

# 8 Corporate governance report

The German Corporate Governance Code has been applied in Germany since 2002 and contains regulations, recommendations and suggestions for good and responsible corporate management. The purpose of the Code is to create greater transparency, thus increasing the confidence of investors, customers, employees and the public in the corporate management of German companies. 3U HOLDING AG welcomes the provisions of the German Corporate Governance Code (GCGC), which serves the interests of the companies as well as its investors.

The Government Commission on the German Corporate Governance Code made no amendments or additions to the Code in 2014. Detailed explanations of the model tables for management board compensation in the annexes to the Code were issued on September 30, 2014. They were taken into account in the compensation report.

Sound, systematic corporate governance is particularly important for a group such as 3U HOLDING AG with its numerous subsidiaries. The Supervisory Board and the Management Board are convinced that sound corporate governance, taking company and industry-specific issues into account, is an important building block for the future success of 3U HOLDING AG. Accordingly, responsibility for compliance with the principles of sound corporate governance is vested in senior management.

In the financial year 2014, the Management Board and Supervisory Board once again carefully examined the corporate governance of 3U HOLDING AG and the Group as well as the contents of the German Corporate Governance Code. During the reporting period, as in prior years, 3U HOLDING AG again fulfilled most of the Code's recommendations. The Supervisory Board and Management Board of 3U HOLDING AG therefore submitted a Declaration of Conformity with the German Corporate Governance Code on March 14, 2014 and most currently on March 12, 2015 with the following exceptions, which can be viewed permanently on its website ([www.3u.net](http://www.3u.net)) under the path "Investor Relations/Corporate Governance".

## **Declaration by the Management Board and the Supervisory Board of 3U HOLDING AG on the recommendations of the Government Commission on the German Corporate Governance Code in accordance with section 161 of the AktG (German Stock Corporation Act).**

3U HOLDING AG submitted the most current declaration of conformity required according to the German Stock Corporation Act on March 14, 2014 and most currently on March 12, 2015. It can be viewed permanently on its website ([www.3u.net](http://www.3u.net)) under the path "Investor Relations/Corporate Governance".

## **Declaration by the Management Board and the Supervisory Board of 3U HOLDING AG on the recommendations of the Government Commission on the German Corporate Governance Code in accordance with section 161 of the AktG (German Stock Corporation Act).**

1. Since last submitting a declaration of conformity on March 22, 2013, 3U HOLDING AG has complied with the recommendations of the Government Commission on the German Corporate Governance Code as set out in the then valid version of the German Corporate Governance Code dated May 15, 2012 with the following exceptions:

- Code article 3.8: The directors' and officers' liability insurance policy does not include a deductible for members of the Supervisory Board. In this respect, 3U HOLDING AG is of the opinion that the level of responsibility and motivation with which the mem-

bers of Supervisory Board of the Company perform their tasks would not be improved by any such deductible.

- Code article 4.1.5: In making appointments to senior positions, the Management Board is guided by the specific requirements of the function and looks for the best possible person meeting these requirements. If several equally qualified candidates are available, the Management Board takes into account the principles of diversity and an appropriate consideration of women by filling vacancies without making these criteria a priority principle.
- Code article 4.2.3: The Supervisory Board has not stipulated a cap for compensation to be paid to Members of the Management Board (max. 2 years' salary) because the contracts have only a limited period of 3 years. Accordingly, the proposed limit of possible compensation claims of Board Members as intended with 4.2.3 is already inherently included in the employment contracts of the Board Members.
- Code article 5.1.2: The appointments to the Management Board made by the Supervisory Board are based on suitability and qualification and are aimed to fill the jobs with the best candidates. The Company believes that special weighting of other criteria to select potential candidates as prescribed by the Code would limit the options for the Management Board.
- Code article 5.4.1: In the cast of the Supervisory Board it applies as well that ability, experience and qualifications are the relevant selection criteria. To oblige to targets in terms of future appointments restricts the flexibility that would entail no other advantages for the Company. This is all the more because the Supervisory Board currently consists of only three members.

