

# Corporate governance report

The German Corporate Governance Code has been applicable since 2002. It was updated in February 2017 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.

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 2016, 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.

## **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 declaration of conformity required according to the German Stock Corporation Act during the reporting period on March 1, 2016 and most currently in March 2017. 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**

1. Since last submitting a declaration of conformity on March 1, 2016, 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 5, 2015 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 the 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 5, 2015 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 the 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 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 2017

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 every case, the effectiveness of the control system must be ensured by additional control measures by the management.

Secondly this is done for example by 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 of risks.

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

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 investigated.

## Objectives of the Supervisory Board and the Management Board with regard to their respective composition and the composition of the management levels below the Management Board

Currently the Supervisory Board consists of three male members. Their appointment was made until the end of the Annual General Meeting deciding on the discharge for the financial year 2017. Neither an enlargement of the Supervisory Board was or is planned nor a change in the Supervisory Board. Therefore, the Supervisory Board still stays by its decision of September 30, 2015 that the target to reach for the proportion of women in the Supervisory Board of 3U HOLDING AG by June 30, 2017 is 0 %.

The Management Board currently consists of three male members. The Supervisory Board is of the opinion that the Management Board positions are currently best possible occupied and an enlargement of the Management Board is not appropriate in terms of the Company size and structure. Therefore, the Supervisory Board still stays by its decision of September 30, 2015 that the target to reach for the proportion of women in the Management Board of 3U HOLDING AG by June 30, 2017 is 0 %.

There is currently only one management level below the Management Board level in the 3U HOLDING AG, which currently consists of three male members. The Management Board still stays by its decision of September 30, 2015 that the target to reach for the proportion of women in the management level below the Management Board of 3U HOLDING AG by June 30, 2017 is 0 %.

## Avoidance of conflicts of interest

There were 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, 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 art. 19 MAR, 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 2016, the following transaction has been reported to the Company:

Transaction date	Reporting person	Type of transaction	Quantity	Exercise price	Total volume
08/15/2016	Jürgen Beck-Bazlen (Supervisory Board)	Purchase	10,000	EUR 0.699994	EUR 6,999.94

## 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 the 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 Board and the Supervisory Board 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 combined 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, 2016:

<b>Name</b>	<b>Function</b>	<b>Number of shares</b>	<b>Percent</b>
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 %
Stefan Thies	Deputy Chairman of the Supervisory Board	12,000 shares	0.03 %
Jürgen Beck-Bazlen	Supervisory Board	1,130,000 shares	3.20 %

# 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. In the case of the partial quantitative target, the Supervisory Board evaluates the audited value of the Group's EBITDA performance in relation to the budget value in the reporting year: 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 granted allowances for the year 2016

Allowances (in TEUR)	Michael Schmidt Speaker of the Management Board			
	2016	2016 (min.)	2016 (max.)	2015
Fixed remuneration	300	300	300	300
Fringe allowances	17	17	17	17
<b>Subtotal</b>	<b>317</b>	<b>317</b>	<b>317</b>	<b>317</b>
One-year variable remuneration	50	0	300	150
Multi-year variable remuneration	0	0	0	0
<b>Total</b>	<b>367</b>	<b>317</b>	<b>617</b>	<b>467</b>
Pension allowances	0	0	0	0
<b>Total</b>	<b>367</b>	<b>317</b>	<b>617</b>	<b>467</b>

Allowances (in TEUR)	Andreas Odenbreit Management Board			
	2016	2016 (min.)	2016 (max.)	2015
Fixed remuneration	140	140	140	140
Fringe allowances	20	20	20	19
<b>Subtotal</b>	<b>160</b>	<b>160</b>	<b>160</b>	<b>159</b>
One-year variable remuneration	18	0	35	18
Multi-year variable remuneration	0	0	0	0
<b>Total</b>	<b>178</b>	<b>160</b>	<b>195</b>	<b>177</b>
Pension allowances	0	0	0	0
<b>Total</b>	<b>178</b>	<b>160</b>	<b>195</b>	<b>177</b>

Allowances (in TEUR)	Christoph Hellrung Management Board			
	2016	2016 (min.)	2016 (max.)	2015
Fixed remuneration	140	140	140	140
Fringe allowances	24	24	24	24
<b>Subtotal</b>	<b>164</b>	<b>164</b>	<b>164</b>	<b>164</b>
One-year variable remuneration	18	0	35	18
Multi-year variable remuneration	0	0	0	0
<b>Total</b>	<b>182</b>	<b>164</b>	<b>199</b>	<b>182</b>
Pension allowances	0	0	0	0
<b>Total</b>	<b>182</b>	<b>164</b>	<b>199</b>	<b>182</b>



