



**GESCO AG  
Wuppertal**

**Declaration of Compliance and Corporate Governance Report**

**Financial year 2018/2019**

In this report, the Executive Board – on its own behalf and that of the Supervisory Board – provides information on its corporate governance (Corporate Governance Report) in accordance with Section 3.10 of the German Corporate Governance Code (hereafter also referred to as “GCGC” or “Code”) and Sections 289f and 315d of the German Commercial Code (HGB).

The Executive Board and Supervisory Board of GESCO AG govern the company with a view to sustainability. The business model is of a long-term nature and all measures are aimed at sustainable positive development. The Executive Board and Supervisory Board of GESCO AG agree with the aims of the Code: to promote good, trustworthy company management for the benefit of shareholders, employees and customers. Section 161 of the German Stock Corporation Act (AktG) requires an annual declaration of compliance with the recommendations of the Code. The preamble to the Code expressly provides for deviations from its recommendations, thereby allowing companies to take into account industry or company-specific factors and enhancing flexibility and self-regulation with regard to the corporate legal structure of German companies. This means that deviations are not negative per se, but can actually contribute to good management, at smaller companies in particular. The Executive Board and Supervisory Board submitted a declaration of compliance on schedule and as required by law in December 2018 and made it permanently available to shareholders on the company’s website ([www.gesco.de](http://www.gesco.de)). That declaration is based on the version of the Code dated 7 February 2017. In May 2018, November 2018 and February 2019, the company published updates to the respective applicable declarations of compliance relating to temporary discrepancies from Section 4.2.1, sentence 1 GCGC. The reason in each case was that the Executive Board of GESCO AG temporarily consisted of a single individual as a result of personnel changes. The declaration of compliance issued in December 2018 and the update from February 2019 are included in this corporate governance report. Previous declarations of compliance are also available to our shareholders and other interested parties on our website.

**Shareholders and Annual General Meeting**

Shareholders exercise their voting rights at the Annual General Meeting. Each share in GESCO AG grants one vote. GESCO AG publishes all documents relevant to points on the agenda on the company website in due time before the Annual General Meeting. In the course of the invitation to the Annual General Meeting, the company explicitly requests that shareholders exercise their voting rights. To make it easier for shareholders to vote, the company appoints a voting rights representative who can vote at the Annual General Meeting on behalf of shareholders and according to

their instructions. The company enables shareholders to order tickets, complete their postal vote and appoint a proxy via an online tool. The company feels that a high Annual General Meeting attendance rate is important in order to maintain democracy amongst shareholders and to ensure that decisions of the Annual General Meeting reflect the wishes of the majority of shareholders. GESCO AG publishes the invitation to the Annual General Meeting and any reports and information required to pass a resolution in accordance with the regulations of the German Stock Corporation Act (AktG). This information is also available on the company website. Since its IPO in 1998, the company has published the voting results on its website on the day of the Annual General Meeting.

### **Executive Board and Supervisory Board**

At GESCO AG responsibilities are distributed as follows: The Executive Board is responsible for managing the company. The Supervisory Board is responsible for monitoring corporate governance and advising the Executive Board. Both boards maintain a close and trusting working relationship within the scope of their legally defined responsibilities. The Executive Board provides the Supervisory Board with regular, prompt and comprehensive information on company planning, earnings and financial position, risk management, strategic development and intended acquisitions. A list of business activities defines those Executive Board decisions that require approval by the Supervisory Board.

Supervisory Board members did not receive any remuneration or benefits in kind for personal activities such as consultancy or agency services in the reporting year or the year before. Neither Executive Board members nor Supervisory Board members had any conflicts of interest.

### **Executive Board**

The Executive Board is responsible for the management of GESCO AG. The members of the Executive Board manage the company's activities in compliance with the law, the Articles of Association and the rules for management of the company approved by the Supervisory Board. The Executive Board works out the strategic development of the company, asks the Supervisory Board for approval and implements it. The Executive Board also defines the company's goals, makes plans and manages the internal control and risk management system, as well as controlling. In addition, the Executive Board prepares the quarterly reports or quarterly statements, the half-year interim report, the individual financial statements of GESCO AG and the consolidated financial statements. Its actions and decisions are aligned with the interests of the company.

