

The Board of Management and the Supervisory Board submit the following Report on Corporate Governance in SURTECO SE in accordance with Section 3.10 of the German Corporate Governance Code:

PREAMBLE

The German Corporate Governance Code in the version dated 7 February 2017 presents essential statutory regulations for the management and controlling of the company and includes nationally and internationally recognized standards for good and responsible corporate management. The code aims to make the German Corporate Governance System transparent and understandable. Its purpose is to promote the trust of international and national investors, customers, employees and the general public in the management and supervision of listed German stock corporations.

The Board of Management and the Supervisory Board engaged intensively with the regulations of the German Corporate Governance Code during the business year 2017. On the basis of these deliberations, the Board of Management and the Supervisory Board submitted on 21 December 2017 the Declaration of Compliance with explanations in accordance with § 161 Stock Corporation Act (*Aktiengesetz, AktG*). The wording of the Declaration of Compliance is provided on the home page of the company at www.ir.surteco.com under the menu item "Corporate Governance".

INTERACTION OF BOARD OF MANAGEMENT AND SUPERVISORY BOARD

SURTECO SE has a dual management system which has separate officers for the management and monitoring bodies.

The Board of Management and the Supervisory Board of SURTECO SE work closely together to promote the well-being of the company. The Board of Management agrees the strategic direction with the Supervisory Board and discusses the status of strategy implementation with the Supervisory Board at regular intervals.

It is the Board of Management's responsibility to keep the Supervisory Board informed. The Supervisory Board for its part, however, must ensure that it is kept appropriately informed. To this end, the Supervisory Board has determined in more detail for the Board of Management the information and reporting obligations of the Board of Management under the Rules of Procedure. The Board of Management provides the Supervisory Board with regular, timely and comprehensive reports on all issues of strategy, planning, business development, risk position, risk management and compliance relevant to the company. The Board of Management addresses all

deviations in the current business situation from the plans and goals that have been prepared and provides reasons for such deviations.

If the Chairman of the Supervisory Board decides to convene a meeting, the Supervisory Board may meet without the Board of Management.

The Members of the Board of Management and the Supervisory Board observe the rules of proper corporate management. If they culpably breach the duty of care incumbent on a prudent and conscientious Board of Management or Supervisory Board, they shall be liable in respect of the company for compensation for damages. When entrepreneurial decisions are made, there shall be no breach of the duty of care if the Member of the Board of Management or Supervisory Board was entitled to reasonably assume on the basis of appropriate information that he or she was acting in the interests of the company (business judgement rule).

In the annual Declaration of Compliance pursuant to § 161 Stock Corporation Act (AktG) of the Board of Management and the Supervisory Board, deviations from the recommendations of the code are explained. Declarations of Compliance on the code that are no longer current are kept accessible on the Internet site of SURTECO SE.

BOARD OF MANAGEMENT

Tasks and Responsibilities

The Board of Management of SURTECO SE manages the company with the objective of generating long-term organic Economic Value Added. It performs its duty independently and in the interests of the company, and takes into account the requirements of its shareholders, its employees and the groups affiliated with the company (stakeholders). The Board of Management develops the strategic direction of the company, agrees it with the Supervisory Board and implements the strategy. It ensures compliance with the statutory regulations and internal company guidelines and ensures that they are observed by the Group companies. In addition, it establishes an appropriate system of risk management and risk controlling in the company. The Board of Management has also implemented a Code of Conduct for the SURTECO Group beyond the statutory requirements. The code contains additional regulations governing cooperation within the company and with respect to business partners and third parties. Compliance with this Code of Conduct is monitored by Internal Auditing within the framework of its audit assignment. The Board of Management has also completely revised the Compliance Management System. The revised Compliance Management System is intended to apply throughout the Group and cover the areas of antitrust law, prevention of corruption, money laundering and data protection. Group-wide training sessions for employees in these areas are a constituent element of the revised Compliance Management System. The Board of Management takes account of diversity when making appointments to management positions within the company and, in doing so, seeks to achieve reasonable representation of women. In accordance with § 76 Paragraph 4 of the German Stock Corporation Act (AktG), the Board of Management has set a target of at least 22% for the proportion of women in the second tier of management. This target has already been achieved within the re-

porting period. A proportion of 0% was defined for women in the first tier of management below the Board of Management.

Composition and Compensation

The Board of Management comprises three members. Rules of Procedure govern the allocation of business and cooperation in the Board of Management. The Supervisory Board has determined a target of one female member on the Board of Management. There has not yet been an opportunity to appoint a suitably qualified woman to the Board of Management of SURTECO SE.