2. In future, 3U HOLDING AG will comply with the recommendations of the Government Commission on the German Corporate Governance Code in the version dated May 13, 2013 with the following exceptions:

- Code article 3.8: The directors' and officers' liability insurance policy does not include a deductible for members of the Supervisory Board. In this respect, 3U HOLDING AG is of the opinion that the level of responsibility and motivation with which the members of Supervisory Board of the Company perform their tasks would not be improved by any such deductible.
- Code article 4.1.5: In making appointments to senior positions, the Management Board is guided by the specific requirements of the function and looks for the best possible person meeting these requirements. If several equally qualified candidates are available, the Management Board takes into account the principles of diversity and an appropriate consideration of women by filling vacancies without making these criteria a priority principle.
- Code article 4.2.3: The Supervisory Board has not stipulated a cap for compensation to be paid to Members of the Management Board (max. 2 years' salary) because the contracts have only a limited period of 3 years. Accordingly, the proposed limit of possible compensation claims of Board Members as intended with 4.2.3 is already inherently included in the employment contracts of the Board Members.
- Code article 5.1.2: The appointments to the Management Board made by the Supervisory Board are based on suitability and qualification and are aimed to fill the jobs with the best candidates. The Company believes that special weighting of other criteria to select potential candidates as prescribed by the Code would limit the options for the Management Board.
- Code article 5.4.1: In the cast of the Supervisory Board it applies as well that ability, experience and qualifications are the relevant selection criteria. To oblige to targets in terms of future appointments restricts the flexibility that would entail no other advantages for the Company. This is all the more because the Supervisory Board currently consists of only three members.

Düsseldorf/Marburg, March 12, 2014

For the Supervisory Board  
Ralf Thoenes

For the Management Board  
Michael Schmidt

## Further development of Corporate Governance

3U HOLDING AG continues to develop its understanding of good and responsible corporate governance. A professional and efficient management and control within the Group are based on governance, risk and compliance systems.

Primarily risks must be prevented there, where they may arise, and if this is not possible, they must be recognized and reduced. To ensure this, as automated as possible internal controls in the business processes are implemented. Since this is not fully implementable in any case, the effectiveness of the control system must be ensured by additional control measures by the management.

The second line of defence, which includes functions such as Group wide risk management and compliance, provides the framework for the internal control system, the risk management system, and the compliance management system, for example via policies and standard operating procedures. Close integration of the internal control system, risk management system and compliance management system maximizes the efficiency of risk prevention and management.

The risk manager of the Group monitors through independent audits the adequacy and effectiveness of the implemented processes and systems for risk management in the broadest sense. The Risk Manager reports directly to the CEO and the Supervisory Board.

The model is completed by the external monitoring of the auditor, who incorporates the results of the audits by the risk manager in his own assessment.

## Appropriate control and risk management system

Corporate governance at 3U HOLDING AG involves dealing responsibly with risks. The continuous and systematic management of business opportunities and risks is fundamental to professional governance. It helps ensure that risks are identified, evaluated and managed at an early stage. The Management Board reports regularly to the Supervisory Board about the status of the main risks in the Group. The Supervisory Board focuses on monitoring the effectiveness of the accounting process and the internal control and risk management. 3U HOLDING AG continuously enhances the individual systems and adapts them to changing conditions. Key features of our control and risk management system are described in the opportunity and risk report.

## Compliance

Compliance, in the sense of measures to ensure adherence to statutory requirements and internal company policies is a key management duty at 3U HOLDING AG. It contains a clear commitment to compliance with the law and internal policies: violations will not be tolerated (zero tolerance). All reports of misconduct will be pursued.

### Avoidance of conflicts of interest

There were no major consulting or other service agreements between Members of the Supervisory Board and the Company during the reporting year. The contractual relationships in the financial year are disclosed in the remuneration report. Conflicts of interest of Management or Supervisory Board members, which are to be disclosed to the Supervisory Board without delay, did not occur.

The transactions with related parties are shown in the notes to the consolidated financial statements in 8.3.

