

## Group Corporate Governance Report

The Management Board and the Supervisory Board submit an annual corporate governance report on the corporate governance of the company. As with the declaration of compliance, this is also a component of the Group's declaration on corporate governance in accordance with section 315d of the *Handelsgesetzbuch* (HGB – German Commercial Code) in conjunction with section 289f HGB. The purpose of the German Corporate Governance Code is to make the rules for the management and supervision of companies that apply in Germany as transparent as possible for both domestic and international investors. The Code's provisions and rules cover the fields of shareholder interests, the Management Board and the Supervisory Board, the transparency of corporate governance and the duties of the auditor. The Management Board and the Supervisory Board of Francotyp-Postalia Holding AG are committed to the interests of shareholders and thus to the implementation of the recommendations and proposals of the German Corporate Governance Code (the Code). In line with the principles of the social market economy, the Management Board and the Supervisory Board also safeguard the company's continued existence and ensure sustainable added value. These principles require not only legality, but also ethically sound conduct on one's own responsibility (the model of the honourable merchant). The Management Board and the Supervisory Board report on potential departures from the recommendations of the Code in both the declaration of compliance and the following extensive disclosures, based on the version of the Code dated 7 February 2017.

### Declaration of Compliance with the German Corporate Governance Code

In accordance with section 161 of the *Aktiengesetz* (AktG – German Stock Corporation Act), the Management Board and the Supervisory Board of Francotyp-Postalia Holding AG hereby declare in the declaration of compliance which recommendations of the version of the German Corporate Governance Code dated 7 February 2017, as published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette, it has complied with and will comply with, and which recommendations have not been or are not applied.

2.3.3 Given the high level of administration involved, the company did not enable shareholders to watch the Annual General Meeting using modern communication media, e.g. the Internet, in the 2018 fiscal year. An Internet broadcast of the Annual General Meeting will be offered in the 2019 fiscal year.

3.8 D&O insurance was taken out for the Supervisory Board. This policy does not currently include a deductible for the Supervisory Board. A deductible for the Supervisory Board will be included when the policy is renegotiated.

4.1.3 The Management Board is responsible for compliance with the law and internal policies, and ensures compliance with these throughout the Group companies. A compliance management system has been set up for this purpose and has been unveiled and introduced at the Group. Employees and third parties have the opportunity to report misconduct at the company. Owing to the organisational effort involved, the Group has not introduced a system that allows users to give information under protection (whistleblower system).

5.3.1 – 5.3.3 While the Supervisory Board continues to consist of three persons, no committees will be formed in which the Supervisory Board Chairman or any other Supervisory Board member could occupy an additional chairmanship role, as the composition of the committees would be identical to that of the Supervisory Board. This applies in particular to the duties of an audit or nomination committee. Such duties are also performed by the Supervisory Board as a whole.

5.4.1 The Supervisory Board of Francotyp-Postalia Holding AG is not subject to co-determination, which means that the rules of the law on co-determination cannot be observed for employee representatives.

A time limit for membership of the Supervisory Board has not been set. Given the knowledge, skills and technical experience required by item 5.4.1 sentence 1 of the Code, it does not currently seem reasonable to limit membership in this way.

The Rules of Procedure for the Supervisory Board stipulate an age limit when proposing nominees as members of the Supervisory Board. A Supervisory Board mandate should therefore end no later than the Annual General Meeting following the member's 70th birthday. Here, too, given the requirements for the composition of the Supervisory Board stipulated by item 5.4.1 sentence 1 of the Code and in the interests of continuity, this recommendation will not be applied for the time being.

7.1.2 Given the large amount of consolidation work involved, the quarterly and half-yearly reports are published, at the latest, within two months of the end of the reporting period, in compliance with the Stock Exchange Rules and the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act).

