





Corporate Governance Report

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Unqualified Declaration of Conformity issued once again

On 13 December 2007, the Board of Management and Supervisory Board issued a  Declaration of Conformity for the sixth consecutive year. It confirms that since the previous Declaration of Conformity was issued on 14 December 2006, Deutsche Post complied with the recommendations of the German Corporate Governance Code in the version dated 12 June 2006. In future, we will also comply with the recommendations of the Government Commission on the German Corporate Governance Code in the current version dated 14 June 2007. The electronic forwarding of information to the shareholders requires the prior approval of the Annual General Meeting (AGM). Approval shall therefore be recommended to the 2008 AGM. Based on this resolution, the convention documents for the 2009 AGM could also be sent electronically upon request by the shareholder.

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On 30 November 2007, our listed subsidiary Deutsche Postbank AG issued its own unqualified  Declaration of Conformity.

Dual management and supervisory structure

As a German public limited company, Deutsche Post operates a dual management system. The Board of Management is responsible for the management of the company, and is appointed, overseen and advised by the Supervisory Board. Following the departure of Board members Dr Hans-Dieter Petram and Prof. Dr Wulf von Schimmelmann as at 30 June 2007, Jürgen Gerdes and Dr Wolfgang Klein were appointed as their successors with effect from 1 July 2007. Prof. Dr Edgar Ernst resigned from the Board of Management as at 30 September 2007. On 18 February 2008, Dr Klaus Zumwinkel resigned from office. The Supervisory Board accepted his resignation and, on the same day, unanimously appointed Dr Frank Appel as new chairman of the Board of Management.

The duties of individual members have been reallocated to reflect these changes: The MAIL board department has been sub-divided into MAIL and PARCEL Germany, headed by Jürgen Gerdes, and MAIL International, under the management of Dr Frank Appel. John Allan, previously in charge of the LOGISTICS Division, is now responsible for Global Business Services (focusing on cross-divisional functions) and Finance as of 1 October 2007. Dr Frank Appel has also been responsible for the LOGISTICS Division and Corporate Regulation Management since the same date. Moreover, on 18 February 2008, Dr Frank Appel assumed responsibility for the chairman's board department in addition to his previous duties.

The Supervisory Board comprises twenty members, who are listed on page 107. Ten shareholder representatives are elected by the AGM, whilst a further ten are elected by the workforce in accordance with the provisions of the *Mitbestimmungsgesetz* (German co-determination act). Information about additional mandates held by Board of Management and Supervisory Board members in the supervisory bodies of other companies may be found on pages 110 and 111. The Supervisory Board's report on its activities in financial year 2007 is published on page 102.


At the AGM on 8 May 2007, Ingrid Matthäus-Maier was elected to the Supervisory Board for a five-year term on an individual basis, following the retirement from office of Dr Hubertus von Grünberg as at 27 July 2007. Prof. Dr Wulf von Schimmelmann was appointed to the Supervisory Board by court order on 6 August 2007. His election will feature on the agenda at this year's AGM. Rolf Büttner also retired from office with effect from the end of the AGM on 8 May 2007. Andrea Kocsis was appointed as his successor by court order on 29 May 2007. On 31 December 2007, Helmut Jurke and Franz Schierer stepped down as members of the Supervisory Board. At the same time, Helmut Jurke also retired from his roles as deputy chairman of the Finance and Audit Committee and member of the Executive Committee. By court order of 18 February 2008, Rolf Bauermeister and Wolfgang Abel were appointed to the Supervisory Board as employee representatives. The fact that the majority of its Supervisory Board members are independent means that Deutsche Post AG complies with the corresponding recommendation in the Code.

Five committees formed

The Supervisory Board has formed a total of five committees. In addition to the Mediation Committee required by the *Mitbestimmungsgesetz*, these include the Executive Committee, the Finance and Audit Committee, the Personnel Committee and, new for 2007, the Nomination Committee, as per the Code's recommendation. The composition of these committees may be found on page 107. The Supervisory Board's report on the committees' activities in the year under review is published on page 104.

Transparent communications

We are committed to open communication with our shareholders. All dates that might be of interest are displayed on our  website, including the dates on which the annual report and interim reports are published. The website also contains up-to-date information about our shares and share price movements, as well as announcements regarding the purchase and sale of company shares and related financial instruments pursuant to Article 15a of the *Wertpapierhandelsgesetz* (German securities trading act).

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Members of the Board of Management and Supervisory Board are required to disclose immediately any potential conflicts of interest to the Supervisory Board. Outside activities pursued by members of the Board of Management are subject to the approval of the Supervisory Board.

