

# Report and Declaration on Corporate Governance

## Corporate Governance Report

Corporate government aligned with the interests of stakeholders, lawful and responsible conduct, and constructive cooperation between the managerial bodies and within the company in a spirit of mutual trust constitute the essential cornerstones of Sartorius' corporate culture.

The Executive Board and the Supervisory Board report in the following declaration on the key aspects of corporate management and governance pursuant to § 289f of the German Commercial Code ("HGB") and to Article 3.10 of the German Corporate Governance Code.

## Declaration of Compliance with Corporate Governance

Declaration of the Executive Board and of the Supervisory Board of Sartorius AG Concerning the Recommendations of the Government Commission on the German Corporate Governance Code Pursuant to § 161 of the German Stock Corporation Law ("Aktiengesetz"):

The Executive Board and the Supervisory Board declare that full compliance will be achieved with the recommendations made by the Government Commission on the German Corporate Governance Code and published by the German Federal Ministry of Justice in the official section of the German Federal Gazette ("Bundesanzeiger"), as amended on February 7, 2017.

Since last year's Declaration of Compliance was issued, Sartorius AG has complied with the recommendations in the valid version of the Government Commission on the German Corporate Governance Code to the full extent.

Göttingen, December 6, 2018

For the Supervisory Board For the Executive Board

Dr. Lothar Kappich

Dr. Joachim Kreuzburg

## Further Remarks Concerning Corporate Governance

Sartorius AG is a joint stock corporation founded under German law and headquartered in Göttingen, Germany. With the Annual General Shareholders' Meeting, Supervisory Board and Executive Board, it has three corporate managerial bodies whose tasks and powers are essentially derived from the German Stock Corporation Law ("Aktiengesetz") and the company's Articles of Association.

As owners of the company, the shareholders exercise their rights at its Annual General Shareholders' Meeting, where they decide, in particular, on the appropriation of profits, measures concerning share capital, amendments to the Articles of Association, discharge of the Supervisory Board and the Executive Board and on the appointment of statutory auditors, as well as elect shareholder representatives to the Supervisory Board. The Annual General Shareholders' meeting is held at least once a year within the first eight months of the respective fiscal year.

In managing the company, the Supervisory Board and the Executive Board perform their tasks in a two-tier board structure, each with separate duties and powers.

The Supervisory Board appoints members to the Executive Board, determines their remuneration and monitors and advises the Executive Board in its management of the company. The Supervisory Board is not authorized to take any operational management measures for the business.

The Executive Board is responsible for independently managing the company. In particular, it defines corporate strategy, coordinates and agrees on this approach with the Supervisory Board and implements such corporate strategy. In line with established reporting obligations, the Executive Board regularly informs the Supervisory Board promptly and comprehensively, and requests the latter's approval for certain key business transactions.

## Composition and Operating Mode of the Supervisory Board and Its Committees

The Supervisory Board has an equal number of shareholder representatives and employee representatives: six shareowner representatives elected by the Annual General Shareholders' Meeting and six employee representatives elected according to the German Codetermination Law ("Mitbestimmungsgesetz").

Details on the members of the Supervisory Board and its committees are provided on pages 168 to 169.

The Supervisory Board Chairman coordinates the work within this board, as well as convokes and conducts Supervisory Board meetings. Furthermore, he is the first individual for the Executive Board to contact and externally represents the matters of the Supervisory Board.

The Supervisory Board holds at least two meetings every six months; as a rule, four or more conferences take place, as required. This board has established four committees: the Executive Task Committee, the Audit Committee, the Conciliation Committee and the Nomination Committee. The Executive Task Committee, Audit Committee and Conciliation Committee each have four members and have an equal number of shareholder representatives and employee representatives. The Executive Task Committee and Audit Committee hold regular meetings; the Conciliation Committee and the Nomination Committee meet only as necessary.

