

# CORPORATE GOVERNANCE

## Declaration on Corporate Governance

### Declaration of Conformity

The Executive Board and Supervisory Board of AIXTRON SE declare pursuant to Art. 9 para. 1 lit. c) (ii) SE-Reg. in connection with Section 161 of the German Stock Corporation Act (AktG) that, with the exception of the deviations declared in the most recent Declaration of Conformity of May 2018, AIXTRON SE has complied with the recommendations of the Government Commission Deutscher Corporate Governance Kodex (or DCGK in the following) in the version of February 7, 2017 and, with the following exceptions, continues to comply with the recommendations of the Government Commission German Corporate Governance Code in the version of February 7, 2017 and will comply accordingly.

### Composition of the Executive Board (4.2.1 line 1 DCGK)

Section 4.2.1 Sentence 1 of the German Corporate Governance Code (DCGK) recommends that the Management Board should consist of several persons and have a chairman or spokesman. The Executive Board of AIXTRON SE consists of two persons. A chairman or spokesman of the board is not appointed. Rules of procedure were issued for the Executive Board in which the distribution of responsibilities is regulated in detail and equal management of AIXTRON SE by both Executive Board members is provided for. The Supervisory Board is of the opinion that, given the size of the Management Board and its structure, it is not appropriate to appoint a chairman or spokesman of the Management Board.

### Consideration of the ratio of the remuneration of the Board of Management to the remuneration of senior executives and the workforce as a whole, including the development over time (4.2.2 (2) Sentence 3 DCGK)

In Section 4.2.2 (2) Sentence 3, the German Corporate Governance Code (DCGK) recommends that the Supervisory Board, when determining the total remuneration of the individual members of the Board of Management, should also take into account the ratio of the remuneration of the Board of Management to the remuneration of the upper management and the workforce as a whole over time, with the Supervisory Board determining how the upper management and the relevant workforce are to be defined for comparison purposes. In concluding the current contracts with the members of the Management Board, the Supervisory Board did not expressly specify how the upper management and the relevant total workforce were to be defined. However, the ratio of the remuneration of the Executive Board to the remuneration of the senior management

and the relevant total workforce is used as the basis for assessing the appropriateness of the remuneration of the Executive Board in accordance with Section 4.2.2 (2) Sentence 2 DCGK.

### **Maximum limits for Executive Board remuneration (4.2.3 (2) Sentence 6 DCGK)**

In Section 4.2.3 (2) Sentence 6, the German Corporate Governance Code (DCGK) recommends that the total compensation of the members of the Management Board and their variable compensation components should be capped. The total remuneration of the members of the Executive Board of AIXTRON SE includes both a fixed remuneration and various variable remuneration components. The variable remuneration is limited to a maximum of EUR 6.5 million with regard to the variable bonus for the entire Management Board. Half of the variable remuneration is granted in the form of commitments on company shares. The amount of the respective commitment for shares is subject to the aforementioned maximum limit in relation to the time of the commitment, so that the recommendation is complied with in this respect. The shares will only be transferred after the expiry of a period of three years after the respective commitment. During this period, the members of the Management Board benefit unrestrictedly from a potential increase in the share price, which could be seen as a deviation from the wording of the recommendation. However, a further limitation of the variable remuneration in relation to the time of the transfer of the shares does not appear to be in the best interests of the Company, as this would counteract the main incentive of the share-based remuneration to work towards an increasing enterprise value and the member of the Board of Management would be disadvantaged in the event of a further increase in the share price once such a limit is reached.

### **Standard limit for length of service on the Supervisory Board and age limit for Supervisory Board members (5.4.1 (2) Sentence 2 DCGK)**

In Section 5.4.1 (2) Sentence 2, the German Corporate Governance Code (DCGK) recommends that the Supervisory Board should specify specific objectives for its composition, which should take into account, among other things, a regulatory limit to be determined for the length of service on the Supervisory Board, taking into account the company-specific situation. It is difficult to define an optimal length of service and the Supervisory Board considers it advantageous to keep the currently available know-how on the Supervisory Board against the background of the current company situation. This includes, for example, many years of knowledge of the company and the niche markets addressed by the company as well as comprehensive knowledge of capital market and financially relevant issues of a globally positioned group. Due to these factors, the Supervisory Board did not set a limit for the length of service on the Supervisory Board at that time.

