

Corporate Governance Report

Declaration of Corporate Governance

An effective and transparent organisation, as well as responsible and reliable Corporate Governance are of great importance to secunet Security Networks AG. The Company's Management Board and Supervisory Board firmly believe that good Corporate Governance is key to the continued success of the Company on the market.

The term Corporate Governance describes the regulatory framework for the management and supervision of companies. In a general sense, this framework must be designed in such a way that the Management Board and Supervisory Board work to ensure that the company continues to exist and creates value sustainably. Recommendations and proposals for how this requirement can be implemented in the management and supervision of companies are summarised in the German Corporate Governance Code (Deutscher Corporate Governance Kodex, DCGK). The Code serves the purpose of increasing trust in companies listed on the German stock exchange.

The Management Board and Supervisory Board of secunet Security Networks AG therefore regularly check the implementation of the German Corporate Governance Code at secunet Security Networks AG. In the 2018 financial year, the Management Board and Supervisory Board of secunet Security Networks AG once again carefully deliberated on the recommendations and proposals of the German Corporate Governance Code, in the version as amended on 7 February 2017. The Declaration of Conformity set out below regarding the German Corporate Governance Code was agreed on the basis of these deliberations. This declaration is permanently available on our website and constantly updated to reflect any amendments.

In accordance with Item 3.10 of the German Corporate Governance Code and Article 289a of the German Commercial Code (Handelsgesetzbuch, HGB), the Management Board and Supervisory Board give the following report:

Management and supervisory structure

secunet Security Networks AG is subject to German stock corporation law. As a German public limited company, it has a dual management and supervisory structure consisting of a Management Board and a Supervisory Board. The Management Board consisted of three members in the 2018 financial year. The Supervisory Board is made up of six members. The Management Board and Supervisory Board work together closely and on the basis of mutual trust in their management and supervision of the Company.

Supervisory Board

The Supervisory Board performs the tasks assigned to it by law and by the Company's Articles of Association. It supervises and advises the Management Board with regard to the management of the Company. At regular intervals, the Supervisory Board discusses business performance and planning, as well as the strategy and its implementation. It discusses the 6-month financial reports and quarterly updates with the Management Board before their publication, and approves the Annual Financial Statements of secunet Security Networks AG and the Group, taking into consideration the audit reports prepared by the auditors and its own examination. The Supervisory Board monitors the accounting process, the effectiveness of the internal control system, risk management and internal audit, as well as the auditing of the financial statements. Its tasks and responsibilities also include appointing members to the Management Board. Management Board decisions of fundamental importance, such as major acquisitions, disposals and financial measures, require the consent of the Supervisory Board. An extraordinary meeting of the Supervisory Board is convened as and when necessary should significant events arise. The Supervisory Board has drawn up rules of procedure for its work. Its Chairman coordinates the work carried out within the Supervisory Board, chairs its meetings and represents its interests externally.

In accordance with the Articles of Association, the Supervisory Board of secunet Security Networks AG comprises six members. The current terms of the members of the Supervisory Board end with the 2019 Annual General Meeting. Previously, the Supervisory Board consisted solely of shareholder representatives. Since secunet Security Networks AG normally employed more than 500 but not more than 2,000 employees for the first time in the 2018 financial year and is therefore subject to the One-Third Participation Act pertaining to employees on the Supervisory Board (Drittelbeteiligungsgesetz – DrittelbG), one third of the Supervisory Board must now consist of employee representatives. The Management Board of the Company therefore instigated the change in the composition of the Supervisory Board by initiating status proceedings in October 2018 and the procedure for election of employee representatives to the Supervisory Board in December. The latter procedure was concluded on 13 March 2019 with the election of two employee representatives. At the 2019 Annual General Meeting, four shareholder representatives will be elected to the Supervisory Board.

The knowledge, skills and professional experience required to fulfil the remit are taken into account when drawing up the nominations for election to the Supervisory Board. In addition, the Supervisory Board has defined specific targets for its composition in accordance with Item 5.4.1 of the German Corporate Governance Code, and has drawn up a skills profile for the entire Board. The purpose of the skills profile is to ensure that the members of the Supervisory Board possess all the knowledge and experience considered essential in light of the activities of secunet Group.

