



## **Manz AG's Corporate Governance Statement and Corporate Governance Report for the Financial year 2019**

As a listed company, Manz AG hereby submits the following Corporate Governance Statement for Manz AG and the Manz Group for the financial year 2019 pursuant to sections 289f and 315d of the German Commercial Code (HGB). In addition, the following report contains information from the Managing and Supervisory Boards about corporate governance at Manz AG pursuant to item 3.10 of the German Corporate Governance Code ("Code").

### **I. Implementation of the German Corporate Governance Code and Declaration pursuant to section 161 of the German Stock Corporation Act (AktG)**

The Code sets out essential statutory regulations for the management and monitoring (governance) of listed German companies and contains internationally and nationally recognized standards for good and responsible governance. The Code aims to increase international and national investors', customers', employees', and the general public's confidence in the management and monitoring of listed German companies.

The Managing Board and Supervisory Board of Manz AG are guided by the recommendations set out in the Code. They view themselves as having an obligation to safeguard the company's continued existence and its sustainable creation of value in harmony with the principles of a social market economy. The Managing Board and Supervisory Board paid close attention to the recommendations set out in the Code during the financial year 2019 .

Section 161 of the German Stock Corporation Act (AktG) states that the Managing Board and Supervisory Board of a listed stock company must declare each year that the recommendations of the "Government Commission on the German Corporate Governance Code", published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette, have been and are being complied with, or must declare which recommendations have not or are not being complied with. Furthermore, any deviations from the recommendations must be justified. This statement must be permanently accessible to the public on the company's website.

Pursuant to section 161 of the German Stock Corporation Act (AktG), the Managing Board and Supervisory Board of Manz AG submitted, on November 26, 2019, the following "Statement of Compliance for December 2018" relating to the recommendations of the "Government Commission on the German Corporate Governance Code":

"Pursuant to section 161 of the German Stock Corporation Act (AktG), the Managing Board and Supervisory Board of Manz AG declare that the February 7, 2017, version of the recommendations of the "Government Commission on the German Corporate Governance Code", published by the Federal Ministry of Justice in the official section of the Federal Gazette, have been complied with since the submission of the last Statement of Compliance dated December 21, 2018, with the following exception and will in the future comply with the following exception.

The company has not complied with the recommendation in item 3.8 para. 3 of the Code, which states that a deductible should be agreed in a D&O insurance policy for the Supervisory Board in the amount of at least 10% of the loss up to at least one and a half times the fixed annual compensation (remuneration) of the Supervisory Board member and it will also not comply with it in future. The Managing Board and Supervisory Board of Manz AG are of the view that the members of the Supervisory Board have carried out and will continue to carry out their duties carefully and conscientiously in the absence of such a deductible, and a deductible would not therefore increase further the care that is exercised by the members of the Supervisory Board or their sense of responsibility."

## **II. Disclosures on Corporate Governance Practices Applied Above and Beyond the Legal Requirements**

Manz AG aspires to conduct all business operations in an ethical and legally sound manner. The Managing Board has developed a mission statement for this purpose, which is designed to help the employees of Manz AG and its subsidiaries to act responsibly and make the right decisions when carrying out their daily activities. This corporate mission statement describes our principles of sustainable and socially responsible economic activity.

### **III. Description of the Mode of Operation of the Managing Board and Supervisory Board**

Manz AG is a company incorporated under German law and is subject, in particular, to the provisions of the German Stock Corporation Act (AktG), on the basis of which the German Corporate Governance Code has also been developed. A basic principle of German stock corporation law is the dual management system by the boards, i.e. the Managing Board and the Supervisory Board. According to this principle, the Managing Board manages the company, while the Supervisory Board advises and monitors the Managing Board. Simultaneous membership on both boards is not permitted. The Manz AG Managing Board and Supervisory Board work together in a close and trustful relationship, striving to increase the value of the company for its shareholders in the long term.

#### **1. Managing Board**

The Managing Board of Manz AG consisted of two members in the financial year 2019 from January through June 2019 and three members from July until December 2019. Members of the Managing Board are Martin Drasch (Chairman), Manfred Hochleitner (CFO) and Jürgen Knie (COO). Information on the members of the Managing Board can be found on Manz AG's website at [www.manz.com](http://www.manz.com) in the "Company" area under the "Group Structure" section, subsection "Management".

Information about the Managing Board compensation system and compensation for Managing Board members is available in the compensation report, which is part of the management report. Information on long-term composition components based on the Manz Performance Share Plan 2019 is also available in section VII of this report.

The Supervisory Board has issued rules of procedure for the Managing Board that assign specific central management areas to members of the Managing Board to manage independently. This notwithstanding, all members of the Managing Board bear joint responsibility for the overall management of the company. The Managing Board as a whole decides on matters of particular importance. Furthermore, specific measures relating to the management of the company also require Supervisory Board approval. The rules of procedure also contain stipulations on the procedure for meetings and resolutions of the Managing Board, as well as the tasks of the chairman and his deputy.