## Consideration of the chairmanship and deputy chairmanship of the Supervisory Board and the chairmanship and membership of committees in Supervisory Board remuneration (5.4.6 (1) Sentence 2 DCGK)

In Section 5.4.6 (1) Sentence 2, the German Corporate Governance Code (DCGK) recommends that the remuneration of the Supervisory Board should take into account the chairmanship and deputy chairmanship of the Supervisory Board as well as the chairmanship and membership of committees. In addition to membership of the Supervisory Board, the Supervisory Board remuneration resolved by the Annual General Meeting on 16 May 2018 only takes into account the chairmanship and deputy chairmanship of the Supervisory Board and the chairmanship of the Audit Committee. Further consideration of the deputy chairmanship of the Audit Committee and the chairmanship and deputy chairmanship of the Nomination Committee is not considered meaningful, as the expenses incurred for these activities have already been adequately covered by the recently adjusted Supervisory Board remuneration.

Herzogenrath, February 2019

AIXTRON SE

The Executive Board of AIXTRON SE



**Dr. Felix Grawert**

Member of the Executive Board



**Dr. Bernd Schulte**

Member of the Executive Board

For the Supervisory Board of AIXTRON SE



**Kim Schindelhauer**

Chairman of the Supervisory Board

## 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 "Code of Ethics" in the Investors/Corporate Governance section.

In addition, a **Compliance Code of Conduct** applies to the Executive and Supervisory Boards, senior management team as well as all employees Group-wide, 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 people 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.“

Furthermore, AIXTRON issued a Group-wide **Compliance Manual** in 2010 which applies to all members of the Executive and Supervisory Boards as well as 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, the legal and regulatory requirements and on the resulting conduct requirements applicable to the Executive Board, Supervisory Board, senior management and employees. This manual is regularly updated to reflect new/amended legal and regulatory requirements as well as company internal specifications. The teaching of the contents is an elementary component of the Company-wide compliance training offer. Compliance training is mandatory for members of the senior management team as well as for all other employees of the Group. This is controlled and monitored by our Compliance Office.

In addition, every quarter, the Group-wide members of the senior management as well as select key staff members declare in writing that the compliance requirements 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. In addition, management principles were defined for the Company's senior managers which include what is required of senior managers when dealing with employees.

AIXTRON has a **whistleblower system**. Notifications of violations of legal, regulatory and internal company requirements can be sent confidentially to the Chairman of the Supervisory Board of AIXTRON SE via a specified e-mail address or in the form of a letter. The Chairman of the Supervi-

sory Board - or other recipients of reports of violations - decides together with the Compliance Office, depending on the subject matter and scope of the report, whether to involve other persons and/or bodies. In the event of proven violations or grievances, the involved persons/body will work out proposed solutions with the aim of a prompt remedy, including any necessary sanctions and improvements to the management and monitoring processes. Any reports or indication received will be treated discreetly, confidentially and anonymously by the persons/bodies involved. AIXTRON will not impose any reprisals against employees who report violations.

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 expectations placed on suppliers and the consequences in the event of non-compliance.

The full text of the Vendor Code of Conduct can be accessed on the AIXTRON website in the Company/Suppliers/Compliance section.

## **Executive Board and Supervisory Board Operating Procedures as well as Composition and Mode of Operation of Committees**

AIXTRON SE is a European stock company (Societas Europaea) and is subject not only to the German stock corporation law 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 appoints the Executive Board members and oversees and advises the Executive Board in its management duties. To perform 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 2018 for the benefit of the Company. The shared objective is to secure AIXTRON's leading market positions in the long term in order to benefit from growing end markets.