Berlin, 28 March 2019

For the Supervisory Board



Klaus Röhrlig,  
Chairman of the Supervisory Board

Management Board



Rüdiger Andreas Günther,  
Management Board, CEO



Patricius de Gruyter,  
Management Board



Sven Meise,  
Management Board

## Basic Information on the Structure of Corporate Governance and the Underlying Rules

Francotyp-Postalia Holding AG, Berlin, is subject to German stock corporation law, and is governed by the executive bodies that are the Management Board, the Supervisory Board and the Annual General Meeting. Corporate governance is based on the close and trusting cooperation of all executive bodies and an active and continuous flow of information between them. At the Annual General Meeting in particular, shareholders can put questions to the management and exercise their voting rights.

Assuming responsibility is self-evident for the FP Group. The company assumes responsibility for products and processes, employees, customers and partners, and for the environment and society. The company maintains an open approach and ongoing dialogues with its stakeholders. German stock corporations are required by law to have a dual management system composed of a management board and a supervisory board. In accordance with the Articles of Association, the Supervisory Board of Francotyp-Postalia Holding AG comprises three members elected by the Annual General Meeting. The Chairman and Deputy Chairman are elected from among the Supervisory Board's members. The Supervisory Board's Rules of Procedure, which it created itself, govern its working methods.

In accordance with the Articles of Association, the Supervisory Board of Francotyp-Postalia Holding AG holds four meetings each calendar year, two of which are to take place every six calendar months. Extraordinary meetings are convened by the Chairman of the Supervisory Board as required and at his due discretion. In accordance with the Articles of Association, the Supervisory Board can appoint one or more persons to the Management Board of the company. The Management Board of Francotyp-Postalia Holding AG comprises three members.

The Management Board manages the company independently in the interests of the company, with the aim of creating sustainable added value, while taking into account the interests of its shareholders, employees and other groups affiliated with the company. In accordance with the Rules of Procedure for the Management Board issued by the Supervisory Board, the Management Board manages the company's business in line with uniform plans and policies. The Management Board therefore bears joint responsibility for the management of the entire company. As part of the overall responsibility for the governance of the company, the three members of the Management Board are required to work together in a loyal and trustful manner for the good of the company within

the remit of their assigned duties. The Management Board develops the strategic direction of the company and coordinates this with the Supervisory Board. In addition to complying with statutory provisions and internal company policies, the Management Board also ensures appropriate risk management and monitoring within the company and the Group companies. More information can be found in the report on risks and opportunities in the Group management report. Management Board meetings are held at regular intervals, every two weeks if possible.

#### **Committees of the Supervisory Board**

Owing to the size of the company and the number of members of the Supervisory Board prescribed by the Articles of Association, generally no other committees are formed. For this reason, the Supervisory Board as a whole decides on and monitors issues relating to the remuneration system for the Management Board, including the principal elements of contracts. Likewise, the Supervisory Board as a whole assumes the duties of an audit committee, with the Chairman of the Supervisory Board performing the role of the chairman of said committee. At least one member of the Supervisory Board possesses the requisite specialist knowledge in the area of accounting.

#### **Cooperation between the Management Board and the Supervisory Board – Diversity**

The common goal of the cooperation between the Management Board and the Supervisory Board is achieving sustained increases in enterprise value. The Management Board and the Supervisory Board meet at regular intervals to jointly coordinate the strategic direction of the company. The Management Board also regularly reports to the Supervisory Board on all issues relating to planning, business development, risk, risk management, internal accounting and compliance. The Management Board reports on and explains any discrepancies between actual business performance and the plans and goals prepared. The Supervisory Board has stipulated in the Rules of Procedure for the Management Board how the Management Board must provide information and reports. These Management Board Rules of Procedure also stipulate that the Supervisory Board has the right of veto with respect to decisions or measures that could materially affect the company's financial position and financial performance, and also concerning transactions of major importance.

Francotyp-Postalia Holding AG has taken out D&O insurance for the members of the Management Board in accordance with the provisions of the German Corporate Governance Code. The policy is subject to a deductible of at least 10% of the loss up to at least one and a half times the annual fixed remuneration of the member of the Management Board in

accordance with section 93(2) AktG. D&O insurance was also taken out for the Supervisory Board. This policy does not currently include a deductible for the Supervisory Board. A deductible for the Supervisory Board will be included when the policy is renegotiated.

