

# CORPORATE GOVERNANCE

For SUSS MicroTec, the essential aspects of good corporate governance include transparency, open communication with shareholders and investors, and constructive cooperation between the Supervisory Board and the Management Board. SUSS MicroTec is guided by the German Corporate Governance Code (GCGC).

## AN OVERVIEW OF CORPORATE GOVERNANCE

Given the clearly defined goal of not only maintaining the continued existence of the Company, but also achieving a sustainable increase in the Company's enterprise value through responsible and long-term corporate management, corporate governance continues to be of great importance to the Company. The Management Board and Supervisory Board of SUSS MicroTec SE have renewed their intensive interest in the topic of corporate governance in the 2018 fiscal year. In its entrepreneurial activity, SUSS MicroTec strives to reinforce the confidence that investors, financial markets, business partners, employees, and the public have put in us and to continuously enhance corporate governance within the Group. Further information on this topic can be found on our website at > [www.suss.com](http://www.suss.com) > *Investor Relations* > *Corporate Governance*.

## DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

On January 9, 2019, the Management Board and Supervisory Board of SUSS MicroTec SE made the following declaration of compliance in accordance with Section 161 (1) of the German Stock Corporation Law (AktG):

SUSS MicroTec SE will comply with the recommendations of the German Corporate Governance Code in the version from February 7, 2017, with the following enumerated exceptions and has complied with the recommendations of the German Corporate Governance Code in the version from February 7, 2017, since the issuance of the most recent annual declaration of compliance in January 2018 with the following enumerated exceptions:

## DEDUCTIBLE FOR D&O INSURANCE

The German Corporate Governance Code recommends in Section 3.8 (3) that upon concluding a directors' and officers' liability insurance policy, a deductible be agreed for the Company's Supervisory Board that complies with the legal requirements for board members. SUSS MicroTec SE has had D&O insurance without any body-specific deductible for the Supervisory Board for several years. In SUSS MicroTec's opinion, responsible actions of the Supervisory Board are not additionally promoted through the agreement of a corresponding deductible.

## VERTICAL REMUNERATION COMPARISON

In Section 4.2.2 (2)(3), the German Corporate Governance Code recommends taking into account the ratio of Management Board remuneration to upper management remuneration as well as to that of the overall staff, including the trend over time, when setting Management Board remuneration. In the process, the Supervisory Board decides how upper management and the relevant staff are defined.

The Supervisory Board of SUSS MicroTec SE is of the opinion that comparing the remuneration of senior management and the relevant staff, taking the trend over time into account, can lead in practice to substantial legal uncertainties. Therefore, SUSS MicroTec SE is declaring a deviation from the Code as a precaution to this extent. In concluding the currently valid Management Board contracts, the Supervisory Board did not distinguish within the framework of the audit of appropriateness between the peer groups within the meaning of Section 4.2.2 (2)(3) of the Code version and also did not collect any data regarding the development over time of the wage and salary structure. It also does not consider such a purely formal procedure to be necessary in order to ensure the appropriateness of Management Board remuneration.

## PENSION COMMITMENTS

Under Section 4.2.3 (3), the German Corporate Governance Code recommends that the Supervisory Board take the respective targeted remuneration level into account in pension commitments – also according to the length of service in the Management Board – and the resultant annual and long-term expense for the Company.

The Supervisory Board of SUSS MicroTec deviates from this recommendation because no set “remuneration level” is targeted for Management Board members in retirement. Instead, the goal is remuneration in line with the market and the Company for active service. As a rule, no defined benefit commitments in which the Company provides the promised benefit are granted to members of the Management Board. To the extent that the Company makes a contribution to a pension plan and pays into a direct insurance policy (whole life insurance or retirement insurance), this is not linked to a commitment to a certain remuneration level.

## CREATION OF COMMITTEES

The German Corporate Governance Code in Section 5.3 recommends the creation of professionally qualified committees, depending on the specific circumstances of the company and the number of its Supervisory Board members. As the Supervisory Board of SUSS MicroTec consists of only four members, the creation of committees, which usually must be comprised of at least three members, is not necessary.