According to the rules of procedure, the Managing Board is responsible for preparing a report on future business policy and corporate planning for the

respective following year and two subsequent financial years, and for presenting it to the Supervisory Board for approval. Furthermore, the reporting obligations of the Managing Board vis-à-vis the Supervisory Board are specified in more detail in the rules of procedure. The rules of procedure stipulate that the Managing Board must regularly, promptly, and fully inform the Supervisory Board of all relevant issues relating to the company and the Manz Group regarding planning and business development, the risk situation and risk management, and compliance with legal regulations and internal guidelines. In particular, it must report annually on the profitability of the company and at regular intervals on the company's overall situation.

According to the rules of procedure, members of the Managing Board must disclose any conflicts of interest to the Supervisory Board and must inform other Managing Board members of such conflicts as well. Managing Board members may only accept secondary employment, in particular positions on Supervisory Boards outside of the Manz Group, with the approval of the Supervisory Board.

## **2. Supervisory Board**

The Supervisory Board of Manz AG consists of four members who are elected by the shareholders at the Annual General Meeting.

The members of the Supervisory Board, Professor Dr. Heiko Aurenz (Chairman) and Professor Dr. Michael Powalla (Deputy Chairman until July 3, 2018), were elected at the Annual General Meeting in 2016. Member Dieter Manz (Deputy Chairman from July 3, 2018) was elected at the Annual General Meeting in 2017. Dr. Zhiming Xu was appointed on application as a member of the Supervisory Board by a resolution of the District Court of Stuttgart as of October 17, 2017 and elected at the 2018 General Meeting. Information about members of the Supervisory Board can be found on Manz AG's website at [www.manz.com](http://www.manz.com) in the "Company" section under "Group Structure," subsection "Management."

Information about compensation for Supervisory Board members is available in the compensation report, which is part of the management report.

In addition to monitoring and advising the Managing Board, the Supervisory Board's tasks include appointing and dismissing members of the Managing Board, as well as defining the remuneration system for the Managing Board and the level of remuneration for individual members of the Managing Board. It also reviews the annual and group financial statements issued by the Managing Board and management reports for Manz AG and the Group, along with suggestions on using

net profits, special non-financial reports, and reports to the Annual General Meeting on the results of its review.

The Supervisory Board has given itself rules of procedure that regulate the internal organization of the Supervisory Board. The rules of procedure contain stipulations on the selection and tasks of the chairman of the Supervisory Board and his deputy. Furthermore, it also regulates how meetings are called and managed, the participation of Managing Board members and others in meetings, and the decisions made by the Supervisory Board. As a rule, the Supervisory Board of Manz AG convenes five times a year, but at least once per quarter for its regular meetings, and for further special meetings as required. In urgent cases, it can also pass resolutions by means of written correspondence or conference calls.

The rules of procedure stipulate that members of the Supervisory Board must disclose conflicts of interest and that significant and more than just temporary conflicts of interest shall lead to termination of office.

The Supervisory Board has formed an economic committee consisting of two existing members. Professor Dr. Heiko Aurenz and Dieter Manz were appointed as members of the committee for the duration of their terms as Supervisory Board members. The economic committee was assigned duties in the areas of (a) financial accounting, risk management and auditing, (b) finances and management actions requiring approval, (c) Managing Board matters, (d) corporate governance and (e) compliance. It is to prepare deliberations and resolutions for the Supervisory Board in these areas. Furthermore, the committee has been assigned specific monitoring obligations, in particular in the areas of the invoicing process, the effectiveness of the internal control system, risk management, the internal auditing system, auditing, and compliance. It provides the Supervisory Board with relevant suggestions and recommendations within this framework. However, the economic committee has not been granted any of the Supervisory Board's power to make decisions. The members of the committee regularly report to the Supervisory Board on their deliberations and resolutions. The committee holds at least four meetings per year.

The Chair of the Supervisory Board is also in regular contact with the Managing Board, particularly the Chairman, in addition to the meetings of the Supervisory Board and the economic committee, and these individuals inform one another about current corporate developments and important transactions.

The Supervisory Board has specified targets for its composition and a competence profile for the Supervisory Board in its rules of procedure. The Supervisory Board should always be composed of members who collectively provide it with the

required special knowledge and experience of various specialist fields that are essential to the company (see section VI. 2 of this report).

The Supervisory Board regularly consults a list of questions and holds discussions to review the efficiency of its own activities. According to the rules of procedure, this review encompasses in particular the procedures within the Supervisory Board and the supply of information to the Supervisory Board, in addition to qualitative criteria. No significant deficits have been identified as of yet, although work processes and regular reporting by the Managing Board, based on the results of the self-assessment, are being developed on an ongoing basis.

