

# Corporate Governance Report

## 1. Declaration on Corporate Governance

### 1.1 Declaration of Conformity

In accordance with Section 161 German Stock Corporation Act (AktG), the Executive Board and the Supervisory Board of AIXTRON SE declare:

AIXTRON SE meets all recommendations of the Government Commission on the German Corporate Governance Code (Regierungskommission "Deutscher Corporate Governance Kodex") published by the Federal Ministry of Justice (Bundesministerium der Justiz) in the official portion of the German Federal Gazette (Bundesanzeiger), in the version dated May 5, 2015, with the exception of the deviations declared below:

#### **Consideration of the relationship between the remuneration of the Executive Board and the remuneration of senior management and staff overall, even in terms of its development over time (Section 4.2.2 (2) Sentence 3 German Corporate Governance Code (DCGK))**

The German Corporate Governance Code (DCGK) recommends in Section 4.2.2 (2) Sentence 3 that the Supervisory Board should take into account the relationship between the remuneration of the Executive Board and senior management and staff overall, even in terms of its development over time, when determining the total remuneration of individual members of the Executive Board, with the Supervisory Board specifying how senior management and the relevant staff are to be differentiated for the comparison. The Supervisory Board did not explicitly specify at the time of the conclusion of the current contracts with the Executive Board how senior management and the relevant overall staff are to be differentiated from the Executive Board. The relationship between the remuneration of the Executive Board and the remuneration of senior management and the relevant overall staff, however, is used as a basis to assess the appropriateness of the remuneration of the Executive Board pursuant to Section 4.2.2 (2) Sentence 2 DCGK.

#### **Upper limits for remuneration of the Executive Board (Section 4.2.3 (2) Sentence 6 DCGK)**

The German Corporate Governance Code (DCGK) recommends in Section 4.2.3 (2) Sentence 6 that the amount of the remuneration of the Executive Board members as a whole and with respect to its performance-based salary components be capped. The total remuneration of Executive Board members at AIXTRON SE includes both a fixed salary and various performance-based salary components. The performance-based remuneration is limited to a maximum of EUR 6.5 million with respect to the performance-based bonus for the entire Executive Board. Half of the performance-based remuneration is awarded in the form of Company stock options. The amount of the respective stock option is subject to the aforementioned upper limit at the time of its awarding. In this respect, the recommendation has been complied with. The shares are only transferred to the entitled recipient three years after being awarded. Within this time frame, the members of the Executive Board benefit to an unlimited extent from the potential rise in the price of the shares, which may be viewed as a deviation from the wording of the recommendation. A further limit on the performance-based remuneration with respect to the time of the transfer of the shares does not seem to be in the interests of the parties, since the essential incentive of share-based remuneration – to work toward increasing corporate value – would be counteracted and the Executive Board members would be placed at a disadvantage above such an upper limit in the event of a further increase in the stock price. An upper limit in terms of amounts for the total remuneration is thus not explicitly included in the current contracts for the Executive Board members.

#### **Control limit for length of term on the Supervisory Board and age limit for members of the Supervisory Board (Section 5.4.1 (2) DCGK)**

In Section 5.4.1 (2) DCGK, it is recommended that the Supervisory Board specify concrete objectives for its composition, while considering the specifics of the Company, by taking into account a control limit to be defined for the length of term on the Supervisory Board. It is difficult to define an ideal length of term, and in light of the current situation of the Company, the Supervisory Board considers it to be advantageous to maintain the current expertise on the board. This includes, for example, long-standing knowledge of the company and the niche markets on which the company focuses as well as comprehensive knowledge of capital markets and finance-related topics for a global corporation. Given these factors, the Supervisory Board has not set a regular limit for the length of membership on the Supervisory Board at this time.

Section 5.4.1 (2) DCGK also recommends the specification of an age limit for members of the Supervisory Board. This was set at 70 years in the Supervisory Board's by-laws (Section 2 (7)). This age limit was exceeded with the re-election of Prof. Dr. Rüdiger von Rosen to the Supervisory Board for another year. The Nomination Committee of the Supervisory Board and the Supervisory Board regarded this appointment as justified on account of his special expertise and the profound knowledge about the Company and the AIXTRON Group that he has gained in recent years.

