

## **Declaration of Compliance 2016**

- Convenience Translation -

# Declaration of Compliance

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 of the German Stock Corporation Act (Aktiengesetz)

(As at: 5 December 2016)

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Since the last Declaration of Compliance on 9 December 2015, GFT Technologies SE (hereinafter also referred to as "GFT SE") has largely complied and will comply in the future with the recommendations of the "Government Commission on the German Corporate Governance Code" (the "Code") as amended on 5 May 2015, announced in the German Federal Gazette (Bundesanzeiger) on 12 June 2015. This Declaration of Compliance applies with the special characteristics of the monistic system of GFT Technologies SE set forth under section I. and with the exceptions set forth under section II. below:

## I. Special characteristics in consequence of changing the legal form to a monistic SE

By resolution of the General Meeting of GFT Technologies Aktiengesellschaft on 23 June 2015, GFT Technologies Aktiengesellschaft was converted into GFT Technologies SE. The registration of GFT Technologies SE in the commercial register occurred on 18 August. 2015. Pursuant to section 5 para. 1 of the Articles of Incorporation of GFT Technologies SE, GFT Technologies SE has a monistic company and control structure.

According to Artt. 43-45 SE-VO (Council Regulation (EC) No 2157/2001 of 08 October 2001 on the Statute of the European company (SE)) in connection with sections 20 et seq. SEAG (Gesetz zur Ausführung der Verordnung (EG) Nr. 2157/2001 des Rates vom 8. Oktober 2001 über das Statut der Europäischen Gesellschaft (SE-Ausführungsgesetz – SEAG), Act on the implementation of Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute of the European Company (SE), SEAG), the monistic system is characterised by the fact that a single corporate organ, the Administrative Board, is responsible for the management of the SE, cf. para. 7 of the Preamble 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 recommendation of the Code for the Supervisory Board in principle to the Administrative Board of GFT Technologies SE and the recommendation of the Code for the Management Board to its Managing Directors. This applies with the following exceptions regarding the legal structure of the monistic system:

- In derogation from number 2.2.1 sentence 1 of the Code, the Administrative Board shall submit the financial statements and the consolidated financial statements to the general meeting, section 48 para. 2 sentence 2 SEAG.
- In derogation from numbers 2.3.1 sentence 1 and 3.7 para. 3 of the Code, the Administrative Board is responsible for convening the general meeting, sections 48 and 22 para. 2 SEAG.
- The competencies of the Management Board set forth in number 2.3.2 sentence 2 (Proxies Bound by Instructions), number 3.7 para. 1 (Statement on a Takeover Bid) and para. 2 (Handling of a Takeover Bid), and number 3.10 (Corporate Governance Report), number 4.1.1 (Management of the Company), number 4.1.2 in connection with number 3.2 first half-sentence (Development of the enterprise's strategy), number 4.1.3 (Compliance), 4.1.4 (Risk Management and Controlling) and 4.1.5 sentence 2 (Defining Targets for the Proportion of Women below the Management Board level) of the Code are the responsibilities of the Administrative Board of GFT Technologies SE, pursuant to section 22 para. 6 SEAG.
- In derogation from number 5.1.2 sentences 5 and 6 of the Code, Managing Directors, contrary to members of the Management Board are not subject to a definite and maximum permissible term, pursuant to section 40 para. 1, sentence 1 SEAG.

- In derogation from number 5.4.2 sentence 2 and 5.4.4 of the Code, 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-managing members, pursuant to section 40 para. 1, sentence 2 SEAG.

## II. Exception to the Recommendations of the Corporate Governance Code

### 3.8 para. 2 and 3

*"If the company 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 compensation of the Management Board member must be agreed upon.*

*A similar deductible shall be agreed upon 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 that are not 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.

### 4.2.3 para. 4

*"In concluding Management Board contracts, care shall be taken to ensure that payments made to a Management Board member on premature termination of his/her contract, including fringe benefits, do not exceed the value of two years' compensation (severance pay cap) and compensate no more than the remaining term of the employment contract. If the employment contract is terminated for a serious cause for which the Management Board member is responsible, no payments are made to the Management Board member. The severance payment cap shall be calculated on the basis of the total compensation for the*

*past full financial year and if appropriate also the expected total compensation 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. This is also not intended to be the case in the future. The company is of the opinion that in this regard the statutory provisions provide for a proper and equitable balance of interests in the event of a Managing Director's premature departure from office.

#### 4.2.5 last para.

*"The model tables provided in the appendix shall be used to present this information."*

The remuneration of the Managing Directors is disclosed in the compensation report or in the notes to the financial statements on an individual basis. The compensation report or the notes to the financial statements contains all information required by number 4.2.5 of the Code. However, the company waives the use of the model tables, because it believes that the model tables would not provide any further informational content to the shareholders, in particular with regard to the individualised disclosure of the remuneration of the Managing Directors.

#### 5.3 "Formation of Committees"

In view of the manageable size of the Administrative Board, the Administrative Board of GFT SE refrains from forming committees. This ensures efficient work of the Administrative Board, because all members of the Administrative Board are fully informed and involved in all decisions.

#### 5.4.1 para. 2 and 3

*"The Supervisory Board shall specify concrete objectives regarding its composition which, whilst considering the specifics of the enterprise, take into account the international activities of the enterprise, potential conflicts of interest, the number of independent Supervisory Board members within the meaning of number 5.4.2, an age limit to be specified and a regular limit of length of membership to be specified for the members of the Supervisory Board as well as diversity. In listed companies for which the Codeterminaton Act, the Codetermination Act for the Iron and Steel Industry or the Codetermination Extension Act apply, the Supervisory*

*Board shall comprise at least 30 percent women and at least 30 percent men. In the other companies covered by the Equality Act the Supervisory Board shall determine targets for the share of women.*

*Recommendations by the Supervisory Board to the competent election bodies shall take these objectives into account. The concrete objectives of the Supervisory Board and the status of the implementation shall be published in the Corporate Governance Report.“*

The Administrative Board of GFT SE determined targets for the share of women according to the obligations arising from the Law on Equal Participation of Men and Women in Private-Sector and Public-Sector Management Positions (Equality Act). These are published in the Corporate Governance Statement. In other respects, the Administrative Board considers the special professional competencies in different areas, in national and international experiences, as well as the independence within the meaning of number 5.4.2 sentence 2 of the Code as essential criteria and objectives for the composition of the body. With regard to the composition of the Administrative Board, the experiences, skills, knowledge, and independence of the individual person are, in the interest of the company, of primary importance to the company. However, the Administrative Board refrains from defining specific objectives for its composition beyond the aforementioned principles, because this will, in the opinion of the Administrative Board, deprive the necessary flexibility in designating candidates for the election to the Administrative Board by the general meeting. For the same reason, the Administrative Board also refrains from setting a regular limit of the length of the membership in the Administrative Board. To this extent, the company diverges from number 5.4.1 para. 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 Management Board of GFT Technologies AG are members of the Administrative Board of GFT SE. However, this is solely due to the establishment of a monistic organizational and management structure made in the course of the conversion. While in the dualistic system the Management Board is responsible for the management function, the management competency is assigned in the monistic system to the Administrative Board in accordance with article 43 para. 1 SE-VO. All Managing Directors of GFT SE were previously appointed as members of the Management 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 Management Board of GFT Technologies AG belong to the Administrative Board after the conversion.

Stuttgart, 5 December 2016

GFT Technologies SE

The Administrative Board