

# Corporate Governance Report 2019

## **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 2019**

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 289 f and Section 315 d 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 19, 2020, the Board of Directors of SNP SE issued the following declaration:

### **Declaration of conformity pursuant to Section 161 AktG for the year 2019:**

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 15, 2019, 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 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 applicable 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.
- 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 situation 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 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.

Heidelberg, Germany, March 24, 2020

For the Board of Directors



Dr. Andreas Schneider-Neureither

The declaration of conformity is permanently available to the public on the company's website:

<https://www.snpgroup.com/de/corporate-governance>

## 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 policies for the members of the Board of Directors of SNP SE therefore do not include any deductibles.
- Contrary to Sections 5.3.1, 5.3.2 and 5.3.3 of the Code, the Board of Directors did not establish any committees and performed all tasks in their entirety in the 2019 fiscal year. Due to its size, the Board of Directors opted not to establish any committees in the past and adjudged joint responsibility for all issues to be decided upon. Considering that the Board of Directors has been comprised of six members since the 2019 Annual General Meeting, a finance committee was established with effect as of January 21, 2020.

## Management and Control Structure

The company is managed by the Board of Directors (“monistic system”), which determines the basic standards for its business activities and oversees their implementation by the Managing Directors. The tasks, competencies and responsibilities of each of these two organs are clearly governed and separated in terms of personnel. The mode of operation, competencies and staffing of the Board of Directors and Managing Directors of SNP SE are discussed in more detail below.

## 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 not set any specific targets beyond 0% for themselves, for the Managing Directors, or for women at the lower management level.

## Compliance

Trust is one of our basic values and 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 code of conduct represents the heart of our compliance management system and encapsulates our key behavioral principles, the requirements for compliance with contractual and statutory obligations, for anti-corruption measures, for the protection of business and commercial secrets and for data protection. All of our employees are obliged to comply with our code of conduct.

In view of its internationalization and growth strategy and the associated strong expansion of its operational activities, the SNP Group is continuously working to further develop its Group-wide compliance management system so as to be

able to initiate and implement measures focusing on the company’s risk situation and to evaluate their effectiveness. For this purpose, since 2019 all of the company’s employees at its German locations have been able to report legal violations within the company in a protected fashion using a digital whistleblower system and may opt to do so anonymously. This digital reporting system will be gradually expanded to include further country units from 2020. No reports were received via this notification system in 2019.

Mandatory training is another key element for the avoidance of compliance violations. A training program for all of the company’s employees will be rolled out for this purpose from 2020. Employees who are classified as particularly relevant due to the nature of their work have already received training in this area.

## Description of the Working Methods of the Board of Directors and Managing Directors

The fundamental principle of responsible corporate management and control for SNP SE is ensuring the efficient and trusting cooperation of the Board of Directors and Managing Directors, while accounting for the impartiality and independence of the members. Offices in statutory Supervisory Boards or comparable domestic and foreign supervisory bodies of commercial enterprises that are held by the members of the Board of Directors or Managing Directors can be found in the “Memberships of other supervisory or similar bodies” overview; no member of the two committees held more than three Supervisory Board offices in listed corporations not belonging to the Group.

In the 2019 fiscal year, no conflicts of interest appeared that required immediate disclosure to the Board of Directors. The Board of Directors and Managing Directors of SNP SE deliberated on the company’s strategic positioning, its further development and a series of individual topics and approved the necessary resolutions in the 2019 fiscal year.

## 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 Board of Directors consists of the following members: Dr. Andreas Schneider-Neureither, Dr. Michael Drill, Gerhard Burkhardt and Rainer Zinow. Moreover, at the Annual General Meeting held on June 6, 2019 Dr. Klaus Kleinfeld and Dr. Karl Biesinger were elected as further members of the Board of Directors.

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 after 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 affairs 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 of the HGB.

The Board of Directors shall meet at least once every three months. 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 deciding 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. Dr. Andreas Schneider-Neureither is simultaneously both a member of the Board of Directors and a Managing Director. For this reason, he receives no remuneration as a member of the Board of Directors.

