

Corporate Governance Report 2016

SNP commits to the regulations contained in the German Corporate Governance Code (GCGC) for good and responsible corporate management. The fundamental principles of this set of regulations are as follows: the close and efficient cooperation of the Executive Board and the Supervisory Board, respect for the interests of shareholders, open corporate communication, proper accounting and auditing of the financial statements, compliance with legal provisions and internal corporate guidelines and the responsible handling of risks.

SNP welcomes the German Corporate Governance Code as a structure that ensures the transparency of the legal environment for corporate management and control in publicly traded German companies. In addition, the regulations presented there correspond to recognized standards for good and responsible corporate management.

Declaration of Conformity

Pursuant to Section 161 of the German Stock Corporation Act (AktG), the Executive Board and Supervisory Board of a publicly traded corporation must declare annually to what extent they have complied with the recommendations of the German Corporate Governance Code published by the German Federal Ministry of Justice. The Executive Board and Supervisory Board are obligated to disclose and explain any deviations from the recommendations of the German Corporate Governance Code within the declaration of conformity. The declaration of conformity has also been made permanently accessible to the public on the company's website under Investor Relations/Corporate Governance.

2016 Declaration of Conformity of SNP Schneider-Neureither & Partner AG Regarding the Recommendations of the "Government Commission on the German Corporate Governance Code" Pursuant to Section 161 of the AktG

The Executive and Supervisory Boards of SNP Schneider-Neureither & Partner AG hereby declare that since the issuance of the latest declaration of conformity on March 10, 2016, they have complied with and continue to comply with the May 5, 2015 version of the currently applicable recommendations of the "Government Commission on the German Corporate Governance Code" published by the German Federal Ministry of Justice in the official section of the Federal Gazette, with the following exceptions:

1. Section 3.8 (3) of the GCGC

In Section 3.8 (3) of the GCGC, the Code recommends that the liability insurance policies arranged for Supervisory Board members (known as Directors and Officers (D&O) Liability Insurance) should include a deductible. SNP AG holds the view that the commitment and responsibility with which the members of the Supervisory Board perform their duties will not be improved through the agreement to a deductible. Therefore, the existing D&O insurance policies for the members of the Supervisory Board of SNP AG thus far do not provide for a deductible, contrary to Section 3.8 (3) of the GCGC. SNP AG will continue to deviate to this extent from the recommendation in Section 3.8 (3) of the GCGC.

2. Sections 5.3.1, 5.3.2 and 5.3.3

Contrary to the recommendations of the Code in Sections 5.3.1, 5.3.2 and 5.3.3, the Supervisory Board has not currently established any committees. The Supervisory Board of the company is comprised of only three members. Due to the unavoidable problem of having the same people serve on committees as on the three-person Supervisory Board, the Supervisory Board of SNP AG has not currently established any committees. As a result, all members bear joint responsibility for all issues to be decided upon.

also entail a not insignificant effort, which does not appear to be justified in view of the shareholding structure and size of the company and in view of the size of the Supervisory Board.

Heidelberg, Germany, March 13, 2017

SNP Schneider-Neureither & Partner AG

For the Executive Board

3. Section 5.4.1 (2)

Pursuant to Section 5.4.1 (2) of the Code, the Supervisory Board should state specific goals for its composition, taking into consideration the specific situation of the company's international activities, potential conflicts of interest, a fixed retirement age for Supervisory Board members, a limit to be determined for the length of membership in the Supervisory Board as well as diversity. Contrary to the Code's recommendation, the Supervisory Board has not set any further targets for its composition. The Supervisory Board is comprised of only three members. Given this situation, the Supervisory Board does not see any advantage in being bound by specific targets. Instead, the Supervisory Board should always retain the flexibility of being able to take into account individual circumstances in its proposals to the responsible election bodies and the candidates with the best possible qualifications. In the view of the Supervisory Board, the statement and publication of specific goals and their regular adjustment

Dr. Andreas Schneider-Neureither

For the Supervisory Board

Dr. Michael Drill

Management and Control Structure

As a German corporation, SNP AG is subject to the German stock corporation law and has a dual management and control structure comprised of Executive Board and Supervisory Board. The tasks, competencies and responsibilities of each of these two organs are clearly governed and separated in terms of personnel. The mode of operation, competencies and staffing of the Executive and the Supervisory Boards of SNP AG are discussed in more detail below.

