

## **(Group) Declaration on Corporate Governance**

**Disclosures relevant to corporate governance pursuant to Sections 289f, 315d of the German Commercial Code (HGB)**

*(English convenience translation of German original)*

In accordance with Section 315 (5) of the German Commercial Code (HGB), the group declaration on corporate governance pursuant to Sections 289f, 315d of the German Commercial Code (HGB) is an integral part of the Combined Management Report of STEMMER IMAGING AG and the Group. The Corporate Governance Declaration includes the Declaration of Conformity in accordance with Section 161 of the German Stock Corporation Act (AktG), relevant information on corporate governance practices, a description of the mode of operation of the Executive Board and Supervisory Board, the stipulations for promoting the participation of women in management positions as well as a description of the diversity concept. We aim to provide a clear and concise presentation of corporate governance.

STEMMER IMAGING AG attaches great importance to sustainable and responsible corporate governance as part of its corporate culture.

The Executive Board and the Supervisory Board work closely together in the interests of the company. At STEMMER IMAGING AG, the intensive and continuous dialogue between the two bodies forms the basis for responsible corporate governance.

### **Corporate Governance**

Transparent corporate governance builds trust among investors, employees, business partners and the public in the management and the supervisory system of STEMMER IMAGING AG. This forms the basis for long-term economic success. Our guiding principle is the German Corporate Governance Code in its current version. On 21 June 2019, the Executive Board and Supervisory Board decided on the following joint Declaration of Compliance of STEMMER IMAGING AG in accordance with Section 161 of the German Stock Corporation Act (AktG).

### **Declaration of compliance with the recommendations of the German Corporate Governance Code at STEMMER IMAGING AG in accordance with Section 161 of the German Stock Corporation Act (AktG) dated 24 June 2019**

The Executive Board and the Supervisory Board declare in accordance with Section 161 of the German Stock Corporation Act (AktG) that STEMMER IMAGING AG has complied and will comply with the recommendations of the German Corporate Governance Code Government Commission in the version dated February 7, 2017 with the following exceptions and, if not, why not:

#### **Regarding Sections 5.3.1., 5.3.2 and 5.3.3. (Establishment of Committees):**

The Company's Supervisory Board consists of three members. Contrary to Sections 5.3.1, 5.3.2 and 5.3.3 of the Corporate Governance Code, the Supervisory Board

does not form any committees. The formation of specialist committees, Audit Committees and Nomination Committees is not expedient due to the size of the Supervisory Board with three members and - in contrast to larger bodies - does not lead to an increase in efficiency. For this reason, it is not advisable to form such committees. All duties assigned to the Supervisory Board are jointly performed and accounted for.

**Regarding Section 7.1.2 Sentence 3 (Public disclosure of the half-year financial report within 45 days from the end of the reporting period):**

The short deadline set out in Section 7.1.2 Sentence 3 of the German Corporate Governance Code could not be complied with in respect of the half-year financial report, neither now nor in the future. A reduction in the publication times would increase administrative costs in an inappropriate proportion. The Company considers the corresponding requirements of the Exchange Rules for the Frankfurt Stock Exchange to be sufficient for issuers admitted to the Prime Standard of the regulated market, which specify a deadline exceeding the recommendation of the Code.

However, the recommendations of the Code regarding the deadlines for the Consolidated Financial Statements and for the quarterly reports at the reporting dates of the first and third quarter are complied with.

The corresponding declaration is permanently available to the public on the STEMMER IMAGING website in the Investors section.

## **Principles of Corporate Governance**

STEMMER IMAGING is aware of its role in society and its responsibility towards customers, business partners, shareholders and employees. The STEMMER IMAGING Code of Conduct and its principles form the basis for responsible and legally compliant action. According to the motto "Fair first", the Code of Conduct reflects the Executive Board's mission to strengthen ethical standards throughout the company and to create a working environment based on integrity, respect and fairness. The Code of Conduct thus forms the basis for the corporate behaviour of STEMMER IMAGING AG and applies throughout the entire STEMMER IMAGING Group. STEMMER IMAGING uses its own group-wide compliance system to ensure that its employees and executive bodies comply with the Code of Conduct.