With the exception of the aforementioned deviations, AIXTRON SE has fully complied with the recommendations of the DCGK in the version dated May 5, 2015 since the last Declaration of Conformity was submitted in February 2016.

Herzogenrath, February 2017  
AIXTRON SE

For the Executive Board of AIXTRON SE

*Martin Goetzeler*  
Chairman & Chief Executive Officer

For the Supervisory Board of AIXTRON SE

*Kim Schindelbauer*  
Chairman of the Supervisory Board

## 1.2 Information on Corporate Governance Practices

AIXTRON SE has had a **Code of Ethics** since 2006 for Executive Board members and certain managers in Finance. The aim of this Code is to promote upright and ethical conduct, including the ethical handling of conflicts of interest, the complete, fair, precise, timely and transparent disclosure of quarterly and annual reports, Compliance with prevailing laws, rules and regulations and the immediate internal reporting of breaches of the Code where necessary and to ensure accountability for Compliance with the Code. The complete text of the Code can be found on the AIXTRON website under Investors/Corporate Governance.

In addition, AIXTRON has issued a **Compliance Code of Conduct** applicable to the Executive and Supervisory Boards, as well as all employees throughout the world, which holds them accountable for conscientious conduct in conformity with the law. Among the topics addressed, this Code covers the following issues: responsibility and respect towards society and the environment, compliance with the legal conditions, legal and ethical conduct by each individual employee, loyalty to the Company, fair and respectful treatment of fellow employees, rejection of any form of discrimination, dealing responsibly with corporate risks, acting in an environmentally responsible manner, security in all operating areas, working in a professional manner, reliability and fairness in all business relationships, compliance with guidelines on giving/accepting unfair advantages, dealing with insider information and the treatment of Company property. The full texts of the Compliance Code of Conduct can be downloaded from the AIXTRON website in the Investors/Corporate Governance section under "Code of Conduct."

In 2010, AIXTRON issued a **Compliance Manual** which applies to all members of senior management and which is based on the principles of the Compliance Code of Conduct. The Compliance Manual provides detailed explanations on the compliance organization at AIXTRON and on the resulting conduct requirements applicable to the Executive Board, Supervisory Board and employees. Regular training is held for employees to reinforce these requirements. This manual is regularly updated to reflect amended statutory requirements, including in fiscal year 2016. The content of the manual was transferred to an e-learning platform and downloaded at the end of fiscal year 2015. This makes it possible to verify AIXTRON employees' awareness and understanding of the requirements on a regular basis. Each quarter, the senior managers declare in writing that the compliance requirements of AIXTRON SE were observed in their area of responsibility. If the Compliance Manual has been updated, they also declare that they will take note of the updated version and follow and communicate its contents within their area of responsibility. Management principles were defined for the Company's senior managers which include what is required of managers when dealing with employees.

Furthermore, AIXTRON has established a **Vendor Code of Conduct**, which defines ethical, moral and legal standards related to the purchase and use of what are known as conflict minerals (gold, tantalum, tungsten, tin) within the AIXTRON supply chain. The key content of this code includes information on U.S. rules regarding the use of conflict minerals, the process of due diligence in the supply chain, the expectations for supply chain partners and suppliers and the consequences in the event of non-compliance. The complete text of the Vendor Code of Conduct can be accessed on the AIXTRON website in the Investors/Corporate Governance section under "Conflict Materials Regulations."

## 1.3 Executive Board and Supervisory Board Operating Procedures; Composition and Mode of Operation of Committees

As a European company (Societas Europaea), AIXTRON SE is subject not only to the German Stock Corporation Act but also to the superordinate European SE regulations and the German SE Implementation Act. The Company has a dual management and control structure consisting of an Executive Board and a Supervisory Board.

The Executive Board is responsible for managing the Company and informs the Supervisory Board regularly, comprehensively and without delay about all relevant issues involving strategy, planning, business development, the risk situation, risk management and compliance.

