

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 2018

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 15, 2019 the Board of Directors of SNP SE issued the following declaration:

Declaration of conformity pursuant to Section 161 AktG for the year 2018:

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 23, 2018, 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.
- 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.
 - Pursuant to Section 4.2.3, the variable remuneration components for Managing Directors generally have a multi-year assessment basis, which should essentially be future-oriented. In principle, this is also complied with in the contracts for the Managing Directors by means of a long-term incentive (LTI). Following in-depth discussions with the Board of Directors, in 2018 the Managing Directors, Dr. Andreas Schneider-Neureither and Dr. Uwe Schwellbach, waived their entitlement to that portion of their variable remuneration for 2018. The Board of Directors welcomes this decision and will agree to a new LTI with the Managing Directors this year.
 - 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 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 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.

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

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

Heidelberg, Germany, March 15, 2019

For the Board of Directors



Dr. Andreas Schneider-Neureither, Chairman

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.

In doing so, the Board of Directors adheres to its initial assessment of filling vacancies according to suitability and not according to gender requirements. In general, the Board of Directors welcomes the 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 corporate 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 require-

ments. 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 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. This includes providing employees with the opportunity to be able to report legal violations within the company in a protect-

ed fashion using a digital whistleblower system. This digital reporting system will be first introduced in Germany this year and will be gradually expanded to include further country units.

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 performed by the members of the Board of Directors or Managing Directors can be found in the following table; no member of the two committees exercised more than three Supervisory Board offices in listed corporations not belonging to the Group.

In the 2018 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 2018 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 first Board of Directors consists of four members: Dr. Andreas Schneider-Neureither, Dr. Michael Drill, Gerhard 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 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 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 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 two 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 Manag-

ing Directors and the noncompete 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.

In March 2018, the Board of Directors decided to realign the body of Managing Directors and to make personnel changes. As a result, Henry Göttler was dismissed from his position as Managing Director (COO) effective March 16, 2018. Following this decision, Dr. Andreas Schneider-Neureither was the sole Managing Director (CEO) in the interim.

In August 2018, Dr. Uwe Schwellbach was appointed Managing Director effective September 21, 2018. In his position as CFO, he is responsible for the Finance and Controlling, Compliance and Legal, Investor Relations, Human Resources, and Shared Services divisions. He has been responsible for Finance and Human Resources since joining the company in July 2018.

Dr. Andreas Schneider-Neureither is responsible for the Corporate Strategy, Corporate Development, Corporate Marketing, Products and IT divisions. The Field Marketing, Sales, Delivery and Quality Assurance divisions are also be the responsibility of the CEO, but will be transferred to the future Chief Operating Officer (COO).

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 2018 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 May 30, 2018, elected Rödl & Partner GmbH, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Stuttgart, as the auditor for SNP SE and the SNP Group for the 2018 fiscal year.

Shareholdings of the Board of Directors and Managing Directors

	SHAREHOLDINGS AS OF DEC. 31, 2017		SHAREHOLDINGS AS OF DEC. 31, 2018	
	Shares	Percentage	Shares	Percentage
Dr. Andreas Schneider-Neureither	996,718	18.21 %	1,445,560	21.89 %
Dr. Michael R. Drill	15,000	0.27 %	18,000	0.27 %
Gerhard A. Burkhardt	5,866	0.11 %	7,044	0.11 %
Rainer Zinow	0	0	0	0
Henry Göttler	9,213	0.17 %	no information*	no information*
Dr. Uwe Schwellbach	no information*	no information*	0	0

* Not a Managing Partner at this time.

MEMBERS OF THE BOARD OF DIRECTORS/
MANAGING DIRECTORS
as of December 31, 2018

Memberships in Other Supervisory Boards
and Other Similar Bodies

Dr. Andreas Schneider-Neureither
Chairman of the Board of Directors/
Chairman of the Managing Directors (CEO)

Graduate physicist

Casadomus AG
Supervisory Board

VHV insurance services GmbH
Supervisory Board

VHV Group
Board of Directors

Dr. Michael R. Drill
Deputy Chairman of the Board of Directors

Investment banker

Lincoln International AG
Chief Executive Officer

Shareholder Value Beteiligungen AG
Supervisory Board

Lincoln International SAS
Supervisory Board

Gerhard A. Burkhardt
Member of the Board of Directors

Chief Executive Officer
BBG Bundesbaugenossenschaft eG

Casadomus AG
Supervisory Board Chairman

Haufe-Lexware Real Estate AG
Supervisory Board

GWE Gesellschaft für Wohnen im Eigentum AG
Supervisory Board

Familienheim Rhein-Neckar eG
Supervisory Board Chairman

Wohnbau Lützen GmbH
Supervisory Board Chairman

FF Planen und Bauen GmbH
Managing Director

BfW Bank für Wohnungswirtschaft AG
Supervisory Board Chairman

Rainer Zinow
Member of the Board of Directors

Senior Vice President, SAP SE

Business graduate

No further offices

Dr. Uwe Schwellbach
Managing Director (CFO)

Graduate economist

Schwellbach GmbH
Managing Director

PelopsCar GmbH (in liquidation)
Managing Director

Lindau Institute AG
Supervisory Board Chairman