#### **Diversity Concept**

The subject of diversity is of crucial importance to the entire FP Group. The concepts, goals and non-financial performance indicators are presented in detail in the sustainability report, which is available to view and download at <https://www.fp-francotyp.com/nachhaltigkeitsbericht>.

Notwithstanding this report, the Supervisory Board must also always consider the issue of diversity within the meaning of the German Stock Corporation Act and the German Corporate Governance Code when it comes to the composition of the Supervisory Board and the corresponding nominations to the Annual General Meeting. This includes not only the composition of the Supervisory Board recommended in accordance with the German Stock Corporation Act and the German Corporate Governance Code, with female and male members, but also consideration of the experience of individual members based on age, professional experience and internationality. The key factor for nomination is the company's interests, together with the requirements stipulated in item 5.4.1 sentence 1 of Code for the knowledge, skills and technical experience a member of the Supervisory Board must possess. For its composition, the Supervisory Board must include what it considers to be an appropriate number of independent Supervisory Board members according to item 5.4.2 of the Code. This allows the Supervisory Board – following an appropriately conducted application and nomination process and taking into account a balanced composition for the Supervisory Board in terms of knowledge, skills, experience and independence – to put forward the most suitable candidates.

The intended age limit for Supervisory Board nominees stipulated in the Supervisory Board's Rules of Procedure must also be viewed in this context. A Supervisory Board mandate should end no later than the Annual General Meeting following the member's 70th birthday. The Supervisory Board is currently deviating from this regulation, in order to be able to cover the broadest possible range of experience and to ensure continuity in the Supervisory Board.

Furthermore, at least one member of the Supervisory Board must satisfy the criterion of internationality. At least one member already has the required traits.

In order to ensure that the Supervisory Board's advice for and monitoring of the Management Board is independent, the Supervisory Board's Rules of Procedure stipulate that more

than half of the members of the Supervisory Board are to be independent in accordance with the German Corporate Governance Code. The Supervisory Board estimates that there are currently no concrete indications that any Supervisory Board member has relevant circumstances or relationships, especially with companies, with members of the Management Board or with other Supervisory Board members, that could cause a substantial and not merely temporary conflict of interest and therefore count against independence. No member of the Supervisory Board performs board functions or consulting activities at significant competitors. With regard to the Supervisory Board member Klaus Röhrig, the Supervisory Board believes that his function as founding partner of Active Ownership Capital S.à.r.l. does not impair his independence according to the German Corporate Governance Code. The Code does not contain an exhaustive definition of independence, but merely names examples of circumstances that count against the independence of a Supervisory Board member. Accordingly, Supervisory Board members are not to be considered independent if they have a personal or business relationship with the company, its governing bodies, a controlling shareholder or a company affiliated with the controlling shareholder that may cause a substantial and not merely temporary conflict of interest. The Supervisory Board is tasked with assessing the independence of individual Supervisory Board members on the basis of these indicators. Active Ownership Capital S.à.r.l. is not a controlling shareholder with an effective majority at the Annual General Meeting. There are no other discernible circumstances that would count against Klaus Röhrig's independence.

The German Stock Corporation Act and the Code also stipulate that the supervisory boards of listed companies must define targets for the share of women. At present, there are still no women on the company's Supervisory Board. In view of the fact that the Supervisory Board was last elected in 2016 and the Supervisory Board is composed of three members in accordance with the Articles of Association, a target of 0% for the share of women has been set for the time being in accordance with a resolution of 6 June 2017 for the period until 30 June 2019 at the latest. The resolution of 6 June 2017 replaces the original resolution of the Supervisory Board from 2015, which applied until 30 June 2017.

New regulations on the filling of Management Board positions must be viewed under the same conditions. As with the Supervisory Board, the company's interests are the key factor when filling management positions. In the case of Management Board positions, it is also important to ensure continuity in the company's forthcoming strategic development. In accordance with the regulations in the German Stock Corporation Act and the German Corporate Governance Code, the Supervisory Board has therefore resolved a target of 0% for the

share of women in the Management Board for the period until 30 June 2019. Nevertheless, the Supervisory Board will take the issue of diversity into account when seeking suitably qualified candidates for Management Board positions that need to be filled.