Taking into account the Company's specific situation, at the next election of its members, the Supervisory Board will strive to achieve diversity among candidates with the requisite professional and personal qualifications. Among suitable candidates, the Supervisory Board will look for international experience, independence and an appropriate proportion of female members. In accordance with the recommendation in Item 5.4.1 of the German Corporate Governance Code, at least one seat on the full Supervisory Board is reserved for a female member in the Supervisory Board elections to be held in 2019 in connection with the reconstitution of the Supervisory Board as a result of the One-Third Participation Act coming into effect.

One or more Supervisory Board members should also have many years of special experience abroad, acquired as a result of working abroad or due to a foreign country of origin. In addition, the Supervisory Board should include what it considers an appropriate number of independent members within the meaning of Item 5.4.2 of the German Corporate Governance Code. On the basis of a Supervisory Board resolution dated 16 November 2017, the Supervisory Board had specified the target of having at least two independent members within the meaning of Item 5.4.2 of the German Corporate Governance Code. In any event, in the opinion of the Supervisory Board, two members of the Supervisory Board at present are independent as defined by Item 5.4.2 of the German Corporate Governance Code. They are Dr Elmar Legge and Wolf-Rüdiger Moritz. At least one member of the Supervisory Board possesses many years of international experience.

At its meeting on 28 November 2018, the Supervisory Board again dealt with the specific targets for its composition and decided to adjust its previous objectives to the extent that there should now be at least one independent Supervisory Board member within the meaning of Item 5.4.2 of the German Corporate Governance Code.

The Supervisory Board will take the above-mentioned objectives into account in its suggestions for appointments, which it will submit to the 2019 Annual General Meeting for the Supervisory Board elections, and will also strive to fulfil the skills profile for the entire Board.

Furthermore, the current composition of the Supervisory Board complies with the specifications of the skills profile. The members of the Supervisory Board possess the professional and personal qualifications deemed necessary. They are all familiar with the sector in which the company is active and have the essential knowledge, skills and experience for the Company.

The Supervisory Board does not have any committees. In the opinion of the Supervisory Board, this is not in fact necessary, as the Supervisory Board comprises only six members. Given a board of this size, efficient operation of the Supervisory Board can be guaranteed without the formation of committees.

Management Board

The Management Board, as the body responsible for managing the Company, conducts the Company's business under its own responsibility and in the Company's interests. Its aim is to increase the enterprise value on a sustainable basis. In particular, it determines the principles of the Company's policy and is also responsible for developing the Company's strategy, for planning and setting the Company's budget, for allocating resources, and for controlling and managing the Company's corporate and business divisions. Specific measures described in the Management Board's rules of procedure require the approval of the Supervisory Board. The Management Board is responsible for preparing the Company's quarterly updates, the Annual Financial Statements of secunet Security Networks AG, and the Consolidated Financial Statements.

The Management Board works closely with the Supervisory Board. It informs the Supervisory Board regularly, comprehensively and without delay – by means of written and verbal reports – of all issues important to the Company as a whole with regard to strategy and strategy implementation, planning, business performance, the financial and earnings situation, and entrepreneurial risks. The Supervisory Board is involved without delay in all decisions fundamental to the Company.

Targets for the appointment of women

In addition, the Supervisory Board has also implemented the requirements of the legislation that came into force on 1 May 2015, regarding the equal participation of women and men in management positions. For the implementation period up to 30 June 2017, a target of zero percent was set for the proportion of women on the Management Board and the Supervisory Board, and at the management level directly below the Management Board. A target of nine percent was applied for the second level of management below the Management Board. Further details on this topic can be found in the Corporate Governance Report for the 2015 financial year. The determined targets were met.

In its meeting on 4 May 2017, the Supervisory Board established a target of 17 percent for the Supervisory Board, relating to the implementation period from 1 July 2017 to 30 June 2022, with the goal of electing at least one woman to the Supervisory Board in the next regular Supervisory Board elections at the 2019 Annual General Meeting. This target applies to the reconstitution of the full Supervisory Board, which will take place through the elections to the Supervisory Board at the 2019 Annual General Meeting and in connection with the One-Third Participation Act taking effect.