The rules for the management of the company approved by the Supervisory Board define responsibilities within the Executive Board, and include detailed instructions regarding the work of the Executive Board and the specifics of reporting to the Supervisory Board by the Executive Board, as well as setting out the Executive Board decisions that require the approval of the Supervisory Board.

In the reporting year, the Executive Board consisted of Dr Eric Bernhard (Chairman of the Executive Board; until 15 June 2018), Mr Ralph Rumberg (Spokesman of the Executive Board; from 1 July 2018) and Mr Robert Spartmann (until 30 November 2018). Effective as at 1 May 2019, the

Supervisory Board appointed Ms Kerstin Müller-Kirchhofs as a member of the Executive Board.

### **Relevant details regarding management practices**

The members of the Executive Board manage the company with the care required of an orderly and conscientious manager, while observing the applicable laws, Articles of Association and the rules for the management of the company. GESCO AG does not pursue any relevant management practices that go beyond these standards.

### **Supervisory Board**

The Supervisory Board appoints Executive Board members, monitors their corporate governance and advises them on issues of company management. The report from the Supervisory Board contains detailed information on its work in the reporting year.

The Supervisory Board of GESCO AG has been deliberately kept small. This has proven to be extremely effective, as strategic issues and detailed questions can be discussed in depth from an overall perspective within the entire Supervisory Board. It is obviously not practical to form committees from a Supervisory Board of this size, so no committees are formed at GESCO AG. The company feels that a strong point of the Supervisory Board derives from the fact that its members are equally involved in all issues.

In the interests of the company, nominees for election to the Supervisory Board are primarily chosen on the basis of the required knowledge, abilities and professional experience of the candidates. When making suggestions, the Supervisory Board takes into suitable account the specific situation of the company, its international activities, potential conflicts of interest, the number of independent Supervisory Board members pursuant to Section 5.4.2 GCGC, the age limit and diversity. It will also aim to ensure that the committee as a whole fulfils the required level of competence. That includes the long-term aim of a suitable proportion of female members.

Details regarding the selection and term of office of the Supervisory Board members, on the constitution of the Supervisory Board, its meetings and decisions and the rights and responsibilities of its members are defined by the Articles of Association of GESCO AG. They are available from the company's website ([www.gesco.de/en](http://www.gesco.de/en)).

Pursuant to the recommendation in Section 5.1.3 GCGC, the Supervisory Board has created rules for the management of the company and for the application of the law and the Articles of Association. The Chairman coordinates the work of the Supervisory Board, chairs its meetings and represents its interests externally.

The Supervisory Board members in the reporting year were Mr Klaus Möllerfriedrich (Chairman), Mr Stefan Heimöller (Deputy Chairman), Dr Nanna Rapp and Mr Jens Große-Allermann. The Supervisory Board believes it is appropriate for at least two members of the company's Supervisory Board to be independent within the meaning of the Code. All members of the Supervisory Board currently meet the independence criteria. All members of the Supervisory Board also have the appropriate

expertise to act as financial experts in accordance with Section 100 para. 5 AktG. In their entirety, the members of the Supervisory Board are familiar with the sector in which GESCO AG operates.

### **Composition of the Supervisory Board and diversity of the Supervisory Board, Executive Board and executives**

According to Section 5.4.1 GCGC, the Supervisory Board shall specify concrete objectives regarding its composition and develop an expertise profile for the entire body. Within the context of the enterprise's specific situation, it shall appropriately take into account in its composition the international activities of the enterprise, potential conflicts of interest of Supervisory Board members, the number of independent Supervisory Board members pursuant to Section 5.4.2 GCGC, an age limit to be specified, a regular limit of length of Supervisory Board membership and diversity. In the eyes of the GESCO AG Supervisory Board, diversity is not merely defined by gender and nationality, but also, and specifically, by professional diversity and a well-balanced mix of expertise from various professional fields. The areas of competence required by the Supervisory Board of GESCO AG include accounting, auditing and monitoring of the effectiveness of internal controls ("Financial Expert"), capital market experience, entrepreneurial expertise and experience and broad knowledge of the strategic, operational and financial functioning of companies. The Supervisory Board believes that these skills are sufficiently represented on the Supervisory Board.