#### **IV. Specification of numerical targets for the equal representation of women and men in management positions**

Manz AG set targets for the equal participation of women and men in executive positions pursuant to section 76 (4) and section 111 (5) of the Stock Corporation Act (AktG), most recently in the financial year 2017. The Group determined that the numerical targets should each be achieved or exceeded by June 30, 2022.

The Manz AG Supervisory Board set a numerical target of 0% for the portion of women on the Supervisory Board. Furthermore, the Manz AG Supervisory Board has set a numerical target of 0% women on the Managing Board. Based on the current composition of the Supervisory Board and Managing Board and in the interests of continuity, in the opinion of the Supervisory Board, the group does not expect to be able to increase its proportion of women within the reference time period.

The Manz AG Managing Board had set a numerical target of 5% for the percentage of women on the first management level below the Managing Board (these are the Heads of Division) and a numerical target of 0% for the percentage of women on the second management level below the Managing Board (these are the Heads of Department). During financial year 2019, one female Head of Division is currently on the first management level below the Managing Board. Since women are still significantly under-represented in technical fields, it is a challenge for Manz AG to attract female employees and support them in their development to become managers.

## **V. Composition of the Managing Board and Supervisory Board and Diversity in Management Functions**

Manz AG has targeted concepts regarding the composition of the Managing Board and Supervisory Board, which the Supervisory Board follows within the framework of its competencies under corporate law. Furthermore, the following section will also report on diversity in other management functions within the company.

### **1. Composition of the Managing Board**

#### *a) Diversity concept*

In order to implement the recommendation in item 5.1.2, para. 1, sentence 2 of the Code, the Supervisory Board has passed a resolution stipulating that it will pay attention to diversity when forming the Managing Board. The Supervisory Board accordingly aims, in particular, to take women properly into consideration by ensuring that appropriately qualified women will also be included as members during future processes of selection for Managing Board members. Furthermore, the term diversity also encompasses aspects such as age, educational and professional background and international composition.

This policy expresses the will of the Supervisory Board to take diversity aspects into consideration in making its decisions regarding personnel and is also the diversity concept of Manz AG in the sense of section 289f (2)6 HGB, which is being pursued with respect to the composition of the Managing Board. The aim of this concept is to facilitate a good understanding of organizational and business-related circumstances at the Manz Group through a wide range of expertise and viewpoints among its Managing Board members. Diversity should generally allow the members to make decisions with an objective consideration of all relevant circumstances and to be more open to innovative ideas. This should contribute to successful corporate management.

#### *b) Implementing the diversity concept*

Diversity is being taken into consideration within the Managing Board, with the exception that it has no female members. The Managing Board has an appropriate experience and age structure and its members have international experience. The Board has an adequate spectrum of specialist and general education, as well as professional knowledge and experience. Corresponding to the Manz Group profile as an internationally operating high-tech equipment manufacturer, the members of the Executive Board are characterized by sound academic education as well as a technically and economically oriented professional background with a focus on the

mechanical engineering industry and the production of technically complex products. The changes in the composition of the Managing Board in the financial year 2018 also led to a rejuvenation in view of the aspired longer-term activity of its members.

## **2. Composition of the Supervisory Board**

### *a) Goals for composition, competence profile and diversity*

Pursuant to item 5.4.1, para. 2 of the Code, the Supervisory Board has specified the following concrete objectives pertaining to its composition and its competence profile for the overall board and it has incorporated them into the rules of procedure for the Supervisory Board. Taking into account the company-specific situation of the company's international activities, potential conflicts of interest, the number of independent Supervisory Board members within the meaning of section 5.4.2 of the Code, an age limit and length of service for Supervisory Board members as well as diversity and, in particular, to consider appropriate participation of women.

The goals for composition and the competence profile that the Supervisory Board seeks to fulfill also represent the diversity of Manz AG within the meaning of section 289f (2)6 HGB that has been pursued regarding the composition of the Supervisory Board. The goal of this concept is to facilitate sound understanding of organizational and business-related circumstances at the Manz Group through a wide range of expertise and viewpoints among Supervisory Board members. Diversity should generally enable members to ask constructive questions regarding the Managing Board's decisions, allowing it to be open to innovative ideas, since it counteracts so-called "group thinking" among members. By doing so, diversity is intended to lead to effective control and attentive advisement of the company's general management.

