



RENK. EMPOWERING FORCES.

**Corporate Governance Statement according to section 289f HGB
and section 315d HGB for fiscal year 2017**
RENK Aktiengesellschaft

Corporate Governance Statement in accordance with section 289f HGB and section 315d HGB for fiscal year 2017¹⁾

At RENK, the management and control of the company and the Group are geared towards ensuring sustainable value added and an appropriate result in accordance with the principles of the social market economy.

Corporate governance is defined by the applicable laws, in particular company law, the Articles of Association and internal regulations, and by national and international standards of good and responsible management. The German Corporate Governance Code (Code) provides conduct recommendations and suggestions for corporate governance as applied in the RENK Group in line with acknowledged standards.

(a) Corporate Governance at RENK²⁾

The Executive Board and the Supervisory Board of RENK have dealt extensively with the corporate governance system and compliance with the recommendations and suggestions of the Code. They are aware that good and transparent corporate governance, consistent with both national and international standards, is essential for the responsible and long-term management of a company.

Declaration of conformity

On December 5, 2017, the Executive Board and the Supervisory Board issued the declaration of compliance reproduced below in accordance with section 161 of the German Stock Corporation Act (AktG):

“The Executive Board and the Supervisory Board of RENK AG declare that the recommendations of the Government Commission on the German Corporate Governance Code as amended on February 7, 2017 promulgated by the Federal Ministry of Justice on April 24, 2017 in the official section of the *Bundesanzeiger* (the Federal Gazette) are complied with effective immediately, with the exception of items 4.2.3(2) sentence 3 (forward-looking variable remuneration), 5.4.1(6) to (8) (disclosure of proposals of candidates for election) and 7.1.1 sentence 2 (intra-year financial information).

- 1.) The recommendation of item 4.2.3(2) sentence 3 is not complied with in that the assessment base for variable remuneration components is not essentially forward-looking. The current remuneration system is based on the recommendation found in the version of the Code dated May 5, 2015. As the Supervisory Board considers a long-term assessment basis that is essentially forward-looking to be appropriate, an adjustment of the remuneration system in line with the recommendations of the current version of the Code is being prepared but has not yet been completed or implemented.

1) The Corporate Governance Statement in accordance with section 289f HGB and section 315d HGB is part of the Group management report not included in the audit.

2) Also “Corporate Governance Report” of the Executive Board and the Supervisory Board in accordance with item 3.10 of the German Corporate Governance Code as amended February 7, 2017

- 2.) Regarding the recommendation in items 5.4.1(6) to (8) of the Code on the disclosure of certain circumstances of nominations by the Supervisory Board to the Annual General Meeting, the requirements of the Code are unspecific and unclear in their application. A departure from the Code as regards this matter has thus been declared as a precaution. Regardless of this, the Supervisory Board will endeavor to comply with the requirements of items 5.4.1(6) to (8) of the Code.
- 3.) The recommendation of item 7.1.1 sentence 2 (intra-year financial information) is not complied with as the Executive Board and Supervisory Board of RENK AG consider an obligation to release quarterly publications in addition to the statutory requirement of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act) to be unnecessary.

The Executive Board and the Supervisory Board of RENK AG further declare that the recommendations of the Government Commission on the German Corporate Governance Code as amended on May 5, 2015 promulgated by the Federal Ministry of Justice on June 12, 2015 in the official section of the *Bundesanzeiger* were complied with in the period December 2016 to April 24, 2017, with the exception of items 5.4.1(5) to (7) (disclosure of proposals of candidates for election; items 5.4.1(6) to (8) in the February 7, 2017 version of the Code). The reasons for the exception are explained above.

From April 24, 2017 until the time that this declaration of conformity was issued, the recommendations of the Government Commission on the German Corporate Governance Code as amended on February 7, 2017 promulgated by the Federal Ministry of Justice on April 24, 2017 in the official section of the *Bundesanzeiger* (the Federal Gazette) were complied with, with the exception of items 4.2.3(2) sentence 3 (forward-looking variable remuneration), 5.4.1(2) sentence 1 and (4) sentence 1 (preparation of a skills profile and efforts to adhere to it), 5.4.1(5) (résumés for all Supervisory Board members), 5.4.1(6) to (8) (disclosure of proposals of candidates for election) and 7.1.1 sentence 2 (intra-year financial information). The reasons for the departures from items 4.2.3(2) sentence 3, 5.4.1(6) to (8) and 7.1.1 sentence 2 are explained above.

