

## **Summarised declaration on corporate governance pursuant to Section 289f HGB and Group declaration on corporate governance pursuant to Section 315d HGB / 2019**

### **Introduction**

Corporate Governance constitutes the nationally and internationally recognised standards for good and responsible management. Efficient cooperation between the Board of Management and the Supervisory Board, attention to the interests of the shareholders, as well as the openness and transparency of corporate communications are key aspects of good corporate governance. The Board of Management and the Supervisory Board of PNE AG traditionally adhere to these standards and to the publicly accessible and binding Code of Conduct of the PNE Group, which applies to all enterprises and employees of the PNE Group.

### **German Corporate Governance Code**

In 2002, the first German Corporate Governance Code (hereinafter referred to as "Code") was introduced in Germany by the Government Commission of the same name. As a general rule the Code is reviewed and, if necessary, amended in respect of national and international developments. The last amendments were adopted by the Government Commission on 7 February 2017. The Code can be downloaded in its currently valid version on the internet page [www.dcgk.de/de/](http://www.dcgk.de/de/).

The cross-industry and cross-company recommendations and suggestions of the Code are not binding. However, Section 161 of the German Stock Corporation Act (AktG) require an annual declaration by the Board of Management and the Supervisory Board as to which recommendations of the Code have been and are being complied with and which recommendations have not been and are not being applied. This takes place in a so-called "declaration of compliance". Below you will find the full declaration of compliance last issued by the Board of Management and the Supervisory Board of PNE AG. Apart from the recommendations, the Code also includes suggestions, the application of which is also not obligatory; a declaration concerning any deviations from suggestions is also not mandatory.

For the Board of Management and the Supervisory Board of PNE AG, the recommendations and suggestions of the Code are, like the legal regulations, an integral part of their activity for the Company. They review their adherence to these standards at regular intervals so that appropriate compliance with these standards is guaranteed for the shareholders, the employees and last but not least for the Company and its national and foreign subsidiaries.

The last declaration of compliance was issued in September 2018 with the following text:

### **„Declaration of compliance in accordance with Section 161 of the German Stock Corporation Act (AktG):**

The Board of Management and the Supervisory Board of PNE AG declare that they have complied and will comply with the recommendations of the Government Commission of the German Corporate Governance Code, which was announced by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette (Bundesanzeiger), with the exception of the following recommendations listed below.

The basis of this declaration for the period from September 12, 2017 (the date of the last declaration of compliance) is the German Corporate Governance Code in the version of February 7, 2017, which was published on April 24, 2017 in the Federal Gazette and has not been amended since then.

#### **1. Consideration of the relationship between the remuneration of the members of the Board of Management and the remuneration of the senior executives and the personnel (No. 4.2.2 of the Code)**

The Code includes the recommendation that the Supervisory Board shall consider the relationship between the remuneration of the members of the Board of Management and that of

senior executives and the personnel overall, particularly in terms of its development over time. With regard to the conclusion of Board of Management contracts, the Supervisory Board - in accordance with the specifications of the German Stock Corporation Act - ensures that the total remuneration granted to the members of the Board of Management does not exceed the usual remuneration level without good cause. In this respect, the Supervisory Board also examines the "vertical" appropriateness of the remuneration of the members of the Board of Management and the wage and salary structure within the PNE Group. Insofar as the Code specifies reviewing the vertical appropriateness of the remuneration of the Board of Management, which is required by the German Stock Corporation Act, and provides a more detailed definition of both the peer groups relevant for comparison and the time period to which such a comparison applies, the Company declares as a precaution that it deviates from the Code.

When reviewing vertical appropriateness, the Supervisory Board did not distinguish between the peer groups of the Code recommendation and did not, and does not intend in future, to collect any data regarding the development over time of the wage and salary structure, either. The Supervisory Board does not see any benefit in the collection of data as recommended in the Code, which would justify the associated effort.

## **2. Exclusion of retroactive changes to performance targets for variable remuneration of the Board of Management (No. 4.2.3 of the Code)**

In respect of the variable remuneration of the Board of Management, the Code recommends that retroactive changes to the performance targets and the comparison parameters shall be excluded. The Company has contracts with members of the Board of Management, which allow retroactive changes in the event of exceptional circumstances, in particular whenever adherence to the original targets would be unreasonable. In the opinion of the Supervisory Board, this also results from the requirement in No. 4.2.2 of the Code stipulating that the remuneration system is to be reviewed regularly.

Should this be regarded as a deviation from the recommendation in No. 4.2.3, a deviation in this respect, for both the past and the future, is declared as a precautionary measure. The Supervisory Board considers it necessary to have the option of making adjustments ensuring a useful incentive for the Board of Management in the interest of the Company.