## 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 who jointly manage the business as equal members of the Executive Board:

### Executive Board

(as of December 31, 2018)

Name	Position	Since	End of Term
Dr. Felix Grawert	President	August 14, 2017	August 13, 2020
Dr. Bernd Schulte	President	April 1, 2002	March 31, 2021

Notwithstanding the Executive Board's overall legal responsibility and its obligation 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:

Within the AIXTRON GROUP, Executive Board Member Dr. Grawert is responsible for Strategic Planning, Marketing, Sales, Customer Service, Human Resources, Finance and Reporting.

Within the Group, Executive Board Member Dr. Schulte is responsible for Research & Development, Procurement, Investor Relations & Communications, Corporate Governance, Environment, Social and Governance, Compliance & Risk Management, Information Technology, Legal, Quality Management, Production, 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 include 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 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, for example, decisions to build or dispose of operating sites, acquire or sell property; the starting or ending of business activities or the granting of or taking out loans.

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. The Executive Board shall be deemed to have decision-making quorum if all members have been invited and more than half of the members are able to participate in person, even if via telephone link or by video conference. 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. 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 inform other members of the Executive Board accordingly. Members of the Executive Board may only take on part-time activities, especially positions on supervisory boards outside of the Group, after receiving the Supervisory Board's approval.

## **Supervisory Board**

Pursuant to Article 11 of AIXTRON SE's Articles of Association, the Supervisory Board consists of five 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.

The Chairman of the Supervisory Board is generally prepared to hold discussions with investors on subjects specific to the Supervisory Board and did so in fiscal year 2018, but only to the extent that such discussions take place within a reasonable framework and the topics fall within the sole competence of the Supervisory Board.

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

By resolution of the Annual General Meeting on May 16, 2018, the Supervisory Board was reduced from six to five members. Prof. Dr. von Rosen resigned his Supervisory Board mandate at the end of this year's Annual General Meeting and thus also his membership in the Audit Committee and the Nomination Committee. The members of the committees of the Supervisory Board of AIXTRON SE were therefore newly elected at an extraordinary meeting of the Supervisory Board on May 16, 2018.

The composition of the Supervisory Board in accordance with the Articles of Association and determined by the Annual General Meeting is as follows:

### Supervisory Board

(as of December 31, 2018)

Name	Position	Since	End of Term
Kim Schindelhauer <sup>1)2)3)4)5)</sup>	Chairman of the Supervisory Board,	2002	AGM 2019
Prof. Dr. Wolfgang Blättchen <sup>1)3)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>1)2)</sup>		2013	AGM 2021
Prof. Dr. Petra Denk <sup>2)3)</sup>	Chair of the Technology Committee*	2011	AGM 2021
Dr. Ing. Martin Komischke		2013	AGM 2021

\* Until February 2018

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 AIXTRON Executive Board Member

6) Since 2005

The requirement of diversity within the Supervisory Board (Section 5.4.1 DCGK) is considered, among other things, in the shape of versatile competencies of the individual Supervisory Board members (regarding areas such as finance, capital market, M&A, technology and markets). In fiscal year 2017, the Supervisory Board set the target for the proportion of women on the Supervisory Board (5.4.1 (3) DCGK) at 16.7% effective July 1, 2017 to December 31, 2021. There is currently one woman on the Supervisory Board, Prof. Dr. Denk, which corresponds to an arithmetical share of 20%.

The Supervisory Board shall include what they consider to be an adequate number of independent members. As per 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 has set itself the target of at least half of its members being 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 line 2 DCGK, the Company has complied

with this objective. A separate naming of the independent Supervisory Board members by name is forgone here, as the list would include the entire Supervisory Board (see table of Supervisory Board members).

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

Prior to the Supervisory Board Meeting on December 13, 2018, each Supervisory Board member received the efficiency review questionnaire prepared by the Supervisory Board Chairman every year. After reviewing 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 annex of the Consolidated Financial Statements.

The Company did not initiate or conclude any material transactions with related parties during the 2018 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 organization of meetings and resolutions and the formation of committees. The Supervisory Board's by-laws were last revised in fiscal year 2017. The Audit Committee operates according to separate by-laws 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. This is not the Chairman of the Supervisory Board.

