

# 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.