Human Resources, the revised agreement was approved by all parties and then signed by the German National Contact Point for the OECD Guidelines for Multinational Enterprises in Berlin.

Performance-based remuneration and development of the workforce

We foster employee loyalty and motivation by offering performance-based remuneration in line with market standards. It includes a base salary plus the agreed variable remuneration components such as bonus payments. In many countries, we also provide employees with access to defined benefit and defined contribution retirement plans. We also use neutral job evaluations to prevent discrimination on the basis of personal characteristics. These evaluations focus on the type of job, position in the company and responsibilities assigned. This systematic approach enables an independent and balanced remuneration structure.

In Germany, wages or salaries are generally regulated through either industry-level or company-level collective wage agreements. In many of our subsidiaries throughout Germany, our wage-scale employees also receive a performance-based bonus in addition to their monthly wage or salary. The collectively bargained principles are gender-neutral, so the use of collective agreements ensures equity in pay for women and men. Employees of Deutsche Post AG covered by the collective wage agreement may opt to take additional time off in lieu of a pay increase. A total of 18.7% of the workforce there had exercised this option as at 31 December 2022. The remuneration of employees in a non-pay-scale employment relationship (Deutsche Post AG, principal entity in Germany) is bound by existing works agreements.

Moreover, we offer both defined benefit and defined contribution pension plans in which approximately 70% of the Group's employees participate. Our main retirement benefit plans are provided in Germany, the UK, the USA, the Netherlands and Switzerland, Note 37.1 to the consolidated financial statements.

At €26,035 million, staff costs exceeded the prior-year figure of €23,879 million. Details can be found in Note 15 to the consolidated financial statements.

As at 31 December 2022, we employed 600,278 people around the world, which is 1.4% more than the previous year. Added to this, an average throughout the year of 83,951 external FTEs subject to the control and direction of the Group were employed at our locations.

Workforce development

	2021	2022	+/–%
Headcount at year-end[1]	**592,263**	**600,278**	**1.4**
Average for the year[1]	574,047	589,109	2.6
Full-time equivalents at year-end[1]	**548,042**	**554,975**	**1.3**
of which Express	114,134	114,151	0.0
Global Forwarding, Freight	43,840	48,053	9.6
Supply Chain	175,099	182,403	4.2
eCommerce Solutions	33,809	32,721	–3.2
Post & Parcel Germany	168,084	163,904	–2.5
Group Functions	13,076	13,743	5.1
Average for the year[1]	528,079	542,917	2.8
Share of part-time employees (%)	17	17	–
Average age of Group employees (years)	40	40	–
Share of female employees (%)	34.7	34.4	–
Unplanned employee turnover (%)	12	14	–

[1] Including trainees.

Employee engagement and motivation

Each year we measure employee satisfaction and engagement by conducting a Group-wide survey. This important tool helps us determine where we are in our journey toward becoming an employer of choice. We use the analysis of the annual survey to determine the Employee Engagement KPI, which is also included in the remuneration of the Board of Management.

Once again, 75% of employees took the opportunity to express their opinion and provide valuable feedback in the year under review. This is used as the foundation for creating the best possible working conditions at our company, thus corresponding to our strategic goal of being an employer of choice. We once again exceeded the target of more than 80% with an approval score of 83%.

Selected results from the Employee Opinion Survey

%

	2021	2022
Response rate	75	75
Approval rate for Employee Engagement KPI	84	83

Training and opportunities for professional development can have a positive influence on the motivation of a workforce, which is why all of our employees generally have the option of taking advantage of our training offers digitally or as part of in-person events. Our training offers convey knowledge about our Group strategy and how everyone can make an individual contribution to our success. One example is our Group-wide “Certified” employee motivation and development programme, which aims to make our employees experts in their respective areas of responsibility. It also creates an atmosphere that places our customers at the heart of our activities and ensures we provide excellent service. In addition to a certified foundation module, we offer our employees a wide range of follow-up modules customised to their specific roles and areas of expertise. We place special emphasis on providing training for management and team leaders to help reinforce employees in their roles and support executives in carrying out their leadership duties. Such training focuses on leadership attributes that are applicable to all Group executives and serve as a behavioural compass. We also offer qualified employees a number of personal development options, such as special training for those with potential and development ambitions in self-management and in participation in interdisciplinary or international projects.

In the year under review, a total of 3.7 million training hours were completed. Moreover, time and money were invested in qualification elements integrated in the job, such as orientation and service training, which are not accounted for in this figure.

Diversity, Equity, Inclusion & Belonging

Our organisation brings together people from cultures and cultural backgrounds from all over the world who possess a wide range of experiences, abilities and perspectives, with 178 nationalities represented at our German sites alone. The diversity of our employees is not only an asset to the company but also one of its major strengths. Diversity, inclusion and freedom from discrimination are anchored throughout the Group as part of our Code of Conduct. We expressly reject any and all forms of discrimination.

We take an equal opportunity approach to new hirings, both internally and externally, and look exclusively to a candidate’s qualifications when deciding on their suitability.

During the reporting period, we expanded the scope of our diversity management activities to include the topics of equity and belonging. The DEIB (Diversity, Equity, Inclusion & Belonging) Board was also established and is comprised of executives in upper management from various central and divisional functions. The constituent meeting took place in the year under review.

The focus of our measures remains on increasing the share of women in executive positions. By 2025 we aim for women to occupy at least 30% of middle and upper management positions in the Group. The company uses various approaches and programmes to specifically empower female junior staff for the next step in their careers on the way to becoming middle- or upper-level executives, including coaching, mentoring and networks. In the year under review, we managed to exceed our target of women occupying 25.9% of middle- and upper-management positions. This figure came in at 26.3%. We are planning to improve the share to 27.7% for 2023.

Our company’s in-house RainbowNet network provides space for LGBTQ+ employees to share their experiences. As a founding member of the PROUT AT WORK Foundation, we are committed to providing a collegial, discrimination-free workplace so that our employees can achieve their individual career goals regardless of their sexual orientation or gender identity.

In line with our inclusive approach, we give disabled individuals professional prospects. In Germany, employers are required by law to ensure that employees with disabilities make up at least 5% of their workforce. At Deutsche Post AG, our principal entity in Germany, 14,274 persons with disabilities were employed in the reporting year, 20 of whom were trainees; that represents 8.0% of the total workforce.

The average age of employees throughout the Group remains at 40 years old. In response to demographic change in Germany as well as for the purpose of ensuring an ageing-friendly workplace, we have established a Generations Pact enabling employees of Deutsche Post AG aged 55 and over to reduce their working hours. The option of early retirement for civil servants with a commitment to undertake voluntary work *(engagierter Vorruhestand)* is also still in effect. To recruit and retain young, talented employees, we focus in particular on positions with on-the-job training as well as trainee and dual-study programmes. In Germany, we offered a total of around 1,500 spots in our post-secondary educational training and dual-study programmes during the reporting year. We provide college and university graduates with the chance to choose between various post-graduate training programmes.

Occupational health and safety

The health and safety of our employees in the workplace is of central importance to us and is therefore embedded in our Codes of Conduct. We comply with the Group's existing occupational health and safety policies, statutory regulations and industry standards.

The Group policy on occupational health and safety defines seven core elements implemented Group-wide in our safety management system. The management system complies with the international ISO 45001 standards, to which various business units are also externally certified. Our Supplier Code of Conduct requires our suppliers and subcontractors to adhere to these same high standards, Corporate governance.

Accident prevention in the workplace is the top priority of our occupational health and safety activities. Some of our biggest challenges are in our pick-up and delivery operations, because external influences can only be managed to a certain extent in this area. Bad weather, road work, complex traffic situations and dealing with animals require employees to pay attention, concentrate and take responsibility for themselves. The most frequent causes of accidents remain slipping, tripping and falling, as well as dropping objects. Accidents are analysed, the respective root causes are identified and measures are introduced which facilitate the continuous improvement of safety for our employees. Solutions proven in practice to reduce or eliminate potential hazards are shared across the Group. Additionally, we hold regular work meetings and workplace inspections and place signage at locations with greater potential hazards to increase the awareness of employees.

To measure the success of our efforts, we use the steering-relevant KPI of lost time injury frequency rate (LTIFR), which we calculate based on the number of work-related accidents per 200,000 working hours resulting in an absence of at least one working day for the affected person. We use the accident investigations to derive measures to eliminate the respective root causes of these accidents and to avoid reoccurrence.

The lost time injury frequency rate (LTIFR) dropped to 3.4 in the year under review. We thus outperformed our target of an LTIFR of 3.7. Unfortunately, we recorded more accidents with a fatal outcome than in the previous year. We expressly regret this development. We aim to stabilise our LTIFR at 3.5 for 2023. Moreover, we confirm our target for 2025 of lowering the LTIFR to below 3.1.

Work-related accident statistics

	2021	2022
Lost time injury frequency rate (LTIFR)[1]	**3.9**	**3.4**
of which Express	1.8	1.6
Global Forwarding, Freight	0.7	0.8
Supply Chain	0.5	0.5
eCommerce Solutions	1.8	1.6
Post & Parcel Germany	11.7	10.9
Group Functions	0.2	0.3
Working days lost per accident	18.3	18.2
Number of fatalities due to workplace accidents	5	7
of which as a result of traffic accidents	4	5

[1] Work-related accidents per 200,000 working hours resulting in at least one working day of absence for the affected person following the accident.

We carry out health projects and local initiatives to create a health-promoting work environment and raise awareness of a healthy lifestyle amongst our employees. Incentives are provided to local management to offer health-promoting programmes to employees and their families.

The Chief Medical Officer advises the Board of Management in all matters regarding occupational health – for instance how to deal with physical and psychological diseases in the work environment – as well as how to deal with the circumstances of a pandemic or epidemic. During the year under review, we continued the vaccination and testing of our employees at the locations throughout the Group. The Group-wide sickness rate increased by 0.8 percentage points to 6.3% in the year under review. This development is attributable primarily to the significant increase in respiratory illnesses caused not only by COVID-19, but also by the common cold and flu-like infections.

Some of our employees work in countries that offer insufficient statutory health coverage, or none at all. For this reason, we offer employees and their families in numerous countries high-quality primary or supplementary health insurance coverage at attractive terms through our Group's in-house employee benefits programme. Some 250,000 employees in 100 countries are covered by this programme.

Corporate citizenship

Contributing to economic development and social progress

We contribute to the socioeconomic development of the regions in which we operate through our sites, our employees and our business partners, thereby making a contribution to social and individual prosperity. As part of our corporate citizenship initiatives, we are leveraging our global network and the expertise of local employees in line with our purpose: Connecting people, improving lives.

Partnerships and initiatives

Our initiatives enable us to use our strengths and capabilities to effect change locally and to work together to meet global challenges. We partner with established international organisations to ensure that our initiatives have the greatest impact possible. With GoGreen (environmental protection), GoHelp (disaster management), GoTeach (increasing employability) and GoTrade (promoting trade) we also support SDGs 4, 5, 8, 11, 13 and 17.

We dignify employee engagement through our Global Volunteer Day, the "DHL's Got Heart" initiative and the Improving Lives Fund. Volunteering encourages employees to participate in, and give back to, local communities.

Based on the Group-wide annual survey of employees, we know that corporate citizenship is a relevant factor in determining their overall level of motivation. They want to contribute to social and environmental objectives not only in their personal lives but also at work, to help society and the environment and to enhance the Group's reputation. We therefore measure the success of our initiatives using the approval rate for the survey question asking whether our employees are proud of Deutsche Post DHL Group's contribution to society. As in the previous year, 79% of all employees responded positively in the year under review.

Large numbers of employees participate in the Go programmes

Our employees volunteered locally in large numbers once again in the reporting year. One major focus was the war in Ukraine: for the first time, our GoHelp teams were put to use in Europe to carry out the logistics for relief efforts for Ukraine.

But our employees in Ukraine are also directly affected by the war. Thanks to the generosity of donations from our workforce, we were able to provide financial support to those impacted quickly and without a lot of red tape via our internal We Help Each Other relief fund. All donations were matched by the Group, thus doubling our employees' contributions.

We expanded our GoTeach partnerships to additional countries. GoTrade initiated the DHL GoTrade GBSN Fellowship programme, which allows MBA students to support and accompany small and medium-sized enterprises for a year.

Corporate governance

Role model for responsible corporate governance
We intend to serve both as a role model for responsible corporate governance in our sector and as a trustworthy company. Ensuring our interactions with business partners, employees, the capital market and the general public are conducted with integrity and within the bounds of the law is vital to maintaining our reputation and is the basis for sustainable business success. We take steps to guarantee an honest and transparent business practice in compliance with the law by focusing on training executives in compliance-relevant content, building cybersecurity skills, shaping sustainable and stable relationships with business partners and fully integrating ESG metrics into management processes and incentive systems.

The rules for ethical conduct included in our Code of Conduct are further specified in our Human Rights Policy Statement as well as our Anti-Corruption and Business Ethics Standards Policy. Our focus at all times is on preventing potential violations of statutory requirements and internal guidelines.

Corporate Internal Audit evaluates the effectiveness of our risk management system, control mechanisms, management and monitoring processes and compliance with Group policies, contributing to their improvement. It does this by performing independent regular and ad hoc audits at all Group companies and at corporate headquarters with the authority of the Board of Management. The audit teams discuss the audit findings and agree on measures for improvement with the audited organisational units and their management. The Board of Management is regularly informed of the findings. The Supervisory Board is provided with a summary once a year.

Corporate governance

Material topic	Key figure		2021	2022	Target for 2023[1]
Compliance: Train executives (Code of Conduct, fighting corruption and bribery, competition compliance and data protection)	Training level: Share of valid compliance training certificates in middle and upper management[2]	%	96	98	98
Respecting human rights	Carry out internal audits with regard to human rights	number	19	33	–
	Carry out on-site audits at locations in countries	countries	10	10	–
	Training level in middle and upper management	%	–	98	–
Standards in the supply chain	Supplier spend covered by an accepted Supplier Code of Conduct	€ billion	–	More than 27	–
	Potential high-risk suppliers assessed	number	–	More than 2,700	–
Cybersecurity	Training level in middle and upper management	%	98	97	–
	External assessment of our cybersecurity[3]	points	–	700	At least 710[4]

[1] Steering-relevant KPIs. [2] Steering-relevant KPI in the year under review. [3] Steering- and remuneration-relevant from the 2023 financial year. [4] The rating agency announced after the time this report was prepared that it would be making changes to its method which will have an impact on the rating scale and which could influence our results.

Trusted business partner thanks to compliance
We render all of our services in compliance with current legislation as well as our corporate values as defined in our Group policies. One important aspect of compliance is the legally required disclosures relating to fighting corruption and bribery matters. We observe all applicable international anti-corruption standards and statutes and are a member of the Partnering Against Corruption initiative of the World Economic Forum.
Ensuring legally compliant conduct in our business activities and in our interactions with employees is an essential task of all Group management bodies. In line with our

objective, participation of executives in middle- and upper-level management in various types of relevant compliance training is mandatory. We believe one thing: managers have to be well informed to identify potential compliance risks and ensure that such risks are mitigated appropriately.