The "Act on the Equal Participation of Women and Men in leadership positions in the Private Sector and Public Bodies", which came into effect on 1 May 2015, calls for the creation of targets with regard to the inclusion of women in Supervisory Boards, Executive Boards and the top two levels of management, and the setting of deadlines by which those targets must be met. The Executive Board and Supervisory Board defined corresponding targets on 13 August 2015 and since then have published an annual Corporate Governance Report on the status of target achievement as well as on target adjustments.

GESCO Group companies pursue a clear and absolute policy of equal opportunities in their day-to-day business. This is a matter of course, irrespective of any legal obligations. The companies make a conscious effort to attract job applications from female candidates, support interested candidates in their applications, take part in campaigns such as "Girls' Days" and actively seek dialogue with schools and universities. This is not based on the desire to fulfil a quota, but rather derives from the conviction and necessity to recruit highly qualified individuals for vacant roles. GESCO Group companies have a great interest in positioning themselves as attractive employers.

In 2017, the Supervisory Board of GESCO AG set a target of a 25 % share of women on the **Supervisory Board**. This target is currently met.

In 2015, the Supervisory Board of GESCO AG set a target of a 30 % share of women on the **Executive Board**. In the reporting year, the Executive Board consisted solely of men. The target was met following the appointment of Ms Müller-Kirchhofs as a member of the Executive Board on 1 May 2019.

The Executive Board is tasked with setting targets for the percentage of women on the **first two levels of management below the Executive Board**. The holding company, GESCO AG, has no distinct hierarchy within its organisational structure as envisaged by lawmakers. All employees report directly to the Executive Board. There is currently no first or second level of management. The Executive Board therefore decided not to define a target.

We maintain 30 June 2022 as the deadline for the next review of target achievement.

### **Comprehensive and transparent communication**

GESCO AG promptly and truthfully informs shareholders, the capital market, media and general public about all relevant events and the financial development of the company. Financial reports, press releases and ad hoc notifications, the financial calendar, documents relating to the Annual General Meeting and a host of other information are available on the company website.

### **Shareholdings and members of executive bodies**

In accordance with the legal provisions, GESCO publishes without delay transactions by the persons referred to in Article 19 of the Market Abuse Regulation – particularly by members of executive bodies, and by persons closely associated with them, involving equities and debt instruments of the company or financial instruments related thereto – that require notification under the regulation. The transactions reported to GESCO AG in the past financial year are available from the company's website.

### **Remuneration report**

The remuneration report is part of the Group management report.

### **Accounting and audit of financial statements**

The individual financial statements of GESCO AG are prepared in accordance with the German Commercial Code (HGB). Since financial year 2002/2003, the consolidated financial statements of GESCO AG have been prepared according to International Financial Reporting Standards (IFRS). The individual and consolidated financial statements were audited by Breidenbach und Partner PartG mbB, Wirtschaftsprüfungsgesellschaft - Steuerberatungsgesellschaft, Wuppertal. The responsible auditor is Mr Nils-Christian Wendlandt, the seventh time he has held this role.

The following auditing firms were responsible for auditing the individual financial statements of the subsidiaries: Breidenbach und Partner PartG mbB, Wirtschaftsprüfungsgesellschaft - Steuerberatungsgesellschaft, Wuppertal; Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Düsseldorf; and Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Düsseldorf. Audits of the foreign sub-subsidiaries are largely conducted by international cooperation partners of our German auditors.

The Chairman of the Supervisory Board obtained the auditor's statement of independence in accordance with Section 7.2.1 of the GCGC. In line with

the resolution passed by the Annual General meeting on 30 August 2018, the Chairman of the Supervisory Board appointed the auditor for the individual and consolidated financial statements. The interim report and first- and third-quarter statement were not audited in the reporting year.

