

# CORPORATE GOVERNANCE DECLARATION AND CORPORATE GOVERNANCE REPORT

(part of the management report)

The Executive Board and Supervisory Board of Viscom AG are committed to the principles of sound corporate governance. These principles are a crucial element of the modern capital market and are intended to strengthen the trust of investors and the public in the management and oversight of listed German companies. The principles of responsible and effective company management and controlling aimed at transparency and value creation determine the actions of Viscom AG's management and supervisory bodies.

In accordance with section 3.10 of the German Corporate Governance Code and section 289f HGB, Viscom AG's Executive Board, also on behalf of the Supervisory Board, reports on the company's corporate governance in this section.

## **Declaration in accordance with section 161 of the German Stock Corporation Act**

The Executive Board and Supervisory Board of Viscom AG submitted the annual Compliance Statement, according to section 161 of the German Stock Corporation Act (AktG), on 28 February 2020 and updated it on 30 March 2020. The Compliance Statement and the update have been published and are permanently accessible in the Investor Relations/Corporate Governance section of Viscom AG's website at [www.viscom.com](http://www.viscom.com).

## **Wording of the 2020 compliance statement**

The German Corporate Governance Code sets out important statutory regulations regarding the management and supervision of listed German companies and contains internationally and nationally recognised standards for sound and responsible company management. The purpose of the Code is to make the German corporate governance system clearer and more transparent. It aims to increase the confidence of international and national investors, customers, employees and the public in German company management and supervision. Section 161 AktG requires listed companies to declare once a year whether

the recommendations of the Government Commission on the German Corporate Governance Code as published by the Federal Ministry of Justice have been complied with or which recommendations have not been or will not be followed ("comply or explain").

The following compliance statement refers to the recommendations by the Government Commission on the German Corporate Governance Code in the version dated 7 February 2017 as published by the Federal Ministry of Justice in the official section of the Bundesanzeiger (Federal Gazette) on 24 April 2017.

In accordance with section 161 AktG, the Executive Board and Supervisory Board of Viscom AG declare that the recommendations by the Government Commission on the German Corporate Governance Code have been and are complied with. The statement has been made permanently available to the public on the company's website. The following recommendations have not been and will not be followed:

### **1. The company has decided to exclude deductibles from its liability insurance (D&O insurance) for the Supervisory Board (item 3.8(3) of the Code).**

The company has complied with the legal requirement to implement a deductible for Executive Board members in accordance with section 93(2) sentence 3 AktG in conjunction with section 23(1) sentence 1 of the Einführungsgesetz zum Aktiengesetz (EGAktG – Introductory Act to the German Stock Corporation Act) as at 1 July 2010, but has not yet introduced a corresponding deductible for the Supervisory Board as well. In the company's opinion, the nature of the Supervisory Board mandate, which is also emphasised by differences in remuneration, makes it reasonable to differentiate between the Executive Board and Supervisory Board. Extending the D&O insurance deductible to members of the Viscom AG Supervisory Board therefore did not appear appropriate. Furthermore, a deductible

for intentional infringement of obligations does not come into question and a deductible in cases of negligence in other countries has been rather uncommon to date. Therefore, there was and is the concern that the agreement of a deductible could present a future obstacle with regard to the search for appropriate Supervisory Board candidates who also have international experience.

## **2. The company has no chairperson (item 4.2.1 of the Code).**

Given the size of the Executive Board, the Executive Board and the Supervisory Board believe that a chairperson is not required on a board with four members. In addition, stock corporation law is based on a principle of consensus, i. e. on a collegial rather than a hierarchical Executive Board. A strong principle of consensus has prevailed within the Executive Board (and previously within management) since the company was founded. All significant decisions are made together by the full Executive Board at all times.

**3. The long-term assessment basis for variable remuneration components of Executive Board remuneration is not essentially forward-looking, negative developments are not taken into account when determining variable remuneration components and there are only percentage-based caps on the amount of total remuneration and variable remuneration components rather than defined amounts (item 4.2.3(2) of the Code). Overall, the Executive Board and Supervisory Board are of the opinion that the variable remuneration components provide both a long-term and positive forward-looking incentive effect.**

The long-term variable remuneration paid to the Executive Board of Viscom AG (Bonus II) is calculated on the basis of average EBIT for the last three years in conjunction with the achievement of a defined minimum average EBIT over the assessment period and positive EBIT in the past financial year. The Executive Board and Supervisory Board are of the opinion that this variable

remuneration structure compels the members of the Executive Board to focus on the long-term success of their activities, as they can only expect to receive variable remuneration as at the end of the respective three-year period if average EBIT develops positively during this period. This arrangement therefore has a corresponding long-term incentive effect with positive forward-looking characteristics.

In the opinion of the Executive Board and the Supervisory Board, the rolling nature of the three-year assessment period means there is no need to introduce instruments to take further account of negative developments.

The total variable remuneration components (Bonus I and Bonus II) are capped at 100 % of fixed annual gross remuneration. As the amount of fixed annual gross remuneration of the members of the Executive Board is fixed, in the opinion of the Executive Board and the Supervisory Board there is no additional gain to be had from setting the maximum limit as an amount as opposed to as a percentage.

**4. The employment contracts with the members of the Executive Board of Viscom AG provide for no payment caps on severance compensation in the case of early termination of the Executive Board mandate (item 4.2.3(4) of the Code).**

The Executive Board contracts do not contain any provisions for a severance cap in the event of early termination of the Executive Board mandate of a maximum of two years' remuneration, including in the form of (modified) tying clauses. Legal enforcement of a cap on severance pay for the member of the Executive Board would often not be possible in the relevant cases. If there is neither cause for dismissal in accordance with section 84(3) sentence 1 AktG nor cause for extraordinary termination of the employment contract in accordance with section 626 of the Bürgerliches Gesetzbuch (BGB – German Civil Code), the contract with the Executive Board member concerned can

only be terminated subject to mutual agreement. In such cases, Executive Board members have no obligation to agree to caps on severance pay within the meaning of the recommendations of the Code. These (modified) connection clauses that tie the termination of the Executive Board contract to dismissal for cause and provide for a cap on severance pay in such cases cannot be implemented unilaterally by the Supervisory Board against the will of the Executive Board member in question (deviation from item 4.2.3(4) of the Code).