## **Managing Directors**

The Managing Directors have joint responsibility to conduct the business of the company with the goal of sustainable added value. They implement the guidelines and requirements set out by the Board of Directors. The body currently consists of four members and has a chairperson. The Managing Directors inform the Board of Directors regularly, promptly and comprehensively about all corporate issues relating to planning, business development, the risk situation, risk management and compliance. They mention areas in which the company's business performance deviated from the established plans and targets alongside reasons for the deviations.

The Managing Directors are required to disclose conflicts of interest to the Board of Directors immediately and inform the other Managing Directors. They may take on secondary activities, particularly Supervisory Board positions and similar offices outside of the SNP Group, only with the prior consent of the Board of Directors. In the past fiscal year, there were no conflicts of interest among the Managing Directors of SNP SE.

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 non-competence clause that 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 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.

## MEMBERSHIPS OF OTHER SUPERVISORY OR SIMILAR BODIES

MEMBERS OF THE BOARD OF DIRECTORS/ MANAGING DIRECTORS AS OF DECEMBER 31, 2019	Memberships in Other Supervisory Boards and Other Similar Bodies
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<p><b>Dr. Andreas Schneider-Neureither</b> Chairman of the Board of Directors / Chairman of the Managing Directors (CEO)</p> <p>Elected for the period up to the end of the Annual General Meeting which resolves on the grant of discharge for the 2021 fiscal year.</p> <p>Graduate physicist</p>	<p>Casadomus AG Supervisory Board</p> <p>VHV-Gruppe Supervisory Board</p> <p>Sauti Kuu GmbH Supervisory Board</p>
<p><b>Dr. Klaus Kleinfeld</b> Deputy Chairman of the Board of Directors</p> <p>Elected for the period up to the end of the Annual General Meeting which resolves on the grant of discharge for the 2023 fiscal year.</p> <p>Internationally active investor and entrepreneur</p>	<p>Ma'aden Saudi Arabian Mining Co. Supervisory Board</p> <p>Fero Labs Supervisory Board</p> <p>NEOM Supervisory Board</p>
<p><b>Dr. Michael R. Drill</b> Member of the Board of Directors</p> <p>Elected for the period up to the end of the Annual General Meeting which resolves on the grant of discharge for the 2021 fiscal year.</p> <p>Investment banker</p>	<p>Lincoln International AG Chief Executive Officer</p> <p>Shareholder Value Beteiligungen AG Supervisory Board</p> <p>Lincoln International SAS Supervisory Board</p>
<p><b>Gerhard A. Burkhardt</b> Member of the Board of Directors</p> <p>Elected for the period up to the end of the Annual General Meeting which resolves on the grant of discharge for the 2021 fiscal year.</p> <p>Chief Executive Officer BBG Bundesbaugenossenschaft eG</p>	<p>Casadomus AG Supervisory Board Chairman</p> <p>Haufe-Lexware Real Estate AG Supervisory Board</p> <p>GWE Gesellschaft für Wohnen im Eigentum AG Supervisory Board</p> <p>Familienheim Rhein-Neckar eG Supervisory Board Chairman</p> <p>Wohnbau Lützen GmbH Supervisory Board Chairman</p> <p>FF Planen und Bauen GmbH Managing Director</p> <p>BfW Bank für Wohnungswirtschaft AG Supervisory Board Chairman</p>

MEMBERS OF THE BOARD OF DIRECTORS/ MANAGING DIRECTORS AS OF DECEMBER 31, 2019	Memberships in Other Supervisory Boards and Other Similar Bodies
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<p><b>Rainer Zinow</b> Member of the Board of Directors</p> <p>Gewählt bis Ablauf der ordentlichen Hauptversammlung, die über die Entlastung für das Geschäftsjahr 2021 beschließt.</p> <p>Graduate in business administration Senior Vice President, SAP SE</p>	<p>No further offices</p>
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<p><b>Dr. Karl Benedikt Biesinger</b> Member of the Board of Directors</p> <p>Elected for the period up to the end of the Annual General Meeting which resolves on the grant of discharge for the 2023 fiscal year.</p> <p>Lawyer</p>	<p>Witt Solar AG Supervisory Board Chairman</p>
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<p><b>Michael Eberhardt</b> Managing Director (COO)</p> <p>Mechanical engineer</p>	<p>No further offices</p>
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<p><b>Frank Hohenadel</b> Managing Director (CHRO)</p> <p>Computer scientist</p>	<p>No further offices</p>
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<p><b>Prof. Dr. Heiner Diefenbach</b> Managing Director (CFO since January 1, 2020)</p> <p>Industrial engineer</p>	<p>Hexagon AG Supervisory Board Chairman</p> <p>Exa AG Supervisory Board</p>
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<p><b>Dr. Uwe Schwellbach</b> Managing Director (CFO until December 31, 2019)</p> <p>Graduate economist</p>	<p>Schwellbach GmbH Managing Director</p> <p>PelopsCar GmbH i.L. Managing Director</p> <p>Lindau Institute AG Supervisory Board Chairman</p>
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## RESPONSIBILITIES OF THE MANAGING DIRECTORS