- The Supervisory Board generally strives to ensure that its composition is always such that members collectively have the knowledge, skills and specialist experience required to undertake their duties properly.
- Fundamental requirements for the members of the Supervisory Board are personal integrity, sufficient professional and life experience, independence, and solid communication skills. Furthermore, members must have basic knowledge of business, corporate law and industry-specific technology, as well as knowledge of the Manz Group, or they must be willing to acquire such knowledge at the beginning of their term of office. In addition, members of the Supervisory Board must clearly demonstrate that, taking account of their other professional responsibilities and seats on other supervisory boards,

they have sufficient time to devote to their duties as a member of the company's Supervisory Board.

- The Supervisory Board is always to be composed of members who collectively have the required special skills and experience from various specialist fields that are essential to the company. The Supervisory Board considers its composition goals when making election nominations at the annual general meeting and attempts to fulfill the following competence profile for the overall board:
  - Experience as a member of senior management at a medium-sized company
  - Knowledge and experience in the application of accounting principles and internal controlling procedures
  - Knowledge and experience in the mechanical engineering industry or in other industries in which the Manz Group is active
  - Experience in management at companies with global operations
- As a rule, only the following categories of people should be nominated as Supervisory Board members:
  - people below the age of 70, and
  - people who have not already served as a member of the Supervisory Board for five full terms within the meaning of section 102(1) German Stock Corporation Act (AktG) or for 25 years, unless special circumstances justify making an exception in a specific case.
- As part of the selection process, the Supervisory Board will endeavor to submit nominations at the annual general meeting to ensure that female members are included if they have appropriate qualifications.
- The Supervisory Board should include at least two independent members as defined in the German Corporate Governance Code regarding ownership structure.

*b) Implementation of goals for composition, competence profile and diversity*

Apart from having not yet achieved the desired percentage of women, the Manz AG Supervisory Board is currently fulfilling all of the aforementioned goals for

composition and the competence profile. The Supervisory Board members have the professional and personal qualifications seen as necessary based on their professional experience and expert knowledge, as well as their personal characteristics. Overall, they are familiar with the Manz Group and with the sector in which the company works.

As a result of his knowledge and experience stemming from his occupation as an independent auditor and corporate consultant, Professor Dr. Heiko Aurenz (born 1961) was elected as an independent member of the Supervisory Board with expertise in the fields of accounting and the auditing of financial statements (section 100(5) German Stock Corporation Act (AktG)). Professor Dr. Michael Powalla (born 1963) has extensive knowledge and experience in the photovoltaics business segment in particular as the head of the photovoltaics division and a member of the Board of Directors at the Center for Solar Energy and Hydrogen Research Baden-Württemberg (ZSW) and as Professor of Thin-Film Photovoltaics at the Karlsruhe Institute of Technology. Dieter Manz (born 1961) has especially thorough expertise regarding the Manz Group, its sales markets and competitive environment as the founder of the company and long-time CEO of Manz AG. In addition, as a result of his previous work, he fulfills the competence profile goals with respect to management experience at a mid-sized international company and with respect to expertise and experience in the mechanical engineering industry and in other industries in which the Manz Group operates. In addition to his technical expertise in the areas of mechanical engineering and machine control and his knowledge of the Chinese markets, Dr. Zhiming Xu (born 1973) also brings his experience from senior executive positions as the CTO of the Shanghai Electric Automation Group at the Shanghai Electric Group Co., Ltd. to his work on the Supervisory Board.

Apart from the fact that it is composed only of men, all other aspects of diversity have been considered as far as the Supervisory Board is concerned. It has an appropriate structure of experience and age. The Supervisory Board has two members with long-term international experience. Furthermore, the Board represents appropriate levels of diversity with respect to educational and professional backgrounds. The members all have academic training. Their range of technical and business administration expertise and experience matches the Manz Group's requirements as a global high-tech equipment manufacturer.

The standard limits for age and tenure with the company to join the Supervisory Board of five full terms of office (25 years) have also been observed.

The Supervisory Board also has an appropriate number of independent members, in its own estimation. In the understanding of the Supervisory Board and Managing

Board, there are currently at least two members of the Supervisory Board who are independent in the sense of item 5.4.2 of the Code, namely Professor Dr. Heiko Aurenz and Dr. Zhiming Xu.

### **3. Diversity in Executive Positions within the Company**

When filling management positions at the Manz Group, the Managing Board pays attention to diversity in accordance with the recommendation in item 4.1.5 of the Code, striving, in particular, to give due consideration to women. These goals should be pursued in addition to a well-balanced level of technical qualifications. As a global company, the Manz Group has a large number of foreign employees and managers, particularly in Asia. Employees and managers from 28 countries (previous year: 28 countries) work at the various Group companies, and employees from 25 countries (previous year: 24 countries) work at Manz AG. The Managing Board has taken further measures to promote a greater degree of international diversity at the senior management level. For example, in addition to biannual international strategy meetings, a wide range of tools for managing staff and fostering their development have been developed and implemented at an international level.

