

The Board of Management and the Supervisory Board submit the following Declaration of Compliance for the business year 2018 pursuant to Article § 161 Section 1 Sentence 1 Stock Corporation Act (AktG):

“Declaration on the German Corporate Governance Code pursuant to Clause § 161 subsection 1 sentence 1 Stock Corporation Act (AktG)”

The Board of Management and the Supervisory Board declare that the recommendations issued by the Federal Ministry of Justice and Consumer Protection on conduct by the “Government Committee on the German Corporate Governance Code” in the version dated 7 February 2017 published in the Federal Law Gazette (Bundesanzeiger) were implemented in full during the business year 2018 with the following deviations and such compliance will continue with the following deviations :

1. The compensation of the Members of the Board of Management has no upper limit for the amount of the variable compensation elements and hence also no overall limit notwithstanding section 4.2.3 subsection 2 sentence 6 of the Code.
2. A Nomination Committee of the Supervisory Board was not set up – notwithstanding section 5.3.3 of the Code.
3. The performance-based remuneration of the Supervisory Board is not determined by long-term corporate development (deviation from section 5.4.6 subsection 2 sentence 2 of the Code).
4. The consolidated financial statements will be published on the Internet site of the company (deviation from section 7.1.2 sentence 3 1st half-sentence of the Code) within 120 days of the close of the fiscal year.
5. Pursuant to section 5.4.1 subsection 2 sentence 2 of the Code, the Supervisory Board should define a normal age limit for its members. The Supervisory Board has determined in its Rules of Procedure that Members of the Supervisory Board should generally not be older than 63 years of age when they take up their office or are newly elected to their post. At the point of his re-election on 27 June 2014, the Member of the Supervisory Board Björn Ahrenkiel was older than the age of 63.
6. Half-yearly and quarterly financial reports were only discussed with the Board of Management by the Chairman of the Audit Committee of the Supervisory Board before they are published (deviation from section 7.1.2 sentence 2 of the Code). The chairman reports promptly in writing to the other members of the Audit Committee on the essential issues included in his discussion with the Board of Management.

7. The Supervisory Board has not defined a limit for the length of service of the members of the Supervisory Board (deviation from subsection 5.4.1 paragraph 2 sentence 2 of the Code.

SURTECO GROUP SE
Board of Management and Supervisory Board”

Buttenwiesen, 19 December 2018

Explanation of the deviations from the German Corporate Governance Code

SURTECO GROUP SE complies in the main with the recommendations of the Germany Corporate Governance Code. If there are any deviations from the recommendations, we explain these pursuant to section 3.10 of the Code as follows:

1. The members of the Board of Management will receive a variable salary alongside their fixed salary. This will be based on sustainable corporate development and the Supervisory Board will define it at the Board's reasonable discretion, taking account of the economic situation of the company and the development of the business. An upper limit for the amount is not therefore necessary (deviation in accordance with section 1 in the Declaration of Compliance).
2. A Nomination Committee of the Supervisory Board has not yet been set up, because there is currently no requirement for this in view of the size of the Supervisory Board and the existing shareholder structure (deviation in accordance with section 2 of the Declaration of Compliance).
3. The members of the Supervisory Board of SURTECO GROUP SE receive a variable remuneration in accordance with Article § 12 section 1 of the Articles of Association, which is calculated on the basis of the dividend approved in the Annual General Meeting. This performance-related remuneration is derived from an annual basis of assessment and it is therefore possible that it may not be determined by long-term corporate development (deviation in accordance with section 4 of the Declaration of Compliance). This assessment of the remuneration for the Supervisory Board has proved effective in the past and has not influenced the functions of the Supervisory Board. The Board of Management and the Supervisory Board therefore currently see no reason to change the principles governing the remuneration for the Supervisory Board.
4. Section 7.1.2 of the Code provides for publication of consolidated financial statements within 90 days of the end of the reporting period. This deadline has been extended to 120 days in the case of SURTECO, in order to permit continuation of internal operations for drawing up the annual financial statements and the consolidated financial statements. An information deficit is not incurred as a result, since the relevant figures are in any case available in good time for the ordinary Annual General Meeting. The corresponding deviation is section 4 of the Declaration of Compliance.

5. Mr. Björn Ahrenkiel was older than the normal age limit of 63 years defined in the Rules of Procedure of the Supervisory Board when he was re-elected as a Member of the Supervisory Board of SURTECO GROUP SE on 27 June 2014. However, this age limit was deliberately only defined as a normal age limit which can be exceeded in justified cases if this is in the interests of the company. In view of his many years of service on the Supervisory Board of SURTECO GROUP SE, his professional experience as the manager of a leading auditing company, and his specialist expertise in the area of finance and accounting, Mr Ahrenkiel is well-suited to making valuable contributions to the work of the Supervisory Board and its Audit Committee. The Supervisory Board is therefore unanimously agreed that the normal age limit defined in the Rules of Procedure for Members of the Supervisory Board should not be applied in this case (deviation in accordance with Section 5 of the Declaration of Compliance).

6. The deviation in accordance with section 6 of the Declaration of Compliance (discussion of the half-yearly and quarterly financial reports only with the Chairman of the Audit Committee) corresponds with the previous practice at SURTECO which has proven effective in the opinion of the Supervisory Board and the Board of Management. The inclusion of the entire Audit Committee or even the Supervisory Board before each disclosure of interim reports would be associated with expenditure which would not be commensurate with a corresponding benefit. The Chairman of the Audit Committee is kept thoroughly informed about the details of the accounts of the company and is available as the contact for the Board of Management prior to publication of interim reports. The Chairman of the Audit Committee reports to the other members of the Audit Committee promptly in writing about the discussion of the interim report with the Board of Management in order to ensure that the other members of the committee are fully informed.

7. The Supervisory Board does not define an upper limit for the length of service of shareholder representatives on the Supervisory Board. The suitability for exercising the duties incumbent on a Member of the Supervisory Board is solely dependent on the relevant needs and the individual capabilities of the Members of the Supervisory Board. A fixed upper limit would not take account of individual factors which would justify a longer period of service on the Supervisory Board. The aim of the deviation from section 7 of the Declaration of Compliance will continue to ensure that the company has access to the expertise of experienced Members of the Supervisory Board.