

Declaration of compliance 2019



**of the Administrative Board of GFT Technologies
SE concerning the recommendations of the
“Government Commission on the German
Corporate Governance Code” pursuant to
section 161 AktG (German Stock Corporation Act)**

Since the last Declaration of Compliance on 11 December 2018, GFT Technologies SE has largely complied with the recommendations of the “Government Commission on the German Corporate Governance Code” (hereinafter referred to as the “Code”) as amended on 7 February 2017 and published in the German Federal Gazette (Bundesanzeiger) on 24 April 2017, and will continue to comply with them. In derogation thereof, the specific characteristics of the one-tier system of GFT Technologies SE set forth below under section I., and the exceptions set forth under section II. shall apply:

I. Specific characteristics of the one-tier structure of GFT Technologies SE

Pursuant to section 5 (1) of its Articles of Incorporation, GFT Technologies SE has a one-tier management and control structure. According to article 43 to 45 SE-VO (Council Regulation (EC) No 2157/2001 of 08 October 2001 on the Statute of the European Company (SE)) in conjunction with sections 20 et seq. SEAG (SE Implementation Act), the one-tier system is characterised by the fact that a single governance body, the Administrative Board, is responsible for the management of the company (see also paragraph 8 of the Foreword of the Code). The Administrative Board manages the company, determines the basic policies of its activity and supervises their implementation by the Managing Directors. The Managing Directors conduct the business of the company and represent the company in and out-of-court. They are bound by instructions of the Administrative Board.

GFT Technologies SE applies the recommendations of the Code for the supervisory board in principle to the Administrative Board of GFT Technologies SE and the recommendations of the Code for the management board to its Managing Directors. Due to the legal structure of the one-tier system, this applies with the following exceptions:

- The recommendations with regard to the management board in numbers 2.3.2 sentence 2 half-sentence 1 (Proxies Bound by Instructions), 3.10 sentence 1 (Corporate Governance Report) and 4.1.3 (Compliance) of the Code relate to the Administrative Board due to the allocation of authority in section 22 (6) SEAG.

The following special features also result from the monistic structure:

- In derogation from number 2.2.1 sentence 1, the Administrative Board shall submit the annual financial statements, the management report, the consolidated financial statements and the group management report to the general meeting, section 48 (2), sentence 2 SEAG.
- In derogation from numbers 2.3.1 sentence 1 and 3.7 (3), the Administrative Board is responsible for convening the general meeting in accordance with sections 48 and 22 (2) SEAG.
- Pursuant to section 22 (6) SEAG, the obligations of the management board set forth in numbers 3.7 (1) (Statement on a Takeover Bid) and (2) (Handling of a Takeover Bid), 4.1.1 (Company Management), 4.1.2 in conjunction with number 3.2 half-sentence 1 (Development of Company’s Strategic Approach), number 4.1.4 (Risk Management and Risk Controlling) and 4.1.5 sentence 2 (Defining Targets for the Proportion of Women below the Management Board level) are the responsibilities of the Administrative Board.

- In contrast to management board members of a public limited company (Aktiengesellschaft - AG), the SEAG does not stipulate a fixed or a maximum term of appointment for the Managing Directors. Accordingly, the suggestion in number 5.1.2 sentence 6 and the recommendation in number 5.1.2 sentence 7 is not applied to the one-tier structure.
- In derogation from number 5.4.2 sentence 3 and 5.4.4, members of the Administrative Board can be appointed as Managing Directors provided that the majority of members of the Administrative Board continues to consist of non-executive members, pursuant to section 40 (1), sentence 2 SEAG.

II. Deviations from the recommendations of the German Corporate Governance Code

3.8 paragraphs 2 and 3 “If the corporation takes out a D&O (directors’ and officers’ liability insurance) policy for the Management Board, a deductible of at least 10% of the loss up to at least the amount of one and a half times the fixed annual remuneration of the Management Board member must be agreed. A similar deductible shall be agreed in any D&O policy for the Supervisory Board.”

The company diverges from the recommendation of a deductible for the Administrative Board. With regard to the D&O insurance, no deductible is agreed upon for the members of the Administrative Board who have not also been appointed as Managing Directors. The company is of the opinion that a deductible for these members of the Administrative Board provides no additional incentive to carry out their activities with due diligence and in accordance with the statutory provisions.

4.1.3 “The Management Board ensures that all provisions of law and the company's internal policies are complied with, and endeavours to achieve their compliance by the group entities (Compliance). It shall also institute appropriate measures reflecting the company's risk situation (Compliance Management System) and disclose the main features of those measures. Employees shall be given the opportunity to report, in a protected manner, suspected breaches of the law within the company; third parties should also be given this opportunity.”