## **3. Specification of concrete objectives regarding the composition of the Supervisory Board (No. 5.4.1 of the Code)**

Pursuant to No. 5.4.1 of the Code, the Supervisory Board shall specify concrete objectives regarding its composition, devise a competence profile for the full corporate body, and take these elements into account in its proposals for election. The status of implementation shall be published in the Corporate Governance Report. This report shall also provide information that it comprises, in the Supervisory Board's opinion, a sufficient number of independent members who are shareholders and the names of these members. We do not comply with these recommendations of the Code. According to § 8 (2) of the articles of association, members of the Supervisory Board shall not be elected for a period beyond the end of the ordinary general meeting in the year in which the member of the Supervisory Board reaches the age of 75. In addition, the Supervisory Board's internal regulations stipulate that the Supervisory Board shall include what it considers an adequate number of independent members and that not more than two of its members shall be former members of the Board of Management. The Supervisory Board has also specified target figures for the proportion of women in the Supervisory Board, which will be met.

In addition, the composition of the Supervisory Board has to be aligned to the interests of the enterprise and to ensure the effective supervision and consultation of the Board of Management. This means that the qualification of the individual is the main criterion. In its discussions for election proposals to the general meeting, the Supervisory Board also takes into account the increasingly international activity of the enterprise, potential conflicts of interest, industry and management experience as well as diversity.

However, in the enterprise's interest not to limit the selection of qualified candidates further, the Supervisory Board confines itself to the above general declaration of intent. The Supervisory Board does not define any specific targets or competence profiles and, accordingly, does not report on the status of their realisation or the number and names of independent shareholder members, unless this is required by law, nor does it intend to do so in the future.

Cuxhaven, September 26, 2018. “

### **Information on corporate governance practices**

In addition to the recommendations, the German Corporate Governance Code also includes suggestions. A description and justification of the deviations from these suggestions is not required by law. However, PNE also bases its corporate governance on the suggestions of the German Corporate Governance Code.

For the Board of Management and the Supervisory Board, the recommendations and suggestions of the German Corporate Governance Code are, like the legal regulations, an integral part of their daily work.

For PNE, sustainable economic, ecological and social behaviour that respects applicable law is an indispensable element of corporate culture. This also includes trust, respect and integrity in dealing with one another. The concrete principles and basic rules for our actions and our conduct towards business partners and the public are summarised in the Code of Conduct.

Compliance, as the entirety of group-wide measures to adhere to laws, regulations and binding internal rules, is an important management and monitoring task at PNE.

The Code of Conduct is binding on all employees of the PNE Group worldwide. It defines basic, globally applicable standards of conduct and describes what conduct is expected of employees. It is the task of superiors to support their employees in this. Even a single employee's violation of the law can seriously damage PNE's reputation and cause considerable - even financial - harm to the Company. PNE does not tolerate violations of the law and will not protect those responsible from sanctions by the authorities. In most cases, violations can be avoided by seeking advice from supervisors, the responsible department or the compliance officer at an early stage. In addition, any alleged or actual violation of laws or company policies must be reported.

### **Procedure and composition of the Board of Management and the Supervisory Board as well as their committees**

PNE AG is a stock corporation established under German law. A basic principle of the German Stock Corporation Law is the dual management system with the statutory bodies of the Board of Management and Supervisory Board, which both have their own different competences. The Board of Management and the Supervisory Board of PNE AG cooperate closely and with full mutual confidence in the control and monitoring of the Company.

The Supervisory Board appoints the members of the Board of Management and can appoint one of its members as Chairman of the Board of Management. The Board of Management of PNE AG currently consists of the following members, whose cooperation and distribution of responsibilities are specified in the internal regulations of the Board of Management:

Markus Lesser, Chief Executive Officer (CEO), responsibilities (until the end of January 2019): strategy, business development, investor relations, corporate communications, project development offshore, human resources, operational management and WKN GmbH.

Jörg Klawat, Member of the Board of Management (CFO), responsibilities (until the end of January 2019): finance and accounting, controlling, risk management, legal affairs.

Kurt Stürken, Member of the Board of Management (COO), responsibilities (until the end of January 2019): project development as well as realisation of onshore wind farms and project development international.

On January 23, 2019, the Supervisory Board resolved to adopt the following new organisational structure from the beginning of February 2019:

Markus Lesser, Chief Executive Officer (CEO), responsibilities: project development onshore national, project development offshore, PNE services, commercial solutions and business development.

Jörg Klawat, Member of the Board of Management (CFO), responsibilities: shared services (legal & compliance, controlling, finance, IT, facility & vehicle fleet management, human resources, shareholdings & IPP).

Kurt Stürken, Member of the Board of Management (COO), responsibilities: project development new markets and project development onshore international.

The current period of office ends for the CEO Mr. Lesser on December 31, 2019, for Mr. Klawat on March 31, 2020 and for Mr. Stürken on September 15, 2019.

The Board of Management has not established any committees.