In the event of early termination of a member of the Executive Board for cause for which the Executive Board member is responsible, severance payments must not be made anyway.

**5. The Articles of Association and the Rules of Procedure for the Executive Board do not call for a maximum age limit for Executive Board members (item 5.1.2 of the Code).**

Given the age structure of the current members of the Executive Board, this status quo is not open to question. The company is also committed to ensuring access to the expertise of experienced members of the Executive Board. Any exclusion based solely on age does not appear expedient to the Executive Board and Supervisory Board, since the optimum composition of the Executive Board could thereby be prevented for merely formal reasons. An age limitation in the Articles of Association or the Rules of Procedure has been and is therefore deemed unnecessary.

**6. The Supervisory Board has not formed any committees, and in particular has not formed an audit committee (items 5.3.1, 5.3.2, 5.3.3 of the Code).**

The Supervisory Board consists of just three members. In the opinion of the Supervisory Board, the formation of an audit committee is not expedient under the specific circumstances of the company and – unlike in larger governing bodies – does not increase efficiency. All matters are addressed by all members of the Supervisory Board, meaning that the formation of additional committees is not considered necessary. Given that the Supervisory Board of Viscom AG is not subject to co-determina-

tion, a nominating committee comprising exclusively shareholder representatives would be obsolete.

**7. The fixed remuneration for the Supervisory Board stipulated in the Articles of Association does not take account of chairpersons or committee members (item 5.4.6 of the Code).** The lack of committees on account of the small size of the Supervisory Board renders any further plan for the distribution of remuneration for chairpersons and committee members unnecessary.

In addition, this Compliance Statement was updated on 20 March 2020 as follows:

**8. The consolidated financial statements and consolidated management report of Viscom AG as at 31 December 2019 will not be available within 90 days of the end of the financial year (Code item F.2 sentence 1)**

Viscom AG announced that it will release its annual and consolidated financial statements as at 31 December 2019, as well as the management reports, on 24 March 2020. Due to current developments in the COVID-19 pandemic, the preparation and auditing of the annual and consolidated financial statements of Viscom AG and the management reports must be reviewed, in particular with regard to forecast reporting. The financial statement documents thus cannot currently be published within the period originally specified. Viscom AG will release its annual and consolidated financial statements and management reports within the statutory period, likely on 9 April 2020. The Executive Board and the Supervisory Board expect to be able to comply with the recommendation of the German Corporate Governance Code valid at that time again in future financial years.

**Working methods of the Executive Board and the Supervisory Board**

The Executive Board and the Supervisory Board of Viscom AG work together consistently and closely, in keeping with sound and responsible corporate governance. They coordinate regu-

larly and promptly in the areas recommended by the Corporate Governance Code, but also on issues beyond these areas.

### **Executive Board**

Viscom AG is a company incorporated under German law, which is also the basis of the German Corporate Governance Code. The two-tier system of management comprising the Executive Board and the Supervisory Board as corporate bodies which hold separate powers is a basic tenet of German stock corporation law. The Executive Board and the Supervisory Board of Viscom AG cooperate in all matters relating to control and supervision of the company in a close and trusting fashion.

The Executive Board of Viscom AG currently comprises four members: Carsten Salewski (Sales), Peter Krippner (Operations), Martin Heuser (Development) and Dirk Schwingel (Finance). The Executive Board is solely responsible for managing the company in compliance with the law, Articles of Association, Rules of Procedure, resolutions of the Supervisory Board and employment contracts. The primary tasks of the Executive Board are determining the strategic alignment, managing the company and the Group, and planning, establishing and monitoring a risk management system and a compliance system. Furthermore, the Executive Board is required to consider diversity and in particular the fair inclusion of women in the process of filling management positions in the company. By way of resolution dated 31 May 2017, the Executive Board of Viscom AG has set targets for the share of women in the two management levels below the Executive Board in accordance with section 76(4) AktG. After detailed discussion, an unchanged target was resolved of a 0 % share of women in the top national management level and 20 % for the management level below that. These targets must therefore be achieved by or maintained until 30 June 2020. The top two national management levels below Viscom AG's Executive Board have a total of 7 and 50 employees respectively. Currently 0 and 9 of these respectively are women. The share of women in the top two management levels below the Executive Board is therefore 0 % and 18 % respectively at this time.

The target of 20 % was therefore not yet fully achieved. As at the current time, there have been insufficient numbers of women applying for the positions that have become vacant. In assessing this target, it should be noted that the gender balance in the study programmes that make up Viscom AG's primary field of operations – electrical engineering and information technology – is very one-sided. The Executive Board will continue its efforts to achieve this target moving ahead.

All members of the Executive Board are involved in the day-to-day management of the company and bear responsibility for operations.

The Supervisory Board has resolved Rules of Procedure for the Executive Board regulating its responsibilities, work and its mode of cooperation with the Supervisory Board. According to these, members of the Executive Board wield executive powers in the areas of responsibility assigned to them in the allocation of duties. Insofar as measures or transactions of one area of responsibility overlap with those of one or more other areas, all involved members of the Executive Board must be in agreement. If there are any continuing differences of opinion, the Executive Board as a whole must reach a joint decision. These assignments notwithstanding, each member of the Executive Board remains responsible for all management issues (principle of overall responsibility). The entire Executive Board exclusively decides on any matters or transactions which are of extraordinary importance or carry an extraordinary economic risk.

The Executive Board passes its resolutions either at meetings or, in the absence of objections from Executive Board members, outside of meetings using modern means of communication. Two members of the Executive Board constitute a quorum. All resolutions of the Executive Board require a simple majority of the votes cast. Meetings of the Executive Board should take place at regular intervals, weekly if possible. They must take place when required to ensure the well-being of the company. The Executive Board member designated accordingly by the

Supervisory Board is responsible for determining meeting dates, convening meetings, setting the agenda, chairing the meetings and ensuring the minutes are taken.

