

Corporate Governance Report

(English convenience translation of German original)

The term Corporate Governance stands for responsible corporate management and supervision directed towards long-term added value. For STEMMER IMAGING AG, the key aspects of good corporate governance include transparency, open communication with shareholders and investors as well as trustful cooperation between the Supervisory Board and the Executive Board. Detailed information can be found in the following report.

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 lawful behaviour. Under 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.

Annual General Meeting

At the Annual General Meeting of STEMMER IMAGING AG, our shareholders can directly address questions regarding the company and the business development to the Executive Board and Supervisory Board. We always prepare the Annual General Meeting with the aim of providing shareholders with all relevant information. The Annual General Meeting also decides on the appropriation of net profit, the discharge of the acts of the Executive Board and the Supervisory Board as well as the election of the auditor.

The notice convening the Annual General Meeting with the upcoming agenda and the explanation of the conditions for participation are usually published five to six weeks before the actual date. All documents and information on the Annual General Meeting are available for download on the Company's website. We also do our best to make it easier for our shareholders to exercise their rights. Shareholders can either exercise their voting rights at the Annual General Meeting in person or have them exercised by a proxy of their choice or by a company-appointed proxy acting on their instructions. Instructions for exercising voting rights can be issued directly on site before or during the Annual General Meeting. The attendance and voting results for the Annual General Meeting are published on the Internet directly after the event.

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 bodies - 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 8 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 9 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.

Remuneration report of the Executive Board and Supervisory Board

Detailed explanations of the remuneration system and the individual remuneration of the members of the Executive Board and Supervisory Board can be found in the Remuneration Report on pages 12 to 15 of the Management Report and in the Notes to the Financial Statements of STEMMER IMAGING AG on page 60.

(Group) Declaration on Corporate Governance

The (Group) Declaration on Corporate Governance is part of the Combined Management Report and is permanently available on our website <https://www.stemmer-imaging.com/en-de/declaration-on-the-corporate-governance-code/>. It also contains a description of the diversity concepts for the Executive Board and Supervisory Board of STEMMER IMAGING AG.

Puchheim, September 2019
STEMMER IMAGING AG
The Executive Board