Working Methods of the Executive Board and the Supervisory Board

The fundamental principle of responsible corporate management and control for SNP AG is ensuring the efficient and trusting cooperation of the Executive and the Supervisory Boards, while accounting for the impartiality and independence of the members. In order to promote the company management's decision-making being independent from the demands and instructions of related third parties, the reporting below discloses those offices held by Supervisory Board and Executive Board members at other companies either on a full-time basis or as members of Supervisory Boards or in similar positions. In addition, no Executive Board or Supervisory Board member held more than three Supervisory Board positions at publicly traded corporations outside the Group. In the 2016 fiscal year, no conflicts of interest appeared that required immediate disclosure to the Supervisory Board. The Supervisory and Executive Boards of SNP AG deliberated on the company's strategic positioning, its further development and a series of individual topics and approved the necessary resolutions in four joint meetings at which members were physically present in the 2016 fiscal year. Furthermore, additional resolutions were adopted through teleconferences and by circular resolution.

The Executive Board

The Executive Board conducts operational management within SNP AG and is held responsible by the Supervisory Board for the implementation of corporate strategy and its results. As a management body, the Executive Board manages the business of the company on its own responsibility with the aim of sustainably creating value for the company. The Executive Board bears responsibility for the management of the entire company and makes fundamental decisions on business policy and strategy in close cooperation with the Supervisory Board. For this reason, the Executive Board informs the Supervisory Board on a regular, timely and comprehensive basis about all issues relevant to the company, particularly regarding business performance, assurance of compliance and entrepreneurial risks. The Supervisory Board sets out these informational and reporting duties of the Executive Board in detail in the bylaws of the Executive Board. Furthermore, the Supervisory Board ensures that the company has an appropriate risk management and control system. In the 2016 fiscal year, the Executive Board of SNP AG was comprised of Dr. Andreas Schneider-Neureither (CEO), Mr. Jörg Vierfuss (CFO) and Mr. Henry Göttler (COO). In its meeting on March 10, 2016, the Supervisory Board resolved to extend the employment contract of Mr. Henry Göttler that was to expire on December 31, 2016, and to appoint him as a member of the Executive Board for an additional three years from January 1, 2017, to December 31, 2019. On December 31, 2016, Mr. Jörg Vierfuss resigned from the Executive Board; he will continue to hold his management position as Chief Financial Officer (CFO) that he has held since mid-2013. The employment contract of Dr. Andreas Schneider-Neureither runs until December 31, 2020.

| Members of the SNP AG Executive Board 2016 | Tenure from/to | Responsibilities and Departments | Other Appointments |
|---|---|--|--|
| Dr. Andreas Schneider-Neureither Master's degree in physics Date of birth: October 5, 1964 | January 1, 2016 to December 31, 2020 | CEO Up to December 31, 2016 responsible for: <ul style="list-style-type: none"> • Corporate Strategy • Portfolio & product Strategy • Sales & partner management • Marketing • Investor Relations & Corporate Governance • Strategic and process consulting From January 1, 2017 responsible for: <ul style="list-style-type: none"> • Corporate Strategy • Product Management • Marketing • Sales • Investor Relations | Supervisory Board Casadomus AG, Stuttgart Supervisory Board VHV insurance services GmbH, Hannover Member of the Board of Directors VHV-Gruppe, Hannover |
| Henry Göttler MA Date of birth: December 3, 1965 | July 1, 2014 to December 31, 2019 | COO Up to December 31, 2016 responsible for: <ul style="list-style-type: none"> • Product Management • Product Marketing • Pre-Sales • Development • Support • Quality Assurance • Professional Services From January 1, 2017 responsible for: <ul style="list-style-type: none"> • Organizational development • Product development • Project implementation • Quality Assurance • Shared Services | Supervisory Board Smart Commerce SE |
| Jörg Vierfuß Master of Business Administration Date of birth: July 5, 1968 | April 1, 2014 to December 31, 2016 | CFO Up to December 1, 2016 responsible for: <ul style="list-style-type: none"> • Finance, Controlling & Accountancy • Purchasing department & Taxes • Human Resources • Legal & Compliance • Administration • IT | No further appoint- ments |

The Supervisory Board

The task of the Supervisory Board is to advise and oversee the Executive Board in the management of the company. Since important decisions of the company require the approval of the Supervisory Board, it is involved in decisions that are of fundamental significance to the company. The Supervisory Board has established bylaws for its work. The Supervisory Board of SNP AG is comprised of three members. In the nominations of Supervisory Board members, attention is paid to the expertise, skills and topical experience required to perform the task. The current members of the Supervisory Board form a highly competent advisory and control body with demonstrated experts from the financial and software industries. They provide corporate oversight of, and support for, the Executive Board that is as effective as possible on issues of strategic positioning.

In the 2016 fiscal year, the Supervisory Board was comprised of Chairman Dr. Michael Drill, Deputy Chairman Mr. Gerhard A. Burkhardt and Mr. Rainer Zinow. On May 12, 2016, the General Meeting reelected the three Supervisory Board members until the end of the Annual General Meeting that resolves on the discharge for the 2018 fiscal year.

The Chairman of the Supervisory Board coordinates the work of the Supervisory Board, chairs its meetings and represents the interests of the body externally. The members of the Supervisory Board of SNP AG are not

former members of the Executive Board. An efficiency audit of the Supervisory Board is conducted regularly, most recently at the Supervisory Board meeting in May 2015.