The Executive Board is also required to regularly inform the Supervisory Board of the company of all matters reasonably of interest to it concerning the company and companies affiliated with the company, especially of all matters covered by section 90 AktG. These reporting duties apply to the full Executive Board. As a rule, Executive Board reports must be presented in written form except when urgency allows or necessitates a verbal report. Furthermore, the Executive Board members must regularly report jointly to the Chairman of the Supervisory Board on strategy, business planning and progress, the situation of the company, including its affiliated companies, the risk situation and risk management and compliance, in written or verbal form. The management of the Group is based on a reporting system that takes the form of monthly reports submitted to members of the Supervisory Board. These monthly reports include the consolidated income statement and individual breakdowns for the various Group companies. The reports also include a detailed presentation of the cost structure at Viscom AG and its Group companies, revenue in its system installation regions, incoming orders, order backlog, the number of employees, cash and cash equivalents, total receivables and receivables from subsidiaries, orders placed for the purchase of goods and the inventories of goods as well as partially completed and completed systems.

The Executive Board also reports on significant issues pertaining to the current situation of the company and directly and indirectly associated companies and events that go beyond normal business operations of the company and affiliated companies and are of special importance for the company as occasion requires. Any information relevant to decision making will be made available to the members of the Supervisory Board in a timely manner prior to the meeting.

Members of the Executive Board are subject to comprehensive restraint on competition during their Board membership. They are bound to the interests of the company. Consequently, no member of the Executive Board may allow personal interests to affect his decisions or take advantage of business opportunities to which the company is entitled for his own benefit. Any possible conflicts of interest must be disclosed promptly to the Supervisory Board, and the other members of the Executive Board must be informed. All transactions between the company and the Executive Board members or closely related persons or companies must comply with industry standards. Significant transactions with an Executive Board member or related parties require the consent of the Supervisory Board.

In addition, Executive Board members require the consent of the Supervisory Board to assume other professional roles, particularly the assumption of mandates in other companies.

Both the Executive Board and the Supervisory Board are bound to the interests of Viscom AG. There were no conflicts of interest to be reported to the Supervisory Board in the past financial year. No Executive Board member is a member of any Supervisory Boards at listed stock corporations outside the Group.

Viscom AG has obtained liability insurance (D&O insurance) with a commensurate deductible for all members of the Executive Board.

#### **Mandates of the Executive Board**

The members of the Executive Board do not hold any other seats in other supervisory boards required by law or comparable domestic and foreign governing bodies of commercial enterprises.

#### **Supervisory Board**

The Supervisory Board of Viscom AG consists of three members who are elected at the Annual General Meeting, without it being bound by any proposals for suitable candidates and with

identical terms of office, in compliance with Article 11(1) of the Articles of Association in conjunction with sections 95, 96(1) and 101(1) AktG. The company is not subject to co-determination.

The current members of the Viscom AG Supervisory Board are Prof. Dr. Michèle Morner (Chairwoman; first appointed: 30 May 2018), Volker Pape (Deputy Chairman; first appointed: 30 May 2018) and Prof. Dr. Ludger Overmeyer (first appointed: 27 May 2014).

They were individually elected at the Annual General Meeting on 30 May 2018 in accordance with the recommendations of the German Corporate Governance Code. None of the Supervisory Board members were over 70 years of age at the time of the election. The regular term of office for the Supervisory Board is five years. The current term ends with the regular Annual General Meeting that will approve the actions of the members of the Supervisory Board for the 2023 financial year of the company.

The proposals for suitable candidates consider the skills, expertise and experience necessary for the duties of the Supervisory Board. In addition to the company's specific situation, its international activities, potential conflicts of interest, the number of independent Supervisory Board members considered adequate by the Supervisory Board, the age and time limits for Supervisory Board members and diversity in the composition of the Supervisory Board are all considered. Taking the above criteria into account, the Supervisory Board has determined specific objectives regarding its composition and has prepared a skills profile as required by item 5.4.1(2) of the Code for the entire Supervisory Board. It will seek to ensure compliance with this profile for the entire Supervisory Board when making future proposals for the election of shareholder representatives to the Supervisory Board. The company's international activities should be taken into account in this skill's profile. Thus, the goal was set that at least one member of the Supervisory Board should have particular international experience, such as several years of professional experience in the management or executive bo-

dies of other international companies. Furthermore, potential conflicts of interest should be avoided even in the nominations made by the Supervisory Board to the Annual General Meeting. To ensure a mixed age and personality structure, members of the Supervisory Board should not have reached the age of 70 at the time of their election (standard age limit) and members should not typically serve on the Supervisory Board for longer than two full terms (standard membership limit). Regardless of the size of the Supervisory Board, no more than two members of the Supervisory Board should be former members of the Executive Board or representatives of the majority shareholder. As part of the skills profile, an independent member should have specialist knowledge in the areas of accounting or auditing. Furthermore, in light of Viscom AG's high-tech orientation, the Supervisory Board should have at least one member who is a technical expert with knowledge and experience in the fields of electrical engineering or information technology in particular. As a whole, the supervisory body should cover as broad a range of experience and expertise relevant to the company as possible. Attention should be paid to diversity when filling vacancies that arise on the Supervisory Board. In accordance with section 111(5) AktG, Viscom AG's Supervisory Board is also required to set targets for the share of women on the Supervisory Board. The Supervisory Board of Viscom AG currently complies in full with the above specific objectives regarding its composition and the defined profile of skills and expertise for the entire Supervisory Board. As an independent member of the Supervisory Board and on the basis of her education and previous professional activity, Prof. Dr. Michèle Morner has expertise in the field of accounting within the meaning of section 100(5) AktG.

Following extensive discussion, the Supervisory Board of Viscom AG had resolved by circulation procedure and at a joint meeting on 31 May 2017 to keep the target for the share of women on the Supervisory Board at 0 % until 30 June 2020. Following Prof. Dr. Michèle Morner's election to the Supervisory Board of Viscom AG by way of the Annual General Meeting

resolution on 28 May 2019, the share of women on the Supervisory Board of Viscom AG is now one third, surpassing the target. Volker Pape is a former member of the Executive Board of Viscom AG and has been a member of the Supervisory Board since 28 May 2019. He was put forward as candidate in accordance with section 100(2) sentence 1 no. 4 AktG at the proposal of shareholder HPC Vermögensverwaltung GmbH, Hanover, which holds over 25 % of voting rights in the company. The Supervisory Board endorsed this nomination. The election of Volker Pape was in line the recommendation of item 5.4.2 sentence 3 of the German Corporate Governance Code, which states that the Supervisory Board should not contain more than two former members of the Executive Board, as the Supervisory Board of Viscom AG does not include any other former members of the Executive Board.

