

CORPORATE GOVERNANCE 2017

CORPORATE GOVERNANCE

Corporate Governance Report with Declaration of Conformity and Declaration on Company Management Pursuant to Section 289f and Section 315d of the German Commercial Code (HGB) for 2017

Effective implementation of corporate governance principles is a key element of the corporate policy of SNP Schneider-Neureither & Partner SE (SNP SE). Transparent and responsible corporate management is a critical precondition for the achievement of the company's goals and for a long-term increase in its enterprise value. The Board of Directors and the Managing Directors closely cooperate in the interests of the entire company in order to ensure efficient corporate management and control with the aim of sustainably creating value through good corporate governance.

In the following, the Board of Directors and the Managing Directors report on corporate governance at SNP SE in accordance with Section 3.10 of the German Corporate Governance Code. This chapter also includes the declaration on company management pursuant to Art. 9 (1) clause c (ii) of the SE Regulation, Section 22 (6) of the SE Implementation Act (SEAG) in conjunction with Section 289f and Section 315d of the German Commercial Code (HGB).

Pursuant to Art. 9 (1) clause c (ii) of the SE Regulation, Section 22 (6) SEAG in conjunction with Section 161 of the German Stock Corporation Act (AktG), the Board of Directors of a listed German SE is obliged to issue a declaration at least once a year as to whether the company has complied and continues to comply with the German Corporate Governance Code and which recommendations of the Code it has not implemented and why not. On March 23, 2018, the Board of Directors of SNP SE issued the following declaration:

Declaration of conformity pursuant to Section 161 AktG for the year 2017:

The Board of Directors of SNP SE declares pursuant to Art. 9 (1) clause c (ii) of the SE Regulation, Section 22 (6) SEAG in conjunction with Section 161 AktG that since the issuance of its most recent declaration of conformity on March 13, 2017, SNP Schneider-Neureither & Partner SE has complied and will continue to comply with the recommendations of the Government Commission on the German Corporate Governance Code (the Code) (as of May 5, 2015, and February 7, 2017), while taking into consideration the specific details of the monistic system of SNP SE as outlined in Section 1 – with the exceptions indicated in Section 2 – or, where it has not complied with these recommendations, why not.

1. Specific details of the monistic corporate governance system

In accordance with Art. 43–45 of the SE Regulation in conjunction with Sections 20 et seq. SEAG, the monistic system is characterized by the fact that a uniform management body, the Board of Directors, is responsible for the management of the SE (cf. para. 5 of the preamble to the Code). The Board of Directors directs the company, determines the basic standards for its activities and oversees their implementation by the Managing Directors. The Managing Directors conduct the company's business, represent the company in and out of court and are bound by instructions issued by the Board of Directors.

In principle, SNP SE will relate the sections of the Code applicable to the Supervisory Board to the Board of Directors of SNP SE and the sections of the Code applica-

ble to the Executive Board to its Managing Directors. The following exceptions apply in relation to the statutory framework for the monistic system:

- In deviation from Section 2.2.1 clause 1 of the Code, the Board of Directors is required to present the annual financial statements and the consolidated financial statements to the Annual General Meeting, Section 48 (2) clause 2 SEAG.
- In deviation from Sections 2.3.1 clause 1 and 3.7 (3) of the Code, the Board of Directors is responsible for convening the Annual General Meeting, Sections 48 and 22 (2) SEAG.
- The tasks of the Executive Board prescribed in Sections 4.1.1 (management of the company) and 4.1.2 in conjunction with Section 3.2 main clause 1 (development of the company's strategic focus) of the Code are incumbent upon the Board of Directors, Section 22 (1) SEAG.
- The responsibilities of the Executive Board prescribed in Sections 2.3.2 clause 2 (voting proxy bound by instructions), 3.7 (1) (statement regarding a takeover offer) and (2) (conduct in case of a takeover offer) as well as 3.10 (corporate governance report), 4.1.3 (compliance) and 4.1.4 (risk management and control) of the Code are incumbent upon the Board of Directors of SNP SE, Section 22 (6) SEAG.
- In deviation from Sections 5.1.2 (2) clauses 1 and 2 of the Code, unlike members of the Executive Board Managing Directors are not subject to any fixed and maximum permitted period of appointment, Section 40 (1) clause 1 SEAG.
- In deviation from Sections 5.4.2 clause 2 and 5.4.4 of the Code, members of the Board of Directors may be appointed as Managing Directors provided that the majority of the Board of Directors still is comprised of non-Managing Directors, Section 40 (1) clause 2 SEAG.