The new recommendations of item 5.4.1(2), (4) and (5) added effective from April 24, 2017 – which relate to the composition of the Supervisory Board and the preparation of a skills profile for the body as a whole, striving to adhere to the skills profile for the body as a whole and publishing résumés for all Supervisory Board members supplemented by overviews of their main activities in addition to their Supervisory Board appointment on the company's website – have been complied with since December 5, 2017 when this was discussed accordingly and resolved by the Supervisory Board.”

Annual General Meeting

The Annual General Meeting is the forum for shareholders of RENK AG to exercise their voting rights, to obtain information and to engage in a dialog with the Executive Board and the Supervisory Board.

RENK AG's Annual General Meeting is organized and held with the goal of providing all shareholders with information quickly, comprehensively and effectively both before and during the Annual General Meeting. The invitation to the Annual General Meeting is published in the *Bundesanzeiger* (the Federal Gazette) and is made accessible to shareholders and all other interest parties on RENK's website, together with all reports and submissions for the Annual General Meeting.

To make it easier for shareholders to exercise their rights in person and to facilitate voting representatives, in addition to the option of authorizing a bank, shareholder associations or other persons, there is the possibility of authorizing a RENK employee as a voting representative.

Cooperation between the Executive Board and the Supervisory Board

In accordance with German stock corporation law, RENK AG has a dual management structure with an Executive Board and Supervisory Board. Both governing bodies work together closely for the good of the company and strive to sustainably increase the value of the company for the shareholders.

The Executive Board performs management and operational functions on its own responsibility, the Supervisory Board performs monitoring and consulting functions. Both the Executive Board and the Supervisory Board work on the basis of the applicable legal regulations and their respective Rules of Procedure. The Executive Board informs the Supervisory Board promptly and comprehensively

on strategy, planning, business development and the risk position. Transactions and measures that require the approval of the Supervisory Board are presented to it in time. The Executive Board also informs the Chairman of the Supervisory Board immediately of extraordinary events.

The Executive Board

The Executive Board is the management body of RENK AG and has two members as of December 31, 2017. The members of the Executive Board conduct all the company's business with joint responsibility. The Executive Board is appointed by the Supervisory Board. The Executive Board's work is governed by its Rules of Procedure.

The Executive Board determines the business objectives for the entire RENK Group. It ensures compliance with legal provisions, official regulations and internal company policies. The Executive Board also ensures open and transparent corporate communications. The risk management system assists the Executive Board in recognizing business and financial risks and taking appropriate measures to reduce risks.

In accordance with the specifications of the German Stock Corporation Act and item 4.3.4 of the Code, Executive Board members only can perform sideline activities with the prior consent of the Supervisory Board. The Executive Board members are further required to disclose conflicts of interest to the Supervisory Board and the other members of the Executive Board without delay. Executive Board members did not report any conflicts of interest in the year under review. In addition, companies of the RENK Group did not perform any transactions with members of the Executive Board or their related parties in the year under review.

Supervisory Board

The Supervisory Board, consisting of an equal number of employee and shareholder representatives, is the monitoring and consulting body of RENK AG.

In accordance with section 96(1) alt. 1 and section 101 AktG in conjunction with section 1(1) and section 7(1) sentence 1 no. 1 of the *Mitbestimmungsgesetz* (MitbestG – German Codetermination Act), the Supervisory Board consists of twelve members. Six of these are shareholder representatives elected by the Annual General Meeting and six are employee representatives elected in line with the German Codetermination Act. Since January 1, 2016, the statutory minimum share of 30% women and men must also be taken into account in new elections to fill single or multiple Supervisory Board seats.

For information on the composition of the Supervisory Board and the Supervisory Board committees formed plus further details of the changes occurred in the year under review, please see the report of the Supervisory Board and the notes to the consolidated financial statements.

In light of the purpose of the company, its size and the share of its international activities, the Supervisory Board of RENK AG is endeavoring to achieve a **composition for the Supervisory Board** that takes the following elements into account:

- At least one seat on the Supervisory Board for persons who especially embody the criterion of internationality.
- At least one Supervisory Board member elected by the shareholders who has no potential conflicts of interest and are independent within the meaning of item 5.4.2 of the Code.
- Generally no persons should be considered for election who have reached the age of 70 by the time of the election or who have already been a member of the Supervisory Board of the company for more than 20 years.

All these criteria are met or are complied with.

Mr. Michael Behrendt is considered an independent member of the Supervisory Board as defined by the Code.

Furthermore, the Supervisory Board resolved a skills profile for its composition in accordance with item 5.4.1 of the Code in December 2017. In line with this, the Supervisory Board of RENK AG as a whole should have the following skills and expertise:

- In-depth knowledge and experience from the company itself.
- Management or monitoring experience at other medium-sized or large enterprises.
- Experience in key areas for the RENK Group, such as mechanical engineering and information technology.
- Expertise in the field of finance.