## **Close cooperation between the Executive Board and the Supervisory Board**

The mode of operation of the Executive Board and the Supervisory Board is based on the relevant laws, the German Corporate Governance Code, the Articles of Association and the resolutions passed by the Annual General Meeting of STEMMER IMAGING AG, the Rules of Procedure for the Supervisory Board as well as the Rules of Procedure and the Schedule of Responsibilities for the Executive Board.

The Executive Board manages the company with the aim of creating sustainable value. The members bear joint responsibility for the entire management. The members of the Executive Board work closely together, exchange information and keep each other informed about important measures and events in their business areas.

The principles of cooperation between the members of the Executive Board of STEMMER IMAGING AG are summarized in the Rules of Procedure for the Executive Board. In particular, these regulate the divisional responsibilities according to the Schedule of Responsibilities, the matters reserved for the entire Executive Board, the rules of representation applicable to the Executive Board, the rights and duties of the CEO, the meetings, the passing of resolutions and the required majorities for resolutions, as well as the type of transactions which are subject to the approval of the Supervisory Board and are also specified in the Articles of Association of STEMMER IMAGING AG. In addition, the Rules of Procedure for the Executive Board regulate the reporting to the Supervisory Board. The Executive Board of STEMMER IMAGING AG currently consists of three members.

The Executive Board informs the Supervisory Board regularly, without delay and comprehensively about all issues that are relevant to the STEMMER IMAGING Group, in particular business development, significant business transactions, planning, the risk situation, risk management and compliance. The Executive Board and the Supervisory Board discuss the company's strategic orientation and, at regular intervals, the status of strategy implementation.

The Supervisory Board advises the Executive Board on the management of the Company and monitors its activities. It appoints and dismisses the members of the Executive Board and, together with the Executive Board, must ensure long-term succession planning. Furthermore, the Supervisory Board decides on the remuneration system for the Executive Board members and determines their respective compensation. The Supervisory Board of STEMMER IMAGING AG consists of three members in accordance with the Company's Articles of Association.

The principles of cooperation within the Supervisory Board of STEMMER IMAGING AG are specified in the Rules of Procedure for the Supervisory Board. These govern, among other things, the election of the CEO and his or her deputy, the convening of meetings and their sequence, the permitted methods of passing resolutions and the documentation of meetings and resolutions.

The Supervisory Board of STEMMER IMAGING AG does not form any committees. The establishment of specialist committees, Audit Committees and Nomination Committees is not expedient under the specific circumstances of the company and - unlike with larger boards - does not lead to an increase in efficiency. Therefore, it is not advisable to form such committees. All duties assigned to the Supervisory Board are jointly performed and accounted for.

### **Specifications in accordance with the "Act on Equal Participation of Women and Men in Executive Positions in the Private and the Public Sector":**

The Executive Board of STEMMER IMAGING AG agreed on 9 May 2019 to ensure that diversity is taken into account when recruiting for management positions at all management levels below the Executive Board of STEMMER IMAGING AG and its affiliated companies and that women are given appropriate consideration. At STEMMER IMAGING AG the quota of women at the first management level below the Executive Board is 0%, and 0% at the second level.

The Executive Board has set a target of 0% for the percentage of women in the first management level below the Executive Board and a target of 0% in the second management level below the Executive Board with a deadline of 9 May 2024.

The Executive Board of STEMMER IMAGING AG currently consists of three male members. Due to the current contracts with the Executive Board, no changes are planned here at least until 31 October 2022. At its meeting on 10 May 2019, the Supervisory Board therefore set a target quota of zero for the proportion of women until 10 May 2024.

