

## Declaration on Corporate Governance for the 2017 financial year (Corporate Governance Report)

In this declaration, the Management Board and Supervisory Board report on corporate governance as required under section 289a of the German Commercial Code (HGB) and on the corporate governance of SYZYG AG in accordance with No. 3.10 of the German Corporate Governance Code ("DCGC" below). The DCGC describes internationally recognised principles of responsible and transparent company management and supervision. Since it was first adopted in 2002 it has been updated and extended on several occasions, most recently on February 7, 2017.

The Management Board and Supervisory Board are committed to a style of corporate management based on sustainability. They identify with the purpose of the DCGC, i.e. to promote trust-based management for the benefit of investors, employees and customers.

The DCGC includes recommendations. Companies can deviate from them, but are then obliged to disclose this in an annual Declaration of Conformity as required under section 161 of the German Public Companies Act (AktG) and to justify the deviations.

The Declaration on Corporate Governance as defined in section 289a of the German Commercial Code covers the following:

1. The Declaration of Conformity with the German Corporate Governance Code in accordance with section 161 of the AktG;
2. Relevant information on corporate governance practices applied at the company that go beyond statutory requirements;
3. A description of the working methods of the Management Board and Supervisory Board, and the composition and working methods of their committees;
4. Information about the targets established for the female proportion of management positions and the extent to which these targets are reached.



## **1. Declaration by the Management Board and Supervisory Board of SYZGY AG in relation to the German Corporate Governance Code as updated on February 7, 2017, pursuant to section 161 of the AktG**

The Management Board and Supervisory Board of SYZGY AG declare pursuant to section 161 of the AktG that the company has complied with the recommendations of the Government Commission's German Corporate Governance Code as updated on February 7, 2017 since making the last Declaration of Conformity on October 19, 2016. SYZGY AG intends to continue complying with these recommendations, **with the following exceptions:**

**(1) Diversity when filling managerial positions, in particular aiming for an appropriate consideration of women (No. 4.1.5):**

The Management Board has already engaged with the DCGC's requirements for greater diversity, in particular for an appropriate consideration of women in managerial positions. In the interests of the company, when filling managerial positions the management of SYZGY AG selects the individual who matches the requirements profile most closely on the basis of his or her professional qualifications and personal aptitude. Gender is not a primary factor when making a decision. If several candidates, both male and female, all with equal qualifications, apply for the same vacant position, the Management Board will choose the person who adds to the diversity of the management team.

**(2) Diversity when filling Management Board positions, in particular aiming for an appropriate consideration of women (No. 5.1.2):**

When filling Management Board positions, the decision for a particular candidate is also taken solely on the basis of professional qualifications and personal aptitude. If several candidates, both male and female, all with equal qualifications, apply for the same vacant position, the Supervisory Board will appoint the person who adds to the diversity of the Management Board.

**(3) Formation of committees with sufficient expertise by the Supervisory Board as stipulated in No. 5.3.1, an Audit Committee as required in No. 5.3.2 and a nomination committee in accordance with No. 5.3.3:**

The Supervisory Board of SYZGY AG has not formed any committees due to its current size of three members. This size has proved to be very effective, since both general strategic topics and detailed issues can be discussed intensively in the plenary Supervisory Board sessions and decisions taken.

**(4) Specification of concrete objectives regarding the composition of the Supervisory Board, an age limit and diversity on the Supervisory Board (No. 5.4.1):**

Since SYZGY AG was established, the company has been committed to serving the interests of shareholders, employees and customers by having a Supervisory Board with the greatest possible professional expertise, both company-specific and industry-specific, regardless of

attributes such as age or gender. A particular focus in this respect is in-depth knowledge of the communications and digital sector, an international outlook and an extensive skillset in accounting and internal control procedures. In its current composition, the Supervisory Board satisfies these requirements in full. Due to the small size of the Supervisory Board, the company does not produce a written specification of detailed requirements. The Supervisory Board also does not specify an age limit and a normal limit for the appointment period, since it does not consider stipulations of this kind to be useful in this professional context. Likewise, proposals for the election of Supervisory Board members are, in the company's interest, based primarily on the required knowledge, skills and professional experience. When making proposals in future, the Supervisory Board will take into account diversity aspects, in particular with regard to an appropriate representation of women, while giving due regard to the company-specific situation.

**(5) Compensation of Supervisory Board members (No. 5.4.6):**

All Supervisory Board members receive the same compensation by mutual agreement, since all members have comparable workloads.