## SETTING A TERM LIMIT FOR MEMBERSHIP IN THE SUPERVISORY BOARD

According to Point 5.4.1 (2)(2) of the German Corporate Governance Code, the Supervisory Board should set a term limit for membership in the Supervisory Board. The Supervisory Board of SUSS MicroTec SE deviates from this recommendation since setting a membership term limit could jeopardize the Supervisory Board's latitude and decisiveness. In SUSS MicroTec's opinion, restricting how long an individual may remain in the Supervisory Board does not promote independent and responsible action by the Supervisory Board. On the contrary, given the complex product and corporate structure, a certain length of service in the Supervisory Board should be viewed positively, since over time one can gain valuable, Company-specific experience and knowledge that can benefit the Company.

## COMMUNICATION AND TRANSPARENCY

Corporate communications at SUSS MicroTec strives to inform all target groups in an equal and timely manner, while guaranteeing the greatest possible transparency and equal opportunities for all capital market participants. In addition to quarterly, semi-annual, and annual reports, the Company uses telephone conversations, conferences, road shows, and the website to inform shareholders, institutional investors, analysts, and other interested parties about developments at the Group. SUSS MicroTec mainly informs its shareholders four times per year about business development and the current net assets, financial position, and results of operations. Along with all obligatory publications, which are available for download in both German and English, you may view or download presentations at key events and Management Board interviews in video or audio format free of charge at > [www.suss.com](http://www.suss.com) > *Investor Relations*

SUSS MicroTec informs the public regularly and in a timely manner of any recurring events, for example the date of the Shareholders' Meeting or the publication dates of interim reports. This information can be found in the financial calendar published in our Annual Report and interim reports as well as on our Company's website.

## SHAREHOLDERS' MEETING

At the Shareholders' Meeting of SUSS MicroTec SE, our shareholders can pose their questions about the Company and its business development directly to the Management Board and the Supervisory Board. We always prepare the Shareholders' Meeting with the goal of providing shareholders with all information relevant to them. In addition, the Shareholders' Meeting approves a resolution on the appropriation of earnings, the discharge of liability for the Management Board and the Supervisory Board, and the selection of the auditor.

The convening of the Shareholders' Meeting, along with the pending agenda items and the conditions for participation, is usually announced five to six weeks before the date of the meeting. All documents and information on the Shareholders' Meeting can be downloaded from the Company's website. A paper copy can also be requested from the Investor Relations department. We also try to make it easier for our shareholders to exercise their rights. Shareholders can either exercise their voting right themselves at the Shareholders' Meeting, or have

this exercised via a proxy of their choice or a voting rights representative with instructions appointed by the Company. The instructions for exercising voting rights can be issued prior to the Shareholders' Meeting or at the meeting directly on site. We publish attendance figures and the voting results from the Shareholders' Meeting on the internet immediately after the event.

## MANAGEMENT AND SUPERVISORY BOARD COOPERATION

As a European company (SE), SUSS MicroTec is subject to European SE regulations, the German SE Implementation Act, and German stock corporation law. The Company has a dual management and control structure, which is exercised by the members of the Management Board and the Supervisory Board. The Management Board and Supervisory Board cooperate in a goal-oriented and efficient manner, taking into account the interests of our employees and shareholders, in order to promote the sustainable enhancement of the Company's value. The members of the Management Board bear joint responsibility for all management activities. They are responsible for the development of the Company's strategy, coordinating this with the Supervisory Board, and ensuring that it is carried out in a responsible manner.

The Supervisory Board monitors and consults the Management Board with regard to the management of the Company and appoints the members of the Management Board. Significant Management Board decisions – for example, acquisitions, divestments, and financial transactions – require the approval of the Supervisory Board.

The Supervisory Board of SUSS MicroTec SE is currently comprised of only shareholder representatives since the thresholds set in the participation agreement have not yet been reached.

As the Supervisory Board has not formed any committees given its size, there is thus nothing to report regarding the composition and working procedures of the committees.

The Management Board and the Supervisory Board always cooperate very closely in the interest of the Company and with the common goal of achieving a sustainable increase in the enterprise value. The Management Board informs the Supervisory Board about business policy and all relevant issues related to planning, business development, risk position, and risk management on a regular, prompt, and comprehensive basis. Deviations in business developments from the established plans and targets are explained and reasons for these are provided.