Compliance with statutory and internal regulations

The Group expects all its employees to base their actions and decisions on compliance with statutory and internal regulations. Based on the company's corporate values, the Board of Management has therefore introduced a Code of Conduct for the employees which all executives are required to sign. As part of our Group-wide compliance system, we have set up a Global Values Office and Regional Values Offices to provide advice on and monitor implementation of the various compliance processes. Employees can also report any violations to the "whistle-blowing hotline".

In case of infringements, suitable measures will be taken, which can include action under labour and disciplinary law if appropriate. Compliance with the Code of Conduct is an issue regularly addressed by the Internal Audit department, which is part of the Finance board department. The subject of compliance is discussed at regular intervals by the Supervisory Board's Finance and Audit Committee.

Risk management, accounting and auditing

Our opportunity and risk management system ensures that any risks are identified early on. The system is continuously refined and updated to reflect the latest developments. Further details can be found in our risk report starting on page 85.

The Group accounts are prepared in accordance with International Financial Reporting Standards (IFRSs). PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC), Düsseldorf, was appointed by the AGM as the auditor of the annual and consolidated financial statements for the 2007 financial year, and to review the half-year financial report. Before engaging the auditors, the Supervisory Board took steps to ensure that the existing relationships between the auditors and the company or its executive and controlling bodies did not call into question the auditors' independence.

Remuneration Report

The following remuneration report also forms part of the Notes.

Board of Management remuneration

The total remuneration of the Board of Management members is determined by the Executive Committee, which is headed by the chairman of the Supervisory Board. The Supervisory Board discusses the structure of the remuneration system based on the recommendation submitted by the Executive Committee and reviews it regularly. The remuneration of the Board of Management reflects the size and global reach of the company, its economic and financial situation and the roles fulfilled by the individual members. It is set to ensure competitiveness with comparable German and international companies, thus incentivising the Board of Management members to deliver maximum performance and achieve results. The Supervisory Board conducts regular reviews to determine whether the remuneration of the Board of Management is appropriate, taking into account the company's results, the industry in which it operates and its future prospects.

The remuneration of the Board of Management is performance-based and comprises fixed and variable elements as well as long-term incentives.

Components not linked to performance are the basic salary, fringe benefits and pension commitments. The basic salary is paid monthly. Fringe benefits are comprised mainly of the use of company cars, the reimbursement of travel expenses, a telephone allowance, supplements for insurance premiums as well as special allowances and benefits for assignments outside Germany.

The variable, performance-linked element is the annual bonus. The Executive Committee of the Supervisory Board exercises its due discretion to determine the annual bonus on the basis of the company's performance. The amount of the bonus reflects the extent to which predefined targets are achieved or exceeded. Achievement of the upper target for the financial year is rewarded with the maximum annual bonus. The maximum annual bonus opportunity is 100% of the annual basic salary. In addition, the Supervisory Board can elect to award an appropriate special bonus for extraordinary achievement.

As a variable remuneration component with long-term incentive effect, the Board of Management members receive stock appreciation rights (SARs) issued on the basis of a long-term incentive plan.

The remuneration paid to active members of the Board of Management in the financial year 2007 totalled €15.70 million (previous year: €18.50 million). This amount comprised €8.68 million in non-performance-related components (previous year: €9.65 million) and €7.02 million in bonuses (previous year: €8.85 million). The members of the Board of Management were granted a total of 1,375,000 SARs in financial year 2007 with a total value of €6.37 million (previous year: €6.38 million) at the time of issue (1 July 2007).

The table below presents an individual breakdown of the remuneration paid and covers all activities of the members of the Board of Management within the Group:

Remuneration of the Group's Board of Management in financial year 2007

€	Components not linked to performance		Performance-related components	Total	Components with long-term incentive effect	
	Basic salary	Fringe benefits	Bonus		Number of SARs	Value of SARs on 1 July 2007
Dr Klaus Zumwinkel, Chairman	1,499,558	57,084	1,226,639	2,783,281	330,000	1,527,900
John Allan	860,000	436,312	781,740	2,078,052	55,000	254,650
Dr Frank Appel	867,167	31,527	709,342	1,608,036	220,000	1,018,600
Prof. Dr Edgar Ernst (until 30 September 2007)	711,113	22,829	711,113	1,445,055	220,000	1,018,600
Jürgen Gerdes (since 1 July 2007)	357,500	18,728	292,435	668,663	110,000	509,300
Dr Wolfgang Klein (since 1 July 2007)	437,500	24,947	397,688	860,135	0	0
John P. Mullen	860,000	521,443	877,836	2,259,279	220,000	1,018,600
Dr Hans-Dieter Petram (until 30 June 2007)	497,779	13,548	497,779	1,009,106	0	0
Walter Scheurle	860,000	25,865	703,480	1,589,345	220,000	1,018,600
Prof. Dr Wulf von Schimmelmann (until 30 June 2007)	555,000	14,960	825,000	1,394,960	0	0
Total	7,505,617	1,167,243	7,023,052	15,695,912	1,375,000	6,366,250