## **2. Corporate governance practices**

The Management Board of SYZYG AG runs the business with the due care of a prudent and conscientious businessman, in compliance with the statutory requirements, the provisions of its Articles of Association and the German Corporate Governance Code (DCGC) in accordance with section 161 of the AktG (German Public Companies Act), with the exceptions stated in the corresponding declaration. There are no relevant corporate governance practices at SYZYG AG that go beyond these requirements.

## **3. Working methods of the Management Board and Supervisory Board**

### **Dual management system**

As required by law, SYZYG AG operates a dual management system in which the Management Board manages the company independently, while the Supervisory Board is responsible for monitoring the actions of the Management Board. The two boards are strictly separate, both in terms of the persons appointed to them and their competencies.

### **Composition and working methods of the Management Board**

The Management Board of SYZYG AG comprises three persons: Chief Executive Officer, Chief Operating Officer and a Chief Financial Officer. Since the Management Board has only three members, no committees have been or will be formed.

The Management Board conducts the business of the company in accordance with the law and the Articles of Association. It defines long-term objectives for the good of the company and its sustained growth, both for the Group and its subsidiaries, and develops strategies on that basis. In doing so, it works closely with the company's Supervisory Board in the context of a trusting relationship.

Each member of the Management Board is responsible for specific business areas, for which he takes personal responsibility. When performing their duties the members cooperate and inform each other of important measures and activities in their respective area of responsibility. Responsibility for overall management is borne collectively by all Management Board members.

Management Board meetings may be convened by any member of the Management Board. They are held at regular intervals and additionally as required. The Management Board adopts resolutions by simple majority, unless unanimity is required by law. Management Board resolutions are documented and archived.

The Chairman of the Management Board acts as spokesperson. He coordinates the individual business areas and represents the company externally.

SYZYG AG has taken out D&O insurance for all members of the Management Board and Supervisory Board. In accordance with the current Corporate Governance Code, this provides for an excess in the amount prescribed by law.

#### **Composition and working methods of the Supervisory Board**

The Supervisory Board of SYZYG AG has three members. In line with statutory requirements, one of these members is a financial expert with extensive knowledge of accounting and internal control procedures.

When performing its duties, the Supervisory Board works together with the other boards of the company for the good of the enterprise. It monitors and advises on the Management Board's actions in terms of legality, regularity, appropriateness and commercial viability.

The Management Board reports to the Supervisory Board regularly in writing or verbally, providing up-to-date, comprehensive information about recent developments as well as the economic and financial situation of the Group and its subsidiaries. The Supervisory Board is directly involved in all important decisions affecting the SYZYG Group.

Supervisory Board meetings are held regularly once a quarter and additionally as required. Meetings are convened in writing by the Chairman with fourteen days' notice. A written agenda and a presentation are distributed to the members of the Supervisory Board before each meeting. Resolutions require a majority of the votes cast or are adopted unanimously, as the case may be.

The company's performance is discussed at every meeting of the Supervisory Board. The Supervisory Board also requests additional information from the Management Board. In particular, the Supervisory

Board studies the quarterly reports on a regular basis and approves them following discussion with the Management Board.

The Supervisory Board Chairman coordinates the work of the Board and chairs the meetings. Each year he outlines the work of the Supervisory Board in his report to the shareholders and Annual General Meeting.

More detailed information on the work of the Supervisory Board throughout 2017 can be found in the Report of the Supervisory Board in SYZYG AG's 2017 Annual Report, which will be available from March 29, 2018 on the Group's website at [www.syzygy.net](http://www.syzygy.net).

#### **4. Total shareholdings of Management Board and Supervisory Board**

Shareholdings are disclosed in the quarterly and annual reports. The long-term incentive schemes are based on the price performance of SYZYG shares. When options are exercised or stock-based remuneration programmes (phantom stocks) are implemented, new shares are not issued; rather, the difference between the option price and the exercise price is paid in cash.

Since the remuneration for the Management Board is included in the Management Report, the relevant information for the financial year is contained in the 2016 Annual Report.

The corresponding information for the 2017 financial year will be published on March 29, 2018 in the 2017 Annual Report.

#### **5. Target figures for equal participation of women and men in management positions**

The Management Board and Supervisory Board have already engaged with the DCGC's requirements for greater diversity, in particular for an appropriate consideration of women in managerial positions, on the Management Board and on the Supervisory Board. When filling managerial positions and when appointing Management Board members and in determining the composition of the Supervisory Board, SYZYG AG is primarily under an obligation to serve the interests of the company; the candidate's qualifications and personal aptitude for the relevant duties must thus be the main consideration when filling vacant positions. Diversity is not defined solely by gender or nationality, but also and especially by professional diversity and a balanced mix of expertise from different specialist areas.