## Accruals for the year 2016

Accruals (in TEUR)	Michael Schmidt Speaker of the Management Board		Andreas Odenbreit Management Board		Christoph Hellrung Management Board		Management Board total	
	2016	2015	2016	2015	2016	2015	2016	2015
Fixed remuneration	300	300	140	140	140	140	580	580
Fringe allowances	17	17	20	19	24	24	61	60
<b>Subtotal</b>	<b>317</b>	<b>317</b>	<b>160</b>	<b>159</b>	<b>164</b>	<b>164</b>	<b>641</b>	<b>640</b>
One-year variable remuneration	75	75	0	0	0	0	75	75
Multi-year variable remuneration	0	0	0	0	0	0	0	0
<b>Total</b>	<b>392</b>	<b>392</b>	<b>160</b>	<b>159</b>	<b>164</b>	<b>164</b>	<b>716</b>	<b>715</b>
Pension allowances	0	0	0	0	0	0	0	0
<b>Total</b>	<b>392</b>	<b>392</b>	<b>160</b>	<b>159</b>	<b>164</b>	<b>164</b>	<b>716</b>	<b>715</b>

In addition, Mr Michael Schmidt received TEUR 75, Mr Andreas Odenbreit TEUR 18 and Mr Christoph Hellrung TEUR 18 as an annual variable compensation in the reporting year and the previous year for the respective preceding years.

All remuneration for Management Board activities for the time as Board Members of the Company was made by 3U HOLDING AG. The subsidiaries did not pay any remuneration.

### Stock option plan 2011

By way of resolution dated August 19, 2010, the Annual General Meeting had 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.

The stock options were exercisable only after specified periods (vesting period). 3U HOLDING AG was 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.

By the end of the term of the stock option plan 2011 on February 6, 2016, no options were exercised. The stock options are so completely forfeited.

## 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 2016 amounted to TEUR 166 (previous year: TEUR 167). For 2016 a performance fee of TEUR 90 (previous year: TEUR 92) was accrued.

Name	Fixed remuneration in TEUR		Attendance-fee in TEUR		Performance related remuneration in TEUR		Total remuneration in TEUR	
	2016	2015	2016	2015	2016	2015	2016	2015
Ralf Thoenes (Chairman)	10	10	18	18	40	40	68	68
Gerd Simon (until 5/21/2015)	-	3	-	5	-	13	-	21
Stefan Thies (Deputy Chairman)	8	6	18	18	30	26	56	50
Jürgen Beck-Bazlen (since 5/21/2015)	5	3	18	13	20	13	43	29
<b>Total*</b>	<b>23</b>	<b>23*</b>	<b>53*</b>	<b>53*</b>	<b>90</b>	<b>92</b>	<b>166*</b>	<b>167*</b>

\*Due to rounding differences in the totals line

In addition, the Supervisory Board Members receive reimbursement of their travel costs and other expenses. Mr Thoenes received TEUR 2.5 (previous year: TEUR 1.8), Mr Simon TEUR 0 (previous year: TEUR 0.4), Mr Thies TEUR 1.1 (previous year: TEUR 0.8) and Mr Beck-Bazlen TEUR 2.0 (previous year: 1.3) as reimbursements for expenses in fiscal year 2016. Mr Thoenes also received attendance fees and reimbursement of expenses for his supervisory activities at 3U ENERGY AG amounting to TEUR 9 (previous year: TEUR 9) for fiscal year 2016.

Mr Simon received meeting fees and reimbursement of expenses for his supervisory activities at 3U ENERGY AG amounting to TEUR 6 for fiscal year 2016 (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 11.1 (previous year TEUR 40) plus VAT for its consultancy services and reimbursements for expenses for the 3U Group. These were provided to 3U ENERGY AG in the amount of TEUR 10.6 and to ClimaLevel Energiesysteme GmbH in the amount of TEUR 0.5 (previous year: TEUR 28 to 3U HOLDING AG and TEUR 12 to 3U ENERGY AG).

**Detailed information on stock option plan**

Currently there is no active stock option program in the 3U Group.

No option rights were exercised by the end of the term of the stock option plan 2011 on February 6, 2016. The 4,602,500 stock options issued under the stock option plan are therefore completely forfeited.



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