At the end of the financial year 2019, the portion of women among Manz Group employees was around 15% (previous year: 16%). However, women are not yet sufficiently represented in managerial positions. The company offers flexible working hours, which make both part-time and flex-time schedules possible.

## **VI. Manz Performance Share Plan 2015 and 2019**

### **1. Basic Principles**

The goal of the subscription rights to Manz shares granted pursuant to the stipulations of the Manz Performance Share Plan 2015 and those granted and to be granted on the basis of the Manz Performance Share Plan 2019 is to encourage members of the Managing Board and other Manz Group managers to facilitate a lasting increase in the company's internal and external value, effectively tying their interests to the interests of the company's shareholders as well as other stakeholders. The following section will report on these programs pursuant to item 7.1.3 of the Code.

## **2. Manz Performance Share Plan 2019**

### *a) Authorization*

At the annual general meeting held on July 2, 2019, a resolution was passed authorizing the Managing Board, with Supervisory Board approval, to issue a total of up to 95,000 subscription rights ("Performance Shares") to up to 190,000 no-par-value bearer shares in Manz AG to executives of affiliated companies of Manz AG and to Manz AG's own managers below the Managing Board level, as well as to managers of affiliated companies below the executive level, both in Germany and abroad and on one or more occasions until June 30, 2024. Furthermore, the Supervisory Board was given authorization to issue a total of up to 85,000 subscription rights ("Performance Shares") to up to 170,000 no-par-value bearer shares in Manz AG to members of the Manz AG Managing Board on one or more occasions through June 30, 2024.

### *b) Functionality of the Manz Performance Share Plan 2019*

The vesting period for exercising the subscription rights is more than four years. If subscription rights are exercised after the end of the vesting period and within the exercise periods of three months after the respective annual general meeting, Manz AG shares are issued to the beneficiaries at the exercise price equal to the legally prescribed minimum issue price, which is currently EUR 1.00 each.

The subscription rights can be exercised following the expiry of the vesting period, if and insofar as the respective performance target has been reached. The specified performance targets for exercising the subscription rights are the EBITDA margin and growth in the enterprise value of Manz AG. The EBITDA margin performance target is calculated as the average of the EBITDA margins according to Manz AG's consolidated financial statements during the performance period of four financial years beginning with the financial year in which Performance Shares are granted. The development of the enterprise value performance target is calculated as the increase in the market capitalization of Manz AG during the performance period of four calendar years beginning with the start of the issue period in which the Performance Shares are granted.

The EBITDA margin and growth in the enterprise value success target are each assigned a weighting of 50% for measuring the total degree of target attainment. There is an "objective," a "minimum value," and a "maximum value" for each performance target. The objective defines the value at which the degree of target attainment for the respective performance target is 100%. The minimum value designates the lower limit of the target corridor at or below which the degree of

target attainment for the respective performance target is 0%. The maximum value defines the value at or above which the degree of target attainment is 200%.

For the EBITDA margin target, the minimum value for an EBITDA margin is 5%. The objective is an EBITDA margin of 10%. The maximum value for the EBITDA margin target is reached with an EBITDA margin of 15%. For the enterprise value growth target, the minimum value is 0%. The objective is 20% growth in enterprise value. The maximum value for this performance target is 30% growth in the enterprise value.

For each initial number of Performance Shares, up to two Manz AG shares may be issued for the respective tranche in accordance with the total degree of target attainment. However, the value of the Performance Shares when the option is exercised is limited to 300% of the value of the Performance Shares at the time of allocation, and if this value is exceeded the final number of Performance Shares is correspondingly reduced (cap). Furthermore, in the event of extraordinary developments, the Supervisory and Managing Boards are entitled, at their discretion, to limit the ability of members of the Managing Board and other managers to exercise the granted subscription rights.

Manz AG may fulfill exercised Performance Shares with the issue of new no-par-value bearer shares from the Conditional Capital II which was created for this purpose. Manz AG is also authorized to deliver treasury shares. Furthermore, in lieu of delivering shares, Manz AG is entitled to pay out the value of the shares that would have to be delivered following the exercise of Performance Shares, minus the exercise price.

c) *Subscription Rights Granted on the Basis of the Manz Performance Share Plan 2019*

The Supervisory Board granted members of the Managing Board a total of 6,078 subscription rights up to 13,998 Manz AG shares during the financial year 2019 . In addition, the Managing Board granted a total of 13,998 subscription rights for up to 13,670 Manz AG shares to the members of the Managing Boards of affiliated companies and members of Manz AG management below the Managing Board level, as well as members of management of affiliated companies below the executive level during the financial year 2019 . This includes a total of 13,998 subscription rights for up to 13,670 Manz AG shares as of February 28, 2020. Following the expiration of the vesting period and attainment of the targets, the subscription rights may be exercised no earlier than during the financial year 2023