Share-based remuneration

In 2006, the Executive Committee of the Supervisory Board adopted the long-term incentive plan 2006 (LTIP 2006) based closely on the lapsed stock option plan 2003 (SOP 2003). On 1 July 2006, the members of the Board of Management were for the first time awarded SARs under this plan instead of the stock options granted in previous years.

Each SAR entitles the holder to receive a cash settlement equal to the difference between the issue price of the SAR and the closing price of the Deutsche Post share on the last trading day before the exercise date. As in the past, the members of the Board of Management must each invest 10% of their annual target salary in Deutsche Post shares. The number of SARs to be issued to the members of the Board of Management is determined by the Executive Committee of the Supervisory Board as each tranche is issued. The other essential features of the previous stock option plan have been retained. Following a three-year lock-up period that begins on the date of issue, the SARs, like the stock options, can be wholly or partially exercised within a period of two years only if an absolute or relative performance target is achieved. Any SARs not exercised during this two-year period expire.


To determine how many – if any – of the SARs granted can be exercised, the average share price or the average index is compared for the reference period and for the performance period. The reference period, as in the past, comprises the last twenty consecutive trading days before the issue date. The performance period is the last sixty trading days before the end of the lock-up period. The average share price (closing price) is calculated as the average of the closing rates of the Deutsche Post share in the Deutsche Börse AG's Xetra electronic trading system.

As in the past, the absolute performance target is achieved if the closing price of the Deutsche Post share is at least 10%, 15%, 20% or 25% above the issue price. The relative performance target is tied to the performance of the share in relation to the performance of the Dow Jones STOXX 600 Index (Bloomberg SXXP Index; ISIN EU0009658202). It is met if the share price is not outperformed by the index during the performance period or if it outperforms the index by at least 10%.

A maximum of four out of every six SARs can be “earned” via the absolute performance target and a maximum of two via the relative performance target. If neither an absolute or relative performance target is met by the end of the lock-up period, the SARs of the related tranche will expire and no replacement or compensation of any kind will be provided. The table below presents further details of the tranches of the LTIP 2006:

LTIP 2006

	Tranche 2006	Tranche 2007
Issue date	1 July 2006	1 July 2007
Issue price	€20.70	€24.02
Expiry of lock-up period	30 June 2009	30 June 2010

The value attributable to the financial year 2007 for stock options issued in previous years amounted to €241,615.62 for Dr Klaus Zumwinkel, €161,075.58 for Dr Frank Appel, €161,075.58 for Walter Scheurle and €106,270.08 for John P. Mullen. The options granted to Jürgen Gerdes in previous financial years have a value for the period from 1 July 2007 of €11,366.19. The pro rata value up to 30 June 2007 of options granted to Dr Hans-Dieter Petram and Prof. Dr Wulf von Schimmelmann is €117,656.04 each. The pro rata value of the options granted to Prof. Dr Edgar Ernst up to 30 September 2007 is €139,365.81. The table below provides detailed information on the individual tranches of the expired  stock option plans:

 Note 35.5

Stock options

	SOP 2000		SOP 2003		
	Tranche 2001	Tranche 2002	Tranche 2003	Tranche 2004	Tranche 2005
Issue date	15 March 2001	1 July 2002	1 August 2003	1 July 2004	1 July 2005
Exercise price	€23.05	€14.10	€12.40	€17.00	€19.33
Expiry of lock-up period	14 March 2004	30 June 2005	31 July 2006	30 June 2007	30 June 2008
	Exercisable at 1/6	Exercisable at 6/6	Exercisable at 6/6	Exercisable at 4/6	
Expiry of exercise period	14 March 2006	30 June 2007	31 July 2008	30 June 2009	30 June 2010

Any options of Tranche 2002 that had not been exercised expired on 1 July 2007 at the end of the exercise period, with no replacement or compensation provided.