The Supervisory Board is responsible for the appointment of the Executive Board members and oversees and advises the Executive Board in its management duties. For certain transactions and measures specified in the Articles of Association of AIXTRON SE or the Executive Board's by-laws, the Executive Board must obtain the prior approval of the Supervisory Board. The Executive Board is required to report to the Supervisory Board on the conclusion, amendment or termination of important agreements that do not require approval under the Articles of Association or the Executive Board's by-laws. The Executive Board is also required to notify the Supervisory Board of all material events, even those that do not require the approval of the Supervisory Board.

As in previous years, the Executive Board and the Supervisory Board worked closely together throughout 2016 for the benefit of the Company. The shared objective is a return to profitability in order to stabilize the financial and earnings situation, while at the same time exploiting AIXTRON's future prospects.

## Executive Board

According to Article 8 of AIXTRON SE's Articles of Association, the Executive Board consists of two or more people. The Supervisory Board determines the precise number of Executive Board members. It also decides whether there should be a Chairman and whether deputy members or a Deputy Chairman should be appointed.

AIXTRON SE's Executive Board is comprised of two members:

Name	Position	First Appointment	End of Term
Martin Goetzeler	Chief Executive Officer	March 1, 2013	February 28, 2017
Dr. Bernd Schulte	Chief Operating Officer	April 1, 2002	March 31, 2018

Notwithstanding the Executive Board's overall legal responsibility and the obligation of its members to collaborate closely and in confidence with their colleagues, the assigned responsibilities of the individual members of the Executive Board are as follows in accordance with the currently valid business distribution plan:

The Chief Executive Officer coordinates the tasks of the Executive Board and is additionally responsible for the operating business of the AIXTRON Group, focusing in particular on Strategic Planning, Investor Relations & Group Communications, Procurement, Human Resources, Finances and Reporting, Corporate Governance, Compliance & Risk Management, Information Technology, Legal and Quality Management as well as Environment, Social and Governance. The Chief Operating Officer is responsible for the Group's Research and Development, Marketing, Sales, Customer Service, Production and Logistics and Facility Management.

With the Supervisory Board's approval, the Executive Board has adopted by-laws that are regularly reviewed to ensure they are appropriate and up to date. They include a list of matters that are of fundamental or substantial importance and about which the Executive Board is required to make formal resolutions. Examples of such material decisions requiring formal resolutions are: decisions on strategies, corporate plans and budgets; significant changes in the organization of the Company and Group; the commencement or discontinuation of areas of activity within the Company; the acquisition and sale of land and land rights; the conclusion, amendment, and termination of intercompany or significant license or cooperation agreements; the commissioning of larger external consulting and research projects; fundamental questions in the area of human resources and human resources policy; determination of the principles governing representation in business organizations and associations; appointments to the management and supervisory bodies of subsidiaries and associated companies; important publications and information for the public above and beyond normal reporting requirements; the initiation of lawsuits and legal disputes; the granting of collateral and assumption of guarantees.

The Executive Board's by-laws and the Articles of Association each contain a list of material transactions and measures which require the prior approval of the Supervisory Board. Transactions and measures requiring approval pursuant to the Articles of Association or by-laws include, but are not limited to, decisions to build or dispose of operating sites or land; the starting or ending of business activities; granting or taking out of loans, etc.

According to the by-laws, meetings of the Executive Board are to be held at least twice a month or whenever the Company's interests shall so dictate. Executive Board meetings are convened and directed by the Chairman of the Executive Board. Any member of the Executive Board may request that an Executive Board meeting be convened for a specific issue. If the Chairman cannot attend, the meeting shall be chaired by a Board member appointed by the Chairman or the oldest member of the Executive Board in terms of age. The Executive Board shall be deemed to have quorum if all members have been invited and more than half of the members are able to participate in person, via telephone link or by video conference when resolutions are being voted on. The Executive Board makes decisions by a simple majority of the votes cast by the members involved in the meeting unless otherwise provided by law, the Articles of Association or by-laws. In the case of a tie, the Executive Board Chairman casts the deciding vote. With two Executive Board members, the Supervisory Board Chairman shall be asked to mediate in the event of a tie.