MANAGING DIRECTORS AS OF DECEMBER 31, 2019	Responsibilities and Departments
<b>Dr. Andreas Schneider-Neureither</b> Chairman of the Managing Directors (CEO)  CEO since 1998, appointed for an unlimited period of time.	Corporate Strategy Corporate Development Corporate Marketing Products IT Compliance & Legal (since October 2019) Investor Relations (since October 2019)
<b>Michael Eberhardt</b> Managing Director (COO)  COO since July 1, 2019, appointed for an unlimited period of time.	Field Marketing Sales Delivery Quality Assurance
<b>Frank Hohenadel</b> Managing Director (CHRO)  CHRO since July 1, 2019, appointed for an unlimited period of time.	Human Resources Training Internal Communication
<b>Prof. Dr. Heiner Diefenbach</b> Managing Director (CFO)*  CFO since January 1, 2020, appointed for an unlimited period of time.	Finance & Controlling Shared Services

\* Dr. Uwe Schwellbach served as a Managing Director and CFO until December 31, 2019. Until he left the company, he was responsible for Finance & Controlling as well as Shared Services; until October 2019 he was also responsible for Compliance & Legal as well as Investor Relations and, until June 2019, Human Resources.

## SHAREHOLDINGS OF THE BOARD OF DIRECTORS AND MANAGING DIRECTORS

	SHAREHOLDINGS AS OF DECEMBER 31, 2018		SHAREHOLDINGS AS OF DECEMBER 31, 2018	
	Shares	Percentage	Shares	Percentage
<b>Dr. Andreas Schneider-Neureither</b>	1,445,560	21.9%	1,348,796	20.4%
<b>Dr. Klaus Kleinfeld</b>	No information <sup>1</sup>	No information <sup>1</sup>	<sup>2</sup>	<sup>2</sup>
<b>Dr. Michael Drill</b>	18,000	0.3%	20,000	0.3%
<b>Gerhard Burkhardt</b>	7,044	0.1%	7,044	0.1%
<b>Rainer Zinow</b>	0	0	0	0
<b>Dr. Karl Benedikt Biesinger</b>	No information <sup>1</sup>	No information <sup>1</sup>	2,564	0.0%
<b>Michael Eberhardt</b>	No information <sup>3</sup>	No information <sup>3</sup>	3,545	0.1%
<b>Frank Hohenadel</b>	No information <sup>3</sup>	No information <sup>3</sup>	1,000	0.0%
<b>Dr. Uwe Schwellbach<sup>4</sup></b>	0	0	0	0

<sup>1</sup> Not a member of the Board of Directors at this time.

<sup>2</sup> Dr. Klaus Kleinfeld is a member of the investor group AkrosA Private Equity GmbH & Co. KG which built up a 9.17% stake in SNP SE in the course of the capital increase in 2018 (voting right notification as of December 13, 2018).

<sup>3</sup> Not a Managing Director at this time.

<sup>4</sup> Dr. Uwe Schwellbach resigned from his position as a Managing Director (CFO) of the company on December 31, 2019.

## **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 with these risks responsibly. 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 2019 Group management report.

## **Further Information on Corporate Governance at SNP**

Comprehensive information on the activity of the Board of Directors and cooperation between the Board of Directors and Managing Directors can also be found in the report of the 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 June 6, 2019, elected Rödl & Partner GmbH, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Stuttgart, as the auditor for SNP SE and the SNP Group for the 2019 fiscal year.