### Disclosure of securities transactions and shareholdings of Management and Supervisory Board

According to § 15a Securities Trading Act (WpHG), members of the Management Board and Supervisory Board and persons close to them are required by law to disclose the purchase and sale of 3U HOLDING AG shares or related financial instruments whenever the value of the transactions amounts to EUR 5,000 or more within a calendar year. In fiscal 2014, the following transactions have been reported to the Company:

Transaction date	Reporting person	Type of transaction	Quantity	Exercise price	Total volume
17.11.2014	Ralf Thoenes (Chairman of the Supervisory Board)	Purchase	25,000	0.6777 EUR	16,942.73 EUR
18.11.2014	Gerd Simon (Supervisory Board)	Purchase	7,986	0.6871 EUR	5,487.38 EUR
20.11.2014	Gerd Simon (Supervisory Board)	Purchase	2,014	0.6970 EUR	1,403.52 EUR
25.11.2014	Stefan Thies (Supervisory Board)	Purchase	12,000	0.6893 EUR	8,271.60 EUR

## Shareholders and Annual General Meeting

The shareholders of 3U HOLDING AG exercise their rights at the Company's Annual General Meeting, which is chaired by the Chairman of the Supervisory Board in accordance with the Articles of Association. The Annual General Meeting takes place once a year. Each share confers one vote.

Shareholders can exercise their voting rights at the Annual General Meeting in person or by proxy, for which they can authorize a person of their choice or a Company-nominated proxy acting on their instructions. Shareholders can also cast their votes in writing by postal vote – without authorizing a proxy. On our website we make all documents and information on the Annual General Meeting available to shareholders in good time. In addition, questions can be addressed to members of our Investor Relations department via an info line or e-mail.

## Transparency through high-quality information

Our dialogue with the capital market is aimed at informing all target groups fully, equally and quickly, and presenting valuation-relevant facts in high quality.

The presentations which are given to analysts and investors are immediately freely available on the website. Our Investor Relations department also makes extensive facts and data available on the website to help analysts and investors better understand and value our businesses and their upside potential.

We provide information on recurring dates, such as the date of the Annual General Meeting or the publication dates of interim reports, in a financial calendar published in the Annual Report, the interim reports and on the Company's website.

Information about the latest developments in the Group is also provided on our website. All press releases and ad hoc announcements of 3U HOLDING AG are published in German and English in the IR-News and Press section.

The Company's Articles of Association can also be viewed on the website, as can the consolidated financial statements, interim reports and information on implementation of the recommendations and suggestions of the German Corporate Governance Code. All interested parties can subscribe to the IR service on the website which always reports up to date news from the Group.

## Corporate Governance Statement

The current Corporate Governance Statement by the Management of 3U HOLDING AG according to § 289a HGB is available to the public on the website of 3U HOLDING AG ([www.3u.net](http://www.3u.net)) under the path "Investor Relations/Corporate Governance". In the declaration, the relevant corporate governance practices applied beyond the legal regulations are explained. It further describes the workings of the Management Board and the Supervisory Board and presents the composition and working methods of the Management and Supervisory Board.

## Remuneration Report

Comments on the remuneration of the Management and the Supervisory Board can be found in the remuneration report, which is part of the Group Management Report, as well as part of this statement on corporate governance.

The following members of the Management and Supervisory Board held shares in the Company as of December 31, 2014:

Name	Function	Number of shares	Percent
Michael Schmidt	Speaker of the Management Board	8,999,995 shares	25.49 %
Andreas Odenbreit	Management Board	20,500 shares	0.06 %
Ralf Thoenes	Chairman of the Supervisory Board	25,000 shares	0.07 %
Gerd Simon	Supervisory Board	20,000 shares	0.06 %
Stefan Thies	Supervisory Board	12,000 shares	0.03 %

## Remuneration Report

The remuneration report summarises the principles determining the remuneration of the Management Board and Supervisory Board at 3U HOLDING AG and explains the amount and structure of the remuneration. The remuneration report is created on the basis of the recommendations of the German Corporate Governance Code, also containing the disclosures required in line with the German Commercial Code, supplemented by the Disclosure of Management Board Remuneration Act (VorstOG).

### Remuneration of the Management Board

The structure and amount of remuneration of Board Members are determined by the Supervisory Board and reviewed regularly. In doing so the Supervisory Board respects the law stipulating the appropriateness of executive remuneration (VorstAG) which became effective August 5, 2009.