Every Executive Board member must immediately disclose conflicts of interest to the Supervisory Board and other members of the Executive Board. Members of the Executive Board may only take on part-time activities, especially posts on company and supervisory boards outside of the Group, after receiving Supervisory Board approval.

## Supervisory Board

Pursuant to Article 11 of AIXTRON SE's Articles of Association, the Supervisory Board consists of six members. The Annual General Meeting can also prescribe a different number of Supervisory Board members. The members of the Supervisory Board are generally appointed until the end of the Annual General Meeting in which the shareholders represented ratify the approval of the Supervisory Board's activities for the fourth fiscal year after the term of office begins, whereby the fiscal year in which the appointment was made is not included.

The Supervisory Board elects a Chairman and a Deputy Chairman from among its members. The Supervisory Board Chairman or – if he is unable to do so – his Deputy convenes and conducts the Supervisory Board meetings.

In order to enable progressive personnel changes in the Supervisory Board, the election periods were no longer set uniformly for the Board as a whole when the new Supervisory Board was voted in at the Annual General Meeting in May 2016, but instead with differing terms for each member. The term of office of the six Supervisory Board members listed below therefore concludes after the end of the Annual General Meeting to which the respective individual was elected.

Name	Position	Member since	Term ends
Kim Schindelhauer 1) 2) 3) 4) 5)	Chairman of the Supervisory Board	2002	AGM 2019
Prof. Dr. Wolfgang Blättchen <sup>1) 4)</sup>	Deputy Chairman of the Supervisory Board, Chairman of the Audit Committee, Independent Financial Expert <sup>6)</sup>	1998	AGM 2019
Dr. Andreas Biagosch <sup>2)</sup>		2013	AGM 2021
Prof. Dr. Petra Denk <sup>2) 3)</sup>	Chair of the Technology Committee	2011	AGM 2021
Dr. Martin Komischke		2013	AGM 2021
Prof. Dr. Rüdiger von Rosen <sup>1) 3)</sup>	Chairman of the Nomination Committee	2002	AGM 2017

1) Member of the Audit Committee

2) Member of the Technology Committee

3) Member of the Nomination Committee

4) Member of the Capital Market Committee

5) Former member of AIXTRON's Executive Board

6) Since 2005

The Company is in compliance with the requirement for diversity on the Supervisory Board (Section 5.4.1 DCGK) due to the broad range of skills that individual Supervisory Board members have (in the areas of finance, capital markets, M&A, technology and market experience). A target of 20% women in the Supervisory Board was already set at AIXTRON SE in 2010. The Supervisory Board has one female member, Prof. Dr. Denk, which represents nearly 17% in arithmetical terms. Against this background, the Supervisory Board maintains that this target value is worthwhile and therefore upholds the target of approximately 20% (Section 5.4.1 (2) DCGK) for the percentage of women on the Supervisory Board.

The Supervisory Board shall include what they consider to be an adequate number of independent members. Within the meaning of Section 5.4.2 DCGK, a Supervisory Board member will not be considered independent, in particular, if he or she has personal or business relations with the Company, its executive bodies, a controlling shareholder or an enterprise associated with the latter which may cause a substantial and not merely temporary conflict of interest. The Supervisory Board's goal is that at least half of its members are independent. Since the Supervisory Board consists solely of elected representatives of shareholders who are to be viewed as independent members according to the criteria under Section 5.4.2 Sentence 2 DCGK, the Company has complied with this objective.

Only one former Executive Board member is now a member of the Supervisory Board (Section 5.4.2 DCGK).

Prior to the Supervisory Board Meeting on December 14, 2016, each Supervisory Board member received the efficiency review questionnaire prepared by the Supervisory Board Chairman every year. Based on its evaluation of the returned questionnaires, the Supervisory Board resolved that it is acting efficiently in accordance with Section 5.6 DCGK.

Further mandates of the Executive and Supervisory Board members are listed under Note 35 "Supervisory Board and Executive Board" in the Notes to the Consolidated Financial Statements.

The Company did not initiate or conclude any material transactions with related parties during the 2016 fiscal year.