As stipulated in the German Corporate Governance Code, only one former member of the Management Board, Dr. Stefan Reineck, belongs to the Supervisory Board of SUSS MicroTec SE. In the 2018 reporting year, there were again no consultancy agreements or other service or labor contracts between the members of the Supervisory Board and the Company. No conflicts of interest among Management and Supervisory Board members to be immediately disclosed to the Supervisory Board occurred in the 2018 fiscal year.

## SUPERVISORY BOARD TARGETS AND CRITERIA REGARDING ITS COMPOSITION

The composition of SUSS MicroTec SE's Supervisory Board is designed to ensure that the Company develops positively with regard to sustainable profitability and to ensure the continuous adaptation to rapidly changing requirements through constructive consultation and monitoring of the Management Board on the basis of relevant expertise. Sufficient diversity of expertise among the members will generate a broad spectrum of experience and varying perspectives that can be used to the benefit of the Company.

SUSS MicroTec SE is a technology-oriented Company that is aligned with the global market and that must compete and develop in a very dynamic and technologically demanding environment. This necessitates that members of the Supervisory Board possess the ability to make assessments regarding technology and have relevant knowledge of markets on an international scale. In addition, dynamic changes in the market, technology, and society are gaining in importance, which require additional competencies for digitization and human resources. Of particular importance in terms of technological expertise is relevant knowledge of the semiconductor and semiconductor-related industry and its equipment suppliers. In order to be able to assess trends and developments in our very dynamic markets with foresight and reliability, international experience and extremely active networks must be represented in the Supervisory Board.

In addition to this key expertise, the Company expects Supervisory Board members and candidates to have broad experience in other areas that complement the optimal composition of the Supervisory Board. Among these areas are, in particular, knowledge and experience of strategic corporate development in the capital markets, including mergers and acquisitions, the recruitment of executives, modern remuneration models for all levels, and a heightened sensitivity for economic and ecological principles. Consequently, it is the objective of the Supervisory Board not only to attract individuals who are experienced financial experts

but also to cover these areas as well. In addition to subject matter expertise, Supervisory Board members should have the methodological expertise to handle complex situations and the social expertise to cooperate constructively within the body and with the Management Board.

Depending on the Company's current situation, it may make sense to adjust the weighting of individual criteria and to propose corresponding changes to the Supervisory Board at the Shareholders' Meeting. For this purpose, the Supervisory Board monitors the Company's situation and evaluates the composition of the board at regular intervals.

In view of the size of the Supervisory Board, the Management Board and Supervisory Board do not regard as expedient setting a minimum number of independent Supervisory Board members beyond the legal requirements in order not to excessively restrict future discretion in the selection of Supervisory Board members.

The Supervisory Board of SUSS MicroTec SE will not set any membership term limit for Supervisory Board members since doing so could harm the Supervisory Board's latitude and decisiveness. In SUSS MicroTec's opinion, restricting how long an individual may remain in the Supervisory Board does not promote independent and responsible action by the Supervisory Board. On the contrary, given the complex product and corporate structure, a certain length of service in the Supervisory Board should be viewed positively, since over time one can gain valuable Company-specific experience and knowledge that can benefit the Company.

SUSS MicroTec examines all potential candidates for the Supervisory Board with respect to their expertise and availability before a proposal is made to the Shareholders' Meeting. In addition, potential candidates must exercise, or have previously exercised, a function as member of the Management Board, Managing Director, or a similar responsible position in a comparable or larger company. Alternatively, experts who would bring special knowledge and experience to our Company can apply, provided that such expertise is considered meaningful for the Company's success. However, there is no fixed amount of experience that Supervisory Board members must have. The Company generally distances itself from potential candidates who already hold five or more positions on Supervisory Boards, taking into account recommendations of voting rights representatives.