2. Exceptions to the recommendations of the Code

- In deviation from Section 3.8 (3) of the Code, the members of the Board of Directors have a D&O insurance policy without a deductible. The Board of Directors considers that a deductible is not required for members of the Board of Directors since the commitment and responsibility with which the members of the Board of Directors perform their duties will not be improved through the agreement of a deductible. The existing D&O insurance policy for the members of the Board of Directors of SNP SE does not therefore include any deductible.
- Contrary to Sections 5.3.1, 5.3.2 and 5.3.3, the Board of Directors has not currently established any committees. As a result, all members bear joint responsibility for all issues to be decided upon. The Board of Directors of the company is currently comprised of four members. Due to its current size, this body has not established any committees and performs all tasks in its entirety. In these circumstances, the Board of Directors cannot see how the efficiency of its work would be improved through committees.
- Pursuant to Section 5.4.1 (2) of the Code, the Board of Directors should state concrete goals for its composition, taking into consideration the specific situa-

tion of the company's international activities, potential conflicts of interest, a fixed retirement age for Supervisory Board members, a limit to be determined for the length of membership in the Supervisory Board as well as diversity. Contrary to the Code's recommendation, the Board of Directors has not set any further targets for its composition. The Board of Directors is comprised of only four members. Given this situation, the Board of Directors does not see any advantage in being bound by specific targets. Instead, the Board of Directors should always retain the flexibility of being able to take into account individual circumstances in its proposals to the responsible election bodies and the candidates with the best possible qualifications. In the view of the Board of Directors, the statement and publication of specific goals and their regular adjustment also entail a not insignificant effort, which does not appear to be justified in view of the shareholding structure and size of the company and in view of the size of the Board of Directors.

Heidelberg, March 23, 2018

For the Board of Director



Dr. Andreas Schneider-Neureither, CEO

Conversion of SNP Schneider-Neureither & Partner AG into SNP Schneider-Neureither & Partner SE

In accordance with the resolution passed by the Annual General Meeting on May 31, 2017, and the entry made in the commercial register on December 6, 2017, SNP Schneider-Neureither & Partner AG was converted into SNP Schneider-Neureither & Partner SE, with a change of its legal form.

Up to its conversion, the company was managed by its Executive Board in accordance with the provisions of the German Stock Corporation Act (AktG). The Supervisory Board advised and oversaw the Executive Board in relation to its management tasks. Following its conversion, the company is now managed by its Board of Directors ("monistic system"), which determines the basic standards for its business activities and oversees their implementation by the Managing Directors.

Inclusion of diversity and international focus

The Board of Directors and the Managing Directors of SNP SE comply with the recommendations of the German Corporate Governance Code, the requirements of which include that the makeup of the Board of Management and the Managing Directors and the staffing of management positions in the company should reflect the company's international activities as well as diversity and, in particular, an appropriate proportion of women.

The Board of Directors has set targets of 0% for itself and the Managing Directors. The Board of Directors has decided upon the same target for the proportion of women at the lower management level. SNP SE welcomes political efforts to ensure diversity and gender equality in the corporate world. However, the management organs of SNP SE hold the view that setting targets higher than 0% conflicts significantly with corpo-

rate interests. SNP SE operates in an industry in which the employment of properly trained technical personnel represents a critical success factor. At the same time, the industry is confronted with a lack of candidates who satisfy the requirements. Therefore, SNP SE faces a task that is just as critical to success as it is challenging: obtaining suitable employees in general and managers in particular.

In view of this situation, corporate responsibility rules out making an already difficult task even more difficult by imposing on the company the achievement of rigid quotas for women. Quotas for men should also be rejected for the same reason. Another special argument against female quotas is that SNP SE primarily employs staff with educational backgrounds in the fields of study of electrical engineering, computer science, computer engineering, information systems, physics and physical engineering. These fields of study are traditionally characterized by high to very high proportions of men and correspondingly low proportions of women.

Compliance

Trust is one of our basic values. Trust assumes integrity, honesty and incorruptibility. Compliance with all statutory provisions and internal rules applicable to SNP SE and its subsidiaries on the part of the company's management and employees is a firm part of our corporate culture. Our internal rules of conduct are laid down in our code of conduct. To effectively ensure adherence to its compliance policies, SNP SE divides up its compliance activities into the following areas: statutory provisions, finance, contractual obligations and compliance with internal policies.

In view of its strategy of internationalization and the associated strong expansion of its operational activities, the SNP Group is working on a Group-wide compliance

management system, so as to be able to initiate and implement measures focusing on the company's risk situation in future. This includes providing employees with the opportunity to be able to report legal violations within the company in a protected fashion.