## **Manz Performance Share Plan 2015**

### *a) Authorization*

At the Annual General Meeting held on July 7, 2015, a resolution was passed authorizing the Managing Board, with Supervisory Board approval, to issue a total of up to 59,000 subscription rights ("Performance Shares") to up to 118,000 no-par-value bearer shares in Manz AG to executives of affiliated companies of Manz AG and to Manz AG's own managers below the Managing Board level, as well as to managers of affiliated companies below the executive level, both in Germany and abroad and on one or more occasions until June 30, 2020. Furthermore, the Supervisory Board was given authorization to issue a total of up to 56,000 subscription rights ("Performance Shares") to up to 112,000 no-par-value bearer shares in Manz AG to members of the Manz AG Managing Board on one or more occasions through June 30, 2020.

### *b) Functionality of the Manz Performance Share Plan 2015*

The vesting period for exercising the subscription rights is more than four years. If subscription rights are exercised after the end of the vesting period and within the exercise periods of three months after the respective annual general meeting, Manz AG shares are issued to the beneficiaries at the exercise price equal to the legally prescribed minimum issue price, which is currently EUR 1.00 each.

The subscription rights can be exercised following the expiry of the vesting period, if and insofar as the respective performance target has been reached. The specified performance targets for exercising the subscription rights are the EBITDA margin and growth in the enterprise value of Manz AG. The EBITDA margin performance target is calculated as the average of the EBITDA margins according to Manz AG's consolidated financial statements during the performance period of four financial years beginning with the financial year in which Performance Shares are granted. The development of the enterprise value performance target is calculated as the increase in the market capitalization of Manz AG during the performance period of four calendar years beginning with the start of the issue period in which the Performance Shares are granted.

The EBITDA margin and growth in the enterprise value success target are each assigned a weighting of 50% for measuring the total degree of target attainment. There is an "objective," a "minimum value," and a "maximum value" for each performance target. The objective defines the value at which the degree of target attainment for the respective performance target is 100%. The minimum value designates the lower limit of the target corridor at or below which the degree of

target attainment for the respective performance target is 0%. The maximum value defines the value at or above which the degree of target attainment is 200%.

For the EBITDA margin target, the minimum value for an EBITDA margin is 5%. The objective is an EBITDA margin of 10%. The maximum value for the EBITDA margin target is reached with an EBITDA margin of 15%. For the enterprise value growth target, the minimum value is 0%. The objective is 20% growth in enterprise value. The maximum value for this performance target is 30% growth in the enterprise value.

For each initial number of Performance Shares, up to two Manz AG shares may be issued for the respective tranche in accordance with the total degree of target attainment. However, the value of the Performance Shares when the option is exercised is limited to 300% of the value of the Performance Shares at the time of allocation, and if this value is exceeded the final number of Performance Shares is correspondingly reduced (cap). Furthermore, in the event of extraordinary developments, the Supervisory and Managing Boards are entitled, at their discretion, to limit the ability of members of the Managing Board and other managers to exercise the granted subscription rights.

Manz AG may fulfill exercised Performance Shares with the issue of new no-par-value bearer shares from the Conditional Capital II which was created for this purpose. Manz AG is also authorized to deliver treasury shares. Furthermore, in lieu of delivering shares, Manz AG is entitled to pay out the value of the shares that would have to be delivered following the exercise of Performance Shares, minus the exercise price.

c) *Subscription Rights Granted on the Basis of the Manz Performance Share Plan 2015*

The Supervisory Board granted members of the Managing Board a total of 8,028 subscription rights up to 16,056 Manz AG shares during the financial year 2015 . In addition, the Managing Board granted a total of 6,835 subscription rights for up to 13,670 Manz AG shares to the members of the Managing Boards of affiliated companies and members of Manz AG management below the Managing Board level, as well as members of management of affiliated companies below the executive level during the financial year 2015. This includes a total of 4,825 subscription rights for up to 9,650 Manz AG shares as of February 28, 2020.

Following the expiration of the vesting period and attainment of the targets, the subscription rights may be exercised no earlier than during the financial year 2019.

The Supervisory Board granted members of the Managing Board a total of 15,336 subscription rights up to 30,672 Manz AG shares during the financial year 2016 . In addition, the Managing Board granted a total of 9,902 subscription rights for up to 19,804 Manz AG shares to the members of the Managing Boards of affiliated companies and members of Manz AG management below the Managing Board level, as well as members of management of affiliated companies below the executive level during the financial year 2016. This includes a total of 9,902 subscription rights for up to 19,804 Manz AG shares as of February 28, 2020. Following the expiration of the vesting period and attainment of the targets, the subscription rights may be exercised no earlier than during the financial year 2020.