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 justified exceptional cases, Supervisory Board members may also 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 to cast 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 with 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 has formed four committees: An Audit Committee, a Technology Committee (until February 2018), a Nomination Committee and a Capital Market Committee. The Supervisory Board is authorized to also 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 members as a whole are also familiar with the sector in which AIXTRON is represented which in itself is already provided for by their years of activity as Board members at AIXTRON. The Audit Committee addresses, in particular, the monitoring of the accounting, the accounting process, Corporate Governance & Compliance, the effectiveness of the internal control system, the risk management system, the internal audit system as well as the final audit. The Audit Committee continues to provide the Supervisory Board plenary with a justified recommendation for the selection of an auditor. It monitors the 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, Prof. Dr. Wolfgang Blättchen, reports regularly on the work of the Audit Committee to the Supervisory Board.

The Technology Committee was dissolved by the Supervisory Board with effect from February 26, 2018. Until then, it was composed of one chair and two other members. It was concerned, in particular, with aspects of AIXTRON's technical market positioning, issues regarding patents, product planning (product roadmaps) and technology development, potential technology acquisitions and other topics relating to diversification. Following the successful realignment of the technology portfolio, the status reports from the areas of optoelectronics, power electronics and OLEDs as well as the further development of specific products and their critical examination following the dissolution of the committee are discussed in the ordinary plenary meetings of the Supervisory Board.

The Nomination Committee also consists of a chair and two other members. The Committee, chaired by Prof. Dr. Blättchen since May 16, 2018, provides nomination proposals to the Supervisory Board in case of new appointments to the Supervisory or Executive Board. In the fiscal year 2018, the Nomination Committee met three times, on October 10, November 9 and December 12, to discuss issues relating to the succession of Supervisory Board positions.

A Capital Market Committee, consisting of two members, i.e. the Chairman of the Supervisory Board and its Deputy, was formed in 2014 for the purposes of evaluating, supporting and executing projects with capital market relevance. In the fiscal year 2018, there were no meetings of the Capital Market Committee.

The details on the working methods of the Executive Board, the Supervisory Board and committees during the 2018 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.

## Information on the equal representation of men and women as per Section 76 para. 4 and Section 111 para. 5 AktG

As per 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 on the two management levels below the Executive Board. These requirements are laid out in Sections 4.1.5 and 5.4.1 (3) (DCGK).

AIXTRON endeavors to further increase both the percentage of women and the international composition of its employees and management. 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 still low percentage of women enrolled in technical degree programs.

The Supervisory Board and Executive Board set the following target figures for the share of women to be reached by December 31, 2021:

Level	Target for women's quota	Women's quota as of 31.12.2018	Determined by
Supervisory Board	16.7%	20%	Supervisory Board
Executive Board	0%	0%	Supervisory Board
1. tier management	3%	4%	Executive Board
2. tier management	13%	15%	Executive Board

Since the targets were defined, the size of the Supervisory Board of AIXTRON SE was reduced from six to five members. The five-member Supervisory Board still includes one woman, which equates to a share of 20%.

The targets for the Executive Board corresponded to the current status at the time the resolution was passed.

The proportion of women at the first level below the Executive Board was 4% as of December 31, 2018.

The proportion of women at the second level below the Executive Board was 15% as of December 31, 2018. The Company therefore has reached its target ratio. The Executive Board continues to strive to further increase the proportion of women under the prerequisite of the availability of a sufficient number of qualified candidates.

## **Diversity concept for Executive Board and Supervisory Board**

### **Executive Board**

As provided for by the DCGK, AIXTRON has addressed diversity objectives in corporate governance (Sections 5.1.2 and 5.4.1 DCGK). Due to the structure now present, no changes in the composition are planned, so that the target for the percentage of women on the board has been set at 0%.

### **Supervisory Board**

In 2010, the Supervisory Board stipulated specific objectives for its future composition for the first time. In the 2017 fiscal year, the Supervisory Board adapted a target percentage of women of 16.7% which had been concluded in 2015. 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 shall be elected for the longest possible period in compliance with the Company's Articles of Association.
- AIXTRON is heavily export oriented. Experience in the electronics and semiconductor markets specific to AIXTRON is therefore of great benefit to the Company.