The Supervisory Board has adopted its own set of by-laws. They govern the duties, rights and obligations of the Supervisory Board, the organizational procedures for meetings and resolutions and the formation of committees. The Supervisory Board's by-laws were last revised in fiscal year 2015. The Audit Committee and the Technology Committee both operate according to separate by-law requirements approved by the Supervisory Board.

An independent and expert member of the Supervisory Board has chaired the Audit Committee since 2005 in accordance with Section 5.3.2 DCGK. The Technology Committee was created in 2011. To evaluate M&A opportunities and strategy options with possible capital market relevance, the Supervisory Board formed a Capital Market Committee in 2014, which focused intensively on the takeover process in 2016.

The Supervisory Board, like the Audit Committee and Technology Committee, generally holds four ordinary meetings per year. Extraordinary Supervisory Board meetings and meetings of the Nomination and Capital Market Committees are called as required.

As requested by the Chairman of the Supervisory Board or chairs of the committees, the Executive Board participates in all regular Supervisory Board or selective committee meetings (usually four times a year), gives written and oral reports on the various points on the agenda and proposed resolutions, and answers questions posed by individual Supervisory Board members. Between meetings, detailed quarterly reports on the status of the Company from the Executive Board are made available to all Supervisory Board members. Furthermore, in numerous telephone calls and face-to-face meetings, the Supervisory Board Chairman, the Chairman of the Audit Committee and the Chair of the Technology Committee are informed by the Executive Board about relevant material developments and forthcoming decisions on material issues.

Resolutions of the Supervisory Board and its committees are generally passed during formally convened meetings. In exceptional cases, Supervisory Board members may, if justified, participate in a board or committee meeting remotely via telephone or video conference. The Supervisory Board and its committees are deemed to have a quorum if two-thirds, but at least three of its members, participate in person for the adoption of a resolution (outside of formal meetings, if no objections are raised by any member, it is possible by casting votes in writing, by fax, telephone, e-mail or a combination of these communication media). Resolutions are adopted if a majority of the votes are cast in favor. In the case of a tie, the Chairman of the meeting casts the deciding vote.

Every member of the Supervisory Board must disclose conflicts of interest to the Supervisory Board, especially those conflicts arising from a consulting contract or a board position for a customer, supplier, creditor or other business partner. Material conflicts of interest and those which are not just temporary with respect to a Supervisory Board member will result in that member being required to resign.

### **Operating Procedures and Composition of Committees**

No committees have been set up by AIXTRON SE's Executive Board.

The Supervisory Board of AIXTRON SE currently has four committees: the Audit Committee, the Technology Committee, the Nomination Committee and the Capital Market Committee. The Supervisory Board is authorized to form other committees with its members.

The Audit Committee is composed of one chairman and two other members. The Chairman of the Audit Committee, Prof. Dr. Blättchen, is an independent member whose area of expertise is reporting and audits (as required by law: Section 107 (4); Section 100 (5) AktG) and who has particular knowledge and experience in the application of internal control processes. The Audit Committee addresses, in particular, the monitoring of the accounting process, compliance, the effectiveness of the internal control system, the risk management system, the internal audit system and the implementation of the rules in accordance with Section 404 Sarbanes-Oxley Act (SOA 404). In addition, the Audit Committee is responsible for reviewing the financial statements and ensures in particular the required independence of the auditor and any additional services performed by the auditor. Finally, it issues the mandate to the auditor, identifies the focal points of the audit and handles the fee arrangements. The Committee Chair reports regularly on the work of the Audit Committee to the Supervisory Board.

The Technology Committee is composed of one chair and two other members. It deals, in particular, with issues regarding AIXTRON's market positioning in technology, patents, product planning (product roadmaps) and technology development, potential technology acquisitions and other topics relating to diversification. The Committee Chair, Prof. Dr. Denk, regularly reports to the Supervisory Board on the activities of the Technology Committee.

The Nomination Committee also consists of a chair and two other members. The Committee, chaired by Prof. Dr. von Rosen, makes nomination proposals to the Supervisory Board if one of the Supervisory Board members needs to be replaced. Due to the re-election of the entire Supervisory Board at the Annual General Meeting in May 2016 and the discussion of personnel matters concerning the Executive Board, the Nomination Committee convened three times in fiscal year 2016, on February 21, May 23 and December 13.

