

# 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 section 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 at the present time and over the course of its historical development (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 at the present time and over the course of its historical development when determining the total remuneration of individual members of the Executive Board, with the Supervisory Board specifying how the 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 the 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 remuneration of the Executive Board members in total and with respect to their performance-based salary components should have upper limits in terms of amounts. 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 limits for length of term on the Supervisory Board (Section 5.4.1 (2) DCGK)**

In Section 5.4.1 (2) DCGK, it is recommended that the Supervisory Board designates specific objectives for its composition, while considering the specifics of the company, by taking into consideration a definable control limit for the length of term on the Supervisory Board. It is difficult to define an ideal length of term, and it in the 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 the company is focused on as well as comprehensive knowledge of capital markets and financial-related topics for a company dual listed in Germany and the United States. Given these factors, the Supervisory Board has determined at this time to not set a limit for the length of term on the Supervisory Board.

## 2. Corporate Governance Report

### 2.1. Report on Corporate Governance from 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 in our Company's success.

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 2016 are published in the Annual Report and on the AIXTRON corporate 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 DCGK in fiscal year 2015. Our internal monitoring and control systems, which have been regularly tested and are continuously kept up to date, comply with Section 404 of the Sarbanes-Oxley Act and provide us with support in meeting our compliance responsibilities.

The Government Commission on the German Corporate Governance Code has made 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).

Against the backdrop of demographic change and the associated effect of a lack of sufficiently qualified staff in Germany, AIXTRON has consistently striven for further increases in 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:

Body/management level	Target percentage of women	Defined by
Supervisory Board	20%	Supervisory Board
Executive Board	0%	Supervisory Board
1st level below the Executive Board	0%	Executive Board
2nd level below the Executive Board	8.3%	Executive Board

## Composition of the Supervisory Board

As early as 2010, the Supervisory Board listed a set of required qualities for future appointments of Supervisory Board members. They were amended most recently in 2015. In fiscal year 2015, the Supervisory Board confirmed the target percentage of women of approx. 20% adopted in 2010 as well as all other existing targets. The targets for the composition of the Supervisory Board are shown in detail below:

- With respect to nominations of Supervisory Board members, the Nomination Committee shall ensure that the Supervisory Board at all times 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 will strive to enhance 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's areas of interest is of the greatest 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 company and product oriented relevant 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, including more specifically accounting, audit of the annual financial statements, corporate development, capital markets, technology, special machine production, markets, sales, 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 approx. 20% for the participation of women on 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 amongst 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.
- The Supervisory Board must have at least one independent member (as defined by the DCGK) 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. For reasons of convenience and efficiency, the aim is to give preference, but not exclusivity, to candidates who are based in Germany or in other parts of Europe.

Additional information regarding the composition of the Supervisory Board can also be found in the section "Supervisory Board" in Chapter 1.3 of this Annual 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 remuneration structure and remuneration of the individual Executive Board members in accordance with Section 4.2.5. DCGK and for information on the remuneration of the Supervisory Board members as well as a detailed list of the outstanding Executive 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 fiscal year 2015, the Annual General Meeting was held in Aachen on May 20, 2015. 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. Holders of the Company's ADS (American Depositary Shares) received special proxy voting forms 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.

Three out of four agenda points required approval. All of the resolutions were approved with the support of more than 85% of the voters entitled to vote, with a good 46% 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 112,720,355 at the end of 2015. As of December 31, 2015, 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, 2015, the AIXTRON Executive Board did not directly or indirectly hold any shares issued by the Company. 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 category of "Corporate Governance/Director Dealings" immediately after the notification is received. No transactions of this kind were published in fiscal year 2015.

## Transparency

In the interest of maximum transparency, shareholders, shareholder associations, potential investors, financial analysts and the media are regularly and promptly informed about 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
- The annual report on Form 20-F for the United States Securities and Exchange Commission ("SEC")
- Interim financial reports
- (Quarterly) 6-K forms for the SEC
- Transcripts or audio files of quarterly conference calls for the press and analysts
- The form SD required by the SEC with the respective report on the usage of conflict minerals
- Company presentations
- Ad-hoc, company and IR announcements
- Press and marketing releases

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 Group's interim financial reports as of March 31, June 30, and September 30, 2015 and the Consolidated Financial Statements for the period ending on December 31, 2015 were prepared in accordance with the IFRS (International Financial Reporting Standards). The Annual Financial Statements 2015 for AIXTRON SE were prepared in accordance with the German Commercial Code (HGB) and the requirements of 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 are or have been 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. In accordance with the amended Section 193 (2) No. 4 AktG of the Act on the Appropriateness of Management Board Remuneration (VorstAG), the options under the 2012 Stock Option Plan can only be exercised, at the earliest point in time, 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> as a comparison parameter. The maximum term of the stock options is ten years.

As of December 31, 2015, 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 and the Genus Stock Option Plan 2000) still had outstanding options to acquire 2,891,815 AIXTRON shares for exercise.

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.