- As a general rule, members of the Supervisory Board should not be older than 70 when retiring from the Supervisory Board. New Supervisory Board members should be available to the Company for at least two election periods.
- The aim should be that the individual Supervisory Board members will have an education or 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. It would be beneficial if they possess 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 semiconductor 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 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 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.
- At any time, the Supervisory Board shall not have more than two former members of the Executive Board among its members.
- 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 on the composition of the Supervisory Board can also be found in the section „Supervisory Board“ of this 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.

## Corporate Governance Report

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### Report by the Executive and Supervisory Boards on the Corporate Governance

AIXTRON is committed to observing the principles of transparent and responsible conduct of its business aimed at creating value on a sustainable basis. We, the Executive and Supervisory Boards, 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 of the group. 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 by the Executive Board and the Supervisory Board pursuant to Section 161 AktG in May 2018 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 2018 fiscal year.

Our proven internal monitoring and control system, which is continuously kept up to date, supports us in meeting our compliance responsibilities.

The Government Commission on the German Corporate Governance Code made its last changes and additions to the Code in February 2017. The DCGK in the currently applicable version of February 7, 2017 was published by the Federal Ministry of Justice and for Consumer Protection on April 24, 2017 (in addition to the correction made on May 19, 2017).

## Competency profile of the Supervisory Board

In addition to the goals set for its composition, the Supervisory Board has also drawn up a competence profile for the entire Board. In view of AIXTRON's business activities and the markets addressed by the Company, the Supervisory Board shall have competencies in the areas of technology, finance/accounting, capital markets, strategy and corporate governance. Furthermore, a grown network of contacts and many years of experience in the respective disciplines are advantageous.

The Supervisory Board regards this competence profile in its current composition as completely fulfilled and will continue to ensure that the competence profile for the entire Supervisory Board will be fulfilled in the future when new members are appointed.

For the purposes of continuing education 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 as per 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 group's consolidated management report.

## Shareholders and Annual General Meeting

In the 2018 fiscal year, the Annual General Meeting was held in Aachen on May 16, 2018. 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. All reports and documentation required by law were available on AIXTRON's website, from the date the Annual General Meeting was announced. Directly following the Annual General Meeting, AIXTRON published the attendance details and the voting results in a press release, as well as on its website.

9 out of 10 agenda points required approval. All proposed resolutions were adopted with vast majorities, with more than 48% of AIXTRON share capital being represented at the Annual General Meeting.

## Transparency

To ensure maximum transparency, AIXTRON regularly and promptly informs interested parties such as customers, suppliers, shareholders, shareholder associations, potential investors, financial analysts and the media of the 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 Annual Report with the Consolidated Financial Statements, the Group Management Report and the Supervisory Board Report
- The Non-financial Group Report (CSR Report)
- The AIXTRON SE Annual Financial Statements and the related Management Report
- Interim financial reports
- Quarterly conference calls for the press and analysts and respective transcripts
- Company presentations
- Publication of insider information, as well as company and press statements.

The date of the Annual General Meeting or the publication dates of financial reports are compiled in the Company's financial calendar published on the AIXTRON website under Investors/IR Events. This and the above-mentioned reports, speaker notes, presentations, webcasts and press releases are freely 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, 2018 were prepared in accordance with the IFRS (International Financial Reporting Standards). The individual financial statements of AIXTRON SE for the 2018 fiscal year 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 individual financial statements for AIXTRON SE were audited by the auditor and accepted by the Supervisory Board. The auditor agreed that the Chairman of the Supervisory Board/ 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. Such reporting obligations were not triggered in the current reporting year.

## Stock Option Plans

AIXTRON has two 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 an exercise threshold relative to the TecDAX stock index as a comparison parameter. The maximum term of the stock options is ten years.

As of December 31, 2018, tranches 2014 and 2014\_I of the 2012 Stock Option Plan and the 2009, 2010 and 2011 tranches of the 2007 Stock Option Plan had outstanding options to acquire 1,338,800 AIXTRON shares to be exercised.

A more detailed description of the individual stock option plans and a summary of all stock option transactions can be found in the annex of the Consolidated Financial Statements under [Note 23 "Share-based payment"](#).