The Executive Task Committee carries out preparatory work for resolutions and issues to be addressed in the meetings of the Supervisory Board. It also oversees the preparations for appointments, including the remuneration and employment contract conditions of members of the Executive Board. The Audit Committee supports the Supervisory Board in performing its supervisory function. The chairperson of the Audit Committee is an independent member of the Supervisory Board and has detailed knowledge and extensive experience in the application of accounting standards and internal control systems from his or her own professional practice. The Conciliation Committee meets if the majority required in connection with the appointment of members to the bodies authorized to represent the company for legal purposes is not reached. The Nomination Committee comprises representatives of the shareholders only. Its function is to propose suitable candidates to the Supervisory Board for the latter's election proposals submitted to the Annual Shareholders' Meeting. More information on the individual meetings held in the reporting year by the Supervisory Board and its committees is given in the Report of the Supervisory Board on pages 12 to 14.

The Supervisory Board regularly reviews the efficiency of its work based on a questionnaire sent in advance and by a discussion of the results of this questionnaire in a plenary session.

### Appointment Objectives for the Supervisory Board; Diversity Policy and Competence Profile

Members of the Supervisory Board of Sartorius AG are to be appointed such that they, on the whole, have the knowledge, skills and experience that are necessary to perform the board's duties properly.

For this purpose and based on the recommendations of the German Corporate Governance Code, the Supervisory Board decided on the following appointment objectives:

- Independent members shall account for no less than 25% of the Supervisory Board.
- The upper age limit of 70 at the time of election should be taken into consideration, but may be waived in exceptional cases, provided there are no reservations about the suitability of the persons proposed and their election is expedient to the interests of the company in spite of the age limit being exceeded.
- As a matter of principle, no member may serve on the Supervisory Board for longer than five elected terms. This limit can be exceeded in individual cases if the Supervisory Board does not have any reservations about the suitability of an individual for serving longer and election of this person is apparently in the interest of the company.
- Care must be taken to ensure that each Supervisory Board member has sufficient time available to perform his or her mandate.

In addition, the Supervisory Board also defined a competence profile for itself. This also covers aspects such as diversity, for example, with regard to professional background and international experience. In view of achieving an appropriate gender balance, the legal quotas of at least 30% women and at least 30% men apply to the Sartorius Supervisory Board. The shareholder representatives and the employee representatives decided to fulfill these legal targets separately.

- In its election proposals for membership, the Supervisory Board is required to consider whether candidates have international experience or an international background within the scope of its current members.
- The Supervisory Board must have members with expertise in one or several of the international markets relevant for Sartorius.

- Members of the Supervisory Board need to bring in knowledge of technologies and products relevant to the Group, as well as of digitalization, and experience in research and development, particularly in the biopharmaceutical industry.
- The Supervisory Board must have members who have expertise in setting up and developing innovative business models, as well as knowledge of corporate strategies.
- Members of the Supervisory Board need to have in-depth knowledge of financial business processes and competences in financial controlling and risk management; at least one independent member of the Supervisory Board must have expert knowledge of accounting or auditing (§ 100, Subsection 5, of AktG).
- Members of the Supervisory Board must have expertise in law, corporate governance and compliance.
- The Supervisory Board needs to have in-depth knowledge and a thorough background in issues concerning human resources.

According to the Supervisory's self-assessment, the members on its board meet the diversity and competency requirements. The appointment objectives previously mentioned regarding independence and the age and membership limits are also met:

Concerning the criterion of independence, this is met by all members of the Supervisory Board with one exception: the executor of Horst Sartorius' estate. This individual is Dr. Lothar Kappich, who is concurrently Chairman of the Supervisory Board. In the opinion of the Supervisory Board, an appointment as an employee representative to this board or an existing employment contract with the company alone does not preclude the independence of this member because an employee is protected by the laws in force in performing his or her duties on the Supervisory Board.

None of the current Supervisory Board members was over the age of 70 at the time of his or her election and none has served for more than five elected terms.