Pension commitments

The members of the Board of Management have direct pension commitments on the basis of their individual contracts, providing for benefits in case of permanent disability, death or retirement. If the contract of a member ends after at least five years of service on the Board of Management, the entitlements he has acquired will vest. Members become entitled to benefits due to permanent disability after at least five years of service. Eligibility for retirement benefits begins at the earliest at the age of 55, or 60 years of age in the case of John P. Mullen and 62 years of age for Jürgen Gerdes. The members of the Board of Management can choose between ongoing pension payments and a lump sum. The amount of benefits depends on the pensionable income and the number of years of service.

Pensionable income consists of the annual basic salary based on the average salary of the last twelve months of employment. Members of the Board of Management appointed for the first time after 2001 attain a pension level of 25% after five years of service on the Board of Management. The maximum pension level (50%) is attained after ten years of service. The maximum pension levels of members of the Board of Management appointed before 2002 are 60% and 75% respectively. The graduated increase in the pension level based on individual contractual arrangements depends either on the period of service or the periods of appointment on the Board of Management. Subsequent pension benefits will be adjusted (increased or decreased) to reflect changes in the consumer price index in Germany.

Pension commitments: individual breakdown

Pension commitments for the Board of Management

	Pension commitments		
	Pension level on 31 Dec. 2007	Maximum pension level	Service cost for pension obligation Financial year 2007 €
	%	%	
Dr Klaus Zumwinkel, Chairman	75	75	0 ¹⁾
Dr Frank Appel	25	50	334,558
Prof. Dr Edgar Ernst ²⁾	75	75	566,584
Jürgen Gerdes ^{3),4)}	0	50	76,011
Dr Wolfgang Klein ^{3),5)}	60	60	184,414
John P. Mullen	35	50	652,498
Dr Hans-Dieter Petram ⁶⁾		75	0 ¹⁾
Walter Scheurle	30	60	627,516
Prof. Dr Wulf von Schimmelmänn ^{5),6)}		75	1,623,938

1) Ongoing financing complete.

2) Member of the Board of Management until 30 September 2007.

3) Member of the Board of Management since 1 July 2007.

4) Minimum period not yet complete. In the event of immediate entitlement, the provisions of the existing pension plan apply.

5) The pension commitment is owed by Deutsche Postbank AG. The service cost is for the whole year.

6) Member of the Board of Management until 30 June 2007 (retirement).

The pension commitment made to Dr Wolfgang Klein relates to his function as chairman of the Management Board of Deutsche Postbank AG and is therefore owed in its entirety by Deutsche Postbank AG. The commitment therefore varies in certain respects from the arrangements discussed above at Deutsche Post AG; the basic structure is, however, identical. The benefit amount depends on the pensionable income and the pension level derived from the years of service. Dr Wolfgang Klein has already attained the maximum pension level of 60%. According to his contract, retirement benefits are generally paid from the age of 62 or, if the employment contract is not renewed, after reaching the age of 55. A bridge allowance will be paid for a two-year period in addition to the retirement benefits if he leaves the employ of the company upon reaching the age limit of 62 or due to permanent disability. Subsequent adjustments of the retirement benefits will be based on the percentage change in the highest pay scale group in the collective agreement covering the Association of German Public Sector Banks.

Upon his appointment to the Board of Management, John Allan was not included in the pension scheme for members of the Board of Management. Due to his past contractual relationship with Exel, he will receive a taxable annual lump-sum payment of €363,017, in addition to the remuneration paid, that he can use to secure his own pension coverage. This amount is contained in the individual breakdown of fringe benefits.

The remuneration of former members of the Board of Management or their surviving dependants amounted to €13.58 million. The defined benefit obligations (DBOs) for current pensions calculated under IFRSs amount to €27.0 million.

Miscellaneous

Dr Frank Appel, John Allan and John P. Mullen will receive their contractual remuneration until the end of the ordinary term of their contracts if the contract as a member of the Board of Management is terminated prematurely by Deutsche Post AG for good cause, provided this cause is not related to a serious breach of duty. The Board of Management contract of John Allan contains a non-compete clause for two years after the end of the contract. For this two-year period, he receives 50% of his basic salary. Any other income exceeding half of the basic salary will be credited against it.

Supervisory Board remuneration

In accordance with Article 17 of the Articles of Association of Deutsche Post AG as adopted by the AGM, the annual remuneration of the members of the Supervisory Board comprises a fixed component, a short-term performance-related component and a performance-related component with a long-term incentive effect.

