

## Corporate governance report 2018

---

### Corporate governance at VTG AG

The actions of VTG are oriented toward long-term success. Accordingly, VTG places great value on responsible and transparent management of the company. Corporate governance is the very foundation on which shareholders, employees and business partners can work together in complete trust. VTG largely complies with the recommendations of the German Corporate Governance Code.

### Declaration of Conformity 2019

On February 18, 2019, the Executive and Supervisory Boards of VTG AG issued a declaration of conformity in accordance with § 161 of the German Stock Corporation Act. VTG has complied to a large extent with the recommendations of the Commission of the German Corporate Governance Code in the version of February 7, 2017, which formed the basis of the issue of the last declaration of conformity on February 14, 2017, and will also in the future comply to a large extent with these recommendations. The following recommendations have not been or are not being implemented:

#### 1. Section 3.8 paragraph 3 of the Code

The directors' and officers' liability insurance taken out by the company for the members of the Supervisory Board does not provide for any deductible for the members of the Supervisory Board since such deductible in the view of the company is not necessary to increase the feeling of responsibility and motivation of the members of the Supervisory Board in the performance of their duties.

#### 2. Section 4.2.2 paragraph 2 sentence 3 of the Code

The recommendations regarding the vertical remuneration comparison contained in section 4.2.2 paragraph 2 sentence 3 of the Code were neither implemented nor is it intended to implement them. The Supervisory Board, in

accordance with § 87 (1) sentence 1 of the German Stock Corporation Act, already by law must ensure that the total remuneration of each member of the Executive Board is in proportion to the duties and performance of the Executive Board member and the situation of the company and does not exceed the normal level of remuneration unless there are special reasons. In doing so, the Supervisory Board also takes into account the remuneration of the subordinate levels of management. The determinations required by the Code for the vertical remuneration comparison involve substantial problems of distinction. Against this background, the currently existing flexible concept of the Supervisory Board without such determinations, which takes into account the specific situation of the individual case, is considered preferable.

### **3. Section 4.2.3 paragraph 2 sentence 3 of the Code**

All contracts with Executive Board members of VTG provide for a system of variable remuneration that comprises both short- and long-term elements having a multiple-year assessment basis. The Code sets down the additional requirement that the multi-year assessment basis shall have “essentially forward-looking characteristics”. The long-term elements of the variable remuneration components at VTG are formally based on a comparison with a benchmark, which is calculated from the last three financial years. Nevertheless, the company assumes that the remuneration structure is focussed on the sustainable growth of the company.

### **4. Section 4.2.3 paragraph 2 sentence 6 of the Code**

The contracts of the Executive Board members currently in office contain a fixed maximum amount only with regard to the fixed and variable components of the remuneration, but not with regard to the “total remuneration” (including a potential discretionary bonus). In the view of the Supervisory Board, the capping of Executive Board remuneration intended by the Code is already sufficiently ensured by the existing arrangements. Like in the past, the Supervisory Board will continue to use its best judgment when considering a potential discretionary bonus. For this reason it is not intended to implement this part of the recommendation of the Code regarding new contracts to be entered into with Executive Board members.

**5. Section 4.2.3 paragraph 3 of the Code**

The Supervisory Board does not consider it essential for an appropriate pension scheme to define the intended level of pension benefits and therefore reserves the right to make pension commitments without such definition. Due to specified plans and assumptions, the Supervisory Board nevertheless is in a position to gain a sufficiently accurate picture of the annual and long-term expenditure for the company.

**6. Section 4.2.3 paragraph 4 of the Code**

Some of the existing executive board contracts do not include a “severance payment cap”. In future too, the Supervisory Board cannot rule out concluding Executive Board contracts with provisions that in this respect do not comply with the Code. The Supervisory Board is of the opinion that, in the interest of finding the optimal candidates for membership of the Executive Board, the existing freedom in the formulation of such contracts should not be restricted in advance in terms of individual elements thereof.

**7. Section 4.2.4 of the Code**

As a result of a resolution to this effect of the Annual General Meeting of June 5, 2014, the company has not published individual reports on the remuneration of the members of the Executive Board. In accordance with this decision the compensation of the Executive Board will not be individually disclosed also in the annual financial statements and in the consolidated financial statements of the company for the financial years through and including 2018.

#### **8. Section 4.2.5 paragraph 3 of the Code**

Since in accordance with the decision of the Annual General Meeting of June 5, 2014 the compensation of the Executive Board will not be individually disclosed, the remuneration report does not contain an individualized description in accordance with the requirements of section 4.2.5 paragraph 3 of the Code and the model tables provided in the appendix of the Code are not applied.

#### **9. Section 5.3.3 of the Code**

In view of the small size of the Supervisory Board, the company has refrained from setting up its own nomination committee. The tasks of the nomination committee as provided for in the Code have been assigned to the Executive Committee, which, as with the Supervisory Board, comprises only representatives of the shareholders.

#### **10. Section 5.4.1 paragraph 2 of the Code**

The objectives that the Supervisory Board specified for its composition do not provide for any age limit or for any regular limit of length of membership and do not include concrete objectives regarding diversity. The Supervisory Board is of the opinion that age or length of membership are no suitable criteria for selecting qualified female or male candidates. Regarding its composition the Supervisory Board attaches importance to diversity and is open for the objectives insofar pursued by the Code. In the opinion of the Supervisory Board concrete objectives are however problematic; a practicable and adequately flexible selection of its members will thus be complicated.