The German "Law on Equal Participation of Women and Men in Management Positions in the Private and Public Sector", which came into force on May 1, 2015, requires the definition of target figures for the female quota on the Supervisory Board, on the Management Board and in the two top management levels below the Management Board. The target figures for the Supervisory Board and Management Board are set by the Supervisory Board, while the figures for the two top management levels are defined by the Management Board. The targets were established by September 30, 2015.

At present, the Supervisory Board consists of three members, each with extensive experience in the communications and software sector, as well as international relationships with clients and agencies. The Supervisory Board is elected to serve until the General Meeting that discharges the members in relation to the 2018 financial year. Consequently, the next Supervisory Board elections are expected to be held in

2019. If all the Supervisory Board members remain in office for the full term, the Supervisory Board will consist solely of male members.

SYZYG AG does seek to promote women. At the next Supervisory Board elections, it will endeavour to propose a female candidate to the General Meeting, such that a target quota of at least 30 per cent will be in place for the next Supervisory Board elections.

The Management Board of SYZYG AG comprises three male members, each with extensive experience in the communications and software sector or many years of financial expertise. The existing Management Board contracts have each been concluded for a period of three years and end in the case of the Chief Financial Officer on December 31, 2020. The Chief Operating Officer's contract runs until June 30, 2018 and that of the Chief Executive Officer until March 31, 2019. If all the Management Board members remain in office for the full term and no further Management Board members are appointed, the Management Board consists solely of male members.

SYZYG AG does seek to promote women. In future appointments to the Management Board or if the Management Board is expanded, the company will consider the person who adds greater diversity to the Management Board, in addition to professional qualifications and personal aptitude. The female quota was unchanged during the past year. Going forward, the company will seek a target quota of at least 30 per cent female Management Board members.

The current make-up of the first and second management level of SYZYG AG below the Management Board exceeds a defined female quota of 30 per cent. SYZYG AG does seek to promote women. With regard to future staff development and the nomination of senior managers, it will take gender diversity into consideration as one of the criteria.

## **6. Diversity statement**

### **Description and objectives of the diversity statement**

The diversity statement for the Supervisory Board and Management Board aims to achieve diversity in the composition of these two bodies in relation to background, age, origin and gender. The goal of the diversity statement is to ensure that there is a range of different backgrounds and fields of experience in the Supervisory Board and Management Board, and to boost competitiveness.

### **Implementation of the diversity statements**

The diversity statements for the Supervisory Board and Management Board will be implemented, based on the defined aspects, in the recruitment objectives that the Supervisory Board applies in its decision on election proposals to the Annual General Meeting and on appointments to the Management Board.

**Diversity-related recruitment objectives for the Management Board**

The Supervisory Board works with the Management Board on succession planning for the Management Board.

When appointments are made to the Management Board, as wide a range of knowledge, skills and professional experience as possible (diversity) should be represented in order to meet the following objectives of the diversity statement:

In relation to educational and professional background, particular emphasis is placed on extensive experience in the communications and IT/software sector or many years of financial expertise.

In future appointments to the Management Board, or if it is expanded, women will be considered as this leads to greater diversity on the Board. Going forward, the company will seek a target quota of at least 30 per cent female Management Board members by the end of 2021.

There is no age limit for members of the Management Board.

**Diversity-related recruitment objectives for the Supervisory Board**

SYZYG AG aims for maximum company-specific and industry-specific expertise on the Supervisory Board, irrespective of characteristics such as age or gender.

The Supervisory Board nevertheless supports an appropriate representation of women on the Supervisory Board. The statutory minimum proportion of 30 per cent is regarded as generally appropriate. The company will aim at a higher proportion of women if elections are upcoming or members are added to the board.

A particular focus in relation to educational and professional background is in-depth knowledge of the communications and digital sector, and an extensive skillset in accounting and internal control procedures.

Due to the international outlook of the SYZYG Group, members with an international background will also be considered when making appointments to the Supervisory Board.

**Position at the end of the financial year**

Representation of women on the Management Board and Supervisory Board was the only area where the objectives of the diversity statement for the Management Board and Supervisory Board were not met in the 2017 financial year.

The Supervisory Board is committed to implementing the diversity statement in full when deciding on election proposals to the Annual General Meeting or making appointments to the Management Board.

Bad Homburg v. d. H., December 18, 2017  
The Management Board and Supervisory Board

SYZYGY AG