The fixed component amounts to €20,000, the short-term performance-related component to €300 for every €0.03 by which the consolidated net profit per share exceeds the amount of €0.50 in the financial year in question. In 2007, the consolidated net profit per share was €1.15 and therefore exceeded the amount of €0.50 by $21.67 \times €0.03$. The short-term performance-related remuneration came to 21.62% of the total remuneration of all the members of the Supervisory Board. For financial year 2007, the members of the Supervisory Board are entitled to annual performance-related remuneration with a long-term incentive effect of €300 for every 3% by which the consolidated net profit per share for financial year 2009 exceeds the consolidated net profit per share of financial year 2006. The remuneration falls due for payment at the end of the 2010 AGM. Taken individually, the two variable remuneration components may not exceed the amount of the fixed remuneration of €20,000.

The chairman of the Supervisory Board receives double the remuneration, his deputy one and half times the remuneration. The chairman of a Supervisory Board committee also receives double the remuneration, whilst a member of a committee receives one and a half times the remuneration. This does not apply for membership of the Mediation and Nomination Committee. Persons who only belong to the Supervisory Board and its committees for part of the year receive corresponding compensation on a pro rata basis. The members of the Supervisory Board are entitled to claim out-of-pocket expenses incurred in the exercise of their office. Any value-added tax on the Supervisory Board remuneration and out-of-pocket expenses is reimbursed. In addition, each member of the Supervisory Board attending a meeting receives an attendance allowance of €500 for each plenary meeting of the Supervisory Board or committee meeting. In financial year 2007, the total remuneration of the Supervisory Board, excluding the long-term performance-related remuneration, amounted to approximately €0.9 million (previous year: €1 million). The table below provides a breakdown of the remuneration:

Supervisory Board remuneration

€	Fixed component	Short-term performance-related remuneration	Attendance allowance	Total	Value of long-term performance-related remuneration claim ¹⁾
Current members					
Dr Jürgen Weber (Chair)	70,000.00	22,050.00	6,500.00	98,550.00	0.00
Rolf Büttner (Deputy Chair until 8 May 2007)	22,500.00	7,087.50	3,500.00	33,087.50	0.00
Andrea Kocsis (Deputy Chair since 29 May 2007)	37,500.00	11,812.50	3,000.00	52,312.50	0.00
Willem G. van Agtmael	20,000.00	6,300.00	3,000.00	29,300.00	0.00
Frank von Alten-Bockum	20,000.00	6,300.00	3,000.00	29,300.00	0.00
Hero Brahms	40,000.00	12,600.00	6,500.00	59,100.00	0.00
Marion Deutsch	20,000.00	6,300.00	3,000.00	29,300.00	0.00
Werner Gatzler	40,000.00	12,600.00	7,500.00	60,100.00	0.00
Dr Hubertus von Grünberg (until 27 July 2007)	11,666.67	3,675.00	1,500.00	16,841.67	0.00
Annette Harms	20,000.00	6,300.00	3,000.00	29,300.00	0.00
Helmut Jurke (until 31 December 2007)	40,000.00	12,600.00	7,000.00	59,600.00	0.00
Prof. Dr Ralf Krüger	40,000.00	12,600.00	5,500.00	58,100.00	0.00
Dirk Marx	40,000.00	12,600.00	7,000.00	59,600.00	0.00
Ingrid Matthäus-Maier	20,000.00	6,300.00	2,500.00	28,800.00	0.00
Roland Oetker	30,000.00	9,450.00	5,500.00	44,950.00	0.00
Silke Oualla-Weiß	20,000.00	6,300.00	2,000.00	28,300.00	0.00
Harry Roels	20,000.00	6,300.00	3,000.00	29,300.00	0.00
Franz Schierer (until 31 December 2007)	20,000.00	6,300.00	2,500.00	28,800.00	0.00
Prof. Dr Wulf von Schimmelmann (since 6 August 2007)	8,333.33	2,625.00	1,500.00	12,458.33	0.00
Elmar Toime	20,000.00	6,300.00	2,000.00	28,300.00	0.00
Stefanie Weckesser	20,000.00	6,300.00	3,000.00	29,300.00	0.00
Margrit Wendt	40,000.00	12,600.00	6,000.00	58,600.00	0.00
Total	620,000.00	195,300.00	88,000.00	903,300.00	0.00

¹⁾ The basis for the measurement of the long-term performance-related remuneration claim is the provision that needs to be recognised for this purpose. A provision was not recognised in 2007 because the profit per share was lower than the previous year.

Shareholdings of the Board of Management and Supervisory Board

Effective 31 December 2007, shares held by the Board of Management and Supervisory Board of Deutsche Post AG amounted to less than 1% of the company's share capital.