The Capital Market Committee has existed since 2014 for the purposes of evaluating, supporting and completing projects with capital market relevance. Its members are the Chairman and Deputy Chairman of the Supervisory Board. In 2016, the Committee intensively addressed the takeover offer put forward by GCI and the associated project work. For this reason, it convened on two occasions, on May 3 and May 4, 2016 and held 29 telephone conferences.

The details on the working methods of the Executive Board, the Supervisory Board and committees during the 2016 fiscal year can also be found in the Supervisory Board Report, which is part of this Company's Annual Report and can be downloaded from the AIXTRON website.

## 2. Corporate Governance Report

### 2.1. Corporate Governance Report of the Executive and Supervisory Boards

AIXTRON is committed to observing the principles of transparent and responsible conduct of its business aimed at creating value on a sustainable basis by employing appropriate corporate governance. We, the Executive and Supervisory Boards of AIXTRON SE, seek to further strengthen the trust placed in us by our shareholders, financial markets, customers, business partners, employees and the general public through appropriate management and supervision. We are convinced that good corporate governance is an essential element for the success of our Company.

Both this Corporate Governance Report, prepared in accordance with Section 3.10 DCGK, and the joint Declaration of Conformity, issued by the Executive Board and the Supervisory Board pursuant to Section 161 AktG in February 2017 are published in the Annual Report and on the AIXTRON website in German and English. AIXTRON also retains previous Declarations of Conformity on its website for a period of at least five years.

#### Isolated deviations

AIXTRON has complied with all the recommendations laid out in DCGK in the past and, with the exception of the deviations declared in the Declaration of Conformity, also fully complied with the DCGK in the 2016 fiscal year. Our internal monitoring and control system, which has been regularly tested and continuously kept up to date, complies with Section 404 of the Sarbanes-Oxley Act and provides us with support in meeting our compliance responsibilities.

The Government Commission on the German Corporate Governance Code made several changes and additions to the Code in May 2015. The German Corporate Governance Code (DCGK) in the currently applicable version of May 5, 2015 was published by the Federal Ministry of Justice and for Consumer Protection on June 12, 2015.

#### Diversity

As stipulated by DCGK, AIXTRON has set clear targets with regard to appropriate diversity in the management of the Company (Sections 5.1.2 and 5.4.1 DCGK).

Pursuant to Sections 76 (4), 111 (5) AktG, the Supervisory Board and the Executive Board of listed companies or companies that are subject to co-determination, must set targets for the percentage of women on the Supervisory Board, Executive Board and at the two management levels below the Executive Board. These requirements are laid out in Sections 4.1.5 and 5.4.1 (2) (DCGK).

AIXTRON endeavors to further increase both the percentage of women and the international composition of its employees and management. Nevertheless, the Company's primary commitment is to ensure that the employees possess the required professional and social skills. The availability of qualified female applicants is very limited, particularly due to the low percentage of women still enrolled in technical degree programs.

In view of this, the Supervisory Board and the Executive Board have set the following targets for the percentage of women to be achieved by June 30, 2017:

Level	Target percentage of women	Percentage of women as of December 31, 2016	Defined by
Supervisory Board	c. 20%	16.7%	Supervisory Board
Executive Board	0%	0%	Supervisory Board
1st level below the Executive Board	0%	0%	Executive Board
2nd level below the Executive Board	8.3%	7.7%	Executive Board

Since the targets were defined, the composition of the Supervisory Board of AIXTRON SE has not changed. The six-member Supervisory Board therefore still includes one woman, which equates to a share of around 17%.

The targets for the Executive Board and the first level below the Executive Board corresponded to the current status at the time the resolution was passed and have therefore already been implemented.

The percentage of women in the second level below the Executive Board amounted to approximately 7.7% at the end of fiscal year 2016. The Company aims to reach the defined target of 8.3% by June 30, 2017.