The Board of Management manages the Company under its own responsibility and must apply the due care of good and responsible management in this respect.

The Supervisory Board consults and supervises the Board of Management concerning the management of the Company. With regard to significant business transactions such as, for example, major investment transactions or changes in the corporate structure, the Board of Management requires the prior approval of the Supervisory Board. The list of the business transactions subject to such approval is included in the internal regulations of the Board of Management.

The Board of Management informs the Supervisory Board at regular intervals in writing and at the meetings of the Supervisory Board in written and oral reports about the development of the business and the situation of the Company. In addition, the Board of Management reports to the Supervisory Board in writing about exceptional events. Moreover, the Chairman of the Supervisory Board is regularly informed by the Board of Management in individual discussions.

In accordance with the law and the articles of association, the Supervisory Board of PNE AG is composed of six members, who are elected by the general meeting of shareholders. The Supervisory board elects a Chairman and a Deputy Chairman from its midst. In the 2018 fiscal year, the Supervisory Board included and, except for Dr. Isabella Niklas, currently includes the following members:

Per Hornung Pedersen (Supervisory Board Chairman)  
Dr. Jens Kruse (Deputy Chairman)  
Dr. Isabella Niklas (until December 31, 2018)  
Marcel Egger  
Florian Schuhbauer  
Andreas Rohardt

The period of office of the Supervisory Board members Andreas Rohardt and Per Hornung Pedersen ends at the end of the general meeting of shareholders in 2021; the period of office of Dr. Isabella Niklas was also scheduled to end at the end of the general meeting of shareholders in 2021. The term of office of the Supervisory Board members Dr. Jens Kruse, Marcel Egger and Florian Schuhbauer ends at the end of the general meeting of shareholders in 2022.

From among its members the Supervisory Board of PNE AG set up the following three committees:

1. Personnel Committee  
Per Hornung Pedersen (Chairman)  
Florian Schuhbauer  
Andreas Rohardt

2. Audit Committee  
Marcel Egger (Chairman)  
Dr. Isabella Niklas (until December 31, 2018); since then Florian Schuhbauer (until the 2019 general meeting of shareholders)  
Dr. Jens Kruse

3. Appointments Committee  
Per Hornung Pedersen (Chairman)  
Florian Schuhbauer  
Andreas Rohardt

The Committees prepare the resolutions of the Supervisory Board as well as the topics which are to be discussed at the full Board meetings. Moreover, the Supervisory Board has transferred powers of decision to the Committees to a legally permissible extent. The distribution of tasks and competences is specified in the internal regulations of the Supervisory Board. Through this it is guaranteed that the full Supervisory Board is kept informed about the findings and decisions of the Committees.

The Personnel Committee prepares the personnel decisions of the Supervisory Board, in particular the appointment, dismissal and the prolongation of the appointment of members of the Board of Management. Furthermore, it prepares the resolutions of the Supervisory Board concerning the determination (including a possible reduction) of the total remuneration of the Board of Management.

The Audit Committee is responsible for monitoring the accounting process and for supervising the effectiveness of the internal controlling, risk management and audit systems. It is also involved in the audit as well as questions of compliance. The Chairman of the Audit Committee, Mr Marcel Egger, is an independent financial expert and has, on the basis of his professional experience, specific knowledge and experience in the areas of accounting and auditing.

The Appointments Committee has the task - in line with the recommendation in No. 5.3.3 GCGC - of proposing suitable candidates to the general meeting of shareholders in the case of new elections to the Supervisory Board. It has a consulting function in this respect.

### **Concept of diversity**

The Supervisory Board does not pursue an (abstract) diversity concept with regard to the composition of the Board of Management and the Supervisory Board. The Declaration of Compliance in accordance with the German Corporate Governance Code explains in relation to Code recommendation 5.4.1 that the Supervisory Board, apart from the other objectives specified there, regards the objective of diversity as important and takes account of it in the choice of suitable candidates. Accordingly, targets were set for the proportion of women on the Supervisory Board, the Board of Management and at levels below the Board of Management. In addition, the composition of the Supervisory Board has to be aligned to the interests of the enterprise and to ensure the effective supervision and consultation of the Board of Management. Otherwise, the qualification of the individual is the main criterion. In its discussions for election proposals to the general meeting, the Supervisory Board also takes into account the increasingly international activity of the enterprise, potential conflicts of interest, industry and management experience as well as diversity. However, in the enterprise's interest not to limit the selection of qualified candidates further, the Supervisory Board confines itself to the above general declaration of intent.