The compensation structure and the level of compensation of the Members of the Board of Management are defined and regularly reviewed at the suggestion of the Personnel Committee of the Supervisory Board in accordance with the provisions set out in § 87 Stock Corporation Act (AktG).

The compensation of the Board of Management is disclosed in the Management Report.

Conflicts of Interest

Members of the Board of Management have a duty to act in the interests of the company. They are not permitted to pursue any personal interests in the decisions they reach, are subject to a comprehensive prohibition on competitive activity whilst acting for the company and may not exploit for themselves any business opportunities available to the company. Every member of the Board of Management must disclose to the Supervisory Board any conflict of interest and must inform the other Board of Management members of such conflict.

Transactions requiring Agreement

The Supervisory Board has determined for the Board of Management in the Rules of Procedure certain types of transaction that require the agreement of the Supervisory Board. These include transactions with persons or companies with whom a member of the Board of Management has a close relationship.

SUPERVISORY BOARD

Tasks and Responsibilities

The Supervisory Board regularly advises the Board of Management on the management of the company and monitors its actions. The Supervisory Board is integrated in decisions of fundamental importance for the company, appoints and dismisses Members of the Board of Management, decides on the compensation for individual Members of the Board of Management and the compensation system for the Board of Management, and works together with the Board of Management to establish long-term succession planning. The Supervisory Board takes diversity into account for the composition of the Board when making appointments to the Board of Management

and is seeking to appoint at least one woman. The Supervisory Board is governed by Rules of Procedure. The Supervisory Board must also agree the annual financial plan and approve the annual financial statements of SURTECO SE and the consolidated financial statements of the Group.

The Supervisory Board defines concrete targets for its composition which take account of the specific situation of the company, the international operations of the company, potential conflicts of interest, the number of independent members of the Supervisory Board pursuant to Subsection 5.4.2 of the German Corporate Governance Code, an age limit to be defined for the Members of the Supervisory Board and diversity.

Tasks and Authorities of the Chairman of the Supervisory Board

The Chairman of the Supervisory Board coordinates the work of the Supervisory Board, chairs its meetings and represents the requirements of the Supervisory Board in the public domain. He is also chairman of the committees with the exception of the Audit Committee. This is chaired by another Member of the Supervisory Board. The Chairman of the Supervisory Board maintains regular contact with the Chairman of the Board of Management between meetings and discusses with the Chairman issues of strategy, planning, business development, risk situation, risk management and compliance of the company.

Formation of Committees

The Supervisory Board of SURTECO SE has a Presiding Board and a Personnel Committee and an Audit Committee.

The Audit Committee addresses issues related in particular to monitoring the accounting process, the effectiveness of the internal controlling system, the risk management system and the internal auditing system, the year-end auditing system (here in particular the independence of the auditor), the additional services provided by the auditor, the appointment of the auditor to carry out the audit, the determination of the focuses of the audit, the agreement of the fee, and compliance. The Chairman of the Audit Committee has special knowledge and experience in the application of accounting principles and internal controlling procedures. The Chairman is independent and is not a former Member of the Board of Management of the company.

The Presiding Board prepares the resolutions of the Supervisory Board and in accordance with the Rules of Procedure can take the place of the Supervisory Board and grant consent to specific measures and transactions requiring approval in urgent cases.

The Personnel Committee engages with the long-term planning of human resources in the Board of Management and prepares draft resolutions for the compensation of the Members of the Board of Management.

The relevant committee chairmen regularly report to the Supervisory Board about the work of the committees.

Composition

The composition of the Supervisory Board is based on § 95 sentence 2 of the Stock Corporation Act (AktG) in conjunction with Article 8 Section 1 of the Articles of Association and the provisions of the agreement pursuant to §§ 13 Paragraph 1 sentence 1, 21 SE Participation Act (*Gesetz über die Beteiligung der Arbeitnehmer in einer Europäischen Gesellschaft*, SEBG) between the special negotiating committee and the management of SURTECO AKTIENGESELLSCHAFT relating to the participation of the employees of SURTECO SE dated 13 February 2007. This states that the Supervisory Board of the Company shall be composed of nine members. Six members are elected by the Annual General Meeting. Three members are nominated to the Supervisory Board as employee representatives in accordance with the provisions of the agreement referred to above by the Works Councils of the three German companies of SURTECO SE with the most employees.