By way of resolution dated 8 May 2013, the number of independent Supervisory Board members considered adequate by the Supervisory Board was defined in the Rules of Procedure of the Supervisory Board of Viscom AG as at least two. In the opinion of the Supervisory Board, the current Supervisory Board members Prof. Dr. Michèle Morner and Prof. Dr. Ludger Overmeyer are both independent. Other than being members of the Supervisory Board, they have no business or personal relationship with the company, its Executive Board or the controlling shareholder that could substantiate a material or even temporary conflict of interest.

The Supervisory Board monitors and advises the Executive Board on management of transactions. It is involved in strategy and planning in addition to all matters of fundamental importance to the company. The Supervisory Board has resolved Rules of Procedure for the Executive Board, in accordance with the company's Articles of Association. The standing rules include the provision that specifies the types of major transactions of the Executive Board that require the Supervisory Board's approval. The Supervisory Board's further responsibilities include appointing Executive Board members, determining the remunera-

tion system for the Executive Board and its individual members, and examining the company's single-entity and consolidated financial statements. The Supervisory Board must also consider diversity in the composition of the Executive Board. In accordance with section 111(5) AktG, Viscom AG's Supervisory Board is required to set targets for the share of women on the Executive Board. In light of the long-term succession planning for the Executive Board of Viscom AG that was initiated in autumn 2017, the Supervisory Board of Viscom AG reviewed the existing target for the share of women on the Executive Board of Viscom AG at its joint meeting on 8 February 2018 and, after detailed discussion, resolved to retain its target for the share of women on the Executive Board of Viscom AG at the current level of 0 % until 30 June 2020. In addition to the success of the current Executive Board, this decision was taken because, in the opinion of the Supervisory Board, internal candidates should be given precedence in any reappointment to or expansion of the Executive Board in order to ensure continuity within the company. As the share of women at the first management level below the Executive Board is currently 0 %, it would be unrealistic to expect to be able to increase the share of women on the Executive Board of Viscom AG in the short to medium term. However, the share of women at the first management level below the Executive Board is to be increased in the medium term.

Work within the Supervisory Board is coordinated by the Chairwoman of the Supervisory Board or, in her absence, by the Deputy Chairman. The Chairwoman of the Supervisory Board also chairs the Supervisory Board meetings and upholds the Board's interests when representing it. Furthermore, she is authorised to issue the declarations of intent on behalf of the Supervisory Board that are necessary to implement Supervisory Board resolutions. In urgent cases, this also includes the provisional approval of company transactions that, in accordance with the Rules of Procedure for the Executive Board, require the Supervisory Board's approval. Individual tasks and rules of procedure are stipulated in the Rules of Procedure of the Supervisory Board which have been resolved by the Supervisory Board in

accordance with the Articles of Association. This includes rules regarding the authority of the Chairwoman of the Supervisory Board and her deputy, in addition to rules pertaining to conflicts of interest and efficiency reviews. According to these, the Chairwoman of the Supervisory Board is required to maintain regular contact with the Executive Board and to discuss strategy, business development and the company's risk management with it. If she becomes aware of significant events of material importance for the assessment of the company's situation and development or for its management, she is required to inform the Supervisory Board and to convene an extraordinary Supervisory Board meeting if necessary.

The Supervisory Board held seven regular meetings in the 2019 financial year, including one meeting for an efficiency review under exclusion of the Executive Board. This took place on 5 April 2019. The meeting was essentially conducted on the basis of checklists. In addition to the long-term assessment of past resolutions, the assessment focused on efficient cooperation within the Supervisory Board, between the Chairman of the Supervisory Board and the other members of the Supervisory Board, and between the Supervisory Board and the Executive Board.

The Chairwoman of the Supervisory Board or, in her absence, the Deputy Chairman, convenes meetings in writing with 14 days' notice. In urgent cases, the Chairwoman of the Supervisory Board can shorten the notice period appropriately and convene the meeting verbally, by telephone, in writing, by fax or e-mail. The agenda and proposals for resolutions must be included with the invitations.

In accordance with the Rules of Procedure of the Supervisory Board, all meetings should be held in person. But meetings can also be held as video conferences or conference calls, or individual Supervisory Board members can take part in the meeting via phone or video. It is also possible to adopt resolutions using votes cast in writing, by telephone or using electronic forms of communication as long as this is ordered by the Chairwoman's

and no objections are raised by other members of the Supervisory Board within a reasonable period set by the Chairwoman of the Supervisory Board. The Chairwoman of the Supervisory Board must keep a record of and sign all resolutions made in a written or other form.

All resolutions of the Supervisory Board require a simple majority unless stated otherwise by law or the Articles of Association. The Chairwoman of the Supervisory Board or, in her absence, the Deputy Chairman, casts the deciding vote in the case of a tie.

Barring different arrangements made by the Supervisory Board for individual cases, all members of the Executive Board attend the quarterly meetings of the Supervisory Board. This notwithstanding, the Supervisory Board regularly meets without the Executive Board. The Executive Board's written reports for the Supervisory Board are handed out to the Supervisory Board members, unless the Supervisory Board has decided on a different approach in a given case.

The members of the Supervisory Board are independent from the management and maintain no business links with the company that could influence the independence of their opinion. Since 1 July 2018, Supervisory Board member Volker Pape and the company have had a long-term consultancy agreement which goes beyond the scope of consulting and monitoring duties performed by Mr. Volker Pape as a member of the Supervisory Board of the company, and so this agreement is remunerated separately. This consultancy agreement aims to continue making use of the contractor's experience and expertise after his many years of successful work for the company as a way of ensuring continuity, supporting old and new members of the Executive Board and retaining the contractor as a consultant in the long term. The consultancy agreement was entered into at market conditions. Nonetheless, Mr. Pape abstained from the Supervisory Board's resolution on approving the consultancy agreement in order to avoid a potential conflict of interest.