In addition, the Management Board is required to set a target for the share of women in the first and, if appropriate, second levels of management below the Management Board. The Management Board defined the first level of management below the Management Board as the managing directors of the domestic and foreign companies and German divisional heads or equivalent staff functions in the company. The FP Group does not have a second level of management below the Management Board. The Management Board stipulated once again on 26 June 2017 that the share of women in the first level of management below the Management Board of the FP Group should be at least 9%. This target has temporarily not been met. The Management Board is adhering to diversity stipulations in order to achieve this target again in its efforts to fill management vacancies.

#### **Remuneration of the Management Board and the Supervisory Board**

Francotyp-Postalia Holding AG complies with the recommendations of the Code concerning disclosure of the remuneration of individual members of the Management Board and Supervisory Board. The basic features of the remuneration systems and remuneration are presented in the remuneration report, which can be found in the combined management report.

#### **Conflicts of Interest**

When making decisions and performing their duties, the Management Board and the Supervisory Board are required to act in the company's interest, and they must not pursue personal interests or confer advantages on other persons, or make personal use of business opportunities of the company. All members of the Management Board must disclose any conflicts of interest to both the Supervisory Board and other members of the Management Board. Likewise, all members of the Supervisory Board must disclose any conflicts of interest to the Supervisory Board. In its report, the Supervisory Board must notify the Annual General Meeting of any conflicts of interest and how they were dealt with. No conflicts of interest requiring disclosure arose in the 2018 fiscal year.

#### **Efficiency Review**

The Supervisory Board regularly examines the efficiency of its activities. The Supervisory Board initiated the last efficiency review with the aid of an external consultant at the end of 2017 and it was successfully completed in the 2018 fiscal year.

## Shareholders and Annual General Meeting

The Management Board convenes an Annual General Meeting at least once a year. At the Annual General Meeting, the shareholders receive the consolidated and annual financial statements and the related management reports and resolve, when necessary, the appropriation of the unappropriated surplus and their official approval of the actions of the members of the Supervisory Board and the Management Board. Those present at the Annual General Meeting also elect the auditor each fiscal year.

At the Annual General Meeting, shareholders of Francotyp-Postalia Holding AG exercise their rights of control and their voting rights. They have the option of exercising their voting rights themselves or having them exercised through an authorised representative of their choice, including a shareholder association. The company also makes it easier for shareholders to exercise their rights in person by providing a proxy who can also be reached during the Annual General Meeting. The company publishes the documents required for the Annual General Meeting and the agenda on its website, where they can be accessed easily by shareholders. The documents are also sent directly to shareholders by their banks. The Articles of Association do not allow postal votes.

Naturally, it is in the interests of the company and of the shareholders to ensure that the Annual General Meeting is conducted quickly. In accordance with the Articles of Association, the chairman of the meeting has the option to impose appropriate limits on the time for which shareholders are permitted to ask questions and to speak. Motions and resolutions will be broadcast on the Internet at the Annual General Meeting on 28 May 2019.

## Transparency

For Francotyp-Postalia Holding AG, corporate governance means responsible and transparent management and control of the company. In particular, this includes equal treatment of shareholders when passing on information. The Supervisory Board Chairman is prepared, within reason, to discuss issues specific to the Supervisory Board with investors. These are issues for which the Supervisory Board alone is responsible and on which it alone can make decisions. For matters that must be decided jointly by the Management Board and the Supervisory Board, discussions will be held either by the Management Board alone or by the Supervisory Board Chairman together with the Management Board.

We disclose all new facts and circumstances to shareholders, financial analysts and the like without delay. This involves disseminating the information in German and English both on the Francotyp-Postalia Holding AG website and through the use of systems that ensure the simultaneous publication of information both in Germany and abroad.

All important regular publications and dates are published well in advance in the financial calendar. In accordance with legal guidelines, Francotyp-Postalia Holding AG publishes the relevant information on its website if members of the Management and Supervisory Boards or related parties have purchased or sold FP shares or related derivatives. In accordance with Article 19 of the Market Abuse Regulation (MAR), these persons are required to disclose transactions if their value reaches or exceeds EUR 5,000 per calendar year.