The foundation to this approach is our compliance training comprising our Core Compliance Curriculum (anti-corruption, competition compliance, Code of Conduct) and training on data protection. All employees who have already completed their training must update their certification every two years. We will use the share of valid training certificates amongst executives in middle- and upper-level management as a steering-relevant KPI.

With our compliance management system (CMS) we have implemented effective measures for the prevention of corruption and bribery throughout the Group. Responsibility for designing the system lies with the Chief Compliance Officer. Uniform minimum standards are laid down in the CMS and accompanied by related activities initiated by the compliance officer in the divisions.

Our Code of Conduct and Anti-Corruption Policy, along with training on these topics, help employees identify situations in which the integrity of the company could be called into question with respect to relevant third parties.

Potential violations can be reported 24/7 – if legally permitted, anonymously – via our professional compliance incident reporting system (whistle-blower hotline). In addition, potential violations can also be reported by telephone, Company website. The incident reporting system was made available to third parties during the year under review. Reports are reviewed and investigated internally for potential violations as part of a standardised process. Information on relevant violations is collected and included in the regular compliance reports made to the Board of Management and to the Supervisory Board's Finance and Audit Committee, Report of the Supervisory Board.

In the interest of raising awareness of compliance amongst employees, a Group-wide campaign – Compliance Awareness Week – was carried out in the year under review and rounded out by measures tailored to the specific divisions and regions. The campaign was additionally supported by "tone from the top" statements from the members of the Board of Management to emphasise to each employee the importance of compliance for the Group. To strengthen the internal dialogue, our workforce was made aware of and informed about compliance aspects on an ongoing basis by means of further communication measures and via the compliance channels.

The compliance training certification rate was 98% in middle and upper management in the year under review. We plan to maintain the rate at this high level for 2023.

In the context of its 208 audits, Corporate Internal Audit also reviewed compliance management system processes and the implementation of agreed follow-up measures. Findings from the regular audits facilitate the identification of other compliance risks and the refinement of the compliance programme.

Respecting human rights

Our commitment to respect for human rights includes adherence to the principles of the UN Global Compact and the International Labour Organization (ILO), which we have embedded in our Code of Conduct and outlined in greater detail in our Human Rights Policy Statement, Company website. These stipulate clear responsibilities and requirements for our employees and executives as well as our suppliers and subcontractors, and contribute to the general understanding and implementation of the principles of the UN Global Compact.

Our human rights activities focus on the prevention of child and forced labour, decent working conditions (remuneration, working hours, occupational health and safety) and the right to freedom of association. With the Supplier Code of Conduct, we obligate suppliers and subcontractors to comply with our ethical, social and environmental principles and implement them in their own supply chains.

The implementation of measures for respecting human rights in the workforce and in the supply chain have been monitored by the Supply Chain Due Diligence Act (*Lieferkettensorgfaltspflichtengesetz* – LkSG) Council since the end of the reporting year. The board is made up of executives in upper management from the Group functions Employee Relations, Corporate Development, Corporate Public Affairs, Legal Services and Global Compliance, Corporate Procurement and Corporate Internal Audit.

As part of its audits, Corporate Internal Audit also conducted reviews relating to respect for human rights and verified that the agreed follow-up measures had been implemented. In the reporting year, 33 such reviews took place.

Preventing human rights violations in the workforce
With our internal management system, we ensure that our Human Rights Policy Statement is implemented amongst our workforce. In addition, we use the system to monitor compliance with due diligence. Key components are training initiatives and on-site reviews; these reviews are conducted by specially trained and externally certified professionals from the divisions and corporate headquarters. A risk-based approach is applied to select of countries and locations for the on-site reviews based on internal criteria, such as number of employees, as well as external criteria from Verisk Maplecroft (Human Rights Index). Additionally, we consider suggestions from international trade union confederations.

Under the leadership of the HR department, on-site reviews were held at various locations in ten countries as planned in the reporting year. These were again conducted largely as in-person reviews thanks to the loosening of pandemic-related travel restrictions. Once again, some cases of non-compliance with working time regulations and knowledge gaps concerning occupational safety requirements were identified and subsequently rectified by way of a structured action plan in the year under review.

Further employees were certified according to the Sedex Members Ethical Trade Audit (SMETA) standard, so that the annual number of on-site reviews can be increased. Moreover, as planned, the training module we use to raise employees' awareness for respecting human rights was rolled out throughout the Group. Participation is recommended for all employees. Participation is mandatory for executives in middle and upper management beginning with this reporting year; the certification rate was 98%.

Standards in the supply chain
Corporate Procurement selects suppliers that meet our ethical, social and environmental standards. Supplier selection is based on a standardised assessment process which also takes aspects such as diversity and respect for human rights into account, as well as external criteria such as those from Transparency International (Corruption Perceptions Index).

Procurement employees are regularly trained to identify potential supplier-related risks early on. We convey our expectations to our suppliers and subcontractors via our Supplier Portal Website and introduce our selection processes. Suppliers can also use our portal to familiarise themselves with our Supplier Code of Conduct, which we make available in numerous languages along with the corresponding training module. From there, they can also access our professional compliance whistle-blower system which they can use to report potential violations of the Code or statutory provisions as well as cybersecurity incidents.

In the year under review, we continued developing a Group-wide risk management system for supplier assessments and adapted the Corporate Procurement Policy accordingly. In addition, we developed and implemented two key figures: supplier spend covered by an accepted Supplier Code of Conduct and the potential high-risk suppliers assessed.

We calculate the potential for risk of suppliers at the level of purchase categories. The risk assessment is influenced by 45 types of risk within eight risk domains (ESG, economic, technical, legal, political and cybersecurity risks) which were evaluated for each individual purchasing category. The ultimate classification of the risk potential is based on the evaluation of the probability and the possible impact. More than 2,700 potential high-risk suppliers were assessed in the year under review.

We use supplier spend covered by an accepted Supplier Code of Conduct to measure the successful implementation of our standards in the supply chain. We record progress regarding the key figure via the central financial systems, report to management on a monthly basis and discuss developments with the CEO and the CFO. In the year under review, supplier spend covered by an accepted Supplier Code of Conduct amounted to more than €27 billion.

Cybersecurity
Our cybersecurity management activities protect the information of the Group, our business partners and our employees as well as IT systems from unauthorised access or manipulation and data misuse. In addition, this ensures uninterrupted availability and enables reliable operations. Our internal guidelines and processes are based on ISO 27002 and our data centres are certified in accordance with ISO 27001.

The Group Chief Information Security Officer (Group CISO) reports directly to the Board Member for Global Business Services. The IT Board determines the cybersecurity strategy and defines and manages Group-wide measures for cybersecurity, for protecting systems and data and for digitalisation processes. The Information Security Committee is made up of the central functions of Group CISO, IT Audit, Legal Services, Data Protection and Corporate Security, as well as the divisional CISOs. The committee assesses potential threats on an ongoing basis, evaluates the potential of new risks and monitors compliance with our security standards.

We limit access to our systems and data such that employees can only access the data they need to perform their duties. All systems and data are backed up on a regular basis, and critical data are replicated across data centres. Additionally, by performing regular software updates, we can fix potential security vulnerabilities and protect system functionality.

A variety of communication measures and training sessions help our workforce become more aware of possible cybersecurity risks. All employees and executives with a corporate email address are continuously made aware of current risks by means of phishing and IT crisis simulations. Participation in Information Security Awareness training is mandatory for all employees with a computer workstation. All participants who have already completed their training must update their certification every two years. In the reporting period, the share of valid training certificates amongst middle- and upper-level management was 97%.

In the year under review, the Board of Management and the Supervisory Board decided to have our cybersecurity evaluated by BitSight, an external rating agency, and to report this rating as a steering- and remuneration-relevant KPI beginning in the coming financial year. This cybersecurity rating assesses the security situation and brings potential security risks to the attention of the rated company. Assessment of the security situation is carried out by an automated service on a daily basis. Unlike with manual assessments, a cybersecurity rating offers transparency and enables comparison with other companies thanks to standardisation.

The rating amounted to 700 of a possible 900 points as at the end of the year under review. We are striving for a position in the top quartile of our reference group with BitSight for 2023, which means we expect a rating of at least 710 points. The rating agency announced after the time this report was prepared that it would be making changes to its method which will have an impact on the rating scale and which could influence our results.

Tax strategy as a standard adhered to worldwide

Our tax strategy is aligned with our Group strategy and must be adhered to throughout the Group. The overarching approach applied by the Group is that taxes are always incidental to and follow business needs. We do not undertake aggressive tax planning or enter into artificial arrangements with the goal of avoiding taxes. Our Group maintains locations in more than 220 countries and territories, including some with lower tax rates than those in Germany. These locations are necessary for carrying out our operational business in those regions. None of our companies was established with the purpose of obtaining tax benefits or is currently used to pursue aggressive tax structuring.

In interpreting and applying tax legislation, we do not merely follow the letter of the law, but also consider its spirit and intended purpose. As a globally active group of companies, our activities necessarily include operations in countries where uncertainty is high. We mitigate this uncertainty through continual dialogue with tax authorities and tax advisers to obtain the greatest possible degree of legal certainty. This allows us to meet tax compliance requirements in the countries in which we operate to the best of our knowledge and belief. Our Group risk management system incorporates a tax risk management framework that enables us to monitor and avoid tax risk as far as possible.

In the year under review, we recognised taxes and social security contributions totalling €5,354 million.

Taxes and social security contributions

€m

	2021	2022
Total	**4,566**	**5,354**
Income taxes paid	1,323	1,782
Other business taxes	322	380
of which taxes on capital, real estate and vehicles	133	150
other operating taxes	189	230
Employer's social security contributions	2,921	3,192

EU Taxonomy

Pursuant to Article 8 of Regulation 2020/852 of the European Parliament and of the Council as well as Delegated Regulation 2021/2178 of the European Commission

We are reporting our contribution to the European Union's environmental objectives of climate change mitigation and climate change adaptation according to the guidelines laid down in the EU Taxonomy regulation and, beginning with this reporting year, are reporting the taxonomy-aligned (aligned) shares of revenue, capital expenditure (capex) and operating expenditure (opex) in addition to the taxonomy-eligible shares thereof.

Taxonomy-eligible economic activities (activities) are considered environmentally sustainable and therefore aligned if they make a substantial contribution to one of the six EU environmental objectives and are not associated with significant harm to one or more other environmental objectives (do-no-significant-harm (DNSH) criteria). In addition, the company complies with required frameworks for minimum safeguards that relate to respecting human rights and social and labour standards, as well as anti-corruption fair competition and taxation, for all activities.

Activities identified as aligned exclusively make a contribution to the EU environmental objective of climate change mitigation. Moreover, they prevent significant harm to the other EU environmental objectives of climate change adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control and the protection and restoration of biodiversity and ecosystems.

In the reporting year, the Group policy for implementing the requirements of the EU Taxonomy was supplemented with the provisions for determining the aligned shares of revenue, capex and opex; the Group-wide financial and controlling systems were adapted accordingly.

Applied evaluation method

In the year under review, the analysis of the taxonomy-eligible activities carried out in the previous year was reviewed and confirmed. We still assign our transport services, including the necessary infrastructure and buildings, to Sector 6 "Transport", whilst real estate not used for transport services is assigned to Sector 7 "Construction and real estate".

The EU Taxonomy does not yet take into account all economic activities which are relevant for our business. Revenue from warehousing (Supply Chain division) in particular, as well as revenue, capex and opex from air freight (Express division and Global Forwarding business unit), including the associated infrastructure, is therefore not reported as taxonomy-eligible.

Capex generated by the addition of assets can be assigned directly to individual activities, whilst revenue and opex can generally not be directly assigned. In these cases, we primarily use a cost-based allocation logic that reflects the business models of the divisions. We avoid double counting by assigning revenue, capex and opex to only one activity respectively and taking intra-Group relationships into account on a consolidated basis. All taxonomy-eligible activities were reviewed with regard to their alignment. The method applied for the respective technical screening criteria is presented in the following table.

Criterion	Evaluation method
Substantial contribution to climate change mitigation, prevents significant harm (DNSH) to the EU environmental objectives of the sustainable use and protection of water and marine resources (DNSH 3), the transition to a circular economy (DNSH 4), pollution prevention and control (DNSH 5), the protection and restoration of biodiversity and ecosystems (DNSH 6)	Carried out on the basis of individual assets or groups of assets, provided that the evaluation of the criteria is possible on a superordinate level by means of uniform Group processes and within the framework of applicable national or EU regulations. These values were assessed as not aligned in all other cases.
Causes no significant harm (DNSH) to the EU environmental objective of climate change adaptation (DNSH 2)	The climate-change-related risk assessment was carried out based on the TCFD analysis, which we supplemented with adjustment solutions for physical climate risks, **Environment.**
EU minimum safeguards for the respect for human rights and the preserving of employees' rights, as well as regarding anti-corruption, fair competition and taxation	Ensured with our Code of Conduct, the Group policies on anti-corruption and standards for business ethics, the environment and energy, the Competition Compliance Policy, the Human Rights Policy Statement, the corresponding processes and management systems, the regular audits carried out by Corporate Internal Audit and the Group Tax Strategy. Ensured in the supply chain with our Supplier Code of Conduct, the procurement processes and supplier management, **Corporate governance.** At the time this report was prepared, there were no relevant legal proceedings ongoing in this context, **Note 45 to the consolidated financial statements.**
If shares of revenue and opex could not be directly assigned to aligned activities, specific allocation keys – such as the percentage of taxonomy-aligned vehicles in the entire fleet – were applied which also take special circumstances of the divisions into account.	

Determining taxonomy alignment
In the following, we provide an overview of the aligned assets per activity. The statements are in regard to the associated shares of revenue, capex and opex.

We generate a significant portion of our revenue from transport services (transport sector) in collaboration with suppliers and subcontractors, who render their services on an independent basis from a legal perspective. As a result, these economic activities and the assets associated with them must be evaluated there with regard to alignment with the EU Taxonomy. At the time this report was prepared, we did not have any information on the meeting of technical criteria for these activities and assets, so we are reporting them as not taxonomy-aligned.

The property, plant and equipment from business combinations were allocated largely to the transport sector; no aligned activities could be identified. Intangible assets from business combinations were classified as taxonomy non-eligible, Capex template.