Both independent members of the Supervisory Board, Prof. Dr. Michèle Morner and Prof. Dr. Ludger Overmeyer, voted to give their approval.

Since the summer of 2019, there has been a consultancy relationship between the member of the Supervisory Board Prof. Dr. Michèle Morner and the company in the context of implementing a management development programme that goes beyond the scope of Prof. Dr. Michèle Morner's consulting and monitoring duties as a member of the Supervisory Board of the company, and that is therefore remunerated separately. The aim of this consulting is to further improve the professionalism in the areas of HR development and management, and the long-term promotion, development and succession of managers in the company as a whole with the help of Prof. Dr. Michèle Morner's comprehensive experience, expertise and teachings. Management principles and skills are to be defined and, on the basis of a potential analysis, a customised, systematic management development programme is to be established. The aim of this is to actively continue the development of individual managers and their management capabilities, as well as the management culture of the company as a whole. The consulting relationship is subject to arm's-length conditions. With Prof. Dr. Michèle Morner abstaining, on 14 June 2019 the Supervisory Board unanimously approved beginning her consulting activities with a kick-off event that was met with a large-scale, positive response from the participating employees. The continuation of these activities was approved on 6 December 2019.

In its report to the Annual General Meeting, the Supervisory Board provides information about any conflicts of interest that may have arisen during that financial year. Other than the potential conflict of interest regarding Mr. Volker Pape in connection to the Supervisory Board's resolution on his consultancy agreement described above, there were no conflicts of interest that had to be reported to the Supervisory Board in the past year.

The company has obtained D&O insurance with no deductible for its Supervisory Board members.

Detailed information on Supervisory Board activity during the 2019 financial year is included in the "Report of the Supervisory Board" to the Annual General Meeting.

#### **Mandates of the Supervisory Board members**

The Chairwoman of the Supervisory Board of Viscom AG, Prof. Dr. Michèle Morner, was a member of the Supervisory Board of KUKA AG from February 2017 until June 2018 and has been a member of the Nominations Committee of the Financial Reporting Enforcement Panel (FREP) since April 2015. Prof. Dr. Ludger Overmeyer has been a member of the Supervisory Board of LPKF Laser & Electronics AG since June 2019. Volker Pape does not hold any other seats in other Supervisory Boards required by law or comparable domestic and foreign governing bodies of commercial enterprises.

#### **Structure and working methods of Executive Board and Supervisory Board committees**

The company's Articles of Association allow the Supervisory Board to form committees from among its members. The Supervisory Board does not see committee formation as advisable under the circumstances of the company. The purpose of forming a committee, i. e. increasing the efficiency of the decision-making process, would not be achieved with a Supervisory Board of just three members. All matters are addressed by all members of the Supervisory Board, meaning that the formation of additional committees is not considered necessary.

No Executive Board committees with the purpose of increasing efficiency were formed because of the small size of the Executive Board.

### Shareholdings of Board members

The members of the Executive Board presently hold the following numbers of shares in the company:

- Dr. Martin Heuser:  
265,650 shares held directly; Dr. Heuser also holds 50 % of HPC Vermögensverwaltung GmbH, which in turn holds 4,869,085 Viscom AG shares.
- Dirk Schwingel:  
8,500 shares held directly.
- Carsten Salewski:  
7,150 shares held directly.
- Peter Krippner:  
5,000 shares held directly.

The members of the Supervisory Board presently hold the following amounts of shares in the company:

- Volker Pape:  
255,000 shares held directly; Dr. Pape also holds 50 % of HPC Vermögensverwaltung GmbH, which in turn holds 4,869,085 Viscom AG shares.
- Prof. Dr. Ludger Overmeyer:  
1,500 shares held directly.

### Diversity concept for the composition of the Executive Board and the Supervisory Board

As the composition of the Executive Board and Supervisory Board is based on diversity concepts as regards aspects such as age, gender, educational and professional background, international experience and other socio-economic issues and expertise, these must be described in the corporate governance declaration, as should the objectives of these diversity concepts, the way in which they are implemented and the results achieved in the financial year.

Please first refer to the above comments on the specific objectives for the composition of the Supervisory Board, the setting of a standard age limit and a limit on membership of the Supervisory Board, and the decisions on targets for the share of women. The objectives of the diversity concept for both the Executive Board and the Supervisory Board are as follows:

- **Educational and professional background – Technological expertise and commercial experience:** The members of the Executive Board and the Supervisory Board should have different educational and professional backgrounds. As a highly specialised technology company, it is crucial for Viscom AG that its Supervisory Board and Executive Board are qualified and experienced in the technical field. At the same time, given the size of the company, business administration and corporate organisation qualifications are significant. These two areas of expertise should be represented by at least one member on each of the boards.

On the Executive Board, these requirements are currently reflected by the fact that three out of four members of the Executive Board are graduate engineers and have years of professional experience in the technical field. The fourth member of the Executive Board supplements the requirement profile described above as a business graduate with years of professional experience as a commercial manager.

This diversity of expertise can also be found in the Supervisory Board. Prof. Dr. Overmeyer contributes outstanding technical expertise, which is supplemented by Prof. Dr. Morner's capabilities in the areas of business administration, corporate governance and HR. As a former member of the Executive Board of Viscom AG, Mr. Pape has both a technical background and experience of many years managing the company, and enhances the Supervisory Board's insight into its operational process.

- **Internationalism:** The composition of the Executive Board and the Supervisory Board should reflect a range of international experience. As an international corporation, experience of in-

tercultural communication and internationally diverse business practices are a crucial advantage to Viscom AG. The company therefore promotes and welcome the international experience of its employees and managers, gathered both inside and outside the Group. International expertise, possibly acquired by heading a corporation with international ties, should be represented in both the Executive Board and the Supervisory Board.

In the interests of this objective, on the Executive Board, the company particularly welcomes Mr. Salewski's many years of experience managing the international business of the US subsidiary in Atlanta and the associated branches in California and Mexico, where he still maintains extensive international contacts today as the Chairman of the IPC SMEMA Council and a member of the Board of the German-American Chamber of Commerce in Atlanta. On the Supervisory Board, the necessary international experience is embodied by Prof. Dr. Morner, as a former member of the Executive Committee of EURAM in Brussels, and Prof. Dr. Overmeyer, with his many years of experience in a position of responsibility at the international company Mühlbauer AG. In turn, as a former member of the Executive Board of Viscom AG, Mr. Pape is directly familiar with the Group's management of its various international branches and subsidiaries.