Description of the Working Methods of the Executive Board and Supervisory Board (Prior to the Company's Conversion) and of the Board of Directors and Managing Directors (After the Company's Conversion)

Working Methods of the Executive Board and the Supervisory Board

The fundamental principle of responsible corporate management and control for SNP AG was ensuring the efficient and trusting cooperation of the Executive and the Supervisory Boards, while accounting for the impartiality and independence of the members. In order to promote the company management's decision-making being independent from the demands and instructions of related third parties, the annual reporting disclosed those offices held by Supervisory Board and Executive Board members at other companies either on a full-time basis or as members of Supervisory Boards or in similar positions. In addition, no Executive Board or Supervisory Board member held more than three Supervisory Board positions at publicly traded corporations outside the Group. In the 2017 fiscal year, no conflicts of interest appeared that required immediate disclosure to the Supervisory Board. The Supervisory and Executive Boards of SNP AG deliberated on the company's strategic positioning, its further development and a series of individual topics and approved the necessary resolutions in the 2017 fiscal year.

The Executive Board

The Executive Board conducted operational management within SNP AG and was held responsible by the Supervisory Board for the implementation of corporate strategy and its results. As a management body, the Executive Board managed the business of the company on its own responsibility and in the interests of the company with the aim of sustainably creating value. The Executive Board bore responsibility for the management of the entire company and made fundamental decisions on business policy and strategy in close cooperation with the Supervisory Board. For this reason, the Executive Board informed the Supervisory Board on a regular, timely and comprehensive basis about all issues relevant to the company, particularly regarding business performance, assurance of compliance and entrepreneurial risks. The Supervisory Board set out these notification and reporting duties of the Executive Board in detail in the bylaws of the Executive Board. Furthermore, the Supervisory Board ensured that the company had an appropriate risk management and control system.

 Corporate Governance

MEMBERS OF THE EXECUTIVE BOARD up to December 5, 2017	RESPONSIBILITIES AND DEPARTMENTS	FURTHER OFFICES
<p>Dr. Andreas Schneider-Neureither Chairman / CEO Master's degree in physics</p>	<ul style="list-style-type: none"> ■ Corporate strategy ■ Product management ■ Marketing ■ Sales ■ Investor Relations 	<p>Supervisory Board Casadomus AG, Stuttgart</p> <p>Supervisory Board VHV insurance services GmbH, Hannover</p> <p>Board of Directors VHV Group, Hannover</p>
<p>Henry Göttler COO MA</p>	<ul style="list-style-type: none"> ■ Organizational development ■ Product development ■ Project implementation ■ Quality assurance ■ Finances ■ Shared services 	<p>Supervisory Board Smart Commerce SE</p>

Managing Directors

According to the company's articles of incorporation, the Board of Directors appoints one or more Managing Directors. Members of the Board of Directors may be appointed as Managing Directors, provided that the majority of the Board of Directors still is comprised of non-Managing Directors.

Managing Directors may be recalled by means of a resolution passed by the Board of Directors on the basis of a simple majority. Managing Directors who are members of the Board of Directors may only be recalled for cause or in case of the termination of their employment contract. In relation to the remuneration of the Managing Directors and the noncompete clause which applies for them, the same provisions apply as for the executive board of a stock corporation in accordance with Sections 87 to 89 AktG. The Managing Directors will be liable for any damage which the SE suffers as a result of a violation of their duties prescribed by law or in the company's articles of incorporation or any other duties.

Until March 16, 2018, the same two people served as Managing Directors as had been the former Executive Board members; since this date, Dr. Andreas Schneider-Neureither has been the sole Managing Director (CEO). This is in line with the new organizational and management structure brought into force at the beginning of 2018.

The Supervisory Board

The task of the Supervisory Board was to advise and oversee the Executive Board in its management of the company. Since important company decisions required the approval of the Supervisory Board, the Supervisory Board was involved in decisions of fundamental significance to the company. The Supervisory Board had established bylaws for its work. The Supervisory Board of SNP AG was comprised of three members. The members of the Supervisory Board formed a highly competent advisory and supervisory body with proven experts from the financial and software industries. They provided corporate oversight of, and support for, the Executive Board that was as effective as possible on issues of strategic positioning.

The Chairman of the Supervisory Board coordinated the work of the Supervisory Board, chaired its meetings and represented the interests of the body externally. The members of the Supervisory Board of SNP AG were not former members of the Executive Board. An efficiency audit of the Supervisory Board of SNP AG was conducted regularly, most recently at the Supervisory Board meeting held in May 2017.