Determining taxonomy alignment (EU environmental objective of climate change mitigation)

Activity	Evaluation of alignment
6.4 Operation of personal mobility devices, cycle logistics: devices for personal mobility not subject to permits	Assets within this activity, e.g. bicycles, meet the requirements of the substantial contribution to cycle logistics. Thanks to partnerships with certified recycling companies, compliance with the requirements of DNSH 4 can be ensured and demonstrated.
6.5 Transport by motorbikes, passenger cars and light commercial vehicles: light commercial vehicles[1]	Our electric vehicles operate without emissions and therefore meet the requirements of the substantial contribution. Compliance with regard to recyclability (DNSH 4) and emissions thresholds (DNSH 5) is a basic requirement for approval of electric vehicles in Europe, which is why we considered these to be met. In addition, the simultaneous meeting of the criteria for fuel efficiency and rolling noise of tyres represents a substantial requirement in accordance with DNSH 5. For this reason, we have determined the respective vehicle- and use-specific requirements of the tyres, including the load coefficients, and identified the highest class containing some products in the EPREL[2] database for each specification as well as checked the tyre classification under DNSH 5 for each vehicle.
6.6 Freight transport services by road[3]: heavy-duty vehicles[4]	Method is analogous to 6.5. Our electric vehicles do not transport any fossil fuels and are evaluated as aligned.
6.15 Infrastructure enabling low-carbon road transport and public transport[3]: infrastructure necessary for transport,[5] for example sorting and distribution centres as well as integral equipment	Sorting and distribution centres, as well as Packstation parcel lockers, enable cargo handling between the modes of transport and therefore fulfil the substantial contribution of this activity. Compliance with the requirements of DNSH 4 could be demonstrated for the construction of new buildings[5] for locations in selected countries in consideration of national waste removal statistics and regulations. The analysis of the location and noise pollution of our sites showed that nearly all of them meet the requirements of DNSH 5 and 6.[5]
7.1 Construction of new buildings: Office and administration buildings as well as warehouses 7.7 Acquisition and ownership of buildings: Office and administration buildings as well as warehouses	Alignment could not be evaluated due to a lack of well-founded thresholds for non-residential buildings.

[1] EU Taxonomy vehicles classes M1 and N1 (unladen weight of up to 2.8 tonnes and total permitted weight of up to 3.5 tonnes). [2] European Product Registry for Energy Labelling. [3] Not including subcontracted road freight. [4] EU Taxonomy vehicle classes N1 to N3 (unladen weight of more than 2.8 tonnes or total permitted weight of more than 3.5 tonnes). [5] The criteria for recycling requirements for construction and demolition works are not applicable to existing buildings.

Template: Proportion of revenue from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022

				Substantial contribution criteria						DNSH[1] criteria							2022		
Economic activities (1)	Code(s) (2)	Absolute revenue (3) €m	Proportion of revenue (4) %	Climate change mitigation (5) %	Climate change adaptation (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and ecosystems (10) %	Climate change mitigation (11) Y/N	Climate change adaptation (12) Y/N	Water and marine resources (13) Y/N	Circular economy (14) Y/N	Pollution (15) Y/N	Biodiversity and ecosystems (16) Y/N	Minimum safeguards (17) Y/N	Taxonomy-aligned proportion of revenue (18) %	Category (enabling activity) (20) E[3]	Category (transitional activity) (21) T[4]
A Taxonomy-eligible activities																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Transport		**11,288**	**12.0**														**12.0**		
Operation of personal mobility devices, cycle logistics	6.4	2,078	2.2	100.0							Y		Y			Y	2.2		
Transport by motorbikes, passenger cars and light commercial vehicles	6.5	2,292	2.4	100.0							Y		Y	Y		Y	2.4		
Freight transport services by road	6.6	188	0.2	100.0							Y		Y	Y		Y	0.2		
Infrastructure enabling low-carbon road transport and public transport	6.15	6,730	7.2	100.0							Y	Y	Y	Y	Y	Y	7.2	E	
Revenue of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**11,288**	**12.0**	**100.0**													**12.0**		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Transport		**38,898**	**41.1**																
Freight rail transport	6.2	92	0.1																
Operation of personal mobility devices, cycle logistics	6.4	49	0.1																
Transport by motorbikes, passenger cars and light commercial vehicles	6.5	8,351	8.8																
Freight transport services by road	6.6	17,371	18.3																
Sea and coastal freight water transport, vessels for port operations and auxiliary activities	6.10	8,029	8.5																
Infrastructure enabling low-carbon road transport and public transport	6.15	5,006	5.3																
Construction and real estate activities		**331**	**0.4**																
Construction of new buildings	7.1	330	0.4																
Acquisition and ownership of buildings	7.7	1	0.0																
Revenue of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**39,229**	**41.5**																
Total (A.1 + A.2)		**50,517**	**53.5**														**53.5**	**7.2%**	**0.0%**
B Taxonomy-non-eligible activities																			
Revenue of Taxonomy-non-eligible activities (B)		**43,919**	**46.5**																
Total (A + B)		**94,436[2]**	**100.0**																

[1] Do no significant harm. [2] Revenue pursuant to the Income statement. [3] Enabling. [4] Transitional.

Template: Proportion of Capex from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022

				Substantial contribution criteria						DNSH[1] criteria							2022		
Economic activities (1)	Code(s) (2)	Absolute Capex (3) €m	Proportion of Capex (4) %	Climate change mitigation (5) %	Climate change adaptation (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and ecosystems (10) %	Climate change mitigation (11) Y/N	Climate change adaptation (12) Y/N	Water and marine resources (13) Y/N	Circular economy (14) Y/N	Pollution (15) Y/N	Biodiversity and ecosystems (16) Y/N	Minimum safeguards (17) Y/N	Taxonomy-aligned proportion of Capex (18) %	Category (enabling activity) (20) E[10]	Category (transitional activity) (21) T[11]
A Taxonomy-eligible activities																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Transport		**2,188**	**25.2**														**25.2**		
Operation of personal mobility devices, cycle logistics	6.4	1[2]	0.0	100.0							Y		Y			Y	0.0		
Transport by motorbikes, passenger cars and light commercial vehicles	6.5	212[3]	2.5	100.0							Y		Y	Y		Y	2.5		
Freight transport services by road	6.6	19[4]	0.2	100.0							Y		Y	Y		Y	0.2		
Infrastructure enabling low-carbon road transport and public transport	6.15	1,956[5]	22.5	100.0							Y	Y	Y	Y	Y	Y	22.5	E	
Construction and real estate activities		**4**	**0.0**														**0.0**		
Installation, maintenance and repair of energy efficiency equipment	7.3	1[6]	0.0	100.0							Y			Y		Y	0.0	E	
Installation, maintenance and repair of renewable energy technologies	7.6	3[7]	0.0	100.0							Y					Y	0.0	E	
Capex of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**2,192**	**25.2**	**100.0**													**25.2**		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Transport		**1,732**	**20.0**																
Operation of personal mobility devices, cycle logistics	6.4	0	0.0																
Transport by motorbikes, passenger cars and light commercial vehicles	6.5	204	2.3																
Freight transport services by road	6.6	479	5.5																
Infrastructure enabling low-carbon road transport and public transport	6.15	1,049	12.2																
Construction and real estate activities		**1,505**	**17.3**																
Construction of new buildings	7.1	8	0.1																
Renovation of existing buildings	7.2	2	0.0																
Installation, maintenance and repair of energy efficiency equipment	7.3	5	0.1																
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5	1	0.0																
Installation, maintenance and repair of renewable energy technologies	7.6	1	0.0																
Acquisition and ownership of buildings	7.7	1,488	17.1																
Information and communication		**10**	**0.1**																
Data processing, hosting and related activities	8.1	10	0.1																
Capex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**3,247**	**37.4**																
Total (A.1 + A.2)		**5,439**	**62.6**														**62.6**	**22.5%**	**0.0%**
B Taxonomy-non-eligible activities																			
Capex of Taxonomy-non-eligible activities (B)		**3,250**	**37.4**																
Total (A + B)		**8,689[8,9]**	**100.0**																

[1] Do no significant harm. [2] Of which property, plant and equipment: €1 million. [3] Of which property, plant and equipment: €186 million; right-of-use assets: €26 million. [4] Of which property, plant and equipment: €14 million; right-of-use assets: €5 million. [5] Of which property, plant and equipment: €1,216 million; right-of-use assets: €711 million; intangible assets: €29 million. [6] Of which property, plant and equipment: €1 million. [7] Of which property, plant and equipment: €2 million; right-of-use assets: €1 million. [8] Includes capital expenditure (capex) pursuant to segment reporting and investment properties, Note 10 and 24 to the consolidated financial statements. [9] Includes additions from business combinations: intangible assets (excluding goodwill) of €592 million, property, plant and equipment of €226 million, Note 22 and 23 to the consolidated financial statements. [10] Enabling. [11] Transitional.

Template: Proportion of Opex from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022

				Substantial contribution criteria						DNSH[1] criteria							2022		
Economic activities (1)	Code(s) (2)	Absolute Opex (3) €m	Proportion of Opex (4) %	Climate change mitigation (5) %	Climate change adaptation (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and ecosystems (10) %	Climate change mitigation (11) Y/N	Climate change adaptation (12) Y/N	Water and marine resources (13) Y/N	Circular economy (14) Y/N	Pollution (15) Y/N	Biodiversity and ecosystems (16) Y/N	Minimum safeguards (17) Y/N	Taxonomy-aligned proportion of Opex (18) %	Category (enabling activity) (20) E[7]	Category (transitional activity) (21) T[8]
A Taxonomy-eligible activities																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Transport		**309**	**11.4**														**11.4**		
Operation of personal mobility devices, cycle logistics	6.4	26[2]	1.0	100.0							Y		Y			Y	1.0		
Transport by motorbikes, passenger cars and light commercial vehicles	6.5	50[3]	1.8	100.0							Y		Y	Y		Y	1.8		
Freight transport services by road	6.6	7[4]	0.3	100.0							Y		Y	Y		Y	0.3		
Infrastructure enabling low-carbon road transport and public transport	6.15	226[5]	8.3	100.0							Y	Y	Y	Y	Y	Y	8.3	E	
Opex of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**309**	**11.4**	**100.0**													**11.4**		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Transport		**683**	**25.2**																
Operation of personal mobility devices, cycle logistics	6.4	2	0.1																
Transport by motorbikes, passenger cars and light commercial vehicles	6.5	185	6.8																
Freight transport services by road	6.6	340	12.5																
Sea and coastal freight water transport, vessels for port operations and auxiliary activities	6.10	5	0.2																
Infrastructure enabling low-carbon road transport and public transport	6.15	151	5.6																
Construction and real estate activities		**556**	**20.5**																
Construction of new buildings	7.1	3	0.1																
Acquisition and ownership of buildings	7.7	553	20.4																
Information and communication		**22**	**0.8**																
Data processing, hosting and related activities	8.1	22	0.8																
Opex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**1,261**	**46.5**																
Total (A.1 + A.2)		**1,570**	**57.9**														**57.9**	**8.3%**	**0.0%**
B Taxonomy-non-eligible activities																			
Opex of Taxonomy-non-eligible activities (B)		**1,140**	**42.1**																
Total (A + B)		**2,710[6]**	**100.0**																

[1] Do no significant harm. [2] Of which €9 million in costs for maintenance, repairs and replacement parts; €17 million in costs for short-term and low-value leases. [3] Of which €49 million in costs for maintenance, repairs and replacement parts; €1 million in costs for short-term and low-value leases. [4] Of which €6 million in costs for maintenance, repairs and replacement parts. [5] Of which €168 million in expenses for maintenance, repairs and replacement parts; €58 million in costs for short-term and low-value leases. [6] Includes investment-related operating expenditure, in particular costs for maintenance and non-capitalised lease expenses pursuant to Note 14 to the consolidated financial statements. [7] Enabling. [8] Transitional.

EXPECTED DEVELOPMENTS, OPPORTUNITIES AND RISKS

Forecast period

The information contained in the report on expected developments generally refers to the 2023 financial year.

Future economic prospects

Outlook still shaped by uncertainty
The ramifications of the energy crisis in Europe have turned out to be less dramatic than feared last autumn, being mitigated by above-average gas storage levels, a double-digit decline in gas demand by both households and industry and mild winter weather since mid-December. Downward corrections of wholesale energy prices should reduce energy costs quite soon for industrial customers and, in the medium term, also for private households. In addition, China's departure from its zero-COVID policy promises to enable an economic recovery from the second quarter of 2023 onwards. The phase of weak global economic growth during the two quarters saddling the turn of the year 2022/23 nonetheless should weaken average global GDP growth in 2023 anew to 1.9%. This is below pre-pandemic growth rates of more than 3%, which are unlikely to be achieved again for the time being.

For the most important countries and regions, S&P Global predicts the following GDP growth rates in 2023: Chinese economic activity should accelerate markedly to 5.0%, whereas the United States and the eurozone will grow by only 0.5% and 0.2%, respectively. The latest growth forecast for the German economy at 0.3% represents a significant improvement versus a prediction for −1.5% only three months earlier, which is evidence of the major uncertainty in current forecasts.

Highly cyclical international express market
Growth in the international express market, particularly in the B2B segment, is highly dependent upon the economic situation. For 2023, we expect below-average growth overall, depending on economic development.

Air and ocean freight business influenced by the easing of the capacity situation
Particularly with regard to the core business of air and ocean freight, the further development will depend significantly on whether and when the capacity situation eases. In light of the uncertain market situation, this remains difficult to predict, but a recovery in demand is expected in the second half of the year at best. In light of the volatility in capacities and demand, uncertainty with regard to price will remain high.

Of additional significance for the air cargo market is how quickly passenger flights resume, which is also closely linked to how the global economy develops.

In the European road transport market, depending on economic development, we expect moderate volume growth in 2023 following a cautious start, with prices remaining at a consistently high level.

Contract logistics market continues to grow
Growth in omnichannel e-commerce will continue to increase the complexity of supply chains. This, together with the apparent vulnerability of traditional supply chains, will increase the demand for flexible and agile solutions, driving outsourcing. Therefore the market for contract logistics is likely to continue growing, yet inflation due to scarcity of labour and capacity represents both an opportunity and a threat.

Good growth prospects for eCommerce Solutions
The trend of the increasing share of e-commerce in total retail revenue will continue steadily. We will continue to invest in the expansion of our network and efficient workflows for the last mile so that we remain reliable and affordable for our customers.

Stable trends in the relevant post and parcel markets
The German market for paper-based mail communication will decline further as digital communication increases. As part of the digital transformation agenda for Post & Parcel Germany, we will continue to realign our product portfolio to reflect the rise in online communication.

The German advertising market should accelerate slightly in 2023. The shift from paper-based advertising to online marketing will continue.

According to current predictions, the rising number of goods shipments will largely compensate for declining volumes of documents in international business. Whether the compensatory effect is stronger or weaker will depend on developments in cross-border trade restrictions and air freight capacity.

We expect development in e-commerce to stabilise and the German parcel market to grow again in 2023, and are therefore expanding our parcel network and our network of Packstations. We are also expanding our range of electronic communications services, securing our standing as a quality leader and, where possible, making our transport and delivery costs more flexible.

Expected developments

Declining income due to the economy still above levels of pre-pandemic years

The 2023 financial year should initially be characterised by economic headwinds: for the development of B2B volumes, at least in the first half of the year, this should mean a continuation of the weak trend from the fourth quarter of 2022. The development of B2C delivery volumes is also likely to be shaped by a certain level of caution on the part of consumers. Overall, the international transport markets should find an equilibrium with prices above those of the last year before the beginning of the pandemic. The start and the momentum behind any potential recovery will be crucial for development in the second half of the year.