### **Targets regarding the proportion of women in the Board of Management and Supervisory Board as well as the two management levels below the Board of Management**

In May 2017, the Supervisory Board determined that the target figure for the proportion of women on the Board of Management, which is to be achieved by September 15, 2019, shall be zero. This target figure was achieved by the current composition of the Board of Management with Markus Lesser (CEO), Jörg Klawat (CFO) and Kurt Stürken (COO). The members of the Board of Management were appointed

until December 31, 2019, March 31, 2020 and September 15, 2019, respectively. Hence, it was impossible for the Supervisory Board to foresee that women will sit on the Board of Management prior to September 15, 2019. Considering this situation, the Supervisory Board thought it would be consistent to determine a target number of zero for the period ending on September 15, 2019.

Furthermore, in May 2017, the Supervisory Board also determined that the target for the proportion of women on the Supervisory Board shall be one sixth (16.67 percent) to be fulfilled by the end of the general meeting on which the shareholders resolve upon the official approval of the Board of Management actions during the 2021 financial year. The target of women representing one sixth of the Supervisory Board members was fulfilled on December 31, 2018. Due to the resignation of Dr. Isabella Niklas from the Supervisory Board, the target has not been achieved with the current composition of the Supervisory Board; however, it should be achieved again in the course of the replacement of the position vacated as a result of the resignation of Dr. Isabella Niklas.

Irrespective of this, the Supervisory Board decided that the aspect of diversity should be generally considered when recruiting personnel for any PNE AG management positions.

Apart from the above, the Board of Management determined the targets for the proportion of women at the two management levels below the Board of Management in June 2017 as follows:

A target of 13-30 percent - to be achieved by June 30, 2020 - was determined for the proportion of women at the first management level below the Board of Management, which includes the divisional heads and the departmental heads reporting directly to the Board of Management. A target of 30 percent - to be achieved by June 30, 2020 - was determined for the proportion of women at the second management level below the Board of Management, which includes the other departmental heads. The targets for the proportion of women at the two management levels below the Board of Management were fulfilled on December 31, 2018.

#### **Remuneration of the Board of Management and the Supervisory Board**

The principles of the remuneration systems and the amount of the remuneration of the Board of Management and the Supervisory Board are published each year in the remuneration report, which is an integral part of the management report.

#### **Share transactions of the Board of Management and the Supervisory Board**

Section 19 of the Market Abuse Regulation (MAR) obliges the members of the Board of Management and the Supervisory Board of PNE AG as well as other persons who have regular access to insider information that is directly or indirectly related to the enterprise and who make major corporate decisions regarding future developments and business perspectives to report transactions in respect of PNE AG's financial instruments (so-called directors' dealings) to the Federal Financial Supervisory Authority (BaFin), provided that the total amount of such transactions exceeds the sum of € 5,000 per calendar year. This obligation also applies to individuals and legal entities who/which are closely related to one of the above-mentioned persons. PNE AG must immediately publish the notice received.

#### **Accounting and audit**

The consolidated financial statements as well as the interim financial reports of PNE AG are drawn up by the Board of Management on the basis of the International Financial Reporting Standards (IFRS), as are to be applied in the European Union. The annual financial statements of PNE AG are drawn up in accordance with the regulations of the German Commercial Code (HGB). The consolidated financial statements and the annual report are audited by the auditors and examined by the Supervisory Board. The half year financial report is subject to a review by the auditors. The interim financial reports at the end of the first and third quarters are neither audited nor reviewed by the auditors. They are, however, discussed between the Board of Management and the Audit Committee prior to publication.

The 2018 general meeting of shareholders elected Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, as the auditors for the consolidated financial statements and the annual report. Prior to the election, Deloitte issued a so-called declaration of independence on March 20, 2018 as recommended by the German Corporate Governance Code. On the basis of this declaration, there were (and are) no doubts regarding the independence of Deloitte as auditors.

According to contractual agreements with the auditors, the Supervisory Board shall be informed immediately regarding:

- Reasons for exclusion or partiality, which may occur during the audit,
- Findings or events, which may result during the course of the audit and which are significant for the tasks of the Supervisory Board, as well as
- Findings which indicate an error in the declarations given by the Board of Management and the Supervisory Board in respect of the German Corporate Governance Code.

### **Transparent corporate communications**

Open and transparent corporate communications are a key integral part of good corporate governance. Apart from clear and comprehensible content, this aspect also requires equal access by all target groups to the information of the Company. PNE AG places great importance on the internet as a medium independent of place and time as well as for freely accessible information. Accordingly, a visit to the internet page of PNE AG ([www.pne-ag.com](http://www.pne-ag.com)) gives the interested public access to a wide variety of well-structured information concerning the whole Company. In the “Investor Relations” section, comprehensive financial and economic information on PNE AG can be downloaded, such as annual reports and interim financial reports as well as insider information and press announcements. All information is available in both German and English.

The planned dates of the major recurring events, i.e. publication of annual accounts and interim financial reports as well as the dates of general meetings of shareholders and of the analyst conference, are indicated in a financial calendar. This will be published in good time and posted on the website of PNE AG.