All these criteria are met or are complied with.

Supervisory Board members did not report any conflicts of interest in the year under review.

The appointments of Supervisory Board members in bodies of other companies are shown in the notes to the consolidated financial statements.

Remuneration system of the Executive Board and the Supervisory Board

For details of the remuneration system for the Executive Board and the Supervisory Board, please see the remuneration report in the management report.

Compliance report 2017

In fiscal year 2017 RENK systematically implemented and continued to develop the compliance program covering the combating of corruption, antitrust law, data privacy and money laundering.

RENK has established compliance as an integral part of its corporate culture. The compliance management system is coordinated, taught and constantly refined by the compliance officer on the basis of the MAN SE compliance program. He reports directly to the RENK AG Executive Board and functionally to the Audit Committee of the Supervisory Board.

The compliance officer is assisted by a deputy and two other employees in the area of reviewing business partners. The Rheine and Hanover plants are also assisted by “compliance champions” – managers who are not full-time compliance employees but who assume special responsibility for compliance at their sites.

Furthermore, the compliance officer can use the resources of MAN’s corporate compliance office. In particular, training and information materials and e-learning courses are managed from here. Policies are adapted to RENK’s structure and business model.

The compliance organization and the introduction of new compliance measures were closely coordinated with the Executive Board and plant management teams on the basis of identified risks. The Risk and Compliance Board, which meets quarterly, is informed of the progress in measures and coordinates the next steps as necessary.

Ethical principles of conduct and compliance requirements for RENK are established in the Code of Conduct. Rules substantiating the Code of Conduct are contained in the following compliance policies:

- policy on the handling of gifts, hospitality and invitations,
- policy on the involvement of business partners,
- policy on the handling of donations and sponsorship activities,
- policy on compliance with antitrust provisions,

- policy on the fight against terrorism, corruption and money laundering.
- policy on the handling of personal data.

In addition to the Code of Conduct for Employees, RENK has issued a Code of Conduct for Suppliers and Business Partners that defines certain minimum ethical standards that RENK’s suppliers and sales support business partners must agree to comply with.

The integrity of business partners is checked as a mandatory requirement and they are subject to an approval process.

In the induction phase after joining the company, the Compliance Officer introduces new employees to the compliance organization, compliance processes and compliance tools, and takes the opportunity to discuss the company’s expectations of employees.

In addition, in line with their risk classification, employees also receive compliance awareness training in classroom sessions and e-learning.

As per the policy on the involvement of business partners, the integrity of sales support business partners is checked as a mandatory requirement and they are subject to an approval process. The integrity checks conducted in the reporting period and the scheduled follow-up inspections did not lead to any objections.

The electronic monitoring system, also known as the continuous controls monitoring system (CCMS), for the early identification of possible compliance risks and policy violations in purchasing and payment processes, was still running at all RENK sites in Germany in the reporting period. CCMS reporting consists of various check files. Changes in the extent of control and control irregularities are evaluated on a monthly basis and assessed in a meeting with the Head of IT, Head of Finance and the Compliance Officer, and finally reported to the RENK Risk and Compliance Board.

The compliance officer and the compliance help desk, which can be used by all employees for matters concerning compliance, received 28 inquiries for the RENK Group and 26 for RENK AG in the reporting period (compliance officer (25 and 23), MAN compliance helpdesk (3)). These were answered by the compliance officer and documented.

No compliance violations were identified in the reporting period.

MAN's "Speak up!" whistleblower portal helps to detect and avoid dangerous risks. Through "Speak up!", tips concerning severe compliance violations, particularly in the area of white collar crime (such as corruption), antitrust law and privacy, are received and processed.

RENK employees and third parties therefore have another way to provide tips on compliance violations – confidentially, internationally and at any time – other than contacting the compliance officer directly. Compliance violations are not tolerated at RENK under any circumstances. Information on possible violations is examined in detail, violations are stopped and sanctioned as far as labor law allows. Furthermore, the findings from investigating compliance violations are used for the continuous improvement of the compliance system. No tip-offs of compliance violations were received through the whistleblower portal in the year under review.

MAN Corporate Audit conducted an audit of the compliance management system and the business partner process from July 10 to July 28, 2017.

The objective of the audit was to determine whether:

- there is an effective compliance management system;
- internal rules, policies and instructions are adhered to;
- the handling of business partners is in order.

The results found that the processes were essentially in order and that there were no human errors.