## Composition of the Supervisory Board

In 2010, the Supervisory Board stipulated specific objectives for its future composition, which were most recently adjusted in 2015. In the 2016 fiscal year, the Supervisory Board confirmed a target percentage of women of approx. 20% adopted in 2010 as well as all other existing targets. The targets for the compositions of the Supervisory Board are shown in detail below:

- With respect to nominations of Supervisory Board members, the Nomination Committee makes sure that the Supervisory Board always consists of members who, individually and collectively as a team, have the knowledge, skills and experience required to perform their tasks properly. In addition, the members should be independent. The Nomination Committee thus contributes to improving the efficiency and transparency of the selection process. As a general rule, the Supervisory Board members are nominated for election for the longest possible period in compliance with the Company's Articles of Association.
- AIXTRON is heavily export oriented. Experience in the electronics and lighting appliances markets specific to AIXTRON is therefore of great benefit to the Company.
- As a general rule, new members of the Supervisory Board should not be older than 70 when they retire from the Supervisory Board. When elected, they should be available to the Company for at least two election periods.
- The aim should be that the individual Supervisory Board members will have training, qualifications, expertise and international experience that are as diverse as possible so that collectively they will have the necessary knowledge, skills and experience required to perform their tasks properly. They should have relevant company and product-oriented experience with an understanding of the business model, the specifics of the industry and the processes in the various departments of business management and administration, accounting, financial auditing, corporate development, capital market, technology, special machine production, markets/sales, the lighting market, etc.
- It is believed to be in the best interest of the Company to employ the full potential of well-trained and motivated people from different nationalities and both genders. The Supervisory Board thinks that it is appropriate to uphold the target of approximately 20% for the participation of women in the Supervisory Board.
- The Supervisory Board shall include what it considers to be an adequate number of independent members. A Supervisory Board member will not be considered independent, in particular, if he or she has personal or business relations with the Company, its executive bodies, a controlling shareholder or an enterprise associated with the latter that may cause a substantial and not merely temporary conflict of interest.
- At least half of the Supervisory Board members should be independent.
- The Supervisory Board shall not have more than two former members of the Executive Board among its members at any one time.
- The Supervisory Board members shall not hold any function as a board member in or act as a consultant for any material competitor of the Company.
- According to DCGK, the Supervisory Board must have at least one independent member with expertise in accounting, internal control processes and the auditing of annual financial statements. This Supervisory Board member is therefore also a member of the Audit Committee.
- Given the increased demands on the professionalization of Supervisory Board members and with a view to ensuring that their services will be provided as efficiently as possible, as in previous years, new Supervisory Board members should not hold more than five board memberships in other listed companies or other companies with similar demands.

Additional information regarding the composition of the Supervisory Board can also be found in the section "Supervisory Board" in Chapter 1.3 of the Corporate Governance Report.

The Executive Board and Supervisory Board of AIXTRON SE are convinced that the Supervisory Board fully complies with its own requirements as well as those for appropriate diversity laid out in DCGK and an appropriate number of independent Supervisory Board members.

For the purposes of continuing education, as part of further professionalization of the Supervisory Board, its members have taken part in advanced training related to their roles as Supervisory Board members and their other professional activities.

## Information on remuneration of the Executive Board in accordance with Section 4.2.5. DCGK

Detailed information on the structure and amount of remuneration paid to the individual Executive Board members in accordance with Section 4.2.5. DCGK and on the remuneration of the members of the Supervisory Board as well as an exact list of the outstanding Board stock options can be found in the remuneration report as part of the Company's consolidated management report.

## Shareholders and Annual General Meeting

In the 2016 fiscal year, the Annual General Meeting was held in Aachen on May 25, 2016. The invitation to the Annual General Meeting was announced in a timely manner in the German Federal Gazette (Bundesanzeiger) in accordance with the legal requirements, and included the agenda, the proposed resolutions from the Executive and Supervisory Boards as well as the conditions for participation at the Annual General Meeting and the exercising of voting rights. In addition, holders of AIXTRON ADS (American Depositary Shares) received special forms for issuing instructions on the exercise of voting rights within the required time frame. All reports and documentation required by law were available on AIXTRON's website, [www.aixtron.com](http://www.aixtron.com), from the date the Annual General Meeting was convened. Directly following the Annual General Meeting, the Company published attendance figures and the voting results in a press release, as well as on its website.