#### **11. Section 7.1.2 sentence 3 of the Code**

The company meets its publication obligations within the deadlines set out in the law and informs its shareholders in advance, at the beginning of the year, about the dates for the publication of all financial reports to be published in the course of the business year. A further shortening of the deadlines in accordance with Section 7.1.2 sentence 3 of the Code is not

considered reasonable by the Executive and Supervisory Boards in view of additional organizational requirements and associated expenditure.

## **Objectives for the Composition of the Supervisory Board / Competence Profile / Implementation Status**

On February 15, 2018, the Supervisory Board of the company decided on the following targets for the composition of the Supervisory Board. These targets take into account the statutory requirements and – to the extent a deviation is not expressly stated – the requirements of the German Corporate Governance Code both with respect to the requirements for individual Supervisory Board members as well as with respect to the requirements for the composition of the entire Supervisory Board. In particular, a competence profile has been stipulated with regard to the entire Supervisory Board.

The Supervisory Board will take the objectives into account when considering the nominations and make sure that the relevant candidates fulfil the requirements. In this context, the specific situation of the company is to be taken into account.

### **1. Requirements for Individual Members**

It is the Supervisory Board's goal that each Supervisory Board member fulfils the following requirements:

#### **a) General Requirement Profile**

Each Supervisory Board member shall possess the necessary knowledge and experience that enable him or her to supervise and advise the company with the requisite diligence and to assess any risks for the company's business.

The Supervisory Board will furthermore ensure that all Supervisory Board members have a personal profile that enables them to uphold the reputation of the company in public.

**b) Availability**

All Supervisory Board members shall be able to devote the amount of time necessary for the diligent performance of their mandate throughout their entire term of office. The Supervisory Board members shall, in particular, observe the requirements of applicable law and of the German Corporate Governance Code with respect to the permissible number of supervisory board mandates.

**c) Conflicts of interest**

Every Supervisory Board member must disclose conflicts of interest to the Supervisory Board, for the attention of the Supervisory Board Chairman. The Supervisory Board in its report to the Annual General Meeting informs about conflicts of interest that arise.

**d) Age limit for Supervisory Board members / regular limit of length of membership**

As already expressed in its Declaration of Conformity pursuant to Sec. 161 of the German Stock Corporation Act, the Supervisory Board has neither stipulated an age limit for Supervisory Board members nor a regular limit of length of Board membership within the meaning of Section 5.4.1 of the current Corporate Governance Code. The Supervisory Board is of the opinion that age or length of membership are no suitable criteria for selecting qualified female or male candidates.

## **2. Requirements for the composition of the entire Supervisory Board**

Besides the personal requirements which the Supervisory Board imposes on its individual members, it is the Board's goal that the entire Supervisory Board fulfills the following requirements:

### **a) Competence profile of the entire Supervisory Board**

Collectively, the Supervisory Board members must have the knowledge, abilities and professional experience necessary to duly perform the duties incumbent on them. The Supervisory Board seeks to cover - as a whole - the broadest possible range of knowledge and experience relevant for the Group and, in particular, to fulfil the following requirements:

- (1) profound knowledge and experience in the logistics sector,
- (2) profound knowledge of the operation and financing of durable goods
- (3) professional knowledge or experience in other industries;
- (4) entrepreneurial or operational experience;
- (5) at least two members with several years of international experience;
- (6) at least one member with specific knowledge and experience in applying accounting principles and internal control procedures;
- (7) profound knowledge and experience in controlling and risk management.

### **b) Diversity Concept**

As already expressed in the Declaration of Conformity pursuant to Sec. 161 of the German Stock Corporation Act, the Supervisory Board has not stipulated specific diversity requirements. Furthermore, the Company has not issued a diversity concept.

### **c) Independency**

The Supervisory Board shall include at least three members who are independent as defined in Section 5.4.2 of the German Corporate Governance Code, in particular have no personal or business relations with the company, its executive bodies, a controlling shareholder or an enterprise

associated with the latter which may cause a substantial and not merely temporary conflict of interests.

### **3. Current composition / Implementation status**

The Supervisory Board of the company deems the aforesaid goals for the Supervisory Board composition as currently fulfilled. The following members of the Supervisory Board are independent members within the meaning of Section 5.4.2 of the German Corporate Governance Code: Dr. Jost A. Massenberg, Jens Fiege, Karl Gernandt, Ulrich Müller und Prof. Dr. Franca Ruhwedel.

### **Targets for the share of women in the Supervisory Board, the Executive Board and the management levels below the Executive Board and status of the implementation**

The Law on “Equal Participation of Men and Women in Private-Sector and Public-Sector Management Positions” of April 24, 2015 modified the German Stock Corporation Act and other laws.

For VTG in particular the following obligations arise from this law:

- Setting of targets by the Supervisory Board for the share of women in the Supervisory Board of VTG AG,
- Setting of targets by the Supervisory Board for the share of women in the Executive Board of VTG AG,
- Setting of targets by the Executive Board for the share of women in the upper two management levels of VTG AG.

Following close examination of the issue and taking into account the achievement since the targets were first established, the Supervisory Board by resolution of February 15, 2018 and the Executive Board by resolution of February, 15, 2018 have decided as follows:



- For the Supervisory Board the target for the share of women during the reference period (until June 30, 2022) is set at “0”.
- For the Executive Board the target for the share of women during the reference period (until June 30, 2022) is set at “0”.
- The target for the share of women in VTG AG during the reference period (until June 30, 2022) in the first level of management is set at 8% and for the second level of management at 30%.

Supervisory Board and Executive Board consider the above named targets fully complied with at present, while the share of women in the Supervisory Board fortunately could be increased to a level above the targeted share.