The Supervisory Board consists of three male members who were elected at the Annual General Meeting on 15 November 2017 for a further statutory period of office. At its meeting on 10 May 2019, the Supervisory Board therefore set a target quota of zero for the proportion of women on the Supervisory Board until 30 June 2021.

## **Diversity Concept**

The composition of the Supervisory Board and the Executive Board of STEMMER IMAGING AG is intended to enable the Company's development towards sustainable profitability and constant adaptation to rapidly changing requirements on the basis of relevant expertise. A suitable diversity of competencies of the members of the Executive Board and the Supervisory Board ensures a broad mix of experience and different perspectives for the benefit of the Company.

### 1. Diversity concept for the composition of the Executive Board

In their assessment of candidates for Executive Board positions the underlying suitability criteria are, in particular, professional qualifications relevant for the division concerned, leadership qualities, proven track record and acquired skills as well as knowledge of the Company. The members of the Executive Board should contribute different professional experience and expertise. This includes expert experience at different companies and at different stages in their CVs.

To this end, the Supervisory Board of STEMMER IMAGING AG has adopted the following diversity concept for the composition of the Executive Board:

The members of the Executive Board shall collectively possess the knowledge, skills and professional experience required to properly perform their duties.

In doing so, the Supervisory Board pays particular attention to the following aspects:

- the members of the Executive Board in their entirety shall be familiar with the business of machine vision technology for use in industry and science, in particular with the market environment, the individual business segments and customer requirements;
- the member of the Executive Board responsible for finance shall have expertise in the areas of accounting or auditing as well as knowledge of the

capital market and financing;

- at least one member of the Executive Board shall have experience in managing a medium-sized company;
- at least one member of the Management Board shall have particular international experience;
- for the proportion of women on the Executive Board, the Supervisory Board has set targets and deadlines for achieving them in accordance with Section 111 (5) of the German Stock Corporation Act (AktG), which are referred to.

The Supervisory Board decides in the best interests of the Company and under consideration of all circumstances of the individual case which person should be appointed to a specific position on the Executive Board. Currently, the Executive Board of STEMMER IMAGING AG consists of three members who are qualified in different areas. The current composition of the Executive Board meets the requirements of the diversity concept in the opinion of the Supervisory Board.

## 2. Diversity concept for the composition of the Supervisory Board

The Supervisory Board's diversity concept aims to ensure that STEMMER IMAGING AG has a well-balanced Supervisory Board with various competencies, which is particularly important for the successful performance of its supervisory duties.

For this reason, the diversity concept for the composition of the Supervisory Board in terms of internationality, diversity of professional experience, educational background and age as well as the composition by gender pays particular attention to the following aspects:

- in terms of its composition, the Supervisory Board strives to incorporate different professional and international experience. However, it will not emphasize the concept of diversity with regard to its objectives and the candidates proposed to the Annual General Meeting, but will continue to focus in particular on knowledge, professional qualifications and the personality of the potential candidates;
- due to the international orientation of the STEMMER IMAGING Group, at least one member of the Supervisory Board shall have several years of international experience, e.g. by consulting or working for international companies;
- each member of the Supervisory Board fulfills the legal and statutory requirements for a membership in the Supervisory Board (in particular Section 100 (1) to (4) of the German Stock Corporation Act (AktG));
- at least one member of the Supervisory Board shall have expertise in the areas of accounting or auditing (§ 100 (5) AktG);
- no more than one former member of the Executive Board shall be a member of the Supervisory Board;

- as a rule, only those who have not yet reached the age of 70 shall be members of the Supervisory Board; in justified individual cases, deviations from this rule are possible;
- with regard to the proportion of women on the Supervisory Board, the Supervisory Board has set targets and deadlines for achieving these targets in accordance with Section 111 (5) of the German Stock Corporation Act (AktG), which are referred to.

The current composition of the Supervisory Board meets the requirements of the diversity concept in the opinion of the Supervisory Board.

Munich, September 2019  
STEMMER IMAGING AG  
The Executive Board