In view of achieving an equal balance of gender, the Supervisory Board meets the quota of 30% set for the underrepresented gender. Seven men total (around 58%) are members of this board, of whom four are shareholder representatives and three employee representatives. In addition, five women (around 42%) are members of this board, among them two representatives of the share owners and three

representatives of the employees. As a result, the gender quota requirements are met on both sides of Supervisory Board representation and on the full Supervisory Board itself.

The proposal of the Supervisory Board submitted to the Annual General Shareholders' Meeting for election of shareholder representatives to this board was based on the target quotas stated above.

To facilitate comparison of the appointment objectives, brief resumés of the Supervisory Board members are available on the Sartorius website.

### **Composition and Operating Mode of the Executive Board**

The Executive Board of Sartorius AG manages the company under its own responsibility, with the goal of increasing the company's sustainable value. It develops the company's strategy, coordinates it with the Supervisory Board and ensures implementation of this strategy. Beyond that, the rules of procedure for the Executive Board define the legal transactions requiring approval by the Supervisory Board in order for such transactions to be effected. The Executive Board is responsible for compliance with all provisions of the law and the company's internal policies, as well as for appropriate risk management.

Decision-making by the Executive Board is done at its regular meetings, which are convoked and conducted by the Chairman. If required, further specialists and managers are invited to these meetings to provide advice and, additionally until the end of 2018, the members of the Group Executive Committee were usually invited to serve in this capacity.

The Executive Board members are jointly responsible as a collegiate body for matters of special significance. As for the board's remaining responsibilities, each member independently manages the area assigned to him or her according to the plan for allocation of areas of responsibilities, and is required to notify the Chairman of all material transactions and events.

### Composition of the Executive Board, Diversity and Competency Requirements

In the opinion of the Supervisory Board, the basic qualification criteria for appointments to positions on the Executive Board are professional qualifications for heading each particular area of responsibility, a proven track record in the individual's career path and convincing managerial skills. In addition, the Supervisory Board also considers the aspect of diversity in its appointment decisions. Therefore, the Supervisory Board strives to appoint people with complementary profiles, professional and personal life experiences and in different age brackets to the Executive Board. Moreover, the latter board is required to have broad international experience.

Pursuant to the German Act on Equal Participation of Women and Men in Executive Positions in the Private and the Public Sectors, the Supervisory Board defined a target quota for the Executive Board that is defined in the following section.

Until 2018, the Sartorius Executive Board was a committee that consisted of three members and since January 1, 2019, has been a committee of four members. It is therefore relatively small so establishment of a rigid gender quota can be problematic. At present, the Executive Board of Sartorius AG has four male members. For the current deadline by June 30, 2022, the Supervisory Board decided on the target of appointing at least one woman to the Executive Board.

Also regarding the appointment of women to the Executive Board of Sartorius AG, the Supervisory Board supports the activities of the Executive Board to further increase the percentage of female executives at the first two management levels in the company. The Executive Task Committee and the full Supervisory Board regularly receive reports on the development of the proportions of women in senior-level management positions.

### First and Second Management Levels Below the Executive Board

#### Disclosures Concerning the German Act on Equal Participation of Women and Men

The percentage of women at the first two management levels below the Executive Board has considerably increased on the whole and is already at a comparably high level.

For the next deadline by June 30, 2022, the Executive Board resolved in 2017 to increase the proportion of women at both levels of management below this board to around 30%. Currently, the proportion of women at the first management level is around 28%; that at the second level, 26%. As a result, these percentages are within the attainable range of the target quotas set. As a general observation, individual personnel changes may lead to considerable variations in the quota of women because of the relatively low number of managers at the first level. Moreover, in the past, consolidation of the companies acquired usually diluted the percentages of women to a slight degree. This cannot be ruled out in the future either.