In the future, women should be accorded greater attention in the selection of Supervisory Board members in order to achieve suitable female participation. In addition, listed companies and/or companies that are subject to co-determination have been

legally obligated since 2015 to set and publish targets for the share of women, including in the Supervisory Board, and to report about the implementation status (in the following section of the report). In the view of SUSS MicroTec SE, the qualifications of Supervisory Board candidates are the primary criteria for assuming a Supervisory Board position and therefore for the composition of the Supervisory Board. In proposals for the composition of the Supervisory Board, SUSS MicroTec supports and considers the criteria specified in the GCGC, but it regards meeting a certain quota for female participation as particularly problematic in the semiconductor sector. Since May 2017, the Supervisory Board of SUSS MicroTec SE includes Dr. Jahn. She is an expert on the topic of digitization in mechanical engineering and the consumer industry of sensor manufacturers, which is growing along with Industry 4.0.

The age limit for Supervisory Board members is 71.

Conflicts of interest are avoided in staffing the Supervisory Board by having the candidates make declarations prior to an election stating that they have no conflicts of interest. If potential or actual conflicts arise during an elected term, corresponding rules for the Supervisory Board and Management Board require that they be disclosed and handled appropriately by the full council of the Supervisory Board.

## PROVISIONS TO PROMOTE THE PARTICIPATION OF WOMEN IN LEADERSHIP POSITIONS

As a result of the law for the equal participation of women and men in management positions in the private and public sectors (Section 76 (4) and Section 111 (5) of the German Stock Corporation Law (AktG)), which went into effect on May 1, 2015, listed companies like SUSS MicroTec SE were obligated, inter alia, to set targets for the share of women in both the Supervisory Board and the Management Board and at the next two management levels. In addition, a deadline had to be set for achieving the respective target.

On June 30, 2017, the first implementation deadline, the Supervisory Board of SUSS MicroTec SE approved a target of 25 percent for the female share in the Supervisory Board, with an implementation deadline of June 30, 2022. For the female share in the Management Board of SUSS MicroTec SE, the Supervisory Board approved a target of 0 percent, with the same implementation deadline of June 30, 2022. As of the December 31, 2018 reporting date, the female share in the Supervisory Board was 25 percent, while it was 0 percent in the Management Board.

On June 30, 2017, the Management Board of SUSS MicroTec SE approved a target of 30 percent for the female share at the first management level below the Management Board, with an implementation deadline of June 30, 2022, as well as a target of 20 percent for the female share at the second management level below the Management Board, with an implementation deadline of June 30, 2022.

As of December 31, 2018, the established target for the first management level below the Management Board was not quite reached, as the female share was 28.6 percent. There are no specific reasons for the very slight deviation from the target at this management level. The female share in the second management level below the Management Board was 26.1 percent as of December 31, 2018. As a result, the target of 20 percent at the second management level was achieved. The Management Board is maintaining the targets it has established for June 30, 2022.

## COMPANY BODIES

Members of the Management and Supervisory Boards and their mandates:

### Dr. Franz Richter

- Dr.-Ing., resident of Eichenau, Chief Executive Officer

*Further appointments:*

- Meyer Burger Technology AG, Gwatt, Switzerland (Member of the Administration Board)
- COMET Holding AG, Flamatt, Switzerland (Member of the Administration Board)

### Robert Leurs

- Diplom Kaufmann (Business Administration), Diplom Finanzwirt (Financial Management), resident of Stockdorf, Chief Financial Officer

*Further appointments:* none

### Walter Braun (until 09/10/18)

- Diplom-Ingenieur (Engineering), resident of Altensteig, Chief Operating Officer

*Further appointments:* none

### Dr. Stefan Reineck

- Resident of Kirchart; managing shareholder of RMC Dr. Reineck Management & Consulting GmbH, Kirchart; Chairman of the Supervisory Board of SUSS MicroTec SE

*Further appointments:*

- attocube systems AG, Munich (Vice Chairman of the Supervisory Board)
- Phoseon Technology Inc., Hillsboro, Oregon, USA (Member of the Board of Directors)
- Wittenstein SE, Igersheim (Vice Chairman of the Supervisory Board)

### Jan Teichert

- Resident of Metten, Member of the Board of Einhell Germany AG, Landau (Isar); Deputy Chairman of the Supervisory Board of SUSS MicroTec SE

*Further appointments:* none

### Gerhard Pegam

- Resident of Au/Bad Feilnbach, Managing Director of GPA Consulting Au/Bad Feilnbach; Member of the Supervisory Board of SUSS MicroTec SE