- **Opportunities for advancement and development through external expertise:** Viscom firmly believes that it is a benefit to the motivation and rights of its employees, and to diversity in management levels, when employees within the Group have clear opportunities for advancement to management levels. Some employees are therefore actively promoted to the level of the Executive Board. At the same time, the company wishes to maintain a focus on the diversity of developments in society as a whole, and to be open to external stimulus. Viscom AG sees its Supervisory Board especially as the body that can most suitably contribute this external expertise.

By appointing Mr. Krippner and Mr. Salewski to the Executive Board, the Supervisory Board is highlighting its goal of promoting long-serving employees to the head of the Group. Also, by appointing Prof. Dr. Morner to the Supervisory Board, a professional who has taught in the fields of corporate governance, business ethics and social change, the company is successfully pursuing the goal of incorporating external expertise as regards general business and social concerns. Led by Prof. Dr. Morner, a concept is currently being developed to further promote employees' management skills and opportunities for advancement.

- **Equal opportunities:** The diversity concept also includes the principle of equal opportunities. Women should have equal opportunities for advancement at Viscom AG and in the Group as a whole. As described above, this is partially encouraged by set quotas. In the interests of equal opportunities and the role model function thus entailed, the Executive Board and Supervisory Board welcome the fact that, in Prof. Dr. Morner, 33 % of the seats on the Supervisory Board are now held by women.

### **Shareholders and Annual General Meeting**

Shareholders of Viscom AG exercise their co-determination and control rights at the Annual General Meeting that is held at least once a year. The Annual General Meeting decides on all legally regulated issues with a binding effect for all shareholders and for the company. Each share grants one vote (one share, one vote) in the decision-making process.

The Annual General Meeting elects the Supervisory Board members and decides on approving the actions of the Executive Board and Supervisory Board. It regularly decides on the appropriation of retained earnings, the selection of the auditor, capital and structural measures, the approval of company contracts and any changes to the company's Articles of Association. At the Annual General Meeting, the Executive Board and

Supervisory Board render account of the past financial year. The German Stock Corporation Act (AktG) provides for convening an extraordinary General Meeting in special cases.

Shareholders are entitled to take part in the Annual General Meeting if they register in due time and provide proof of their right to attend the Annual General Meeting and exercise their voting right. Shareholders who cannot attend in person can exercise their voting right via a bank, shareholder association or any other authorised representative. The company offers shareholders who do not wish to or are unable to exercise the voting right themselves the option to vote at the Annual General Meeting via a proxy determined by Viscom AG and bound by the shareholders' instructions. This facilitates the exercising of shareholders' rights in compliance with the provisions of the Code.

The invitation to the Annual General Meeting and all information and reports necessary for passing resolutions are made accessible to the public on the website of Viscom AG in German, as stipulated by the laws governing stock companies.

## Remuneration report

Viscom AG complies with the recommendations of the German Corporate Governance Code by disclosing the individual remuneration of the Executive Board and Supervisory Board. The remuneration report forms part of the management report.

### Remuneration of Executive Board members

Remuneration of Executive Board members is determined by the Supervisory Board, and consists of a fixed annual salary, payable in twelve equal monthly rates and a 13th month's remuneration,

and a performance-based bonus. Total remuneration, comprising a fixed annual salary and a performance-based bonus, must be reviewed every two years to ensure it is appropriate.

The performance-based bonus comprises Bonus I relating to the financial year just ended and the long-term Bonus II. The total bonus is capped at 100 % of annual fixed remuneration for all Executive Board members.

Calculated on a straight-line basis, Bonus I is between one month's fixed remuneration for EBIT of € 1 million and 13 months' fixed remuneration for EBIT of € 15 million. EBIT must amount to at least € 1 million, otherwise the member of the Executive Board is no longer entitled to Bonus I.

Calculated on a straight-line basis, Bonus II is between one month's fixed remuneration for average EBIT of € 1 million and 13 months' fixed remuneration for EBIT of € 15 million. The bonuses are calculated on the basis of average EBIT generated in the three most recent financial years, i. e. the year just ended plus the two before that. Average EBIT must amount to at least € 1 million, otherwise the member of the Executive Board is no longer entitled to Bonus II. There is also no entitlement to Bonus II if EBIT was negative in the past financial year. This claim can be revived retroactively if EBIT of more than zero is achieved again in the following financial year.

There is no stock option programme for management or employees at Viscom AG.

The following table shows the grants awarded for the financial year:

Benefits granted in K€	Dr. Martin Heuser Member of the Executive Board, Director of Development				Dirk Schwingel Member of the Executive Board (Finance)			
	2018	2019	2019 min.	2019 max.	2018	2019	2019 min.	2019 max.
Fixed remuneration	208	208	208	208	208	208	208	208
Additional benefits*	17	17	17	17	12	12	12	12
<b>Total</b>	<b>225</b>	<b>225</b>	<b>225</b>	<b>225</b>	<b>220</b>	<b>220</b>	<b>220</b>	<b>220</b>
Annual variable remuneration	154	57	0	208	154	57	0	208
Long-term variable remuneration (Bonus II: average consolidated EBIT of the last three years)	151	134	0	208	151	134	0	208
Other	0	0	0	0	0	0	0	0
<b>Total**</b>	<b>208</b>	<b>191</b>	<b>0</b>	<b>208</b>	<b>208</b>	<b>191</b>	<b>0</b>	<b>208</b>
Pension cost***	16	16	16	16	18	18	18	18
<b>Total remuneration</b>	<b>449</b>	<b>432</b>	<b>241</b>	<b>449</b>	<b>446</b>	<b>429</b>	<b>238</b>	<b>446</b>

