



## **COMPLIANCE STATEMENT IN COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

In accordance with § 161 of the Companies Act in the compliance statement the executive management and supervisory board at NFON AG state which recommendations of the Federal Ministry of Justice on the "German Corporate Governance Code" published in the official part of the electronic version of the Federal Gazette dated 7th February 2017 were and are complied with, or which recommendations were or not implemented.

3.8 Director's & Officers insurance was obtained for the supervisory board. There currently is no excess for the supervisory board for this insurance. Adding excess for the supervisory board is to be reviewed when renegotiating the insurance policy.

4.1.3 Executive management is ensuring compliance with statutory provisions and company policies, and is working towards group companies complying with these. A Compliance Management System has been established and introduced for this purpose. Employees and third parties are able to report misconduct within the company. Due to the organizational output the company has refrained from implementing an anonymous reporting system.

4.2.3 Overall, compensation is performance-based and commensurate with the duties of executive management. The compensation structure of salaries of executives takes into account the proportion of executive pay to the pay of senior management as well as to pay of staff, and is aimed at sustainable corporate development. In the case of the CEO this has not been split into fixed and variable pay components at this time. However, the intention is to modify the structure of the pay system in this context and among other things introduce a stock option plan. In the course, introducing a severance package cap in compliance with the code will need to be negotiated.

5.1.2 As with the supervisory board, all executives must have the knowledge, skills and professional experience to duly perform their duties. The rules of procedure for executive management therefore have no age restriction.

5.3.1 As long as the supervisory board has four members no committees the chairman of the board or another member of the supervisory board preside over will be established, as the members of the committees would virtually be the same as the members of the supervisory board.

5.3.2 As long as the supervisory board has four members the supervisory board as a whole will act as the audit committee.

5.3.3 The same considerations apply to establishing a nomination committee as to the remaining committees.



5.4.1 A control limit on the term of office of members of the supervisory board has not been established. Considering the knowledge, skills and professional experience mandated under item 5.4.1 sentence 1 of the code, to date it does not seem appropriate to establish a term of office. The same applies to defining an age limit.

5.4.6 The members of the supervisory board receive a pay commensurate to their duties, abilities and the situation of the company. The company's articles of association along with a resolution of the general shareholders' meeting stipulates that in addition to reimbursement of out-of-pocket expenses, members of the supervisory board also receive a fixed fee at the end of the fiscal year, particularly taking into account the position of the chairman of the board. Members of the supervisory board further receive an attendance fee for each complete session attended.

7.1.2 Due to the extensive consolidation work involved, the consolidated financial statement is prepared within four months of the end of the fiscal year. The quarterly financial disclosures and the semi-annual report are also published within two resp. three months of the end of the reporting period in accordance with exchange regulations and the Transparency Directive Implementation Act, again due to the extensive consolidation work involved.

April 2018