Transparency

RENK publishes a financial diary with all the important dates for shareholders on the website www.renk.eu under the "Investor Relations". Furthermore, this website also provides all other important information that can be accessed by shareholders and interested members of the public, thereby allowing the simultaneous and comprehensive communication of relevant information. This includes annual reports and half-yearly reports, press releases and invitations to and agendas for the Annual General Meeting including the other documentation that must be published in connection with the Annual General Meeting

Furthermore, such information that must be disclosed immediately in accordance with capital market disclosure obligations is also published on the www.renk.eu homepage under "Investor Relations". In particular, examples of such information are:

- In accordance with Article 19 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on Market Abuse (Market Abuse Regulation), persons who perform management duties and their related parties must report to the issuer and the *Bundesanstalt für Finanzdienstleistungsaufsicht* (BaFin – German Federal Financial Supervisory Authority) the purchase and sale of RENK shares and financial instruments that reference RENK shares. No transactions were reported in fiscal year 2017.
- In accordance with Article 17 of the Market Abuse Regulation, issuers are required to disclose inside information that relates to them directly without delay.
- In accordance with section 40 WpHG, German issuers must immediately publish notifications that they receive of shares of voting rights in the company being exceeded or fallen below.

Accounting and audit of the financial statements

The annual consolidated financial statements of the RENK Group are prepared by the Executive Board based on the International Financial Reporting Standards (IFRS), as adopted in the European Union, and the single-entity financial statements of RENK AG in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The consolidated financial statements of the RENK Group and RENK AG are audited by the auditor and the Supervisory Board.

In line with the recommendation in item 7.1.2 sentence 2 of the Code, the half-yearly report is discussed at RENK by the Executive Board with the Audit Committee prior to its publication. The publication deadlines for the consolidated financial statements and the half-yearly report stipulated in item 7.1.2 sentence 4 of the Code are complied with.

The Audit Committee of the Supervisory Board proposes an auditor to be elected for the company to the Supervisory Board. The Annual General Meeting appointed PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft as the auditor for fiscal year 2017 on April 26, 2017. The auditor provided the Supervisory Board with a statement regarding its independence, which serves as proof of the auditor's independence. In addition to granting the audit engagement and agreeing the fee, the Supervisory Board arranged the immediate reporting by the auditor to the Supervisory Board in the event of findings or events of material importance in the performance of the audit of the financial statements and of the discovery of inaccuracies in the declaration of conformity issued in accordance with section 161 AktG.

(b) Other corporate governance practices

RENK AG is the managing parent company of the RENK Group. In addition to monitoring its operating activities, it also defines the development of the overall strategy and structure of the RENK Group.

RENK's reputation, the trust of our customers, investors, employees and public opinion are crucially dependent on the proper conduct of all the employees of our Group.

RENK has therefore adopted the MAN Group's Code of Conduct in full as a binding standard for day-to-day work. A key objective of the Code of Conduct is to eliminate advantages granted and accepted as a means of achieving business goals. RENK's standing among the competition is owed solely to the quality and specific customer benefits of its products and services. This is made clear to our employees in part by training, but above all by exemplary conduct of management. Furthermore, the requirements of the Code of Conduct are defined in greater detail in policies.

The appreciation of our employees – regardless of nationality, culture, religion, sex and age – is a central concern for RENK's management. We treat our employees fairly and openly and with understanding and tolerance. And we expect precisely this attitude from our employees in their dealings with their colleagues, business partners and third parties. Our social responsibility also includes various preventive measures for occupational safety and organization that provide our employees with the best possible protection and a positive working environment. We expect our employees to display entrepreneurship. In return, we allow our employees to share in the company's success.

Another key aspect of RENK's corporate governance is responsibility towards investors, which is quantified by appropriate target returns. The continuous pursuit of these goals requires that we strengthen our market position specifically in our core business. The external growth strategies that can be used for this, such as cooperations, joint ventures, business acquisitions and the establishment of global distribution offices, are reviewed continuously together with the possibilities for internal growth and implemented specifically in the context of financial opportunities.

(c) Working methods and composition of the Executive Board, the Supervisory Board and its committees

The composition of the Executive Board, the Supervisory Board and the Supervisory Board committees is presented in the notes to the annual financial statements. The Executive Board has no committees.

Please see under (a) for information on the working methods of the Executive Board and the Supervisory Board.