## **GESCO AG, Wuppertal**

Securities Identification Number A1K020  
ISIN DE000A1K0201

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

The Executive Board and Supervisory Board of GESCO AG declare, in accordance with Section 161 AktG, that the recommendations of the Government Commission of the German Corporate Governance Code published by the Federal Ministry of Justice and Consumer Protection in the official section of the Bundesanzeiger (Federal Gazette) on 24 April 2017 have been followed pursuant to the version of the Code dated 7 February 2017 since the last declaration of compliance was issued in December 2017, with the following exceptions:

- **Section 5.3: Forming Supervisory Board committees**

The Supervisory Board of GESCO AG comprises four members. Due to the small size of the board, overarching strategic issues and detailed questions can be discussed in depth and without any loss of efficiency and decided upon by the entire Supervisory Board. We therefore believe that it is not appropriate to create Supervisory Board committees. Rather, the company feels that a strong point of the Supervisory Board derives from the fact that its members are equally involved in all issues.

- **Section 5.4.1, paragraph 2, sentence 2: Regular limit on the length of membership for members of the Supervisory Board**

The Supervisory Board of GESCO AG is convinced that long periods of service on the Supervisory Board correspond with the business model of GESCO AG, which is long-term in nature and aimed at sustainability. Based on this fact, we believe that the introduction of limits on the length of membership for members of the Supervisory Board is neither appropriate nor useful.

- **Section 5.4.6, paragraph 2, sentence 2: Performance-related remuneration of the Supervisory Board**

In addition to a fixed element and attendance fees, the remuneration of the members of the Supervisory Board of GESCO AG includes a performance-related element, which is measured on the basis of consolidated net income after minority interest. Where applicable, Group losses are carried forward into the following year and offset against profits. We believe that this arrangement represents a sustainable and entrepreneurial attitude, and should meet the requirement for an orientation towards a sustainable company development set out in the Code. However, as it cannot be excluded that alternate points of view may be held, we hereby take the precaution of noting this departure from the recommendations of the Code.

- **Section 4.2.1, sentence 1 German Corporate Governance Code (GCGC): Executive Board consisting of several members, as well as a Chair or Spokesperson**

As a result of personnel changes, the Executive Board of GESCO AG comprised only one person for the period from 16 June 2018 to 30 June 2018 and therefore did not have a chair or spokesperson.

As a result of the departure of the company's Chief Financial Officer with effect from 30 November 2018, the Executive Board of GESCO AG has comprised only one person since 1 December 2018 and will continue to do so until the appointment of a successor.

The Executive Board and Supervisory Board of GESCO AG also declare, in accordance with Section 161 AktG, that the recommendations of the Government Commission of the German Corporate Governance Code in the version of the Code dated 7 February 2017, published by the Federal Ministry of Justice and Consumer Protection in the official section of the Bundesanzeiger (Federal Gazette) on 24 April 2017, have been followed and will continue to be followed with the exceptions of Section 5.3, Section 5.4.1 paragraph 2 sentence 2, Section 5.4.6 paragraph 2 sentence 2 and Section 4.2.1 sentence 1 (alternatively: 1) GCGC, as justified above. The deviation from the recommendation in Section 4.2.1 sentence 1 (alternatively: 1) GCGC is temporary in nature.

Wuppertal, December 2018

GESCO AG

For the Supervisory Board

Klaus Möllerfriedrich  
(Chairman of the Supervisory Board)

For the Executive Board

Ralph Rumberg  
(Spokesman of the Executive Board)



**GESCO AG, Wuppertal**

Securities Identification Number A1K020  
ISIN DE000A1K0201

**Update to the declaration of compliance issued in December 2018**

As a result of the previously communicated appointment of Ms Kerstin Müller-Kirchhofs as the company's Chief Financial Officer, effective 1 May 2019, the Executive Board of GESCO AG will again consist of two people as of that date. From 1 May 2019 the company will therefore comply with the recommendations of Section 4.2.1, sentence 1 GCGC.

The declaration of compliance issued in December 2018 continues to apply in all other respects.

Wuppertal, February 2019

GESCO AG

For the Supervisory Board

Klaus Möllerfriedrich  
(Chairman of the Supervisory Board)

For the Executive Board

Ralph Rumberg  
(Spokesman of the Executive Board)