*Further appointments:*

- OC Oerlikon Corporation AG, Pfäffikon, Switzerland (Deputy Administrative Board President);
- Schaffner Holding AG, Solothurn, Switzerland (Member of the Administrative Board)

### Dr. Myriam Jahn

- Resident of Dusseldorf, Managing Director of Q-Loud GmbH, Cologne; Supervisory Board member of SUSS MicroTec SE

*Further appointments:* none

## CHANGES IN THE MANAGEMENT AND SUPERVISORY BOARDS

There was a change in the composition of the Management Board in the 2018 fiscal year. On September 10 resolutions were approved by the Supervisory Board to ask Mr. Walter Braun to step down as a member of the Management Board and to terminate his service contract. Since then the Management Board has been comprised of Dr. Franz Richter (CEO) and Robert Leurs (CFO).

No changes were made to the Supervisory Board in the 2018 fiscal year.

## OWNERSHIP OF SHARES AND SUBSCRIPTION RIGHTS

The members of the Management and Supervisory Boards of SUSS MicroTec SE in office in the 2018 fiscal year owned the following number of shares and subscription rights as of the end of the fiscal year on December 31, 2018:

## OWNERSHIP OF SHARES AND SUBSCRIPTION RIGHTS

	Number of shares on 12/31/2018	Change from 12/31/2017	Number of stock options on 12/31/2018	Change from 12/31/2017
<b>Supervisory Board</b>				
Dr. Stefan Reineck	9,600	–	0	–
Jan Teichert	0	–	0	–
Dr. Myriam Jahn	0	–	0	–
Gerhard Pegam	0	–	0	–
<b>Management Board</b>				
Dr. Franz Richter	80,000	+15,000	0	–
Robert Leurs	1,500	+1,500	0	–

## DIRECTORS' DEALINGS OF THE MANAGEMENT AND SUPERVISORY BOARDS SUBJECT TO MANDATORY REPORTING

In accordance with Article 19 of the Market Abuse Regulation (MAR), the members of the Management and Supervisory Boards are legally obligated to disclose any dealings in their own account with SUSS MicroTec SE shares or their corresponding financial instruments insofar as the value of the transactions that a member of the Company and persons associated with him/her has carried out within the calendar year amounts to or exceeds EUR 5,000.

All dealings of the Management Board and Supervisory Board are published on the Company's website at > [www.suss.com](http://www.suss.com) > *Investor Relations* > *Share* > *Directors' Dealings*.

## ACCOUNTING AND ANNUAL AUDIT

SUSS MicroTec prepares its consolidated financial statements and interim reports in accordance with the International Financial Reporting Standards (IFRS) as are applied in the European Union for listed companies. The separate financial statements of SUSS MicroTec SE are prepared according to the provisions of the German Commercial Code (HGB).

On June 6, 2018, the Shareholders' Meeting appointed BDO AG Wirtschaftsprüfungsgesellschaft, headquartered in Hamburg, with an office in Munich, as auditors and Group auditors of SUSS MicroTec for the 2018 fiscal year. As a result, the annual financial statements and the consolidated financial statements of SUSS MicroTec have been audited by a company of the BDO Group for the sixth time in a row. Aside from auditing activities, BDO

AG Wirtschaftsprüfungsgesellschaft did not perform any consulting services for SUSS MicroTec in 2018. The auditor has demonstrated its impartiality to the Supervisory Board in a declaration of impartiality. Furthermore, the auditor agreed to inform the Supervisory Board of all material findings and circumstances that arise while conducting the audit. The lead auditor for the 2018 fiscal year was Mr. Thomas Steiner (Wirtschaftsprüfer – German Public Auditor), who was lead auditor of the financial statements and consolidated financial statements for SUSS MicroTec for the fifth year in a row.

## CORPORATE GOVERNANCE DECLARATION

The Group declaration regarding corporate governance in accordance with Section 289f and Section 315d of the German Commercial Code (HGB) is part of the Management Report and has been made available on the Company's website at > [www.suss.com](http://www.suss.com) > *Investor Relations* > *Corporate Governance* > *Corporate Governance Declaration*

## REMUNERATION REPORT

We presented the elements of the remuneration system in the Remuneration Report, which is published in the condensed Management Report.