Working methods of the Supervisory Board committees

The Supervisory Board has formed three joint committees, each consisting of two shareholder representatives and two employee representatives - the Audit Committee, the Executive Personnel Committee and the Mediation Committee in accordance with section 27(3) of the *Mitbestimmungsgesetz* (MitbestG – German Code-termination Act). There is also the Nomination Committee that consists of two shareholder representatives. The main role of the committees is to prepare the resolutions by the full Supervisory Board. In individual cases, decision-making powers and responsibilities of the Supervisory Board are transferred to the committees.

The role of the Nomination Committee is to identify candidates for Supervisory Board appointments who best meet the selection criteria, taking into account the statutory provisions and the regulations implemented in accordance with the Declaration of Conformity of the company, and to propose to the Supervisory Board suitable candidates for its nominations to the Annual General Meeting.

The Mediation Committee performs the duties assigned to it in accordance with section 27(3) MitbestG.

In particular, meetings of the Audit Committee are held in connection with the financial statements meeting of the Supervisory Board and the half-yearly report. Further meetings of the Audit Committee are convened as necessary.

Please also see the report of the Supervisory Board for information on the work of the committees.

(d) Target for share of women

For the period from January 1, 2017 to December 31, 2021, in accordance with section 111(5) AktG, the Supervisory Board has set a target for the share of women in the Executive Board of 0%.

In accordance with section 76(4) AktG, on July 27, 2015 the Executive Board set targets for the share of women in the first and second management levels below the Executive Board of 0% and 12.8% respectively. The deadline for achieving these targets was set as June 30, 2017. The target was not met for the second management level below the Executive Board.

The share of women at the second management level below the Executive Board was 10.3% as of June 30, 2017. The lower deviations results from the departure of two female managers. The duties of one of these managers were reassigned to other organizational functions and a new manager was not appointed to fill this role. For the other position, it was not possible to find a female manager with a corresponding skills profile.

The share of women at the second management level is therefore similar to the share of women in the overall workforce. In particular, the instructions by the Executive Board to increase the share of women in the overall workforce, and among academics especially, is intended to help achieve the share of women stipulated by the Executive Board. RENK traditionally fills most of the management positions from within its own ranks. In light of this, women are favored for nomination for the regular training programs for junior managers.

For the period from January 1, 2017 to December 31, 2021, in accordance with section 76(4) AktG, the Executive Board has again set a target for the share of women of 0% for the first management level and 12.8% for the second management level below the Executive Board.

(e) Disclosures on compliance with the minimum share of women and men in the Supervisory Board

In accordance with section 96(2) sentence 1 AktG, the supervisory board of a listed stock corporation subject to the German Codetermination Act must consist of at least 30% women and at least 30% men.

The shareholders have objected to full compliance in accordance with section 96(2) AktG. Thus, the Supervisory Board must consist of at least two women and two men – in terms of both shareholders and employees.

The shareholder members of the Supervisory Board are two women and four men, and this requirement is therefore fulfilled. The employee members of the Supervisory Board are six men and no women. However, as these are what are known as pre-existing appointments, this is not a contravention of the legal regulation.

(f) Diversity concept for the Executive Board and the Supervisory Board

The Supervisory Board of RENK AG resolved a diversity concept for the Supervisory Board and the Executive Board in December 2017.

The **diversity concept for the Executive Board** consists of the following components:

- Stipulation of a target for the share of women in the Executive Board of 0% in accordance with section 111(5) AktG. However, the Supervisory Board supports the activities of the Executive Board to increase the share of women at the highest management levels in the company, including in terms of developing potential successors for the Executive Board.
- Appointments for members of the Executive Board should generally end one year after they reach the age of 65. This age limit will increase in line with the development of the standard retirement age for the statutory pension system and the Supervisory Board reserves the right to make exceptions in individual cases.
- Executive Board members should have many years of management experience and as much experience as possible from different professions.
- Among other things, the Executive Board as a whole should have long-term experience in finance and HR management.

The Supervisory Board decides who should be appointed to a specific Executive Board position in the interests of the company and taking into account all the circumstances of the individual case.

The **diversity concept** for the Supervisory Board comprises the following components:

- The objectives set for the composition of the Supervisory Board.
- The skills profile for the Supervisory Board.
- The gender quota of 30%, which is already prescribed by law for the composition of the Supervisory Board of RENK AG in accordance with section 96(2) sentence 1 AktG and must be adhered to accordingly.

With the exception of the gender quota on the Supervisory Board of RENK AG in accordance with section 96(2) AktG, which was not met on account of existing appointments (for reasons see “Disclosures on compliance with the minimum share of women and men in the Supervisory Board”), all the above criteria are met or adhered to.

(The Corporate Governance Statement can also be found on the Internet under www.renk.eu in Investor Relations under the section of the same name.)



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A company of the MAN Group