To facilitate a better assessment of how an economic recovery in the second half of the year – as expected by many market observers – could impact earnings in 2023, we have considered different scenarios. If there is no significant recovery from the level of the first half of the year, we expect consolidated EBIT of at least €6.0 billion. In the event of only a modest economic recovery in the second half of the year, we expect consolidated EBIT of around €6.5 billion. A scenario with a dynamic recovery across all markets would result in EBIT of around €7.0 billion.

Expectations for consolidated EBIT

In the 2023 financial year, we anticipate consolidated EBIT between €6.0 billion and €7.0 billion. The DHL divisions are projected to generate total EBIT between €5.5 billion and €6.5 billion. In the Post & Parcel Germany division, EBIT is forecast to come in at around €1.0 billion. The earnings contributed by Group Functions are expected to amount to around €–0.45 billion.

Proposed dividend: €1.85 per share

The Board of Management and the Supervisory Board will propose to the shareholders at the Annual General Meeting on 4 May 2023 a Dividend of €1.85 per share for the 2022 financial year (previous year: €1.80).

Group’s credit rating remains the same

In consideration of the earnings projections for 2023, we expect no change or even an improvement in our current credit rating by rating agencies as a result.

Liquidity remains very solid

Due to the dividend payment for the 2022 financial year in May 2023, our liquidity is expected to decrease up to mid-year 2023. Due to the usually good business development in the second half of the year, the liquidity situation will improve again towards the end of the year.

Capital expenditure of €3.4 billion to €3.9 billion intended

Even in the difficult economy at the start of the year, we will make appropriate investments in our strategic targets and future growth and manage spending in accordance with economic development: we plan for capital expenditure (excluding leases) to range between €3.4 billion and €3.9 billion in 2023, whilst focusing on the same areas as in previous years.

Expected EAC and free cash flow

In view of the expected EBIT development in combination with a predicted increase in the asset charge, we expect the EAC to be down year-on-year. Free cash flow is projected at around €3.0 billion.

Limiting greenhouse gas emissions

Development of GHG emissions in 2023 will also depend on the development of the global economy. If transport volumes undergo weaker development, we expect GHG emissions to remain approximately at the prior-year level; if the economy proves to be more dynamic, we aim to limit GHG emissions to a maximum of 39 million tonnes of CO_2e. This includes decarbonisation effects of 1.3 million tonnes of CO_2e which we plan to realise in 2023. We continue to expect a significant reduction to not come until the second half of the decade.

Continued strong employee engagement

With regard to the Employee Engagement key performance indicator, we are striving for an approval level of more than 80% across the Group in 2023; this level is expected to remain steady until 2025.

Increase share of female executives
In 2023, 27.7% of the positions in middle and upper management should be held by women; the share of women should rise to at least 30% by 2025.

Reduce LTIFR
We expect to be able to stabilise the LTIFR at 3.5 in 2023; by 2025 this figure should be reduced to less than 3.1.

Conduct compliance-relevant training
In the reporting year, the share of valid training certificates amongst middle- and upper-level management should remain at the high level and amount to 98%.

External cybersecurity rating
In the cybersecurity rating from BitSight, we strive for a position in the top quartile of our reference group, which means we expect a rating of at least 710 points. The external rating agency announced after the reporting date that it would be making changes to its method which will have an impact on the rating scale and which could influence our results.

Opportunity and risk management

Uniform reporting standard
As an internationally operating logistics company, we are facing numerous changes. Our aim is to identify the resulting opportunities and risks at an early stage and take the necessary measures in the specific areas affected in due time to ensure that we achieve a sustained increase in enterprise value. Our Group-wide opportunity and risk management system (RMS) facilitates this aim. Each quarter, executives estimate the impact of future scenarios, evaluate opportunities and risks in their departments and present planned measures as well as those already taken. Queries are made and approvals given on a hierarchical basis to ensure that different managerial levels are involved in the process. Opportunities and risks can also be reported at any time on an ad-hoc basis.

We advanced the implementation of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in 2022 and supplemented them with the provisions of the EU Taxonomy. This involves discussing and assessing both transitory and physical risks stemming from climate change using various scenarios. The material risks identified during this process are explained in “Opportunity and risk categories”.

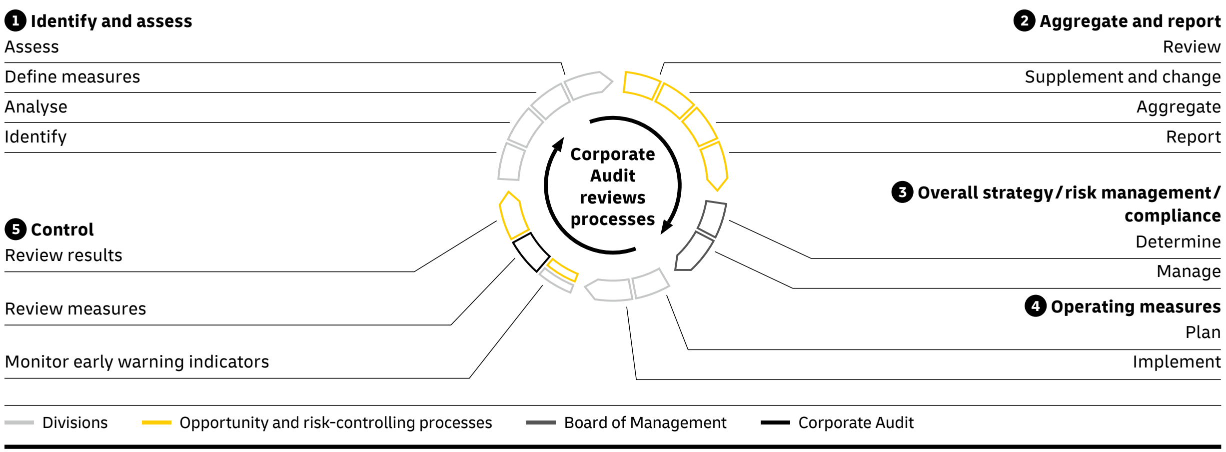
Our early-identification process intertwines the RMS throughout the Group into a uniform reporting standard using a proprietary IT application that is constantly updated. Furthermore, we use a Monte Carlo simulation for the purpose of aggregating opportunities and risks in standard evaluations.

The simulation is a stochastic model that takes the probability of occurrence of the underlying risks and opportunities into consideration and is based upon the law of large numbers. Randomly selected scenarios – one for each opportunity and risk – are combined on the basis of the distribution functions for each individual opportunity and risk.

The most important steps in our opportunity and risk management process are:

1. **Identify and assess:** Managers in all divisions and regions evaluate the opportunity and risk situation on a quarterly basis and document the actions taken. They use scenarios to assess best, expected and worst cases. Each identified risk is assigned to at least one risk owner who assesses and monitors the risk, specifies possible procedures for going forward and then files a report. The same applies to opportunities. At least one management process used to measure net risk exposure must be reported for each opportunity or risk. In isolated cases where it is not initially possible to make a quantitative assessment, risks may be assessed on a qualitative basis to ensure that the full scope of all risks is captured. The results are compiled in a database. We also conduct an annual risk workshop for each division with the Divisional Boards, as supplements to the quarterly process. Workshop discussion focuses on opportunities and risks of significance to the whole division. At the same time, newly identified opportunities and risks are subsequently integrated into the quarterly process.
2. **Aggregate and report:** The controlling units collect the results, evaluate them and review them for plausibility. If individual financial effects overlap, this is noted in our database and taken into account in the compilation process. After being approved by the division risk owners, all results are passed on to the next level in the hierarchy. The last step is complete when

Opportunity and risk management process



Corporate Controlling reports to the Group Board of Management and the Supervisory Board on significant opportunities and risks as well as on the potential overall impact each division might experience. For this purpose, opportunities and risks are aggregated for the key organisational levels. We use two methods for this. In the first method, we calculate a possible spectrum of results for the divisions and combine the respective scenarios. The totals for “worst case” and “best case” indicate the total spectrum of results for the respective division. Within these extremes, the total “expected cases” shows current expectations. The second method makes use of a Monte Carlo simulation, the divisional results of which are regularly included in the opportunity and risk reports to the Board of Management and the Supervisory Board.

3 **Overall strategy:** The Group Board of Management decides on the methodology that will be used to analyse and report on opportunities and risks. The reports created by Corporate Controlling provide the Board of Management with an additional, regular source of information for managing the Group as a whole. The Group Board of Management has defined the thresholds for risk tolerance and risk-bearing ability and uses the Monte Carlo simulation to review the necessity for strategic changes on a quarterly basis. The Board of Management is supported in its duties by a Risk Committee, which analyses individual risks on a quarterly basis and reviews the results from risk reporting. The Risk Committee also regularly discusses adjustments to the opportunity and risk management process.

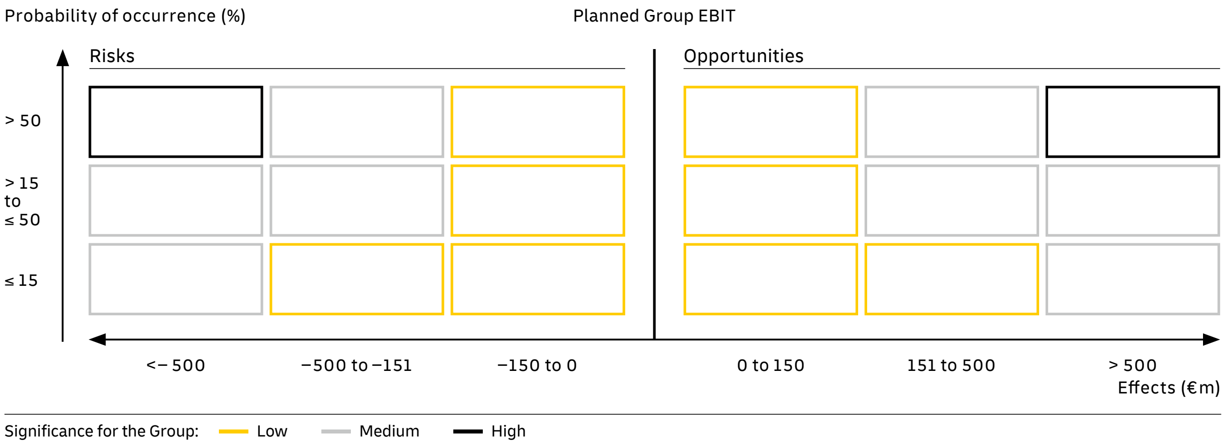
4 **Operating measures:** The measures to be used to take advantage of opportunities and manage risks are determined within the individual organisational units. They use cost–benefit analyses to assess whether risks can be avoided, mitigated or transferred to third parties.

5 **Control:** With respect to key opportunities and risks, early-warning indicators have been defined that are monitored constantly by the risk owners. Corporate Internal Audit has the task of ensuring that the Board of Management’s specifications are adhered to. It also reviews the quality of the entire opportunity and risk management operation. The control units regularly analyse all parts of the process as well as the reports from Corporate Internal Audit and the independent auditor, with the goal of identifying potential for improvement and making adjustments to processes where necessary.

Reporting and assessing opportunities and risks

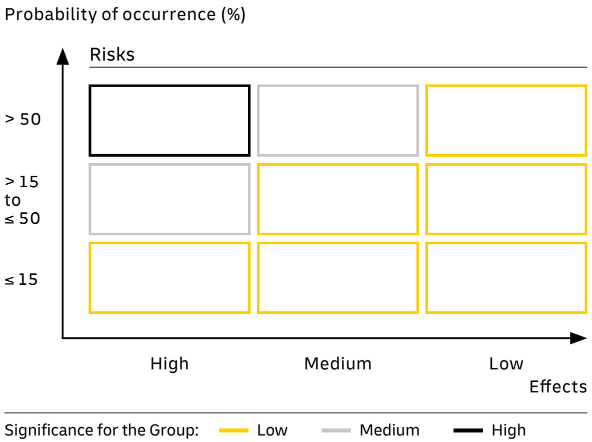
In the following, we have reported mainly on those risks and opportunities which, from a current standpoint, could have a significant impact upon the Group during the forecast period beyond the impact already accounted for in the business plan. In addition, we consider both long-term as well as latent opportunities and risks. The risks and opportunities have been assessed in terms of their probability of occurrence and their impact. The assessment is used to classify opportunities and risks as either low, medium or high. Medium and high risks and opportunities are considered significant, and are shown as black or grey in the following table. The following assessment scale is used (measured on a net basis):

Classification of risks and opportunities



The following assessment scale applies to qualitative risk (measured on a net basis):

Assessing qualitative risk



High-impact risks tend to affect the entire Group, whereas medium-impact risks play out at a divisional level and low-impact risks at a local level. Qualitative risks can be assigned in terms of their impact to financial risk, reputational risk, operational risk and environmental risk.

The opportunities and risks described here are not necessarily the only ones the Group faces or is exposed to. Our business activities could also be influenced by additional factors of which we are currently unaware or which we do not yet consider to be material.

Opportunities and risks are identified and assessed decentrally at Deutsche Post DHL Group. Reporting on possible deviations from projections, as well as long-term and latent opportunities and risks, occurs primarily at the country or regional level. In view of the degree of detail provided in the internal reports, we have combined the decentrally reported opportunities and risks in categories for the purposes of this report. It should be noted that the figures provided in the underlying individual reports exhibit a significant correlation with the performance of the world economy and global economic output. Unless otherwise specified, a low relevance is attached to the individual opportunities and risks within the respective categories. The opportunities and risks generally apply to all divisions, unless indicated otherwise.

Opportunity and risk categories

Overview of material opportunities and risks
As outlined on the pages that follow and listed in the overview below, we have assigned material opportunities and risks to the following categories:

Overview of material opportunities and risks

Category	Opportunity/risk	Significance
Corporate strategy	Market pressure on pricing	Medium
Legal and compliance-related	–	–
Capital expenditure and projects	–	–
Operational	Risk of operational restrictions due to climate change	Medium
Human resources	Impact of collective bargaining	Medium
Information technology	IT security incident	Medium
Financial	Currency effects (opportunity and risk)	Medium
Tax-related	–	–
Real estate	–	–
Market- and customer-specific	Inflation Customer insolvencies Development of the global economy Availability of sustainable aviation fuels (SAF) and renewable energy	Medium Medium Medium Medium
Regulation	Regulatory framework of the German post and parcel market Carbon taxation Restriction of greenhouse gas emissions	Medium Medium Medium
Environment, catastrophes and epidemics	–	–

Opportunities and risks arising from corporate strategy
Over the past few years, the Group has ensured that its business activities are well positioned in the world's fastest-growing regions and markets. We are also constantly working to create efficient structures in all areas to enable us to flexibly adapt capacities and costs to demand – a condition for lasting, profitable business success. With respect to our strategic orientation, we are focusing upon our core competencies in the logistics and letter mail businesses with an eye towards growing organically and simplifying our processes for the benefit of our customers. Our earnings projections regularly take account of development opportunities arising from our strategic orientation.