### Further Corporate Governance Practices

#### Risk Management

Conscientious management of commercial risks is a key principle of good corporate governance. Sartorius AG and the Group have at their disposal enterprise-wide and company-specific reporting and control systems designed to facilitate the recording, assessment and management of commercial risks. These systems are developed and adapted continuously as conditions evolve. The Executive Board informs the Supervisory Board regularly of existing risks and their development. The Audit Committee is concerned, in particular, with monitoring of the following: the accounting process including reporting; the efficacy of the internal control system; risk management and the internal auditing system; compliance; and the independent statutory audit. Details on risk management are presented in the Opportunity and Risk Report.

#### Transparency

Sartorius AG places great importance on disclosing consistent and complete information promptly. Information about the economic position of the Group and new developments is consequently released regularly, without delay, as it becomes known in order to inform participants in the capital market and interested members of the public at large. The annual report, first-half financial report and quarterly reports are published within the timeframes specified for this purpose. Current developments and material events are publicized as press releases and, where appropriate, ad hoc announcements. This information is usually made available in German and English simultaneously and published via suitable media and on the internet.

The chief recurring events and publications, such as the Annual General Shareholders' Meeting, the annual report and the interim reports, are listed on a financial calendar that may be viewed at any time on the Group website.

#### Share Trading Activities of Supervisory and Executive Board Members

We did not receive any reports, under the applicable mandatory disclosure requirements, of any purchases or sales of shares in Sartorius AG or related financial instruments made by the members of the Executive Board and the Supervisory Board or other persons with management responsibilities or their related parties.

Supervisory Board Chairman Dr. Lothar Kappich in his capacity as executor of the estate of Horst Sartorius holds approximately 50.1% of the ordinary shares issued by the company, but otherwise no member of the Executive Board or Supervisory Board has any holding of shares or financial instruments subject to the mandatory reporting requirements that directly or indirectly exceeds 1% of the shares issued by the company.

Considering the share capital increase, by use of retained earnings, that became effective June 1, 2016, the CEO and Chairman of the Executive Board Dr. Joachim Kreuzburg holds 100,000 ordinary shares and 100,000 preference shares in the company. These were transferred to him based on a corresponding agreement arising from his employment contract of December 18, 2015, and are subject to a minimum holding period of four years. For further information on this transfer, please see the Remuneration Report on pp. 75 et seq.

#### Accounting and Independent Statutory Audit

The consolidated financial statements and the Group Management Report, as well as the consolidated interim financial statements and reports, are prepared in accordance with the International Financial Reporting Standards (IFRS) as they are to be applied within the EU, and according to the commercial law regulations to be applied under Section 315a, Subsection 1, of the German Commercial Code, HGB. The annual financial statements of Sartorius AG are prepared in accordance with German commercial law, HGB. The consolidated financial statements and the annual financial statements are prepared by the Executive Board, audited by the independent auditors elected by the Annual General Shareholders' Meeting and approved by the Supervisory Board.

It has been agreed with the independent auditors that they will notify the Supervisory Board directly of any potential disqualification or bias issues and any material findings and incidents identified during the audit. This also encompasses the corporate governance reporting duties pursuant to §161 of the German Stock Corporation Law (Aktiengesetz).

#### Basic Principles of Our Compliance Management System | Code of Conduct

With its compliance management system that is valid worldwide, Sartorius ensures that the members of its individual boards, executives and employees comply with all legal regulations and codes, and perform their activities in accordance with the company's internal rules and guidelines. Targeted training and awareness-raising prevent any misconduct, as well as economic damage and loss of image.

Sartorius makes every effort to ensure optimal risk management by using a combination of approaches: a preventive compliance approach designed to proactively stop any potential breaches before they occur and a repressive compliance approach intended to continuously monitor compliance with the company's rules. These processes are closely intermeshed, creating a standardized compliance management system that aims to offer the best possible protection against potential violations of rules and regulations. Sartorius has developed a Code of Conduct as a preventive component of its compliance management system and has committed to an Anti-Corruption Code. An internal system is available for reporting any suspicious circumstances involving potential compliance violations.

Further information is given in the Sustainability Report on pp. 67 et seq. and on the company's internet website at [www.sartorius.com](http://www.sartorius.com).

The Supervisory Board | The Executive Board