Four out of five agenda points required approval. All proposed resolutions were adopted, with more than 36% of AIXTRON share capital being represented at the Annual General Meeting.

## Shares Held by Executive and Supervisory Board Members

The Company's share capital amounted to EUR 112,804,105 at the end of 2016. As of December 31, 2016, members of AIXTRON SE's Supervisory Board held, directly and indirectly, a total of 0.5% or 601,429 ordinary shares.

As of December 31, 2016, the AIXTRON Executive Board held 52,000 AIXTRON shares. The options held by Executive Board members under stock option plans and the share- and performance-based components of remuneration granted by the Company are set out and explained in the Remuneration Report in the Notes to the Annual Financial Statements.

Information regarding the purchase and sale of AIXTRON SE shares by persons performing managerial responsibilities according to Article 15a WpHG (German Securities Trading Act) is published on the AIXTRON website under the heading of "Corporate Governance/Director Dealings" immediately after the notification is received. In September of fiscal year 2016, a transaction of this kind was published where the Executive Board member Dr. Schulte acquired a total of 52,000 shares with a volume of EUR 216,840.00 through the exercise of stock options.

## Transparency

In the interest of maximum transparency, interested parties such as customers, suppliers, shareholders, shareholder associations, potential investors, financial analysts and the media are regularly and promptly informed of the AIXTRON Group's business developments. The internet is the primary communication channel used for this purpose.

Reports on the business situation and financial results of AIXTRON SE and the AIXTRON Group are made available in German and/or English, in the form of:

- The interactive, electronic Annual Report with the Consolidated Financial Statements, the Group Management Report and the Supervisory Board Report
- The AIXTRON SE Annual Financial Statements and the related Management Report in accordance with the German Commercial Code (HGB)
- A half-year financial report and quarterly releases
- Transcripts or audio files of quarterly conference calls for the press and analysts
- Company presentations
- Publication of insider information, as well as Company and IR announcements
- Marketing announcements

Important recurring dates, such as the date of the Annual General Meeting or the publication dates of financial reports, are detailed in the Company's financial calendar published on the AIXTRON website under Investors/Events. This and the above-mentioned reports, speaker notes, presentations, webcasts and press releases are available on the AIXTRON's website for a limited period of time.

## Accounting and audit of the annual financial statements

The Consolidated Financial Statements as of March 31, June 30, September 30 and December 31, 2016 were prepared in accordance with the IFRS (International Financial Reporting Standards). The separately reported parent company Annual Financial Statements 2016 for AIXTRON SE were prepared in accordance with the requirements of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

The Consolidated Annual Financial Statements and the parent company's Annual Financial Statements were audited by the appointed external auditor and approved by the Supervisory Board. The auditor agreed that the Chairman of the Supervisory Board and the Chairman of the Audit Committee would be informed without delay about any reasons for exclusion or exemption and any inaccuracies in the Declaration of Conformity arising in the course of the audit. No such material events were recorded in the current year.

## Stock Option Plans

AIXTRON has a total of five stock option plans, under which options have been or can be issued for the acquisition of AIXTRON shares to members of the Executive Board, managers and Company employees.

No stock options were issued in the reporting year. The options under the 2012 Stock Option Plan can only be exercised after a waiting period of four years and include an absolute performance target. In addition, stock options issued to members of the Executive Board contain a relative exercise threshold with the TecDAX<sup>®</sup> stock index as a comparison parameter. The maximum term of the stock options is ten years.

As of December 31, 2016, tranches 2014 and 2014\_I of the 2012 Stock Option Plan and the 2007, 2008, 2009, 2010, 2011 and 2012 tranches of the 2007 Stock Option Plan and the previous stock option plans (AIXTRON 1999 and 2002 Plans) still had outstanding options to acquire 2,317,790 AIXTRON shares to be exercised.

A more detailed description of the individual stock option plans and a summary of all the stock option transactions can be found in Note 23 "Share-based payment", of the Notes to the Consolidated Financial Statements.