We take action early to counter potential strategic risks. In so doing, it helps that our portfolio of customers and supplier companies are as broad as possible and that we focus on profitable sectors and products, regularly review customer and product performance, practice strict cost management and add surcharges whenever necessary.

In the Express division, our future success depends above all upon general factors such as trends in the competitive environment, costs and quantities transported. Surplus capacities and an increased fixed cost base could lead to market pressure from customers and competitors, which could limit our pricing leeway and which represents a risk of medium significance for us. We plan to keep growing our international business and expect a further increase in shipment volumes over the medium and long term. Based upon this assumption, we are investing in our network, our services, our employees and the DHL brand.

In the Global Forwarding, Freight division, we purchase transport services for customers from airlines, shipping companies and freight carriers rather than providing them ourselves. In the best case, we are able to outsource transport services at such a low rate that we can generate a margin. In the worst-case scenario, we bear the risk of not being able to pass on all price increases to our customers. The extent of our opportunities and risks essentially depends on trends in the supply, demand and pricing of transport services as well as the duration of our contracts.

Comprehensive knowledge in the area of brokering transport services helps us to capitalise on opportunities and minimise risk.

In the Supply Chain division, our success is highly dependent on our customers' business performance. Since we offer companies a widely diversified range of products in different sectors all over the world, we are able to diversify our risk portfolio and thus counteract the incumbent risks. Our future success moreover depends on our ability to continuously improve our existing business, seamlessly integrate new business and grow in our most important markets and segments.

The eCommerce Solutions division is responsible for domestic and international non-time-definite standard parcel delivery services in various countries around the globe. It predominantly serves customers in the fast-growing e-commerce sector. Our goal is to leverage our international resources and services to build a cross-border solutions platform that can be connected to the most cost-efficient networks for last-mile delivery. We want to grow profitably in all sectors and segments. To counteract the fundamental risk of rising cost pressure, we took measures with which we intend to improve network efficiency and cost flexibility.

In the German mail and parcel business, we are responding to the challenges posed by the structural shift from a physical to a digital business and the continual decline in letter mail occurring parallel to the steady increase in volumes of parcels and merchandise mail items. We are counteracting the risk arising from changing demand by expanding our range of services. Due to the rise in e-commerce, we expect our parcel business to continue growing in the coming years and are therefore expanding our network of parcel and Packstations. We are also expanding our range of electronic communications services, securing our standing as a quality leader and, where possible, making our transport and delivery costs more flexible. We follow developments in the market very closely and take them into account in our earnings projections.

We currently do not see any further specific corporate strategy opportunities or risks of material significance, either for the Group or individual divisions.

Legal and compliance-related opportunities and risks

Legal disputes may arise in case of non-compliance with national or international laws and regulations as well as agreements. Examples are violations of antitrust and competition law or of regulatory, statutory or contractual requirements. Investigations of any such violations may result in considerable costs, penalties and damage to our company's reputation, which could have a disadvantageous impact on the business activities of the Group.

Compliance with external laws, regulations and agreements is a clearly formulated obligation of all employees of the Group, and ensuring this is one of the fundamental tasks of our managers. To support our employees and managers, we have established a corporate compliance unit differentiated according to relevant topics which, on the basis of our risk management system, monitors compliance with Group-wide standards at both Group and divisional level with respect to typical compliance risks. Thus, in addition to our compliance initiative aimed at fighting corruption and violations of cartel and competition law, we have introduced initiatives in all divisions intended to ensure compliance with data protection laws – for example, to ensure adherence to the provisions of the European Union's General Data Protection Regulation (GDPR). A similar, Group-wide compliance initiative aims to ensure adherence to international and national export controls and embargo regulations. Moreover, our compliance unit supports, co-ordinates and monitors the observance of human rights and the fundamental environmental standards in our own operations as well as in our external supply chain.

At present, we do not see any specific legal or compliance-related opportunities or risks of material significance.

Opportunities and risks arising from capital expenditure and projects

The Group invests in maintaining and growing its network, in buildings and technical equipment, in IT solutions and in its fleet of vehicles and freight aircraft. The objective of the investment projects is to strengthen the positioning of our divisions in consideration of aspects related to economic efficiency and ESG.

The risks associated with the investments relate primarily to deviations in costs and timelines as well as to the complexity of the projects and the availability of resources. This can lead to adverse effects on the economic efficiency, continuity and quality of our services.

The aforementioned risks are monitored via ongoing project management and investment controlling so that targeted countermeasures can be taken at an early stage. The status of investment projects is documented on a regular basis and reported to the Group Board of Management and, for larger projects, to the Supervisory Board. Moreover, the Group Board of Management is informed promptly of any critical projects.

We do not currently see any specific opportunities or risks of significance in the area of investment projects.

Operational opportunities and risks

Logistics services are generally provided in bulk and require a complex operational and external infrastructure with high quality standards. Any weaknesses with regard to the tendering, sorting, transport, warehousing, customs clearance or delivery of shipments could seriously compromise our competitive position. To consistently guarantee reliability and punctual delivery, processes must be organised so as to proceed smoothly with no technical or personnel-related glitches. We counteract potential operational risks, e.g. through efficient workflows and structures. We also take out insurance policies to guard against potential losses.

Most recently, the war in Ukraine and global pandemic in the past few years have revealed how external factors can restrict our transport routes and means or reduce the availability of our employees, and hence potentially impair our operating performance. For information on the measures we are taking to protect our employees, please refer to the categories titled “Human resources” and “Environment, catastrophes and epidemics”.

A large number of internal processes must be aligned so that we can render our services. These include – in addition to our fundamental operating processes – supporting functions such as sales and purchasing. The extent to which we succeed in aligning our internal processes to meet customer needs whilst simultaneously lowering costs correlates with potential positive deviations from the current projections. Our earnings projections already incorporate the expected cost savings.

Increased restrictions imposed by law to combat climate change can be expected in the coming years, including limits on air transport or access to city centres. In certain cases this may also affect our business models. The resulting risk represents a risk of medium significance for us currently.

At this time we do not see any additional specific operational opportunities or risks of material significance.

Opportunities and risks arising from human resources

It is essential for us to have qualified and motivated employees in order to achieve long-term success. In some markets, however, demographic change and – depending on the region – a tight labour market situation may lead to a scarcity of available workers.

Our work in the area of human resources aims to avoid potential risk that may arise from the changing demographic and social structures. The goal is to motivate our personnel, to provide them with employee development opportunities and to foster their long-term loyalty to the company. Of particular importance in this context is training management and team leaders in our leadership attributes, which are applicable Group-wide and serve as a behavioural compass.

We keep a constant eye on developments in the job market, communicate directly with our employees and endeavour to further enhance our attractiveness to both existing and prospective employees.

The health and safety of our employees are of central importance for Deutsche Post DHL Group. We therefore place high value on health and occupational safety measures. With respect to occupational health, we make use of initiatives tailored to local requirements and by co-operating across divisions in the management of healthcare initiatives, such as app-supported health and exercise programmes, options to have check-ups performed on-site and a Group-wide employee benefits programme. In addition, we address risk in the area of mental health using a new system for assessing risks associated with mental stresses.

With approximately 600,000 employees (headcount as at 31 December 2022) in over 220 countries and territories, upholding human rights is an important priority also reflected in our own Human Rights Policy Statement. If infringements are reported, we will take appropriate measures for clarification.

Thanks to a targeted and coordinated approach, we were able to limit some of the remaining effects of the pandemic in the year under review without generating any significant repercussions for our Group-wide sickness rate. We foresee similar results for 2023, should the situation require it.

The development of staff costs is a key factor for us due to the large number of employees. The impact of the current collective bargaining in Germany in particular is to be considered a risk of medium significance. Overall, we do not currently see any additional specific personnel-related opportunities or risks of material significance.

Opportunities and risks arising from information technology

The security of our information systems is particularly important to us. The goal is to ensure continuous IT system operation and prevent unauthorised access to our systems and databases. To this end, we have defined guidelines, standards and procedures based upon ISO 27001, the international standard for information security management. In addition, IT risks are monitored and assessed on an ongoing basis by Group Risk Management, Corporate Internal Audit, Data Protection and Corporate Security.

For our business processes to run smoothly at all times, the essential IT systems must be continuously available. We have therefore designed our systems to protect against complete system failure. All of our software is updated regularly to address potential bugs, close gaps in security and increase functionality. We employ a patch management process – a defined procedure for managing software upgrades – to control risks that could arise from outdated software or from software upgrades.

We limit access to our systems and data such that employees can only access the data they need to perform their duties. All systems and data are backed up on a regular basis, and critical data are replicated across data centres. In addition to outsourced data centres, we operate central data centres in the Czech Republic, Malaysia and the United States. Our systems are thus geographically separate and can be replicated locally.

To assess risks in the area of information security, we take a uniform Group-wide approach that factors in risks from the lack of availability, manipulation, misuse, spying and infection of data and information, as well as physical damage to IT facilities. In total, these represent a latent risk of medium significance.

We also take continuous action to minimise risk, such as holding regular training courses for our employees and monitoring all of our networks and IT systems globally via our Cyber Defence Centre, along with regular information security incident simulations.

We currently do not see any other specific IT-related opportunities or risks of material significance.

Financial opportunities and risks

As a global operator, we are exposed to financial opportunities and risks arising from fluctuating foreign exchange rates, interest rates and commodities prices, as well as the Group's capital requirements. Changes in pension obligations also impact our business. We attempt to reduce the volatility of our financial performance due to financial risk by implementing both operational and financial management measures.

With respect to currencies, opportunities and risks result from scheduled foreign currency transactions as well as those budgeted for the future. Any significant currency risks arising from budgeted transactions are quantified as a net position over a rolling 24-month period. Highly correlated currencies are consolidated in blocks. At the Group level, the most important net surpluses are budgeted for the US dollar block as well as for the pound sterling, the Japanese yen and the Australian dollar. The Czech koruna is the only currency with a considerable net deficit. As at the reporting date, there were no significant currency hedges for scheduled foreign currency transactions.

Any general depreciation of the euro presents an opportunity as regards the Group's earnings position. The main risk to the Group's earnings position would be a general appreciation of the euro.

We currently assess the aggregate effect of all foreign currency gains and losses both as an opportunity and a risk of medium relevance for the Group.

As a logistics group, our biggest commodity price risks result from changes in fuel prices (kerosene, diesel and marine fuels). In the DHL divisions, most of these risks are passed on to customers via operating measures (fuel surcharges).

The key control parameters for liquidity management are the centrally available liquidity reserves. The Group's liquidity is secured over the short and medium terms. Moreover, the Group enjoys open access to the capital markets on account of its good ratings within the industry and is well positioned to ensure that long-term capital requirements are fulfilled. We therefore see no significant risk to the Group at present in the area of liquidity.

Further information on the Group's financial position and finance strategy as well as on the management of financial risks can be found in the Report on economic position and in Note 43 to the consolidated financial statements. Detailed information on risks in relation to the Group's defined benefit retirement plans can be found in Note 37 to the consolidated financial statements.

Risk may also arise from our financial and managerial accounting processes and our budgetary processes. We monitor those processes continuously to prevent such risk from materialising.

We do not currently see any other significant financial opportunities or risks.

Tax-related opportunities and risks

Due to the international scope of our operations, we are subject to a variety of tax regimes. Opportunities and risks arise from the introduction of new types of taxes, legislative changes and judicial rulings.

We mitigate this risk through continual dialogue with taxation authorities and tax advisors to obtain the greatest possible degree of legal certainty. This allows us to meet tax compliance requirements in the countries in which we operate to the best of our knowledge and belief. Our Group risk management system incorporates a tax risk management framework that enables us to monitor and avoid tax risk as far as possible.

Currently, we have not identified any significant tax-related opportunities or risks.

Opportunities and risks related to real estate transactions

Deutsche Post DHL Group is one of the world's largest corporate users of industrial properties. A large portion of the Group's industrial real estate portfolio consists of leased properties. Ownership solutions have additionally been implemented for a number of especially strategic properties. Our business may be impacted by opportunities and risks arising from the lease, purchase, sale, construction or use of real estate. A global team of real estate professionals manages the Group portfolio and ensures that any opportunities or risks are identified at an early stage and a suitable response is selected.

We negotiate suitable solutions early with our lessors, analyse real estate markets and identify suitable properties for expanding or optimising the current portfolio based on our divisions' business strategies and operational location planning. The main objective is to secure the availability of properties needed for our core business.

We do not currently see any specific opportunities or risks of significance in the area of real estate.

Market- and customer-specific opportunities and risks

Macroeconomic and sector-specific conditions are a key factor in determining the success of our business. In addition to the development of the global economy, growth in the logistics market and its interaction with our stakeholders – our customers, suppliers and competitors – is of particular importance in this regard. Changes in demand present both opportunities and risks.

As a provider of choice, our business is based on our customers' needs. Our customers are likewise exposed to macroeconomic trends that impact growth in their respective sectors. We monitor market developments on an ongoing basis and review the potential financial effects of relationships with business partners and suppliers at regular intervals to enable us to avert any risk that could arise from potential insolvencies, for example, at an early stage. Our Customer Solutions & Innovation unit uses a risk dashboard for this purpose. Due to the current economic situation, potential customer bankruptcies represent a risk of medium significance.

Global trade weakened significantly due to economic developments, the war in Ukraine, the energy crisis and the corresponding high levels of inflation. In addition, the easing of the previously heavily used market capacities for transport services is leading to a normalisation of freight rates. We expect moderate business performance in 2023. In spite of the expected weakening of global economic growth, we will see opportunities for growth, for instance through structural growth in e-commerce. The general trend of businesses outsourcing processes continues as well. In addition, our DHL divisions are benefitting from rising demand for complex and integrated logistics solutions thanks to our position as the global market leader.

Our strong position in all the regions in which we operate allows us to compensate for declines in certain trade lanes based on growth in others. Cyclical risks can affect our divisions differently depending on their magnitude and point in time, which could mitigate the total effect. Moreover, we have taken measures in recent years to make costs more flexible and to allow us to respond quickly to changes in market demand. However, a weakening of global economic growth beyond what is expected represents a risk of medium significance.

Deutsche Post and DHL are in competition with already-established companies, as well as new entrants to the market. Such competition can significantly impact our customer base as well as the levels of prices and margins in our markets. In the logistics and letter mail business, the key factors for success are quality, confidence and competitive prices. Thanks to the high quality we offer, along with the cost savings we have generated in recent years, we believe that we shall be able to remain competitive and keep any negative effects at a low level.

As a logistics concern, we are additionally exposed to the effects of fluctuations in market prices on Group profit. The current rise in inflation represents a risk of medium significance.

The availability of renewable energy is of central importance for us to achieve our sustainability goals. In line with our ESG Roadmap, we aim to have more than 30% of the total fuel we use for air freight come from sustainable sources (sustainable aviation fuel – SAF) by 2030. The possibility that the market supply of renewable energy and SAF may not be sufficient therefore represents a risk of medium significance.

In addition, no significant opportunities or risks are seen at present in this risk category.

