

DECLARATION OF COMPLIANCE

DECLARATION MADE BY THE MANAGEMENT AND SUPERVISORY BOARDS OF QSC AG PURSUANT TO SECTION 161 OF THE GERMAN STOCK CORPORATION ACT (“AKTG”) REGARDING THE COMPANY’S COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE (“DEUTSCHER CORPORATE GOVERNANCE KODEX”) IN THE VERSION DATED 5 MAY 2015

Since its formation, QSC AG (“QSC”) has been committed to good corporate governance and has viewed transparency and value-driven management as essential. Consequently, the Company implements nearly all recommendations set forth in the German Corporate Governance Code and adheres to them in its daily work. Since the submittal of its last Declaration of Compliance, the Company has complied and continues to comply with the recommendations of the Government Commission “German Corporate Governance Code“ in the version dated 5 May 2015, with the following exceptions:

No agreement regarding a deductible in the D&O insurance for members of the Supervisory Board (Section 93, Paragraph 2 of the German Stock Corporation Act [“AktG”]) (Item 3.8, Paragraphs 2 and 3 of the Code)

QSC complies with the recommendation of the German Corporate Governance Code insofar as the D&O insurance policy has, since 1 July 2010, included a deductible for Supervisory Board members of 10 percent of the respective damages per damage event. However, and contrary to the recommendation, the liability per year is capped at 100 percent of the fixed annual compensation of the Supervisory Board members, since QSC does not deem it appropriate for the deductible to exceed their annual compensation.

No cap on individual variable compensation components or on the overall compensation of one Management Board member and consequently no presentation of the maximum achievable compensation in the compensation report (Item 4.2.3, Paragraph 2, Sentence 6 and Item 4.2.5, Paragraph 3 [first bullet point], Paragraph 4 of the Code)

Only one Management Board member still holds convertible bonds issued within the 2006 Stock Option Plan as one variable component of his Management Board compensation. These were allocated before the recommendation took effect. The current Management Board contract provides for a cap in the event of unforeseen developments; it does not, however, set any maximum limit on gains from exercising conversion rights in connection with the 2006 Stock Option Plan and thus on the overall compensation of the Management Board member. In view of this, QSC will also not state any maximum amounts in the model tables in the compensation report. QSC otherwise fully complies with the recommendations in respect of existing Management Board compensation and will also comply with the recommendations when determining any future Management Board compensation.

No exclusion of retroactive changes to the performance targets or comparison parameters for variable compensation of Management Board members (Item 4.2.3, Paragraph 2, Sentence 8 of the Code)

Management Board members receive variable compensation, the amount of which for the long-term incentive (LTI) component is based on the achievement of multiyear targets over a three-year performance period. Target agreements for multiyear targets were concluded with three Management Board members in March 2015. Upon concluding a further target agreement with a Management Board member who commenced his activity in 2016, on 18 August 2016 the Supervisory Board decided to adjust individual parameters of the target agreements concluded in March 2015. The Supervisory Board is of the opinion that external developments unforeseeable in March 2015 have made it necessary to restore the incentive effect of the

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variable compensation on a uniform basis for the Management Board members in the interests of the Company and thus boost the overall responsibility of the Management Board.

***No regular limit set for length of Supervisory Board membership
(Item 5.4.1, Paragraph 2, Sentence 1 of the Code)***

The Supervisory Board of QSC has set specific targets for its composition that are consistent with the recommendations made in Item 5.4.1 with the exception of the requirement to set a regular limit for the length of Supervisory Board membership. The Supervisory Board believes that it would not be in the Company's best interests to set an advance limit on the length of individual board membership. It is basically desirable that the Supervisory Board should change its composition at certain intervals; on the other hand, the Company should also be able to draw on the expertise of experienced Supervisory Board members.


***No disclosure of personal and business relations of each individual candidate with the Company, its executive bodies and with any shareholders holding material interests in company in election proposals to Annual General Meeting
(Item 5.4.1, Paragraphs 5 to 7 of the Code)***

In QSC's opinion, the recommendation of the German Corporate Governance Code does not specify clearly enough which relationships of a candidate must be disclosed and the extent to which such disclosures are required to be made for proposed elections at the Annual General Meeting, in order to comply with the recommendation. In the interests of legal certainty with respect to future elections to the Supervisory Board, the Management Board and Supervisory Board have decided to declare a divergence from the recommendation. QSC is of the opinion that the existing disclosure requirements contained in § 124 paragraph 3 sentence 4 and in § 125 paragraph 1 sentence 5 of the German Stock Corporation Act ("AktG") are sufficient to meet the informational needs of the shareholders and will, at an appropriate date in the future, investigate and decide - voluntarily and without tying itself to the Code's recommendation - whether to disclose additional information about candidates proposed for election at the Annual General Meeting.

Cologne, 17 November 2016



On behalf of the Management Board
Jürgen Hermann



On behalf of the Supervisory Board
Dr. Bernd Schlobohm