The German Corporate Governance Code recommends that the Supervisory Board establish professionally qualified committees. Due to the unavoidable problem of having the same people serve on committees as on the three-person Supervisory Board, the Supervisory Board of SNP AG has not currently established any committees. As a result, all members bear joint responsibility for all issues to be decided upon. The German Corporate Governance Code recommends in Section 5.4.1 (2) and (3) of the GCGC that the Supervisory Board state specific goals for its composition and publish them along with the status of their implementation in the Corporate Governance Report. The Supervisory Board has established a target for the proportion of women in the body. A more detailed discussion of this is found in the following paragraphs. Otherwise, the Supervisory Board does not comply with the recommendation to state specific goals for its composition and therefore does not publish any report on this subject.

| Members of the SNP AG Supervisory Board 2016 | Appointed/elected from/to | Memberships on other Supervisory Boards and other similar bodies |
|--|---|---|
| Dr. Michael R. Drill Chairman of the Executive Board Lincoln International AG | Chairman since: June 6, 2014 Deputy Chairman from: May 24, 2012 until June 6, 2014 First appointed: April 4, 2011 Term: until Annual shareholders' meeting resolving the approval of the actions of the Supervisory Board for FY 2018 | Shareholder Value Beteiligungen AG Supervisory Board member, Germany Lincoln International SAS Supervisory Board member, France Lincoln International LLP Supervisory Board member, England |
| Gerhard A. Burkhardt Chairman of the Executive Board Familienheim Rhein-Neckar eG | Deputy Chairman from: June 6, 2014 First appointed: May 1, 2013 Term: until Annual shareholders' meeting resolving the approval of the actions of the Supervisory Board for FY 2018 | Casadomus AG Chairman, Deutschland Haufe-Lexware Real Estate AG Germany GdW Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft Germany GWE Gesellschaft für Wohnen im Eigentum AG Germany |
| Rainer Zinow Senior Vice President SAP SE | Member of the Supervisory Board First elected: June 6, 2014 Term: until Annual shareholders' meeting resolving on the approval of the actions of the Supervisory Board for FY 2018 | No further appointments |

Declaration on the Targets Established for the Proportion of Women in Senior Management

On May 1, 2015, the law for the equal participation of women and men in management positions in the private and public sectors went into effect. The law requires publicly traded companies not subject to full codetermination, such as SNP AG, to establish targets for the proportion of women in the Supervisory Board, the Executive Board and two management levels below the Executive Board. The German Corporate Governance Code, in its May 5, 2015 version, integrated the new legal requirements under Section 4.1.5 (2), Section 5.1.2 (1) (2) and Section 5.4.1 (2) (2) and (3) into its set of regulations.

The Supervisory Board has set targets of 0% for itself and the Executive Board. The Executive Board has decided upon the same target for the proportion of women at the lower management level. SNP AG welcomes political efforts to ensure diversity and gender equality in the corporate world. However, the management organs of SNP AG hold the view that setting targets higher than 0% conflicts significantly with corporate interests. SNP AG operates in an industry in which the employment of properly trained technical personnel represents a critical success factor. At the same time, the industry is confronted with a lack of candidates who satisfy the requirements. Therefore, SNP AG faces a task that is just as critical to success as it is challenging: obtaining suitable employees in general and managers in particular.

In view of this situation, corporate responsibility rules out making an already difficult task even more difficult by imposing on the company the achievement of rigid quotas for women. Quotas for men should also be rejected for the same reason. Another special argument

against female quotas is that SNP AG primarily employs staff with educational backgrounds in the fields of study of electrical engineering, computer science, computer engineering, information systems, physics and physical engineering. These fields of study traditionally display high to very high proportions of men and correspondingly low proportions of women. Due to this disparity, the additional challenge to acquiring employees associated with female quotas would be characterized as drastic.

Share Transactions of the Executive Board and the Supervisory Board

Pursuant to Section 15a of the German Securities Trading Act (WpHG), the members of the Executive and the Supervisory Boards of SNP AG as well as high-ranking members and closely related individuals ("senior executives") must disclose the acquisition and sale of SNP shares and related financial instruments insofar as the value of the transactions executed during the calendar year exceeds the sum of € 5,000. Given the information reported to SNP AG about stock dealings and transactions, the information was immediately reported according to the requirements of capital market law.

The transactions reported to SNP AG in the past fiscal year were published as required and are retrievable from the website of the company under Investor Relations/Directors' Dealings.

Shareholdings of the Executive Board and the Supervisory Board

Pursuant to Section 6.2 of the GCGC, the ownership of shares in the company or related financial instruments by members of the Executive Board and the Supervisory Board should be reported if direct or indirect ownership exceeds 1% of the shares issued by the company.