Opportunities and risks arising from political, regulatory or legal conditions

Our business is fundamentally intertwined with the political and legal environment in which we operate. The stability and security of international transport routes represent the first line in this framework, and they could be critically disrupted by events ranging from geopolitical developments to military conflicts such as the war in Ukraine. A number of the indirect effects of the war in Ukraine, such as the development of the global economy and inflation, have been taken into account for the corresponding risks. The remaining direct effects in Russia and Ukraine currently represent a risk of low significance.

In addition, the international transport of goods is subject to the import, export and transit regulations of more than 220 countries and territories as well as their applicable foreign trade laws. In recent years, not only has the number but also complexity of such laws and regulations increased significantly (including their extraterritorial application). Violations are also being pursued more aggressively by the competent authorities, with stricter penalties imposed. We have implemented, on the one hand, ongoing monitoring of the regulatory and legislative developments in the markets most relevant for us and, on the other, a Group-wide compliance programme in response to this development. This comprises the legally prescribed checking of all senders, recipients, suppliers and employees against current embargo lists. In addition, this includes in particular the legally required review of shipments for the purpose of enforcing applicable export restrictions as well as country sanctions and embargos. Deutsche Post DHL Group also co-operates with the responsible authorities, both in working to prevent violations as well as in assisting in the investigation of any infringements in order to avoid or limit potential sanctions.

A number of risks arise primarily from the fact that the Group provides some of its services in regulated markets. Many of the postal services rendered by Deutsche Post AG and its subsidiaries (particularly the Post & Parcel Germany division) are subject to sector-specific regulation by the German federal network agency *(Bundesnetzagentur)*. The German federal network agency approves or reviews prices, formulates the terms of downstream access, has special supervisory powers to combat market abuse and guarantees the provision of universal postal services. This general regulatory risk could lead to a decline in revenue and earnings in the event of negative decisions.

The German federal government agreed in the coalition agreement that the Postal Act would again be amended. The aim is to further enhance social and environmental standards and strengthen fair competition. Depending upon the structure of the new regulatory framework and its application by the German federal network agency, opportunities and risks may arise for the company's regulated areas.

Revenue and earnings risk can arise in particular from the price cap procedure used to determine the rates for individual pieces of letter mail. Approval of the rates for the period from 1 January 2022 to 31 December 2024 was issued by the German federal network agency on 29 April 2022. The German federal network agency is expected to carry out the approval procedure for the rates applicable from 2025 in 2024 on the basis of the version of the German Postal Act *(Postgesetz)* applicable at the time.

An association from the CEP sector has filed an action with the Cologne Administrative Court against the price cap approval of the German federal network agency for the years 2022 to 2024. The proceedings are still pending.

The same CEP association, postal service providers and other customers had previously filed an action with the Cologne Administrative Court against the pricing approval granted as part of the price cap procedure for the years 2019 to 2021. In a ruling issued on 17 August 2022, the Cologne Administrative Court overturned the approval for the years 2019 to 2021 in relation to the association as well as the postal service providers as a result of a ruling of the Federal Administrative Court from 27 May 2020 due to a formal legal error in the context of the underlying legal ordinance. This formal legal error was rectified by the German government through an amendment to the German Postal Act which took effect in March 2021. The Cologne Administrative Court denied the claims of two customers because they had expired. The Cologne Administrative Court has not yet ruled on the claims of four further major customers, because the proceedings have been adjourned. The association's additional application to be granted a new approval for the years 2019 to 2021 was also denied by the Cologne Administrative Court. The association has filed an appeal to this ruling with the Federal Administrative Court, as have the two customers who were completely unsuccessful in their claims with the Cologne Administrative Court; the appeals with the Federal Administrative Court are still pending.

The rulings of the Cologne Administrative Court from 17 August 2022 are only applicable to the legal relationships with the respective plaintiffs and have no legal impact vis-à-vis other consumers.

One postal service provider, which had also filed an action against the pricing approval for the years 2019 to 2021 with the Cologne Administrative Court, also filed a civil suit for repayment of allegedly excessive conveyance fees for standard letters delivered in 2017. The action is based primarily on the claim that Deutsche Post charged postage whose approval is unlawful pursuant to the ruling of the Federal Administrative Court from 27 May 2020. The action was denied by the Cologne District Court in a ruling from 17 June 2021. The cartel court of the Düsseldorf Higher Regional Court denied the appeal of this ruling on 6 April 2022 and did not permit any further appeals of the ruling. On 2 May 2022, the plaintiff submitted an appeal against non-permission with Germany's Federal Court of Justice to have its appeal allowed.

It cannot currently be ruled out that the effects on existing pricing approvals, or on future price cap procedures, of the court's decisions, the change in the regulatory framework or the actions currently pending could be negative for Deutsche Post. According to current assessments, this represents a medium risk.

We describe other significant legal proceedings in Note 45 to the consolidated financial statements.

The fight against climate change can result in increased regulatory and legal changes in the coming years. An increase in, or stepped up introduction of, carbon taxes and levies, certification regulations and other direct costs in conjunction with CO_2 emissions represents a risk of medium importance for us, as do increased restrictions on GHG emissions. We have implemented ongoing monitoring of the regulatory and legislative developments in the markets most relevant for us in response to this risk, but above all we constantly work to reduce our greenhouse gas emissions and have also set ourselves verified targets from the Science Based Targets Initiative to this end.

We have not identified any other significant opportunities or risks associated with the political, regulatory or statutory environment.

Opportunities and risks arising from the environment, catastrophes and epidemics

Our business operations can be both positively and negatively impacted by natural disasters, epidemics and ecological factors, also including physical risks caused by climate change such as floods and storms.

The year 2022 was again shaped by the consequences of the COVID-19 pandemic. Measures aimed at containing the pandemic still led to economic restrictions and uncertainty about how the global economy as a whole and our business in particular will fare going forward. Our focus at all times was, and continues to be, on safeguarding the health of our employees. We are therefore making a collective effort to continue to contain the effects of the virus and thus confront the current situation by improving hygiene protocols, enabling mobile working and holding virtual meetings. Currently, the virological development can be given a rather more optimistic outlook. We nevertheless examine the impact of the pandemic on our operations in the individual regions at regular intervals. In our assessment, COVID-19 is currently a manageable risk and therefore no longer a risk of material significance. This could change if more virulent variants arise.

Overall, we do not currently see any specific opportunities or risks of material significance in this area.

Internal control system

Structure of the internal control system (ICS)

Our internal control system (ICS) was designed to follow the internationally recognised COSO framework for internal control systems (COSO: Committee of Sponsoring Organizations of the Treadway Commission) and is continuously updated and improved.

A Group-wide guideline sets out the main principles and objectives of the ICS and specifies the structure of the ICS and the underlying role concept for the self-assessment.

The scope of the control objectives to be covered by the ICS is derived from a detailed risk analysis. Based on the risks identified and control objectives, minimum requirements are defined which must be covered through the implementation of suitable controls in the control frameworks of the divisions.

All companies are a part of our ICS. The scope of the activities to be carried out by each entity differs and depends on, amongst other things, the materiality of the entity for the consolidated financial statements and the specific risks which are associated with the entity. All companies are analysed on the basis of quantitative and qualitative aspects and categorised into companies material to the ICS in consideration of relevant financial figures and functional KPIs.

Internal control system in the functions

Disclosures unrelated to the management report (unaudited), Reporting practice

The ICS of Deutsche Post DHL Group takes the Finance, Human Resources (HR), Compliance and IT functions into account as part of the functional design of the Group-wide risk landscape.

The Group-wide risk landscape is supplemented for the respective function as part of an extended risk analysis and regularly reviewed, also including the consideration of sustainability-related targets within the ESG Roadmap. Risks and controls in this regard are identified and assigned to the respective functions and covered by the control frameworks of the divisions. Self-assessments are carried out in all functions, documented and prepared in a central reporting tool.

From 2023, the Operations function will also be integrated into the ICS throughout the Group. The goal of taking all functions of the Group into account is to ensure compliance with applicable standards and internal Group regulations as well as divisional and local provisions in all business transactions and the core processes.

The compliance management system (CMS) is a major component of the monitoring system of Deutsche Post DHL Group. The CMS was established with the goal of creating rules, standards and processes for conduct compliant with laws and guidelines as well as measurable self-commitments. It therefore serves to protect Deutsche Post DHL Group from financial risks and damage to its reputation, to minimise personal liability risks of governing bodies, managers and other employees, and to avoid competitive disadvantages.

The CMS is organised according to divisions. The Compliance Committee acts as a joint decision-making body chaired by the Chief Compliance Officer. The Compliance Committee facilitates the exchange of information on developments in compliance management in the individual divisions, co-ordinates fundamental strategic questions related to the CMS and ensures consistent implementation in the divisions.

Compliance management at Deutsche Post DHL Group is based on a values-oriented Code of Conduct which sets out a uniform Group-wide commitment to ethical, responsible and legally compliant conduct in business. Our managers act as role models and should set a good example to promote compliance. Deutsche Post DHL Group uses targeted communication and regular training sessions to help its employees and business partners understand and adhere to the compliance guidelines and regulations.

At Deutsche Post DHL Group, compliance risks are identified and assessed on a regular basis and systematically across all divisions. The identified risks are assessed and analysed according to qualitative criteria and, if necessary, supplemented by further risk minimisation measures.

Our compliance programme comprises the preventive elements of guidelines, training sessions and business partner reviews. In addition, detective elements such as violation reporting and case processing management contribute to ensuring the business integrity of Deutsche Post DHL Group.

Accounting-related internal control system

The accounting-related ICS is an integral part of the accounting and financial reporting process of the companies included in the Group. The accounting-related ICS aims to ensure the compliance of (Group) accounting and financial reporting with generally accepted principles. Specifically, it is intended to ensure that all transactions are recorded promptly, accurately and in a uniform manner on the basis of the applicable norms, accounting standards and internal Group regulations. Accounting errors are to be avoided in principle and material misrepresentations errors detected promptly.

Within the framework of the ICS, we take organisational and process-related measures which involve all companies in the Group. Centrally standardised accounting guidelines govern the reconciliation of the single-entity financial statements and ensure that international financial reporting standards (EU IFRSs) are applied in a uniform manner throughout the Group. In addition, German generally accepted accounting principles (GAAP) have been established for Deutsche Post AG and the other Group companies subject to HGB reporting requirements. A standard chart of accounts is required to be applied by all Group companies. We immediately assess new developments in international accounting for relevance and announce their implementation in a timely manner, for example in monthly newsletters. Often, accounting processes are pooled in a shared service centre in order to centralise and standardise them. The IFRS financial statements of the individual Group companies are recorded in a standard, SAP-based system and then processed at a central location where one-step consolidation is performed. Other quality assurance components include automatic plausibility reviews and system validations of the accounting data. In addition, regular, manual checks are carried out centrally at the Corporate Center by Corporate Accounting & Controlling, Taxes and Corporate Finance. If necessary, we call in outside professionals with the requisite expertise. Finally, the Group's standardised process of preparing financial statements by using a centrally administered financial statements calendar guarantees a structured and efficient accounting process.

Both preventive and detective control mechanisms are used to ensure that existing risks are addressed and minimum requirements are met along with all division-specific and local requirements. To maintain the system's effectiveness and implement continuous improvements, the ICS is subjected to regular reviews. To this end, self-assessments are carried out using the dual-control principle and documented in a central IT application. If a self-assessment results in the finding of inadequate control implementation, an action plan must be created and the successful execution thereof must be confirmed by the person responsible for the process.

The results of the self-assessments are documented in a central reporting tool. The Supervisory Board, Board of Management and the functional bodies are regularly informed of the findings. In addition, this information is analysed with regard to potential improvements.

Regular monitoring by Corporate Internal Audit

Over and above the ICS and risk management, Corporate Internal Audit is an essential component of the Group's control and monitoring system. Using risk-based auditing procedures, Corporate Internal Audit regularly examines the processes related to financial reporting and reports its results to the Board of Management.

Statement on the appropriateness and effectiveness of the RMS and ICS

Disclosures unrelated to the management report (unaudited), Reporting practice

Based on the regular reporting on the RMS and ICS, the analysis of the underlying results of the self-assessments and the appraisal of the reports from the internal audit department, the Board of Management is not aware of any circumstances which would cause it to believe that the design of the risk management system and the internal control system is not appropriate and effective for the risk situation of Deutsche Post DHL Group.

It should, however, always be taken into consideration that no ICS, regardless of how well designed, can offer absolute certainty that all material accounting misstatements will be avoided or detected.

Overall assessment

In the 2023 financial year, we anticipate consolidated EBIT between €6.0 billion and €7.0 billion. The DHL divisions are projected to generate total EBIT between €5.5 billion and €6.5 billion. In the Post & Parcel Germany division, EBIT is forecast to come in at around €1.0 billion. The earnings contributed by Group Functions are expected to amount to around €–0.45 billion. In view of the expected EBIT development in combination with a predicted increase in the asset charge, we expect the EAC to be down year-on-year. Free cash flow is projected at around €3.0 billion.

The current business planning has not identified any significant changes in the Group's overall opportunity and risk situation compared with last year's risk report. No new risks with a potentially critical impact upon the Group's result have been identified according to current assessments. Based upon the Group's early warning system and in the estimation of its Board of Management, there were no identifiable risks for the Group in the current forecast period which, individually or collectively, cast doubt upon the Group's ability to continue as a going concern. Nor are any such risks apparent in the foreseeable future. The stable to positive outlook projected for the Group is moreover reflected in our Credit rating.

GOVERNANCE

Annual Corporate Governance Statement

pursuant to Sections 289f and 315d HGB with respect to Deutsche Post AG and Deutsche Post DHL Group.

Declaration of Conformity with the German Corporate Governance Code

Deutsche Post AG complied with the suggestions and recommendations of the German Corporate Governance Code in the year under review. This did not include the reserved limitation with regard to the CEO's chairmanship of the supervisory board of Deutsche Telekom AG. The Board of Management and Supervisory Board intend to comply with all suggestions and recommendations in the future. In December 2022, they issued the following declaration of conformity:

The Board of Management and the Supervisory Board of Deutsche Post AG declare that all recommendations of the Government Commission German Corporate Governance Code in the version dated 16 December 2019 have also been complied with after issuance of the Declaration of Conformity in December 2021 – except for the reserved partial restriction regarding recommendation C.5. In the future, all recommendations of the code in the version dated 28 April 2022 shall be complied with.

Dr Frank Appel is permitted to chair the supervisory board of Deutsche Telekom AG until he leaves the company in May 2023.

You can view the current Declaration of Conformity and the Annual Corporate Governance Statement along with the Declarations of Conformity for the past five years on the **Company's website.**

Corporate governance principles and shared values

Our business relationships and activities are based upon responsible business practices that comply with applicable laws, international guidelines and ethical standards, and this also forms part of the Group's strategy. Equally, we require our suppliers to act in this way. We encourage relationships with our employees, customers and other stakeholders, as well as the shareholders, whose decisions to select Deutsche Post DHL Group as an employer, supplier or investment are increasingly also based upon the requirement that we apply good corporate governance criteria.

