

Declaration of compliance

Declaration by the Management Board and Supervisory Board of Francotyp-Postalia Holding AG on the German Corporate Governance Code under Section 161 AktG (Stock Corporation Act)

Pursuant to Section 161 AktG (Stock Corporation Act), the Management Board and Supervisory Board of Francotyp-Postalia Holding AG declare that, since its last submission of a declaration of compliance on 17 January 2020, the company has followed the recommendations of the German Corporate Governance Code (GCGC) as amended on 7 February 2017 ("GCGC 2017") until the 2020 GCGC took effect on 20 March 2020, with the exception of the deviations listed under 1) below. They further state that they have complied with, and will comply with, the recommendations of the GCGC as amended on 16 December 2019 ("2020 GCGC") since it took effect on 20 March 2020, with the exception of the deviations listed under 2) below.

1. From the time that the last declaration of compliance was submitted on 17 January 2020 until the 2020 GCGC's entry into force on 20 March 2020, the following recommendations of the 2017 GCGC were not complied with:

- In accordance with item 3.8 paragraph 3 of the 2017 GCGC, a deductible should be agreed upon in a D&O policy for the Supervisory Board.

D&O insurance was taken out for the Supervisory Board. This insurance does not include a deductible for the members of the Supervisory Board.

- In accordance with items 5.3.1, 5.3.2 and 5.3.3 of the 2017 GCGC, the Supervisory Board should form various committees.

While the Supervisory Board continues to consist of three persons, no committees will be formed, 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.

- In accordance with item 5.4.1 paragraph 2 of the 2017 GCGC, the Supervisory Board should specify an age limit for its members and a regular limit to their term of office.

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. With regard to the requirements for the composition of the Supervisory Board and in the interests of continuity, this recommendation has not been applied for the time being.

- In accordance with item 7.1.2 of the 2017 GCGC, the consolidated financial statements and the group management report should be made publicly accessible within 90 days from the end of the fiscal year, and mandatory interim financial information shall be made publicly accessible within 45 days from the end of the reporting period.

The consolidated financial statements were made public within five months after the end of the fiscal year due to the disruptions from the COVID-19 pandemic. For the same reason, the half-year report was published within three months after the end of the reporting period.

2. From the time that the 2020 GCGC took effect on 20 March 2020 until the date of this declaration, the company did not comply with, and will not comply with, the following recommendations of the GCGC:

A.1: Consideration of diversity in the appointment of management positions

The company has the proper internal policies to ensure that management positions are filled in a non-discriminatory manner. However, no specific emphasis is placed on diversity when appointing management positions.

B.1: Accounting for diversity in the appointment of the Management Board

The Supervisory Board would welcome a female or diverse Management Board member and, if they were equally qualified, would give them preference. However, the Supervisory Board does not see gender and diversity as a dominant criterion for selecting Management Board members. Consequently, FP has set itself a target of 0%.

B.2: The Supervisory Board should work with the Management Board to ensure long-term succession planning.

There is no long-term succession planning at present. Given the age structure of the Management Board members, there is no need.

B.3: The first-time appointment of Management Board members shall be for a period of not more than three years.

In the 2020 fiscal year, the Supervisory Board appointed Carsten Lind as a new member of the Management Board and as the new chairman of the Management Board.

In principle, FP aims to initially appoint new Management Board members for no longer than three years. In the negotiations with a desired candidate who is giving up a permanent position for FP, however, the Supervisory Board – particularly with a view to the candidate potentially remaining with the company in the long-term – attaches greater importance to not exceeding an appropriate level of remuneration than to appointing the member for only three years.

D.2: Supervisory Board committees

The Supervisory Board comprises three members who are representatives of the shareholders. In this configuration, no committees have been formed. Insofar as recommendations D.3 (establishment of an Audit Committee), D.4 (requirements for the chair of the Audit Committee), D.5 (Nomination Committee) and D.11 (evaluation of the quality of the audit) require the establishment of committees, this has therefore not been complied with. However, the requirements for committees laid out in these recommendations are complied with by the Supervisory Board as a whole.

F.2: The consolidated financial statements and the group management report shall be made publicly accessible within 90 days from the end of the financial year, while mandatory interim financial information shall be made publicly accessible within 45 days from the end of the reporting period.

The consolidated financial statements are prepared within four months from the end of the fiscal year due to the large amount of consolidation work involved. The half-year report is also 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).

G.1: G.I: Remuneration of the Management Board

In Section G.I, the 2020 GCGC contains new recommendations for remuneration of the Management Board. The following recommendations do not correspond in full to the current Management Board remuneration system: G.1 (determination of the remuneration system), G.3 (peer group comparison with other companies), G.6 (share of long-term/short-term targets), G.10 (investment of variable remuneration in company shares), G.11 (option to retain or reclaim variable remuneration components), and G.13 (definition of a severance cap; severance pay counted toward any other compensation payments). Therefore, the Supervisory Board and Management Board shall propose to the Annual General Meeting, which decides on the 2020 fiscal year, that the remuneration system be amended and adjusted taking account of the amended recommendations of the 2020 GCGC.

Berlin, 17th January 2021

Management Board

Carsten Lind Patricius de Gruyter
CEO

For the Supervisory Board

Dr. Alexander Granderath
Chairman of the Supervisory Board