Furthermore, total ownership should be reported separately for the Executive Board and the Supervisory Board. As of December 31, 2016, the members of the Executive Board directly or indirectly held a total of approximately 20% (978,613 shares) of the shares issued by the company. Similarly, the members of the Supervisory Board held shares in SNP AG. As of December 31, 2016, they directly or indirectly held a total of approximately 0.4% (19,266 shares) of the shares issued by the company.

Within the framework of the cash capital increase in 2016, the members of the Executive Board, the Supervisory Board and the management acquired new shares in a total amount of approximately € 10.6 million. The gross issue proceeds amounted to approximately € 30.97 million.

No stock option programs or similar securities-oriented incentive systems exist either for the Supervisory Board or the Executive Board. Furthermore, the company does not have any stock option programs and/or similar securities-oriented incentive systems. The table

below provides information about the holdings of own and attributable SNP shares for each member of a body and its change during the 2016 fiscal year.

Shareholding Premium

At the end of the September 2015, the Executive Board of SNP AG approved a program on behalf of its employees in the form of shareholding premium. The central element of this program was to pay all members of the SNP Group what's known as a shareholding premium of € 1.40 for each SNP share that was acquired beginning on October 1, 2015, and was held for at least twelve months. The aim was to make a further contribution to strengthening the employees' loyalty to the company, while also enabling them to participate in the company's success to an even greater extent. The premium program applied to the acquisition of shares through March 31, 2016. With the exception of the Executive Board and the Supervisory Board, all employees were eligible to participate. Through December 31, 2016, corresponding premiums were paid for 900 shares.

| <i>Shares owned by the Executive Board</i> | Number of shares on Dec. 31, 2015 | % on Dec. 31, 2015 | Number of shares on Dec. 31, 2016 | % on Dec. 31, 2016 |
|--|--|-------------------------------|--|-------------------------------|
| Dr. Andreas Schneider-Neureither | 749,718 | 20.06 | 961,500 | 19.32 |
| Jörg Vierfuß | 2,500 | 0.07 | 7,900 | 0.21 |
| Henry Göttler | 2,000 | 0.05 | 9,213 | 0.25 |
| Total | 754,218 | 20.18 | 978,613 | 19.78 |
| <i>Shares owned by the Supervisory Board</i> | Number of shares on Dec. 31, 2015 | % on Dec. 31, 2015 | Number of shares on Dec. 31, 2016 | % on Dec. 31, 2016 |
| Dr. Michael Drill | 11,500 | 0.31 | 15,000 | 0.30 |
| Gerhard A. Burkhardt | 3,200 | 0.09 | 4,266 | 0.09 |
| Rainer Zinow | 0 | 0.00 | 0 | 0.00 |
| Total | 14,700 | 0.40 | 19,266 | 0.39 |

Disclosures on Risk Management

The business activities of SNP AG are subject to a variety of risks that are inseparably linked to its entrepreneurial activity. Good corporate governance includes dealing responsibly with these risks. In order to identify risks at an early stage, to evaluate them and to deal with them systematically, SNP AG employs effective management and control systems that are combined into a uniform risk management system. A detailed description of risk management is contained in the report on opportunities and risks in the 2015 Group management report. Also to be found there are reports on the accounting-related internal control and risk management system that are required pursuant to the German Accounting Law Modernization Act (BilMoG).

Further Information on Corporate Governance at SNP

Comprehensive information on the activity of the Supervisory Board and cooperation between the Supervisory and the Executive Boards can also be found in the Supervisory Board report in this Annual Report.

The SNP consolidated financial statements and interim reports are prepared according to the principles of International Financial Reporting Standards (IFRS), while the annual financial statements of SNP AG are prepared according to the provisions of the German Commercial Code (HGB). The General Meeting on May 12, 2016, elected MOORE STEPHENS TREUHAND KURPFALZ

GmbH, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Mannheim, as the auditor for SNP AG and the SNP Group for the 2016 fiscal year.

We place a high priority on transparency and aspire to provide our shareholders and the public with quick, comprehensive and simultaneous information. Therefore, current developments and important company information is published in a timely manner on our website. Along with detailed explanations of corporate governance at SNP, the website provides additional information on the Executive Board, the Supervisory Board and General Meeting, company reports (annual reports, annual financial statements, management reports and interim reports), a financial calendar with all major dates and publications, ad hoc disclosures and director' dealings.

Disclosures on Other Corporate Governance Practices

SNP AG also voluntarily fulfills the non-mandatory suggestions of the GCGC insofar as they appear expedient and possible for the company to implement. Additional business management practices going above and beyond the legal requirements are contained in internal documentation and are implemented accordingly. They contain the underlying principles and rules governing conduct within the company and the relationship to external partners and the public. The management promotes the implementation of these principles particularly through management training