Benefits granted in K€	Carsten Salewski Member of the Executive Board (Sales)				Peter Krippner Member of the Executive Board, Director of Operations			
	2018	2019	2019 min.	2019 max.	2018	2019	2019 min.	2019 max.
Fixed remuneration	121	208	208	208	121	208	208	208
Additional benefits*	3	7	7	7	7	12	12	12
<b>Total</b>	<b>124</b>	<b>215</b>	<b>215</b>	<b>215</b>	<b>128</b>	<b>220</b>	<b>220</b>	<b>220</b>
Annual variable remuneration	90	57	0	208	90	57	0	208
Long-term variable remuneration (Bonus II: average consolidated EBIT of the last three years)	88	134	0	208	88	134	0	208
Other	0	0	0	0	0	0	0	0
<b>Total**</b>	<b>121</b>	<b>191</b>	<b>0</b>	<b>208</b>	<b>121</b>	<b>191</b>	<b>0</b>	<b>208</b>
Pension cost***	12	19	19	19	12	19	19	19
<b>Total remuneration</b>	<b>257</b>	<b>425</b>	<b>234</b>	<b>442</b>	<b>261</b>	<b>430</b>	<b>239</b>	<b>447</b>

\* In particular, additional benefits include use of a company vehicle for business and private purposes, capital-building payment schemes and a telephone allowance.

\*\* The total bonus for the Executive Board is capped at 100 % of fixed annual remuneration.

\*\*\* Contributions to private health insurance, direct insurance and accident insurance.

The following table shows the inflows for the financial year:

Benefits received  in K€	Dr. Martin Heuser Member of the Executive Board, Director of Development		Dirk Schwingel Member of the Executive Board (Finance)	
	2018	2019	2018	2019
Fixed remuneration	208	208	208	208
Additional benefits*	17	17	12	12
<b>Total</b>	<b>225</b>	<b>225</b>	<b>220</b>	<b>220</b>
Annual variable remuneration	196	154	90	154
Long-term variable remuneration (Bonus II: average consolidated EBIT of the last three years)	165	151	75	151
Other	0	0	0	0
<b>Total**</b>	<b>208</b>	<b>208</b>	<b>91</b>	<b>208</b>
Pension cost***	16	16	18	18
<b>Total remuneration</b>	<b>449</b>	<b>449</b>	<b>329</b>	<b>446</b>

Benefits received  in K€	Carsten Salewski Member of the Executive Board (Sales)		Peter Krippner Member of the Executive Board, Director of Operations	
	2018	2019	2018	2019
Fixed remuneration	121	208	121	208
Additional benefits*	3	7	7	12
<b>Total</b>	<b>124</b>	<b>215</b>	<b>128</b>	<b>220</b>
Annual variable remuneration	0	90	0	90
Long-term variable remuneration (Bonus II: average consolidated EBIT of the last three years)	0	88	0	88
Other	0	0	0	0
<b>Total**</b>	<b>0</b>	<b>121</b>	<b>0</b>	<b>121</b>
Pension cost***	12	19	12	19
<b>Total remuneration</b>	<b>136</b>	<b>335</b>	<b>140</b>	<b>360</b>

\* In particular, additional benefits include use of a company vehicle for business and private purposes, capital-building payment schemes and a telephone allowance.

\*\* The total bonus for the Executive Board is capped at 100 % of fixed annual remuneration.

\*\*\* Contributions to private health insurance, direct insurance and accident insurance.

## Remuneration of Supervisory Board members

In accordance with Article 20.1 of Viscom AG's Articles of Association, each member of the Supervisory Board receives fixed remuneration for each full financial year of membership. Supervisory Board members who are only members of the Supervisory Board for part of the financial year receive the fixed remuneration pro rata temporis. In accordance with Article 20.2 of the Articles of Association, fixed remuneration is € 18,000 per financial year and Supervisory Board member. The Chairwoman of the Supervisory Board receives double and her deputy one and a half times the fixed remuneration. The Chairwoman of the Supervisory Board receives three times the fixed remuneration and her deputy one and a half times the fixed remuneration from 1 June 2018 onwards. If membership of the Supervisory Board or the positions of Chairwoman or Deputy Chairman of the Supervisory Board are only temporary, remuneration is paid pro rata temporis.

Remuneration of the members of the Supervisory Board in the 2018 financial year was as follows:

2018		Fixed remuneration	Factor	Total remuneration
Supervisory Board	Role	€		€
Bernd Hackmann	Chairman of the Supervisory Board	7.5	2.0	15.0
Klaus Friedland	Deputy Chairman of the Supervisory Board	7.5	1.5	11.3
Prof. Dr. Ludger Overmeyer	Member of the Supervisory Board	18.0	1.0	18.0
Prof. Dr. Michèle Morner	Chairwoman of the Supervisory Board	10.5	3.0	31.5
Volker Pape	Deputy Chairman of the Supervisory Board	10.5	1.5	15.8
<b>Total</b>		<b>54.0</b>		<b>91.6</b>

Remuneration of the members of the Supervisory Board in the 2019 financial year is as follows:

2019		Fixed remuneration	Factor	Total remuneration
Aufsichtsrat	Funktion	€		€
Prof. Dr. Michèle Morner	Chairwoman of the Supervisory Board	18.0	3.0	54.0
Volker Pape	Deputy Chairman of the Supervisory Board	18.0	1.5	27.0
Prof. Dr. Ludger Overmeyer	Member of the Supervisory Board	18.0	1.0	18.0
<b>Gesamt</b>		<b>54.0</b>		<b>99.0</b>

In the 2019 financial year, Supervisory Board member Volker Pape received consulting remuneration from the company in the amount of € 120 thousand for consulting services he provided personally, in addition to his Supervisory Board remuneration. The Chairwoman of the Supervisory Board Prof. Dr. Michèle Morner received remuneration of € 12 thousand in the 2019 financial year for her consultation work on the implementation of a management development programme.

## Risk management

A responsible approach to business risk is one of the principles of good corporate governance. The Executive Board of Viscom AG and the management of the Viscom Group can use comprehensive Group and company reporting and control systems which facilitate the detection, assessment and controlling of risks. These systems are continuously enhanced in order to adapt them to changing conditions and are additionally monitored by auditors. The Executive Board regularly informs the Supervisory Board of existing risks and their development.