With the **Code of Conduct,** we have laid out the requirements of the conduct of our employees. It is applicable across all divisions and regions. In the Code of Conduct, we commit ourselves in particular to the principles set out in the United Nations (UN) Global Compact, comply with the principles of the Universal Declaration of Human Rights and follow additional recognised legal standards, including the applicable anti-corruption legislation and agreements. In addition, we take the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises into account. As a long-standing partner of the United Nations, we also support the UN's Sustainable Development Goals (SDGs).

The Code of Conduct also describes our understanding of diversity and inclusion. This understanding and mutual respect promote co-operation within the Group and thus contribute to economic success. The criteria for the recruitment and professional development of our employees are exclusively their skills and qualifications. The members of the Board of Management and the Supervisory Board support the diversity measures, with a particular focus on the Group's goal of increasing the number of women in management.

Doing business includes using our expertise as a service provider in the mail services and logistics sector for the benefit of society and the environment, and we motivate our employees to engage personally in this regard.

Ensuring that our interactions with business partners, shareholders and the public are conducted with integrity and within the bounds of the law is vital to maintaining our reputation. This is also the foundation of Deutsche Post DHL Group's lasting business success. Our compliance management system (CMS) is designed to promote ethical conduct as well as to prevent corruption and anti-competitive conduct in particular. Insights gained from compliance audits and reported violations are also used to continually improve and upgrade the CMS system, **Corporate Governance.**

Co-operation between the Board of Management and the Supervisory Board, remuneration, retirement ages

As a listed German public limited company, Deutsche Post AG has a two-tier board structure comprising the Board of Management and the Supervisory Board.

Members of the Board of Management are responsible for the management of the company. The Board of Management's principles governing its internal organisation, management and representation, as well as co-operation between its individual members are set out in rules of procedure. The members of the Board of Management manage their board departments independently, except where decisions of particular significance and consequence for the company or the Group must be made by all members of the Board of Management. They are obligated to subordinate the interests of their individual board departments to the collective interests of the company and to inform the full Board of Management about significant developments in their departments. The Board of Management ensures compliance with statutory provisions and internal guidelines within the company (compliance). The internal control system and the risk management system comprise a CMS aligned with the risk situation of the company and also include risks related to sustainability.

The CEO conducts Board of Management business, aligns board department activities with the company's collective goals and plans, and ensures that corporate policy is carried out. When making decisions, members of the Board of Management may not act in their own personal interest or exploit corporate business opportunities for their own benefit. Any conflicts of interest must be disclosed to the chairs of the Supervisory Board and the Board of Management without delay; the other Board of Management members must also be informed.

The members of the Supervisory Board appoint, advise and oversee the Board of Management. They propose the remuneration system for Board of Management members to the Annual General Meeting, and – together with the Board of Management – are jointly responsible for the long-term succession planning for the Board of Management.

The retirement age for Board of Management members defined by the Supervisory Board is generally the year in which the Board of Management member reaches the age of 65. The Supervisory Board defined the retirement age for members of the Supervisory Board in such a way that, for nominations for the election of members of the Supervisory Board, attention shall be paid to the fact that the term of office shall end no later than the close of the Annual General Meeting after the Supervisory Board member reaches the age of 72. As a general rule, Supervisory Board members should not serve more than three terms of office.

The company's D&O (directors and officers) insurance for the members of the Board of Management provides for a deductible as set out in the AktG.

The principles governing the Supervisory Board's internal organisation, a catalogue of Board of Management transactions requiring approval and the work of the Supervisory Board committees are governed by the rules of procedure, which are available on the Company's website. The Chair elected by the members of the Supervisory Board from their ranks co-ordinates the work of the Supervisory Board and represents the Supervisory Board publicly. The Chair holds talks with investors on topics relevant to the Supervisory Board. The Supervisory Board represents the company in respect of the Board of Management members. Members of the Supervisory Board receive a fixed annual remuneration of €100,000. The remuneration for each of the chairs (plenary and committees) increases by 100%, for the Deputy Chair of the Supervisory Board and for committee members by 50%. The report on remuneration of Board of Management and Supervisory Board members can be accessed along with the Auditor's Report on the Company's website. There are no contracts between the company and Supervisory Board members apart from those governing their Supervisory Board activities and the employment contracts with the employee representatives.

The Supervisory Board meets at least twice each half-year, regularly also without the Board of Management present. Extraordinary Supervisory Board meetings are held whenever decisions need to be made at short notice or particular issues require discussion. In the 2022 financial year, Supervisory Board members held four plenary meetings, 22 committee meetings and one closed meeting. The meetings took place in person, with some members joining virtually, as described in the Report of the Supervisory Board. Not all members were able to participate in two plenary and four committee meetings. In all cases, votes were submitted in writing in advance. The overall attendance rate of 96% is broken down by member in the Report of the Supervisory Board.

The Board of Management and the Supervisory Board regularly discuss the Group's strategy, the divisions' objectives and strategies, the financial position and performance of the company and the Group, key business transactions, the progress of acquisitions and investments, compliance and compliance management, risk exposure and risk management, and all material business planning and related implementation issues.

The Board of Management informs the Supervisory Board promptly and in full about all issues of significance. The Chair of the Supervisory Board and the CEO maintain close contact about current issues; the Chair of the Finance and Audit Committee regularly discusses important matters with the Board member responsible for Finance, even outside of meetings.

Supervisory Board decisions are prepared in advance in separate meetings of the shareholder representatives and the employee representatives, and by the relevant committees. Each plenary Supervisory Board meeting includes a detailed report regarding the committees' work and the decisions made. Supervisory Board members are personally responsible for ensuring they receive training and professional development measures. They receive appropriate support from the company in the process. The core elements are the so-called Directors' Days, which took place in June and September 2022 and which centred around the topic of data analytics at Deutsche Post DHL Group, a follow-up presentation on the German Supply Chain Due Diligence Act *(Lieferkettensorgfaltspflichtengesetz)*, the EU Taxonomy and the Corporate Sustainability Reporting Directive (CSRD).

Succession planning for the Board of Management

The search for suitable Board of Management members is primarily the responsibility of the Executive Committee. In the event of an upcoming vacancy, the Executive Committee selects suitable candidates for personal interviews, taking into account specific requirements for experience and qualifications to be met by the members and the composition of the Board of Management as a whole and, after discussing this list of candidates, submits it to the Supervisory Board.

Potential successors from within the Group are generally given the opportunity to give a presentation on topics from their own areas of responsibility before the Supervisory Board. In this way, the Supervisory Board continuously maintains an overview of promising managers within the Group. When appointing new members to the Board of Management, the Supervisory Board ensures that the different skills and experiences of the members supplements the Board of Management and that its membership is thus diverse. Great store is set by experience in various countries in addition to industry experience. The initial term of service for members of the Board of Management generally runs for three years.

Independence of shareholder representatives on the Supervisory Board

All Supervisory Board members are independent within the meaning of the German Corporate Governance Code. This exceeds the target of filling at least 60% of mandates on the shareholder side with independent members.

The largest shareholder in the company, KfW Bankengruppe, currently holds 20.49% of the shares in Deutsche Post AG and therefore does not exercise control. Accordingly, Luise Hölscher and Stefan B. Wintels are also independent.

The term of Stefan Schulte, who has been a member of the board for over twelve years, does not affect his independence; it also falls within the framework of the membership limit determined by the Supervisory Board of three terms. When determining independence, the assessment must also include consideration of the term length, along with an overall view of the personality and the duties of the Supervisory Board member, and the conclusion may be reached that other aspects balance out a comparatively longer term of office. A determining factor for the Supervisory Board in considering this overall view remains how Stefan Schulte contributes his considerable expertise and experience to the benefit of the company and, as the Chair of the Financial and Audit Committee, engages the Board of Management in differentiated and critical discussions.

Lawrence Rosen's responsibility for the Finance board department ended more than six years ago and therefore does not impair his independence. At the same time, his profound knowledge of the company and the industry make it possible for him to support the Board of Management as an experienced and expert advisor and to perform the monitoring duties of the Supervisory Board in particular.

No Supervisory Board member exceeds the maximum age limit of 72, holds seats on governing bodies of the Group's main competitors or provides consultancy services to, or maintains other personal relationships with, such competitors.

Effectiveness of the Supervisory Board's advisory and monitoring duties

The Supervisory Board carries out an annual review to determine how effectively it performs its duties. This review is carried out in intensive discussions of all relevant aspects as part of a Supervisory Board meeting, without the Board of Management, and is based upon a questionnaire at least once every three years. Suggestions made by individual members of the Supervisory Board are also taken up and implemented during the year. In the year under review, the Supervisory Board reviewed the effectiveness of its activities in its September meeting. One focus of the discussions was on ensuring and expanding the skills of the Supervisory Board with respect to digitalisation, cybersecurity and sustainability. As a result of these discussions, the Supervisory Board concluded that it had performed its monitoring and advisory duties effectively and efficiently. Constructive collaboration within the Supervisory Board and with Board of Management members in an atmosphere of trust enables duties to be performed in a proper and professional manner.

Targets for the composition of the Supervisory Board (skills profile)

In addition to legal requirements (notably Sections 100 and 107 AktG), the composition of the Supervisory Board is guided by recommendations C.1 and C.6 of the German Corporate Governance Code (DCGK). Overall, the Supervisory Board set the following targets for its composition which also reflect the skills profile it aspires to have:

1. When proposing candidates to the Annual General Meeting for election as Supervisory Board members, the Supervisory Board is to be guided purely by the best interests of the company. Subject to this requirement, the Supervisory Board aims to ensure that the independent group of shareholder representatives as defined in C.6 of the German Corporate Governance Code is to account for at least 60% of the Supervisory Board, and that at least 30% of Supervisory Board members are women.
2. The company's international activities are already adequately reflected in the current composition of the Supervisory Board. The Supervisory Board strives to maintain this and, for its future proposals to the Annual General Meeting, will consider candidates whose origins, education or professional experience equip them with particular international knowledge and experience.
3. The Supervisory Board should collectively serve as a competent advisor to the Board of Management on future issues, in particular digital transformation and sustainability issues.
4. The Supervisory Board should collectively have sufficient expertise in the areas of accounting and financial statement audits. This includes knowledge of international developments in the field of accounting. Additionally, the Supervisory Board believes that the independence of its members helps guarantee the integrity of the accounting process and ensure the independence of the auditors.
5. Conflicts of interest affecting Supervisory Board members are an obstacle to providing independent efficient advice to, and supervision of, the Board of Management. The Supervisory Board will decide how to deal with potential or actual conflicts of interest on a case-by-case basis, in accordance with the law and giving due consideration to the German Corporate Governance Code.
6. In accordance with the age limit adopted by the Supervisory Board and laid down in the rules of procedure for the Supervisory Board, proposals for the election of Supervisory Board members must ensure that their term of office ends no later than the close of the next Annual General Meeting to be held after the Supervisory Board member reaches the age of 72. As a general rule, Supervisory Board members should not serve more than three terms of office.

The current Supervisory Board meets these targets and fulfils this skills profile. The Supervisory Board took targets and the skills profile into account in the election proposals it made to this year's Annual General Meeting.

Qualification matrix pursuant to C.1 of the German Corporate Governance Code

Skills and qualifications of the individual Supervisory Board members can be found in the following overview.

Qualification matrix

	Dr Nikolaus von Bomhard	Dr Mario Daberkow	Ingrid Deltenre	Dr Heinrich Hiesinger	Prof. Dr Luise Hölscher	Simone Menne	Lawrence Rosen	Dr Stefan Schulte	Prof. Dr-Ing. Katja Windt	Stefan B. Wintels
Member since/appointed until	2016/2025	2018/2023	2016/2025	2019/2024	2022/2026	2014/2024	2020/2025	2009/2024	2011/2023	2022/2026
Independence[1]	●	●	●	●	●	●	●	●	●	●
No overboarding[1]	●	●	●	●	●	●	●	●	●	●
Gender	Male	Male	Female	Male	Female	Female	Male	Male	Female	Male
Year of birth	1956	1969	1960	1960	1971	1960	1957	1960	1969	1966
Nationality	German	German	Dutch/Swiss	German	German	German	US American	German	German	German
International experience	●	●	●	●	●	●	●	●	●	●
Educational background	Legal expert	Mathematician	Journalist and educational researcher	Engineer	Business administration	Business administration	Economist	Business administration	Engineer	Business administration
Accounting	●	●			●	●	●	●		●
Financial expert in accordance with Section 100(5) AktG	●	●			●	●[2]	●[2]	●[2]		●
Risk management	●	●	●	●		●	●	●	●	●
Logistics						●	●	●	●	●
Strategy	●	●	●	●	●	●	●	●	●	●
Sustainability	●			●	●	●		●	●	●
Corporate governance/ controlling	●	●	●	●	●	●	●	●	●	●
Digitalisation, IT		●	●	●	●		●	●	●	●
Cybersecurity and IT security		●		●	●	●	●		●	
Human resources	●		●	●	●				●	●

[1] In accordance with the German Corporate Governance Code. [2] Expert in the fields of accounting and financial statement auditing within the meaning of Sections 100(5) and 107(4) AktG.

Board of Management and Supervisory Board committees

Business review meetings are held on a quarterly basis for each division, attended by representatives of management, once with the entire Board of Management and the other three times with the CEO and CFO. Additionally, quarterly review meetings are held for the cross-divisional functions with the CEO and CFO as well as representatives of management.

The review meetings involve discussions of strategic initiatives, operational matters and the budgetary situation in the divisions. In addition, all departments have Board committees where decisions are made on the fundamental strategic orientation of the respective department and prominent topics. Finally, the responsible Board departments resolve on investment, real estate and M&A plans within certain threshold limits using defined decision-making and approval processes.

The members of the Supervisory Board's committees prepare the resolutions to be taken in the plenary meetings and perform the duties assigned to them by the law, the company's Articles of Association and the rules of procedure for the Supervisory Board.