 Corporate Governance

MEMBERS OF THE SUPERVISORY BOARD
 up to December 5, 2017

Memberships on other supervisory boards
and other similar bodies

Dr. Michael R. Drill
 Chairman

 Chairman of the Executive Board
 Lincoln International AG

Investment banker

 Shareholder Value Beteiligungen AG
 Supervisory Board member, Germany

 Lincoln International SAS
 Supervisory Board member, France

 Lincoln International LLP
 Supervisory Board member, England

Gerhard A. Burkhardt
 Deputy Chairman

 Chairman of the Executive Board
 Familienheim Rhein-Neckar eG

Chairman of the Executive Board

 casadomus AG
 Chairman, Germany

 Haufe-Lexware Real Estate AG
 Germany

 GdW Revision Aktiengesellschaft
 Wirtschaftsprüfungsgesellschaft
 Steuerberatungsgesellschaft
 Deutschland

 GWE Gesellschaft für Wohnen im Eigentum AG
 Germany

Rainer Zinow

Senior Vice President, SAP SE

Business administration graduate

No further offices

Board of Directors

According to its articles of incorporation, the Board of Directors is comprised of at least three members, who are selected by the Annual General Meeting without being bound by election proposals. Pursuant to the resolution passed by the Annual General Meeting on May 31, 2017, the company's first Board of Directors consists of the following members: Dr. Andreas Schneider-Neureither, Dr. Michael Drill, Gerhardt Burkhardt and Rainer Zinow.

According to the company's articles of incorporation, the term of office of each member of the Board of Directors will expire as of the end of the Annual General Meeting which resolves to grant discharge for the fifth fiscal year following the start of this member's term of office; but no later than six years from the date of this member's appointment. The fiscal year in which this member's term of office begins is not included. Members of the Board of Directors may be reappointed.

As the central body in the monistic management system, the Board of Directors manages the companies of the SE, determines the basic standards for their activities and oversees their implementation. As for the executive board of a stock corporation, the Board of Directors is responsible for keeping the accounts and for the establishment of a suitable monitoring system for early risk detection. It will engage the auditor to audit the annual financial statements and the consolidated financial statements pursuant to Section 290 HGB.

The Board of Directors shall meet at least once every three months. Following the company's conversion, the Board of Directors met once in December 2017. The Board of Directors passes resolutions on the basis of a majority of the members present or represented. In the event of a tied vote, the chairman of the Board of Directors shall have the casting vote.

The remuneration of the members of the Board of Directors must be proportionate to their tasks and to the position of the SE; this remuneration will be approved through a resolution passed by the Annual General Meeting. Insofar as a member of the Board of Directors simultaneously serves as a Managing Director, their remuneration as a member of the Board of Directors is withheld.

MEMBERS OF THE BOARD OF DIRECTORS

from December 6, 2017

Dr. Andreas Schneider-Neureither
Chairman

Dr. Michael R. Drill
Deputy Chairman

Gerhard A. Burkhardt

Rainer Zinow

Shareholdings of the Executive Board and the Supervisory Board/ Board of Directors and Managing Directors

	SHAREHOLDINGS AS OF DEC. 31, 2016		SHAREHOLDINGS AS OF DEC. 31, 2017	
	Number of Shares	Percentage	Number of Shares	Percentage
Dr. Andreas Schneider-Neureither	961,500	19.32%	996,718	18.21%
Dr. Michael R. Drill	15,000	0.30%	15,000	0.27%
Gerhard A. Burkhardt	4,266	0.09%	5,866	0.11%
Rainer Zinow	0	0	0	0
Henry Göttler	9,213	0.19%	9,213	0.17%
Jörg Vierfuß	7,900	0.16%	no information*	no information*

*Retired from the Executive Board as of December 31, 2016.

Disclosures on Risk Management

The business activities of SNP SE are subject to a variety of risks that are inseparably linked to its entrepreneurial activity. Good corporate governance includes dealing responsibly with these risks. In order to identify risks at an early stage, to evaluate them and to deal with them systematically, SNP SE employs effective management and control systems that are combined into a uniform risk management system. A detailed description of risk management is contained in the report on opportunities and risks in the 2017 Group management report. This also contains reports on the accounting-related internal control and risk management system that are required pursuant to the German Accounting Law Modernization Act (BilMoG).

Further Information on Corporate Governance at SNP

Comprehensive information on the activity of the Supervisory Board/Board of Directors and cooperation between the Supervisory and the Executive Boards can also be found in the report of the Supervisory Board/Board of Directors in this Annual Report.

SNP's consolidated financial statements and interim reports are prepared according to the principles of the International Financial Reporting Standards (IFRS), while the annual financial statements of SNP SE are prepared according to the provisions of the German Commercial Code (HGB). The Annual General Meeting held on May 31, 2017, elected Rödl & Partner GmbH, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Stuttgart, as the auditor for SNP SE and the SNP Group for the 2017 fiscal year.