The Supervisory Board granted members of the Managing Board a total of 4,544 subscription rights up to 9,088 Manz AG shares during the financial year 2017. In addition, the Managing Board granted a total of 13,474 subscription rights for up to 26,948 Manz AG shares to the members of the Managing Boards of affiliated companies and members of Manz AG management below the Managing Board level, as well as members of management of affiliated companies below the executive level during the financial year 2017. This includes a total of 13,907 subscription rights for up to 27,814 Manz AG shares as of February 28, 2020. Following the expiration of the vesting period and attainment of the targets, the subscription rights may be exercised no earlier than during the financial year 2021

The Supervisory Board granted members of the Managing Board a total of 6,048 subscription rights up to 12,096 Manz AG shares during the financial year 2018. In addition, the Managing Board granted a total of 15,880 subscription rights for up to 31,760 Manz AG shares to the members of the Managing Boards of affiliated companies and members of Manz AG management below the Managing Board level, as well as members of management of affiliated companies below the executive level during the financial year 2018. This includes a total of 15,880 subscription rights for up to 37,760 Manz AG shares as of February 28, 2020. Following the expiration of the vesting period and attainment of the targets, the subscription rights may be exercised no earlier than during the financial year 2022.

#### **4. Amount of existing Performance Shares**

The following table shows the Performance Shares (subscription rights) that are held by current and former members of the Managing Board and other Manz Group

managers as of February 28, 2020, as well as the maximum number of Manz AG shares to be issued when these rights are exercised:

Beneficiaries	Performance Share Plan 2015		Performance Share Plan 2019	
	Subscription rights	Max. Shares <sup>1)</sup>	Subscription rights	Max. Shares <sup>2)</sup>
Martin Drasch Chairman of the Managing Board	17,268	34,536	9,662	19,324
Manfred Hochleitner Member of the Managing Board			7,730	15,460
Martin Drasch Member of the Managing Board (since 7-1-2019)			4,200	8,400
Members of the managing boards of affiliated companies	6,122	12,244	6,078	12,156
Other managers	25,006	50,012	13,998	27,996
<b>Total</b>	<b>48,396</b>	<b>96,792</b>	<b>41,668</b>	<b>83,336</b>

- 1) Maximum number of shares to be issued if Performance Shares are exercised with maximum achievement of performance targets and with the maximum holding period.
- 2) Maximum number of shares to be issued if Performance Shares are exercised with maximum achievement of performance targets.

## VII. Compliance Management System

In our own estimation, the Manz Group has an appropriate compliance management system geared towards the risk exposure of the company. The following section will describe the basic principles of this system in accordance with item 4.1.3 of the Code.

### 1. Importance of Compliance at Manz

As a global, publicly listed company, the topic of compliance is especially important to the Manz Group and is correspondingly complex. National legal systems, as well as political, social and cultural conditions must be taken into consideration.

We have defined measures to minimize this risk based on an internal risk analysis and initiated a process to install a group-wide compliance management system. To ensure it is effective, our compliance management system must adapt to business-specific risks and several local legal requirements.

## **2. Recognition of Our Compliance Responsibilities**

The management and employees of the Manz Group expressly commit to complying with all applicable legal regulations and the principles of ethical and moral integrity. The "Manz AG Code of Conduct" prepared by the Managing Board and binding for all members and managers within the Manz Group establishes how we will fulfill our compliance duties. The Code includes the following specific aspects:

### *a) Conduct in the Professional and Corporate Environment*

#### **(1) Compliance with the Law**

We, meaning all employees and managers (jointly referred to as "employees") of the Manz Group ("Manz") will comply with applicable legal regulations and company guidelines. We will observe applicable legal prohibitions and obligations, even if these result in temporary financial disadvantages or difficulties for the company or for individuals. Managers must endeavor to fulfill these requirements as much as possible as part of their duty to act as role models. If national laws establish more restrictive regulations than the provisions applicable at Manz, the national laws will take precedence.

#### **(2) Avoiding Conflicts of Interest**

Business decisions are made exclusively in the company's best interests at Manz. Conflicts of interest regarding private concerns, ulterior economic activities or activities of any other nature, including those of family members or other related party disclosures, should be avoided from the outset. If such conflicts of interest do occur, they must be resolved in accordance with the law and applicable guidelines. The conflict must be described in a transparent manner for this to occur.

In general, employees must disclose secondary employment and receive approval within the framework of their applicable employment agreements. As a general rule, secondary employment at competitors of the Manz Group cannot be approved.

(3) Fair Competitive Behavior

Manz asserts itself in competition through quality, strength of innovation and global presence. In order to gain the trust of our customers and business partners, we reject all forms of corruption. This means that each employee complies with regulations on competition in their specific area of responsibility. Agreements with competitors that violate antitrust law, for example regarding prices or other conditions, are prohibited.