Members of the Supervisory Board should not exercise a total of more than three memberships of Supervisory Boards for companies outside the Group listed on the stock exchange or of Supervisory Board bodies for companies outside the Group which have comparable requirements. The Supervisory Board should not have more than two former members of the Board of Management. Members of the Board of Management may not be appointed as Members of the Supervisory Board before two years have elapsed after they have left the Board of Management, unless their appointment was proposed by shareholders who together hold more than 25 % of the voting rights in the company. Members of the Supervisory Board should not be older than 63 years of age when they take up their office. According to Subsection 5.4.2 of the German Corporate Governance Code, the Supervisory Board should have a minimum of 6 independent members and at least one woman. The defined targets were achieved with the exception of the age limit for Members of the Supervisory Board and the membership of one woman. The exception from the age limit related to Member of the Supervisory Board Björn Ahrenkiel, who was again appointed as a Member of the Supervisory Board in 2014 on account of his special knowledge and experience in finance and accounting, and his many years of experience as a Member and Chairman of the Audit Committee. There has not yet been an opportunity to appoint a suitably qualified woman to the Supervisory Board of SURTECO SE. The independent Members of the Supervisory Board appointed to represent the shareholders are Dr.-Ing. Jürgen Großmann, Björn Ahrenkiel, Dr. Markus Miele, Dr. Christoph Amberger, Wolfgang Moyses and Dr.-Ing. Walter Schlebusch. Dr. Amberger is Deputy Chairman of the Supervisory Board of Klöpfer und Königer GmbH & Co. KG, Garching, which has a significant shareholding in SURTECO SE. Insofar, there is a business relationship between Dr. Amberger and Klöpfer und Königer GmbH & Co. KG. Otherwise, Dr. Amberger is independent pursuant to Subsection 5.4.2 of the German Corporate Governance Code (DCGK). The Supervisory Board has not determined a regulatory limit on the duration for which a member may belong to the Supervisory Board.

The Supervisory Board is composed of members such that its members have the necessary knowledge, skills and specialist experience to be in a position to perform the necessary functions properly and appropriately. For this purpose, the Supervisory Board has drawn up a competence profile setting out the personal and specialist requirements of the candidates for the Supervisory Board.

The German Corporate Governance Code emphasises the obligation of the Members of the Supervisory Board to take responsibility for independently implementing the necessary training and advanced training measures required to carry out their functions, and recommends that the companies provide appropriate support for them in complying with these requirements. The Members of the Supervisory Board and SURTECO SE comply with this obligation and recommendation.

The compensation report of the Supervisory Board should be presented as part of the Management Report. The compensation of the Members of the Supervisory Board is disclosed in the Management Report.

Resolutions of the Supervisory Board

The Supervisory Board makes all resolutions by a simple majority vote. If there is parity of voting, the Chairman of the Supervisory Board holds the casting vote.

Conflicts of Interest

Every member of the Supervisory Board has a duty to act in the interests of the company. Members of the Supervisory Board are not permitted either to pursue any personal interests in the decisions they reach, nor to exploit for themselves any business opportunities available to the company. Each Member of the Supervisory Board will disclose to the Supervisory Board any conflicts of interest, in particular such conflicts which may arise as a result of consultancy or exercise of official duties with customers, suppliers, lenders or other third parties. The Supervisory Board will provide information on any conflicts of interest that have occurred in its report to the Annual General meeting and on how these conflicts have been dealt with. Any substantial conflicts of interest to which a Member of the Supervisory Board is subject and which are not temporary should lead to termination of membership of the Supervisory Board.

Examination of Efficiency

The Supervisory Board of SURTECO SE will review the efficiency of its activities on a regular basis.

Diversity Concept

The diversity concept of SURTECO SE for appointments to the Board of Management and the Supervisory Board is based on the recommendations of the German Corporate Governance Code. According to the code, at least one woman should be a Member of the Board of Management and the Supervisory Board. Unfortunately, there has not yet been an opportunity to appoint a suitably qualified woman for the Management Board or to propose a woman as a candidate to be a Member of the Supervisory Board, although appropriate efforts have been made to achieve this objective. When Members of the Supervisory Board are elected or re-elected, they should not be older than 63 years of age. However, an older Member of the Supervi-

sory Board was re-elected in 2014 on account of his expert knowledge and many years of experience. There is no explicit maximum age for the Board of Management. A competence profile is used to identify suitable candidates for the Supervisory Board and the Board of Management. This particularly takes into account the career background and the professional qualifications and competence of the candidates.