All Members of the Management Board of 3U HOLDING AG receive a fixed basic salary (fixed component), which is paid in monthly instalments. In addition, all members of the Management Board receive variable performance-based remuneration (performance related components). The performance-based remuneration is composed of a quantitative sub-goal and a qualitative sub-goal. If the quantitative sub-goal is achieved, the Supervisory Board primarily assesses the audited value of the EBITDA performance of the Group in relation to the budgeted value: a significant miss of budgeted sales targets can lead to deductions. Within the scope of achieving the qualitative target the Supervisory Board assesses the processing of priority tasks of the Management Board as well as the achievement of personal goals of the Management Board as set by the Supervisory Board. The Supervisory Board always determines objectives at the beginning of each financial year under consideration of the Group's situation.

Furthermore, the Members of the Management Board were granted a specific number of stock options in the 2011 stock option plan. The granting of stock options aims to reward the contribution of the Management Board (and the other employees of the 3U Group) to increased enterprise value and to encourage the long-term success of the Company.

Starting with the calendar year 2011, a part of the performance-related remuneration of a financial year will be paid under the condition that the Management Board is also going to sustainably manage the affairs of the Company in the next two years following the financial year in question. Regarding sustainability, especially the stability of the EBITDA performance of the Group and the investment structure as well as the motivation of the employees is considered. The Supervisory Board will assess the sustainability in the two years following the financial year and reclaim the partial amounts of the performance-related remuneration paid if the sustainability in business management is not warranted. A performance-related remuneration which has to be refunded by the Management Board has to be paid by the Management Board within 90 days after receipt of the written reclaim demand from the Supervisory Board.

In accordance with Article 87 par. 2 par. 1 AktG, the Supervisory Board is entitled to lower the remunerations of the Management Board appropriately if the situation of the Group worsens after the fixation of the remunerations and the continued granting of these remunerations would be inequitable for the Group. This also applies for the granting of any share options for remuneration purposes.

If the appointment to member of the Management Board is revoked for an important reason according to Article 84 par. 3 AktG, there exists no entitlement for a performance-related remuneration for this financial year as well as for any further financial years until expiration of the employment contract as member of the Management Board.

No pension commitments were given to the Members of the Management Board. The remuneration of the Members of the Management Board with individual details, broken down into fixed and performance-related components are shown below.

#### Value of the benefit granted for the year 2014

##### Inflow for the year 2014

Benefits (in TEUR)	Michael Schmidt Speaker of the Management Board			
	2013	2014	2014 (min.)	2014 (max.)
Fixed remuneration	300	300	300	300
Fringe benefits	27	34	34	34
<b>Subtotal</b>	<b>327</b>	<b>334</b>	<b>334</b>	<b>334</b>
Profit-sharing and bonuses (one year)	150	150	0	300
Profit-sharing and bonuses (spanning more than one year)	0	0	0	0
<b>Total</b>	<b>477</b>	<b>484</b>	<b>334</b>	<b>634</b>
Pension benefits	0	0	0	0
<b>Total benefits</b>	<b>477</b>	<b>484</b>	<b>334</b>	<b>634</b>

Benefits (in TEUR)	Andreas Odenbreit Management Board			
	2013	2014	2014 (min.)	2014 (max.)
Fixed remuneration	140	140	140	140
Fringe benefits	21	19	19	19
<b>Subtotal</b>	<b>161</b>	<b>159</b>	<b>159</b>	<b>159</b>
Profit-sharing and bonuses (one year)	18	18	0	35
Profit-sharing and bonuses (spanning more than one year)	0	0	0	0
<b>Total</b>	<b>179</b>	<b>177</b>	<b>159</b>	<b>194</b>
Pension benefits	0	0	0	0
<b>Total benefits</b>	<b>179</b>	<b>177</b>	<b>159</b>	<b>194</b>



Benefits (in TEUR)	Christoph Hellrung Management Board			
	2013	2014	2014 (min.)	2014 (max.)
Fixed remuneration	140	140	140	140
Fringe benefits	26	24	24	24
<b>Subtotal</b>	<b>166</b>	<b>164</b>	<b>164</b>	<b>164</b>
Profit-sharing and bonuses (one year)	18	18	0	35
Profit-sharing and bonuses (spanning more than one year)	0	0	0	0
<b>Total</b>	<b>184</b>	<b>182</b>	<b>164</b>	<b>199</b>
Pension benefits	0	0	0	0
<b>Total benefits</b>	<b>184</b>	<b>182</b>	<b>164</b>	<b>199</b>