Details regarding risk management in the Viscom Group can be found in the risk report. The risk report contains the report on the accounting-related internal control and risk management system in compliance with the Bilanzrechtsmodernisierungsgesetz (BilMoG – German Accounting Law Modernisation Act).

### Transparency

Open and transparent handling of information for the relevant target groups of Viscom AG is a high priority within the company. The company has appointed a Corporate Governance Officer to monitor adherence to the German Corporate Governance Code.

Viscom AG regularly reports to shareholders, financial analysts, shareholder associations, the media and interested parties on the situation of the company and significant changes in business. All significant new information that is released to financial analysts and institutional investors by Viscom AG is always simultaneously made available to all shareholders and interested members of the public. Viscom uses the Internet and other means of communication to ensure that information is provided promptly.

An overview of all significant information released throughout the financial year is published on Viscom AG's website at [www.viscom.com](http://www.viscom.com):

- **Ad hoc disclosures.** Ad hoc disclosures in accordance with Article 17 of the Market Abuse Regulation (MAR) are issued without delay when facts arise concerning Viscom AG outside regular reporting that may significantly influence the share price. Viscom AG's ad hoc disclosures are available to

shareholders in the "Investor Relations/News/Publications/Ad hoc Notices" section of the Viscom AG website at [www.viscom.com/europe](http://www.viscom.com/europe).

- **Notices concerning voting rights** In accordance with section 33 et seq. of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act), when Viscom AG becomes aware that an entity acquires, exceeds or falls below 3 %, 5 %, 10 %, 15 %, 20 %, 25 %, 30 %, 50 %, or 75 % of the voting rights in the company as a result of a purchase, disposal or in any other way, this fact will also be promptly disclosed via notification system accessible throughout Europe. The company did not receive any notifications in the 2019 financial year.
- **Directors' Dealings.** Executive Board and Supervisory Board members of Viscom AG and certain executives who have regular access to insider information and are authorised to make significant company decisions (including related parties as defined by the Market Abuse Regulation (MAR)), are required to disclose their securities transactions, in accordance with section 19 of the MAR. These types of transactions are published as soon as the company is informed through a pan-European information system and in the "Investor Relations/News/Publications/Directors' Dealings" section of our website at [www.viscom.com/europe](http://www.viscom.com/europe).

The company was made aware of the following acquisition or sales transactions for shares of Viscom AG or for financial instruments based on these by members of governing bodies (Directors' Dealings) by Mr. Dirk Schwingel and Mr. Peter Krippner in the 2019 financial year:

	Date	Nature of transaction	Aggregate price in €	Aggregate total volume in €
Dirk Schwingel	29.03.2019	Purchase	14.75	14,750
Dirk Schwingel	13.08.2019	Purchase	9.71	9,710
Peter Krippner	21.08.2019	Purchase	8.79	8,786
Peter Krippner	27.08.2019	Purchase	8.73	8,730



- **Financial calendar.** With the financial calendar published in the financial reports and permanently available on Viscom AG's website, the company informs its shareholders and the capital market in a timely manner of the dates of significant publications such as the annual financial report, half-year financial report and quarterly financial reports, the Annual General Meeting, financial press conference and analyst conferences. Viscom AG's financial calendar is available to shareholders in the "Investor Relations/Financial Calendar" section of the Viscom AG website at [www.viscom.com/europe](http://www.viscom.com/europe).

#### **Accounting and annual audit**

Viscom AG prepares its consolidated financial statements in line with International Financial Reporting Standards (IFRS), as they are supposed to be applied in the European Union. The annual financial statements of Viscom AG are prepared in accordance with the German Commercial Code. The Executive Board prepares the consolidated financial statements, which are audited by the auditor and audited and approved by the Supervisory Board. Shareholders and interested parties are informed of the general situation of the company via the annual and interim reports and quarterly reports. All reports are accessible to all interested parties simultaneously on the Viscom AG website.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Hanover, was elected by the 2019 Annual General Meeting as auditor and audited the consolidated financial statements and the annual financial statements of Viscom AG. The audit took place in accordance with German auditing regulations and the standards for the audit of financial statements put forward by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer). Early risk detections system and reporting obligations in compliance with corporate governance as stated in section 161 AktG were also taken into account.

It was agreed with the auditor that the Chairwoman of the Supervisory Board would be promptly informed of any grounds for disqualification or conflicts of interest that arise during the audit, if these are not resolved immediately.

The auditors must also report all findings and occurrences significant to the tasks of the Supervisory Board without delay as they occur during the audit. The auditors must also inform the Supervisory Board and report in the audit report if facts arise in the course of the audit that do not conform with the compliance statement as submitted by the Executive Board and the Supervisory Board in accordance with section 161 AktG.

#### **Information on relevant company management practices**

Compliance with the law is our duty as a company, and it is in every company's own interest to reduce risks. Viscom sees it as its responsibility to comply with all laws and internal regulations – voluntary obligations and ethical principles also form an integral part of its corporate culture.

In order to actively meet local and international responsibilities, the Executive Board has developed, approved and introduced a compliance policy and corresponding annex for the employees that goes beyond the statutory rules of conduct applicable to all members of governing bodies and employees of the Viscom Group. This "Corporate Compliance Policy" stipulates how to deal with business partners and government institutions, how to maintain secrecy, independence and objectivity and how to act in cases of conflict of interest. These principles include the avoidance of corruption and cartel agreements, compliance with data security guidelines, equal opportunity and adherence to product safety and occupational health regulations.

They are available to Group employees on the intranet, where they can be accessed at all times in German and English. A whistle-blower system allows employees to report certain serious legal infringements to Viscom AG. This allows the Compliance Officer and where applicable the Executive Board to work towards containing damage and preventing further damage.

The Compliance Officer is responsible for maintaining and updating this policy.

Compliance is an integral part of Viscom's business processes and has formed the basis for a comprehensive and long-term management process, which is an ongoing and central task for the company. The topic of compliance must evolve constant-

ly in order to react to the opportunities for improvement and the changing demands of global business. It is the basis for ongoing change and improvement, making it a living process within the company that will never be completed. More information about the compliance policy is available in the company/Corporate Compliance section of the company's website at [www.viscom.com](http://www.viscom.com).