The company has instituted appropriate measures reflecting the company's risk situation (Compliance Management System). The main features of the Compliance Management System are published on the company's corporate website.

Employees who want to provide information in a protected manner about a suspected breach of the law within the company have not only the option of sending an anonymous letter to the company but also can use an Internet-based solution to provide anonymous information to the responsible office. In deviation, the staff in Germany is not able to access the Internet-based solution due to a lack of agreement with the General Works Council.

4.2.3 paragraph 2 sentence 6 “The amount of remuneration shall be capped with maximum levels, both as regards variable components and in the aggregate.”

So far, the remuneration of the managing directors has been capped with maximum levels, both as regards variable components and in the aggregate.

In connection with the renewal of a contract, the Administrative Board decided not to cap the maximum amount for the long-term variable remuneration, which is oriented on the GFT share price. The Administrative Board is of the opinion, that such a cap contradicts the intended synchronisation of the interests of the shareholders and the managing director in the long-term development of the share price. As there is different from the other remuneration components (fixed remuneration, fringe benefits and short-term variable remuneration) no cap for the long-term variable remuneration, no such cap exists for the total remuneration.

4.2.3 paragraph 4 “When contracts are entered into with Management Board members, it shall be ensured that payments, including fringe benefits, made to a Management Board member due to early termination of their contract do not exceed twice the annual remuneration (Severance Cap) and do not constitute remuneration for more than the remaining term of the employment contract. If the employment contract of a Management Board member is terminated for good cause for which the Management Board member is responsible, no payments are made to that Management Board member. The severance cap shall be calculated on the basis of the total remuneration paid for the previous financial year and, if appropriate, shall take into account the expected total remuneration for the current financial year.”

The Administrative Board has not entered into an agreement with the Managing Directors in the event of any premature termination of the function as Managing Director. The company is of the opinion that the statutory provisions provide for a proper and equitable balance of interests in the event of a Managing Director's premature departure from office. The Administrative Board reserves the right to agree on a severance cap in case of new contracts with the Managing Directors.

4.2.5 paragraph 3 sentence 2 “The model tables provided as appendices to this document shall be used to disclose this information.”

The remuneration of the Managing Directors is disclosed in a personalised manner in the compensation report or in the notes to the financial statements. They contain all information required by number 4.2.5 of the Code. The company waives the use of the model tables as they do not provide the shareholders with any additional information.

5.3 “Establishment of Committees”

The Administrative Board previously waived the establishment of committees. In view of the manageable size of the Administrative Board, efficient work is also ensured without committees. All members of the Administrative Board are fully informed and involved in all decisions. Nevertheless, the Administrative Board set up a committee to take decisions in relation to a consultancy agreement concluded by GFT Technologies SE with a company whose sole shareholder and managing director is a member of the Administrative Board. The committee consists of three independent members of the Administrative Board and serves exclusively to exclude potential conflicts of interest from the outset when deliberating and adopting resolutions.

5.4.1 paragraph 2 “The Supervisory Board shall determine concrete objectives regarding its composition, and shall prepare a profile of skills and expertise for the entire Board. Within the company-specific situation the composition of the Supervisory Board shall reflect appropriately the international activities of the company, potential conflicts of interest, the number of independent Supervisory Board members within the meaning of number 5.4.2, an age limit and a regular limit to Supervisory Board members’ term of office, both to be specified, as well as diversity. The specific requirements of the co-determination acts (Mitbestimmungsgesetze) in regard of the elected employee representatives have to be taken into account.”

When setting the targets for the composition of the Administrative Board, the latter did not set a regular limit for the term of office for members of Administrative Board. This recommendation is based on the assumption that the independence of a supervisory board member may be jeopardised when serving over several decades. However, the Administrative Board is also the company's management body. In this regard, the interests of the Administrative Board differ from those of a supervisory board. A regular limit would inherently contravene the principally desired continuity of the management of the company. Insofar, the company diverges from number 5.4.1 (2) sentence 2 of the Code.

5.4.2 sentence 3 “Not more than two former members of the Management Board shall be members of the Supervisory Board.”

More than two former members of the previous Executive Board of GFT Technologies AG are members of the Administrative Board of GFT Technologies SE. This is solely due to the establishment of a one-tier organisational and management structure made in the course of the con-version. While in the two-tier system the executive board is responsible for the management function, the management competency in the one-tier system is assigned to the Administrative Board in accordance with article 43 (1) SE-VO. All Managing Directors of GFT Technologies SE were previously appointed as members of the Executive Board of GFT Technologies AG. Therefore, it necessarily follows from the desired personnel continuity in the management of the company that more than two former members of the Executive Board of GFT Technologies AG must belong to the Administrative Board after the conversion.

Stuttgart, 10 December 2019 | GFT Technologies SE

The Administrative Board