In addition to the statutory obligation to report and disclose dealings in shares of the company without delay, the ownership of shares in the company or related financial instruments by Management Board and Supervisory Board members must be reported if these directly or indirectly exceed 1% of the shares issued by the company. As the total ownership of all Management Board and Supervisory Board members exceeds 1% of the shares issued by the company, total ownership figures for the Management Board and the Supervisory Board

SHAREHOLDER	Number of shares	%
<b>(Direct)</b>		
Botho Oppermann (Supervisory Board member)	300,000	1.84
Rüdiger Andreas Günther	19,887	0.12
Sven Meise	9,416	0.06
Patricius de Gruyter	5,000	0.03
<b>(Indirect)</b>		
Klaus Röhrlig (Chairman of the Supervisory Board) via Active Ownership Fund SICAV-FIS SCS	1,550,000	9.51
Klaus Röhrlig (Chairman of the Supervisory Board) through Active Owner- ship Investments Limited	130,000	0.80

## Accounting

The principal sources of information for shareholders and third parties are the company's consolidated financial statements and, during the fiscal year, the quarterly and half-year reports. Given the large amount of consolidation work involved and in derogation from the recommendation of the Code, the quarterly and half-year reports are published, at the latest, within two months of the end of the reporting period, in compliance with the Stock Exchange Rules and the German Securities Trading Act.

The consolidated financial statements and interim reports are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU. The separate financial statements required by law for tax and dividend payment purposes are prepared in compliance with the German Commercial Code (HGB). An internal control system and uniform accounting principles ensure a true and fair view of the net assets, financial position and results of operations and the cash flows of all Group companies. The Management Board also ensures appropriate risk management and monitoring within the company.

The Management Board reports to the Supervisory Board on all existing risks and their development regularly and in good time. The Supervisory Board advises on risk management and is explicitly involved in the monitoring of the effectiveness of the risk management system, the internal control and audit systems, the accounting process and the audit, in particular their independence, in accordance with section 107(3) AktG as amended by the Bilanzrechtsmodernisierungsgesetz (BilMoG – German Accounting Law Modernisation Act). A list of relationships with shareholders qualifying as related parties, as defined by IAS 24, is published by the company in its consolidated financial statements.

## Audit of the financial statements

In accordance with the resolution by the 2018 Annual General Meeting, the Supervisory Board engaged KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, to conduct the audit of the 2018 annual financial statements and consolidated financial statements. In compliance with the recommendations of the Code, it was agreed with the auditor that it will inform the Chairman of the Supervisory Board immediately of any grounds for exclusion or bias which might arise during the audit, unless said grounds are eliminated without undue delay. The auditor is also required to immediately report any

material findings or occurrences arising during the execution of the audit, which may be relevant to the Supervisory Board's performance of its duties. The auditor is further required either to notify the Supervisory Board or make a corresponding note in its audit report should it discover circumstances indicating inaccuracies in the declaration of compliance with the Code given by the Management Board and the Supervisory Board, in accordance with section 161 AktG.

## Compliance

The Management Board is responsible for compliance with the law and internal policies, and ensures compliance with these throughout the Group companies. Questions of compliance are regularly discussed between the Supervisory Board or the Chairman of the Supervisory Board and the Management Board. The corporate culture of the FP Group is characterised by trust and mutual respect, and by the will to adhere strictly to laws and internal regulations. Nonetheless, statutory violations due to individual misconduct can never be completely ruled out. Employees and third parties have the opportunity to report misconduct at the company. Owing to the organisational effort involved, the Group has not introduced a system that allows users to give information under protection (whistleblower system). The company does its utmost to minimise this risk as far as possible, to uncover misconduct and to deal with it systematically. Compliance with legal and ethical regulations and principles is of central importance. Regulations and principles are set out, together with the responsible handling of insider information, in the compliance policy. They provide all employees with guidance regarding corporate integrity in business. Executives and employees receive compliance policy training.