Suppliers are commissioned based on objective and clear criteria. Improper grounds may not play a role in their selection.

We ensure that invitations, gifts, and financial benefits cannot be construed as having had any influence on our business activities.

When commissioning individuals to broker business transactions, Manz ensures that commission payments and other compensation are appropriate in relation to the services performed.

Manz is a global company. It observes relevant trade controls and regulations on import and export controlling and embargoes.

Manz takes all necessary measures to prevent money laundering within its sphere of influence.

(4) Occupational Safety and Health Protection

In addition to our economic success, the safety and health of our employees is a key corporate goal. Each of our employees promotes safety and health protection within their work area by complying with regulations.

(5) Treating Resources with Care

Both while developing new products and services and in operating production equipment, we ensure that negative impacts on the climate and environment are kept to a minimum through responsible use of resources.

Each employee is responsible for treating natural resources carefully and helping to protect the environment and the climate through their individual behavior.

*b) Handling Information*

(1) Protecting Operating and Trade Secrets

We ensure that other companies do not obtain Manz operating and trade secrets. Manz employees are strictly prohibited from trying to ascertain the operating and trade secrets of other companies.

Manz employees are aware of the importance of confidentiality agreements. Therefore, they must always comply with contractual confidentiality obligations, even if they extend beyond legal requirements.

Employees who obtain concrete information on circumstances not publicly disclosed that, if publicized, would significantly influence the stock market price of Manz shares or derivative financial instruments, may not trade in shares or other financial instruments of Manz AG based on this insider information and may not transmit this information to third parties, no matter whether such insider information is transmitted deliberately or simply through gross disregard of the duty to exercise due care.

## (2) Data Privacy and Data Security

Manz places great value on the security of its employees' and business partners' data. No personal information may be collected or processed without the consent of the affected party, unless required by law.

When using personal information in the course of business transactions, all Manz employees must ensure protection of the private sphere and treat personal information as confidential.

Data on the identity of business partners and the object of business relationships are protected against unauthorized access by third parties using suitable technical measures.

## (3) Reporting

Transparent and truthful communication in both internal and external reporting is of great importance to Manz. Each employee ensures that external reports, records and other documents are in accordance with applicable legal regulations and standards, always complete and correct, and are always completed on time, in accordance with system requirements.

c) *Integrity in Ethical and Moral Behavior*

(1) Respect

Manz employees are obliged to treat others with respect at all times. Any form of discrimination in interactions with colleagues, employees and business partners relating to age, disability, national origin, skin color, sex, sexual orientation, religion, world view or other personal characteristics is prohibited.

Fostering a culture of equal opportunity, mutual trust and respect is very important to us.

We respect internationally recognized human rights and support compliance with those rights. We strictly reject all forms of forced labor and child labor.

We respect the right to free expression, the protection of personal rights and the private sphere. However, each employee should be aware that they may also be considered a representative of the company through their behavior and appearance in public.

(2) Appropriate Compensation

We recognize the right to appropriate compensation for all our employees. Wages and other benefits fulfill at least applicable national and local legal standards.

(3) Social Engagement

We are engaged in our local areas in different ways. We make donations and are active in other forms of social engagement, solely in the interest of the company.

We do not give any financial benefits, in particular donations or sponsorships, to political parties, either domestically or abroad, or to any political or similar organizations, individual elected officials, or candidates for political office. We follow legal regulations on lobbying and avoid having any improper influence on politics and legislation under all circumstances.

**3. Compliance Organization**

Our compliance management system is intended to ensure that our business practices comply with applicable law around the world and with the principles set forth here.

Manz provides its employees with concrete specifications on ethical and legal behavior through internal behavioral codes. In addition, we have established binding requirements for our employees in some areas, such as on how to handle gifts and invitations.

Furthermore, the Managing Board has established responsibilities and reporting obligations with respect to compliance with applicable law.

#### **4. Compliance Training and Advising**

All managers and employees in positions with unique risks must complete regular compliance training sessions on correct legal behavior within their areas of responsibility. Our company-wide compliance training program consists of in-person training sessions and web-based training.

The goal of this training is to maintain awareness of compliance-related issues. This begins with the orientation that all new employees receive and continues with further training sessions and refresher courses, followed by ongoing intensification of the culture of integrity by the management team.

#### **5. Monitoring Compliance and Protecting Whistle Blowers**

A compliance report is prepared annually and submitted to the Managing Board and Supervisory Board for review. Furthermore, the Managing Board initiates the implementation of random controls based on compliance audits.

Every employee of the Manz Group can submit tips on legal violations within the company through a confidential process. These tips are transferred to our compliance organization. Furthermore, they can also report potential misconduct to the compliance organization directly through the Managing Board or managers.

Reutlingen, March 2020

**Manz AG**

The Managing Board      The Supervisory Board