

Declaration of Conformity of the Supervisory Board and the Management Board of SFC Energy AG Pursuant to Section 161 of the German Stock Corporation Act

According to Section 161 of the German Stock Corporation Act (*Aktiengesetz*), the management board and the supervisory board of exchange-listed companies are required to declare annually that the company has complied, and will comply, with the recommendations of the Government Commission on the German Corporate Governance Code (the “Code”) published by the German Federal Ministry of Justice in the official Section of the Federal Gazette (*Bundesanzeiger*) and/or which recommendations the company has not applied and/or will not apply. This declaration has to be made accessible to the public on a permanent basis on the company's website. Thus, companies may deviate from the recommendations of the Code but, if they do, they are required to disclose such deviations on an annual basis. This allows companies to take account of sector-specific or company-specific needs. Thus, the Code helps to make corporate governance of German companies more flexible and promotes their self-regulation.

For the period as of the issuance of the last Compliance Statement of May 29, 2016, the following statement refers to the version of the Code dated May 5, 2015, as published in the *Bundesanzeiger* on June 12, 2015.

“In accordance with Section 161 of the German Stock Corporation Act (*Aktiengesetz*) the Management Board and the Supervisory Board of SFC Energy AG declare that, with the following exceptions, the Company has complied and will comply in full with the “Recommendations of the Government Commission on the German Corporate Governance Code”, as amended:

- According to Section 3.8 para. 3 of the Code, a company taking out a D&O (directors’ and officers’ liability insurance) policy for the Supervisory Board must agree upon a deductible of at least 10 % of the loss up to at least the amount of one and a half times the fixed annual compensation of the individual Supervisory Board member. With resolution of May 7, 2015 the general meeting of SFC Energy AG granted the Supervisory Board pre-emptive safeguards against liability risks, in order to ease the recruitment of professional qualified and independent supervisory board members. The recruitment of professional qualified and independent supervisory board members is a key objective of SFC Energy AG, whose fulfillment entails special challenges given the Company's geographically dispersed business operations, its orientation towards capital markets and its limited financial resources. According to this resolution, Section 16 para. 2 of the Articles of Association of the Company entitles the Supervisory Board Members to receive insurance coverage from the Company under a deductible-free D&O (directors’ and officers’ liability insurance) policy. As a result, the Company deviates from the recommendations set forth in the Code.
- According to Section 4.2.3 para. 2 Sentence 6 of the Code, the amount of compensation of the Management Board shall be capped, both overall and for the variable compensation components. With the beginning of the financial year 2014 the Supervisory Board of the Company has implemented a virtual stock option program that applies to any new Management Board member’s employment contract to become effective from 1 January 2014 on and that provides for the distribution of virtual stock options to the members of the Management Board. After the end of a waiting period,

the virtual stock options confer the right to cash pay out depending on the price of the share of SFC Energy AG at the date the right is exercised. Whereas the total number of stock options to be distributed is limited from the beginning, there is no limit to the amount in regards of a potentially increased share price during the exercise period. The Supervisory Board holds the opinion that a limitation of the increase potential of a share price-dependent compensation contradicts the principle behind this form of remuneration and would undermine its major incentive which is to work for and contribute to an increased company value. Since there is no complete limitation to the amount of any variable compensation component, no cap to the overall amount of compensation of the Management Board members exists. As a result, the Company deviates from the recommendations set forth in Sections 4.2.3 para. 2 Sentence 6 of the Code.

- According to Section 4.2.5. para. 3 of the Code, the compensation report shall present the benefits granted to every member of the Management Board during the last financial year, including the maximum and minimum achievable compensation. For this purpose, the sample table attached as Annex 1 to the Code shall be used. Since, as was previously explained, there is no limit to the amount paid as variable compensation by SFC Energy AG, a maximum achievable compensation cannot be disclosed. For this reason, no illustration of the maximum achievable compensation will be disclosed in the sample table. As a result, the Company deviates from the recommendations set forth in Section 4.2.5. para 3 of the Code.
- According to Section 5.3.1 of the Code, the Supervisory Board shall, depending on the specifics of the enterprise and the number of its members, form committees with sufficient expertise. In particular, Section 5.3.2 of the Code recommends that an Audit Committee be set up. The Supervisory Board of SFC Energy AG comprises only three members. The Supervisory Board holds the view – which is consistent with the legal literature on this subject – that the efficiency of the advisory and controlling activities of a Supervisory Board made up of only three members cannot be increased meaningfully by setting up any committees. As a result, the Company deviates from the recommendations set forth in Sections 5.3.1 and 5.3.2 of the Code.
- According to Section 5.3.3 of the Code, the Supervisory Board shall form a Nominating Committee composed exclusively of shareholder representatives which will propose suitable candidates to the Supervisory Board for recommendation to the General Meeting. The Company's Supervisory Board has not set up a Nominating Committee. Consistent with the legal literature on this subject, the Supervisory Board supports the position that forming a Nominating Committee is irrelevant if no employees are represented on the Supervisory Board. As a result, the Company deviates from the recommendation set forth in Section 5.3.3 of the Code.
- According to Section 5.4.1 paras. 2 and 3 of the Code, the Supervisory Board shall specify concrete objectives regarding its composition which, whilst considering the specifics of the enterprise, take into account the international activities of the enterprise, potential conflicts of interest, the number of independent Supervisory Board members, an age limit to be specified and a regular limit of length of membership to be specified for the members of the Supervisory Board and diversity. Recommendations by the Supervisory Board to the competent election bodies shall take these objectives into account. The concrete objectives of the Supervisory Board and the status of the implementation shall be published in the Corporate Governance

Report. The Company deviates from the recommendation to lay down, take account of and publish such concrete objectives. The composition of the Supervisory Board shall ensure that the Management Board is effectively advised and controlled, based on the Company's best interests. To ensure compliance with these statutory requirements the Supervisory Board will continue to base its proposals of candidates primarily on the knowledge, skills and experience of eligible candidates. In this respect, the Supervisory Board will also appropriately take account of the international activities of the Company, potential conflicts of interest, the number of independent members of the Supervisory Board, an age limit laid down in the Supervisory Board's Rules of Internal Procedure and diversity. Setting specific targets or quotas in advance that exceed the legally required target quota of women for the Supervisory Board under Section 111 para. 5 AktG, however, is something which the Supervisory Board considers to be neither necessary nor reasonable due to the fact that to do so would be to impose a sweeping restriction on the selection of suitable candidates particularly for SFC Energy AG, as a small, stock-listed German stock corporation (*Aktiengesellschaft*) with a supervisory board that is composed of only three members. Accordingly, the Corporate Governance Report does not mention any such objectives. As a result, the Company deviates from the recommendation set forth in Section 5.4.1 paras. 2 and 3 of the Code.

- According to Section 7.1.2 sentence 4, 1 ms. of the Code, the consolidated financial statements should be made publicly accessible within 90 days of the end of the financial year. The company deviates from this recommendation this year because of the unforeseeable last-minute absence of an essential employee in the Financing & Controlling Department due to illness. This absence led to a considerable delay in compiling the consolidated financial statements, and, thus, made observance of the 90-day time restriction indeed impossible. Next year, the company intends to keep to this deadline again.

Brunnthal, March 2017

The Management Board

Dr. Peter Podesser (Chairman), Steffen Schneider (Member), Hans Pol (Member), Marcus Binder (Member)

The Supervisory Board

Tim van Delden (Chairman)