Inflow (in TEUR)	Michael Schmidt Speaker of the Management Board		Andreas Odenbreit Management Board		Christoph Hellrung Management Board		Management Board total	
	2014	2013	2014	2013	2014	2013	2014	2013
Fixed remuneration	300	300	140	140	140	140	580	580
Fringe benefits	34	27	19	21	24	26	77	74
<b>Subtotal</b>	<b>334</b>	<b>327</b>	<b>159</b>	<b>161</b>	<b>164</b>	<b>166</b>	<b>657</b>	<b>654</b>
Profit-sharing and bonuses (one year)	150	150	18	18	18	18	186	186
Profit-sharing and bonuses (spanning more than one year)	0	0	0	0	0	0	0	0
<b>Total</b>	<b>484</b>	<b>477</b>	<b>177</b>	<b>179</b>	<b>182</b>	<b>184</b>	<b>843</b>	<b>840</b>
Pension benefits	0	0	0	0	0	0	0	0
<b>Total benefits</b>	<b>484</b>	<b>477</b>	<b>177</b>	<b>179</b>	<b>182</b>	<b>184</b>	<b>843</b>	<b>840</b>

### Stock option plan 2011

By way of resolution dated August 19, 2010, the Annual General Meeting authorized a contingent capital of up to EUR 4,684,224.00 for issuing stock options to members of the Management Board, executives and employees in the context of a stock option plan and authorised the Management Board accordingly. With the approval of the Supervisory Board, the Management Board made use of this authorisation on February 7, 2011 and established a stock option plan 2011.

Information on the number of stock options at December 31, 2014:

Name	Function	Number of stock options
Michael Schmidt	Speaker of the Management Board	200.000
Andreas Odenbreit	Management Board	0*
Christoph Hellrung	Management Board	0**

\*However, Mr. Odenbreit has received stock options as an employee of 3U HOLDING AG.

\*\*However, Mr. Hellrung has received stock options as a Board Member of LambdaNet Communications Deutschland AG.

The stock options are exercisable only after specified periods (vesting period). 3U HOLDING AG is entitled to reject the exercise of option rights to the extent that such exercise would result in a disproportionately high remuneration of the beneficiaries due to extraordinary, unforeseen developments.

All remuneration for Management Board activities for the time as Board Member of the Company was made by 3U HOLDING AG. The Subsidiaries did not pay any remuneration. With regard to the components with long-term incentive effects, we refer to the chapter "Detailed information on stock option programmes".

### Remuneration of the Supervisory Board

Remuneration of the Supervisory Board is stipulated in Article 9 of the Company's Articles of Association. According to this, the Members of the Supervisory Board receive fixed basic remuneration of EUR 5,000.00 per year. The Chairman of the Supervisory Board and the Deputy Chairman receive twice and one and a half time the aforementioned remuneration respectively.

Furthermore, each Supervisory Board Member receives a bonus of EUR 1,000.00 per EUR 0.01 of the dividend in excess of EUR 0.05 per share distributed to shareholders for the past financial year as well as annual remuneration related to long-term company success of EUR 1,000.00 per EUR 100,000.00 earnings before taxes in the consolidated financial statements of the Company ("EBT") in excess of the average earnings before taxes in the consolidated financial statements ("EBT") for each of the three preceding financial years. However, total remuneration shall not exceed EUR 50,000.00 for the Chairman, EUR 37,500.00 for the Deputy Chairman and EUR 25,000.00 for the other Supervisory Board Members. In addition, all Supervisory Board Members receive a meeting fee of EUR 2,500.00 for each supervisory board or committee meeting that they attend. The Company reimburses the Supervisory Board Members for value added tax payable on their remuneration and expenses.

The remuneration for 2014 amounted to TEUR 68 (previous year: TEUR 68). For 2014 – as was the case in 2013 – no performance fee was accrued.