The Executive Committee prepares the resolutions to be taken in the plenary meetings regarding the appointment of members to the Board of Management, preparation of their service agreements (including remuneration), the system for remunerating Board of Management members, the establishment of variable remuneration targets, the establishment of variable remuneration according to degrees of target achievement, the review of the appropriateness of

Committees of the Supervisory Board

Executive Committee

Dr Nikolaus von Bomhard (Chair)
Andrea Kocsis (Deputy Chair)
Ingrid Deltenre
Thomas Held
Prof. Dr Luise Hölscher (since 6 April 2022)
Thorsten Kühn
Dr Jörg Kukies (until 9 March 2022)

Personnel Committee

Andrea Kocsis (Chair)
Dr Nikolaus von Bomhard (Deputy Chair)
Ingrid Deltenre
Mario Jacubasch

Finance and Audit Committee

Dr Stefan Schulte (Chair, independent and expert in the areas of accounting and auditing of financial statements as defined in Sections 100(5) and 107(4) AktG and D.3 of the German Corporate Governance Code)
Stephan Teuscher (Deputy Chair)
Jörg von Dosky (since 22 March 2022)
Prof. Dr Luise Hölscher (since 6 April 2022)
Dr Jörg Kukies (until 9 March 2022)
Simone Menne (independent and expert in the areas of accounting and auditing of financial statements as defined in Sections 100(5) and 107(4) AktG and D.3 of the German Corporate Governance Code)
Yusuf Özdemir
Lawrence Rosen (since 22 March 2022, independent and expert in the areas of accounting and auditing of financial statements as defined in Sections 100(5) and 107(4) AktG and D.3 of the German Corporate Governance Code)
Stefanie Weckesser

Strategy and Sustainability Committee

Dr Nikolaus von Bomhard (Chair)
Andrea Kocsis (Deputy Chair)
Dr Günther Bräunig (until 6 May 2022)
Thomas Held
Dr Heinrich Hiesinger
Stephan Teuscher
Stefan B. Wintels (since 6 May 2022)

Nomination Committee

Dr Nikolaus von Bomhard (Chair)
Ingrid Deltenre
Prof. Dr Luise Hölscher (since 6 April 2022)
Dr Jörg Kukies (until 9 March 2022)

Mediation Committee (pursuant to Section 27(3) German Co-determination Act)

Dr Nikolaus von Bomhard (Chair)
Andrea Kocsis (Deputy Chair)
Dr Heinrich Hiesinger
Thorsten Kühn

Board of Management remuneration and the remuneration report to be prepared annually. In addition, it regularly focuses on long-term succession planning for the Board of Management.

The Finance and Audit Committee reviews the company's accounts, including sustainability reporting, and oversees its accounting process and the effectiveness of the internal control system, the risk management system and the internal audit system, as well as the audit of the annual financial statements, in particular with respect to audit quality and the independence of the auditors. Consultation with the auditor also takes place without the Board of Management members being present. The Finance and Audit Committee prepares the proposals of the Supervisory Board to be made to the Annual General Meeting concerning the choice of the audit firm and is responsible for carrying out the selection process. As an exception, the 2023 Annual General Meeting will not make a proposal for the appointment of an auditor for the financial year, as the 2022 Annual General Meeting has already appointed Deloitte GmbH Wirtschaftsprüfungsgesellschaft (Deloitte), Munich, as the auditors of the company and the Group for the 2023 financial year and for the audit review of interim financial reports which are compiled from 1 January 2023 until the 2024 Annual General Meeting. Following a selection process in 2020, Deloitte was proposed to the Supervisory Board as the preferred new audit firm by the Finance and Audit Committee. The Supervisory Board followed this recommendation in its proposal to the 2022 Annual General Meeting.

If the auditor is to be engaged to perform non-audit services, the Finance and Audit Committee must also approve any such engagement. It examines corporate compliance and discusses the half-yearly financial reports and the quarterly statements with the Board of Management prior to their publication. Based upon its own assessment, the committee submits proposals for the approval of the annual and consolidated financial statements to the Supervisory Board. As required, the Finance and Audit Committee is also responsible for issuing findings on the required Supervisory Board approvals of significant transactions between the company and related parties.

As previously described, the Chair of the Finance and Audit Committee, Stefan Schulte, is independent and, on account of his many years of experience as the CFO and CEO of Fraport AG and as Chair of the Finance and Audit Committee of Deutsche Post AG, an expert both in accounting as well as in the auditing of financial statements. Of the members of the Finance and Audit Committee, Simone Menne and Lawrence Rosen also have comprehensive expertise in accounting and the auditing of financial statements thanks to their many years of service as board members for finance of Deutsche Lufthansa AG (Menne) as well as Deutsche Post AG and Fresenius Medical Care AG & Co. KGaA (Rosen). In the year under review, two members were added to the Finance and Audit Committee, bringing the total number of members to eight.

An agreement has been reached with the auditor that the Chair of the Supervisory Board and the Chair of the Finance and Audit Committee will be informed without delay of any potential grounds for exclusion or for impairment of the auditors' independence that arise during the audit, to the extent that any such grounds for exclusion or impairment are not immediately remedied. In addition, it has been agreed that the auditor will inform the Supervisory Board without delay of all material findings and incidents occurring in the course of the audit. Furthermore, the auditor must inform the Supervisory Board if, whilst conducting the financial statement audit, any facts are found leading to the Declaration of Conformity issued by the Board of Management and Supervisory Board being incorrect. The Finance and Audit Committee regularly reviews the quality of the financial statement audit. Both in the meeting of the Finance and Audit Committee held in preparation for the financial statements meeting as well as in the meeting of the plenary where the company and consolidated financial statements are approved, the members of the Supervisory Board closely examine the contents and the processes of the financial statement audit.

The Strategy and Sustainability Committee prepares the Supervisory Board's strategy discussions and regularly discusses implementation of the strategy and the competitive position of the enterprise as a whole and of the divisions. In addition, it does preparatory work on corporate acquisitions and divestitures that require the Supervisory Board's approval and takes an in-depth look at ESG topics relevant to the company. These include primarily the implementation of the sustainability strategy, in particular with regard to the goals of reducing CO_2 emissions, the safety and satisfaction of employees, the promotion of the share of women in executive positions and the strengthening of compliance. The corresponding expertise on the Supervisory Board can be found in the **Qualification matrix.**

The Nomination Committee presents the shareholder representatives of the Supervisory Board with recommendations for shareholder candidates for election to the Supervisory Board at the Annual General Meeting.

The Personnel Committee discusses human resources principles and material topics for the Group, such as safety, recruiting and equal opportunities.

The Mediation Committee carries out the duties assigned to it pursuant to the *Mitbestimmungsgesetz* (MitbestG – German Co-Determination Act): it makes proposals to the Supervisory Board on the appointment of members of the Board of Management in those cases in which the required majority of two-thirds of the votes of the Supervisory Board members is not reached. The committee did not meet in the past financial year.

Further information about the work of the Supervisory Board and its committees in the 2022 financial year is contained in the **Report of the Supervisory Board.** The members of the Board of Management and all additional offices held by them as well as the members of the Supervisory Board and all additional offices held by them can be found in **Boards and committees.** The Board members' curriculum vitae, information about their qualifications and the terms of their current appointments are also published on our **Website.** The website also has current curriculum vitae of the shareholder representatives on the Supervisory Board along with information on their professional occupation, their membership on the Supervisory Board and their current term of office.

Diversity

During succession planning and the selection of members for the Board of Management, the Supervisory Board pays close attention to ensuring that they complement each other in terms of their qualifications, skills and experience. Long-term succession planning in all divisions guarantees that there will be sufficient qualified internal candidates to fill Board of Management positions in future. The early promotion of women in the company also plays a key role. With two women on the Board of Management, the company has exceeded the minimum number applicable since August 2022 under Section 76(3a) AktG, which stipulates that listed companies to which the German Co-determination Act applies with more than three board of management members include at least one woman and one man on the board.

In addition, the target set by the Supervisory Board of a 25% share of women on the Board of Management, which exceeds the statutory participation requirement, to be reached by the end of 2024 will be achieved when Frank Appel leaves the company upon the conclusion of the 2023 Annual General Meeting.

For the period beginning 1 January 2020, the Board of Management set a target of 30% for the percentage of women at Deutsche Post AG at both executive tiers below the Board of Management. We aim to meet these targets by 31 December 2024. The two executive tiers are defined on the basis of their reporting lines: Tier 1 comprises executives assigned to the N-1 reporting line and tier 2 comprises executives from the N-2 reporting line. The share of women in both tiers was 31.7% as at 31 December 2022. The company intends to increase the share of women in management globally and has therefore set itself the goal of increasing the percentage of women in middle and upper management to at least 30% by 2025. This figure has risen continually in recent years and stood at 26.3% as at 31 December 2022.

The diversity criteria important to the Supervisory Board when considering its own composition are outlined in the list of its goals (skills profile). With a proportion of women of 40%, the Supervisory Board has exceeded its own target of 30%, which also reflects the minimum statutory requirement.

Shareholders and Annual General Meeting

Shareholders exercise their rights, and in particular their right to receive information and to vote, at the Annual General Meeting. Each share in the company entitles the holder to one vote. The agenda with the proposed resolutions for the Annual General Meeting and additional information will be made available on the company website shortly after the Annual General Meeting is convened. A CV, which provides information about their relevant knowledge, skills and functional experience and contains an overview of their essential duties in addition to the Supervisory Board, is published for each Supervisory Board candidate put forth for election. Moreover, the **Qualification matrix** offers an overview of the skills and qualifications of the Supervisory Board members.

We assist our shareholders in exercising their voting rights not only by making it possible to submit postal votes but also by appointing company proxies, who cast their votes solely as instructed by the shareholders. Additionally, shareholders can authorise company proxies and submit postal votes via the online service offered by the company. Due to the pandemic, the 2022 Annual General Meeting was also held online in line with the applicable statutory provisions. Shareholders were able to submit their questions online up to one day prior to the AGM. They were able to vote either by absentee ballot or by authorising a company proxy to vote in their place. In addition, beyond the legal requirements, shareholders had the opportunity to ask questions and submit statements regarding the agenda in advance of the Annual General Meeting. The 2023 Annual General Meeting is planned as an in-person event.

The remuneration system applied to Board of Management members must be presented to the Annual General Meeting for approval in the event of significant changes, or at least every four years; the four-year interval also applies to the remuneration of the Supervisory Board members. The 2021 Annual General Meeting approved the Board of Management remuneration system with 93.39% and the Supervisory Board remuneration with 99.46% of the votes cast in favour. The resolution proposed to the Annual General Meeting on the remuneration of the members of the Supervisory Board for 2022 was passed with an approval rate of 99.07%. The Board of Management remuneration system and the resolutions of the Annual General Meeting on the remuneration of Supervisory Board members can also be accessed on the @ **Company's website.** Information regarding the remuneration of the individual members of the Board of Management and the Supervisory Board can be found in the remuneration reports available there.

Disclosures required by takeover law

Disclosures required under Sections 289a and 315a HGB and explanatory report.

Composition of issued capital, voting rights and transfer of shares

As at 31 December 2022, the company's share capital totalled €1,239,059,409 and was composed of the same number of no-par-value registered shares. Each share carries the same rights and obligations stipulated by law and/or in the company's Articles of Association and entitles the holder to one vote at the Annual General Meeting (AGM). There are no shares with special rights conveying powers of control.

The exercise of voting rights and the transfer of shares are based upon statutory provisions and the company's Articles of Association, which places no restrictions on the exercise of voting rights or transfer of shares. Under the Employee Share Plan share-based remuneration programme, stocks are subject to time-related trading restrictions during the two-year holding period. As at 31 December 2022, Deutsche Post AG held a total of 40,320,726 treasury shares, which are excluded from rights for the company in accordance with Section 71b AktG.

Shareholdings exceeding 10% of voting rights

KfW Bankengruppe (KfW), Frankfurt am Main, is our largest shareholder, holding 20.49% of the share capital. The Federal Republic of Germany holds an indirect stake in Deutsche Post AG via KfW.

Appointment and replacement of members of the Board of Management

The members of the Board of Management are appointed and replaced in accordance with the relevant statutory provisions (cf. Sections 84 and 85 AktG and Section 31 MitbestG). Article 6 of the Articles of Association stipulates that the Board of Management must have at least two members. Beyond that, the number of Board members is determined by the Supervisory Board. If the Board of Management is comprised of more than three persons, at least one woman and at least one man must be members of the board, cf. Section 76 (3a) AktG.

Amendments to the Articles of Association

In accordance with Section 119 (1), Number 6, and Section 179 (1), Sentence 1, AktG, amendments to the Articles of Association are adopted by resolution of the AGM. In accordance with Article 21 (2) of the Articles of Association in conjunction with Sections 179 (2) and 133 (1) AktG, such amendments generally require a simple majority of the votes cast and a simple majority of the share capital represented on the date of the resolution. In such instances where the law requires a greater majority for amendments to the Articles of Association, that majority is decisive.

Board of Management authorisation, particularly regarding the issue and buy-back of shares

The Board of Management is authorised, subject to the consent of the Supervisory Board, to issue up to 130,000,000 new no-par-value registered shares (2021 Authorised Capital). Details may be found in Article 5 (2) of the Articles of Association. The Articles of Association can be accessed on the Company's website or in the electronic company register. They may also be viewed in the commercial register of the Bonn Local Court.

The Board of Management has furthermore been authorised by resolution of the AGMs of 28 April 2017 (agenda item 7), 24 April 2018 (agenda item 6), 27 August 2020 (agenda item 7) and 6 May 2022 (agenda items 8 and 9) to issue Performance Share Units (PSUs). The authorisation resolutions are included in the notarised minutes of the AGM, which can be viewed in the commercial register. In order to service both current PSUs and those yet to be issued, the AGM approved contingent capital increases. Details may be found in Article 5 of the Articles of Association. As at 31 December 2022, the PSUs already issued conferred rights to up to 28,410,813 Deutsche Post AG shares, assuming the conditions are met. Under the authorisations granted, up to 57,197,508 additional PSUs may still be issued.

The AGM of 6 May 2021 authorised the company to buy back shares on or before 5 May 2026 up to an amount not to exceed 10% of the share capital existing as at the date of adoption of the resolution. Further details, including the option of using the treasury shares acquired on that basis or on the basis of a preceding authorisation, may be found in the authorisation resolution adopted by the AGM of 6 May 2021 (agenda item 8). In addition, the AGM of 6 May 2021 authorised the Board of Management to buy back shares within the scope specified in agenda item 8, including through the use of derivatives (agenda item 9). The company repurchased 29,608,323 shares in the financial year based upon the authorisation resolution.

Significant agreements that are conditional upon a change of control following a takeover bid and agreements with members of the Board of Management or employees providing for compensation in the event of a change of control

Deutsche Post AG holds a syndicated credit facility with a volume of €2 billion under an agreement entered into with a consortium of banks. If a change of control within the meaning of the agreement occurs, each member of the bank consortium is entitled, under certain conditions, to cancel its share of the credit facility as well as its share of any outstanding loans and to request repayment. The terms and conditions of the bonds issued under the Debt Issuance Programme established in March 2012 and those of the convertible bond issued in December 2017 also contain change-of-control clauses. In the event of a change of control within the meaning of those terms and conditions, creditors are, under certain conditions, granted the right to demand early redemption of the respective bonds.

In the event of a change of control, any member of the Board of Management is entitled to resign their office for good cause within a period of six months following the change of control after giving three months' notice to the end of a given month, and to terminate their Board of Management contract (right to early termination). This is not associated with a severance payment claim. With regard to the Annual Bonus Plan with Share Matching for executives, the holding period for the shares will become invalid with immediate effect in the event of a change of control of the company. The participating executives will receive the total number of matching shares corresponding to their investment (or a cash equivalent) in due course. In such a case, the employer will be responsible for any tax disadvantages resulting from a reduction of the holding period. Taxes normally incurred after the holding period are exempt from this provision. Under the Employee Share Plan, if a change of control occurs, any amounts that have already been invested and for which shares have yet to be delivered are reimbursed. Effective immediately, the holding period is waived for shares that have already been granted.