Name	Fixed remuneration in TEUR		Attendance-fee in TEUR		Performance related remuneration in TEUR		Total remuneration in TEUR	
	2014	2013	2014	2013	2014	2013	2014	2013
Ralf Thoenes (Chairman)	10	10*	15	15	0	0	25	25
Gerd Simon	8	8	15	15	0	0	23	23
Stefan Thies	5	5	15	15	0	0	20	20
<b>Sum</b>	<b>23</b>	<b>23</b>	<b>45</b>	<b>45</b>	<b>0</b>	<b>0</b>	<b>68</b>	<b>68</b>

\*The fixed remuneration for Mr. Thoenes for the financial year 2012 was recognized as expenses in accounting in 2013.

In addition, the Supervisory Board receives a reimbursement of their travel costs and other expenses. Mr. Thoenes received TEUR 0.5 (previous year: TEUR 0.9), Mr. Simon TEUR 1.6 (previous year: TEUR 1.3) and Mr. Thies TEUR 0.8 (previous year: TEUR 1.3) as reimbursements for expenses in fiscal year 2014. Mr. Thoenes also received attendance fees and reimbursement of expenses for his supervisory activities at 3U ENERGY AG amounting to TEUR 6 (previous year: TEUR 9).

In the past financial year, the law firm Altenburger Rechtsanwälte – of which Ralf Thoenes, the Chairman of the Supervisory Board, is a partner – received a total of TEUR 8 for its consultancy services for the 3U Group (previous year: TEUR 3). These were provided to 3U ENERGY AG in the amount of TEUR 4 and RISIMA Consulting GmbH in the amount of TEUR 4 (previous year: TEUR 3 for 3U ENERGY AG).

In addition, Thies & Thies Steuerberatungsgesellschaft mbH, whose managing director is Mr. Stefan Thies, billed tax consulting services in the amount of TEUR 0 in fiscal 2014 (previous year: TEUR 1). These were provided exclusively to 3U HOLDING AG in 2013.

## Detailed information on stock option plan

By way of resolution dated August 19, 2010, the Annual General Meeting authorised contingent capital of up to EUR 4,684,224.00 for issuing stock options to members of the Management Board, executives and employees in the context of a stock option plan and authorised the Management Board accordingly. With the approval of the Supervisory Board, the Management Board made use of this authorisation on February 7, 2011 and established a stock option plan for 2011.

### Stock option plan 2011

The stock option plan (SOP) 2011 has the following key details:

The following are beneficiaries:

- Group 1: Members of the Company's Management Board
- Group 2: Employees of the Company and affiliated companies in Germany and abroad in key positions at the first level of management below the Management Board as well as members of the management of affiliated companies in Germany and abroad (Article 15 of the German Stock Corporation Act)
- Group 3: All other employees of the Company and of the affiliated companies in Germany and abroad (Article 15 of the German Stock Corporation Act)

A total of 4,602,500 stock options were issued within the scope of the SOP 2011. The distribution between the individual groups is as follows (the value in parentheses indicates the maximum number of shares to possibly be issued):

Group 1:	400,000	(of 468,422)	stock options
Group 2:	2,800,000	(of 2,810,535)	stock options
Group 3:	1,402,500	(of 1,405,267)	stock options
Total:	4,602,500	(of 4,684,224)	stock options

The SOP 2011 has a term of five years. The non-transferable option rights can be exercised after a four-year qualifying period on February 7, 2015 at the earliest and no later than February 6, 2016.

The option rights may only be exercised within a period of fifteen banking days in Frankfurt am Main following the publication of the annual financial statements and/or consolidated financial statements, the Annual General Meeting or the publication of a quarterly report and/or the annual report. The options are not transferable. Each option right authorizes the purchase of a share in the company at the exercise price. The exercise price for the options is EUR 1.00 per share. At the time of inception of the SOP on February 7, 2011 the share was quoted at EUR 0.66, the premium thus amounted to 51.5 %.

The beneficiary may only sell shares received through the exercise of stock options within a month of the publication of the quarterly reports or after the publication of periodical reporting.

Of the 4,602,500 options issued in the framework of the SOP 1,610,000 options were forfeited at December 31, 2014.

Forfeited are in:

- 2011: 582,500 stock options
- 2012: 365,000 stock options
- 2013: 380,000 stock options
- 2014: 282,500 stock options