In the same meeting on 4 May 2017, the Supervisory Board also maintained the previously determined target of zero percent for the Management Board relating to the implementation period up to 31 May 2019, because no expansion of the Management Board was intended at the time of the decision. Against the background of the expansion of the Management Board as of 1 January 2018 through the appointment of Mr Axel Deininger and the planned appointment of two further new Management Board members in the 2019 financial year announced in secunet Security Networks AG's press release of 19 December 2018, the Supervisory Board again addressed the targets for composition of the Management Board at its meeting on 27 March 2019, in particular the targets for the participation of women, and decided to retain the target of zero percent with regard to the proportion of women on the Management Board for the implementation period up to 31 May 2019 and beyond that up to 31 May 2020. This is essentially due to the fact that the search for suitable female candidates remains challenging in the current market environment and in secunet Security Networks AG's areas of business, and therefore a higher target cannot at present be regarded as realistic from the point of view of the Supervisory Board.

With regard to the two management levels below the Management Board, the Management Board set the following targets for the period from 1 July 2017 to 30 June 2022: zero percent for the first level and eleven percent for the second level. In view of the small size of the Company, the limited number of management positions and the associated low level of fluctuation, the Management Board is of the opinion that more ambitious targets would not currently be realistic. However, the Management Board reiterates its intention to move towards a higher proportion of management positions being held by women to the greatest extent possible.

In the 2018 financial year, the proportion of women at the second management level below the Management Board increased to 10.5 percent, thereby exceeding the target.

Responsible risk management

Good Corporate Governance also means that the Company must take a responsible approach to risk. Systematic risk management as part of our value-oriented Group management ensures that risks are identified and evaluated at an early stage, and that risk positions are optimised. The Management Board reports regularly to the Supervisory Board on the current development of key risks. Details of risk management at secunet Security Networks AG can be found in the Management Report. It also contains the report on the key characteristics of the internal control and risk management system relating to accounting.

Transparent Corporate Governance

Transparency in Corporate Governance is very important to the Management Board and Supervisory Board of secunet Security Networks AG. Shareholders, all participants in the capital market, financial analysts, shareholder associations and the media are provided with comprehensive, regular and up-to-date information regarding the Company's position and key changes to the Company's business.

secunet Security Networks AG reports to its shareholders four times a year on business performance and on the financial and earnings situation, and makes all reports and information permanently available to shareholders on the Company's website at www.secunet.com. The dates for regular financial reporting are listed in the financial calendar. If any circumstances arise at secunet Security Networks AG that might significantly influence the stock market price of secunet Security Networks AG, this will be disclosed via ad hoc notifications. The financial calendar and ad-hoc announcements are available to view on the website of secunet Security Networks AG under >> The Company >> Investor Relations >> Financial Reports and News.

Shareholders and Annual General Meeting

The shareholders of secunet Security Networks AG may exercise their rights, including voting rights, at the Annual General Meeting. Shareholders can exercise their voting rights at the Annual General Meeting themselves or choose an agent or Company proxy bound by their instructions to exercise the voting rights. The Annual General Meeting takes place in the first eight months of the financial year. The Chairman of the Supervisory Board normally chairs the Annual General Meeting. Ahead of the Annual General Meeting, shareholders receive comprehensive information about the past financial year and about the individual items on the agenda of the upcoming meeting by way of the Annual Report and invitation to the meeting. All relevant documents and information on the Annual General Meeting, together with the Annual Report, are also available on our website.

In accordance with the provisions of law, the auditors are appointed by the Annual General Meeting. At the Annual General Meeting on 9 May 2018, the Düsseldorf branch of the auditing firm KPMG AG Wirtschaftsprüfungsgesellschaft was appointed as auditors for secunet Security Networks AG and Group auditors for secunet Group for the 2018 financial year, and was therefore selected to perform an audit review of the Condensed Financial Statements and the Interim Management Report of secunet Security Networks AG and secunet Group as at 30 June 2018.

Shareholders are notified of important dates by means of a financial calendar published in the Annual Report, in the quarterly updates and on the Company's website.

Further detailed information about secunet Security Networks AG is available on our website at www.secunet.com.

Corporate Governance guidelines

The Articles of Association of secunet Security Networks AG form the basis of our Company. The Company's Articles of Association, the current Declaration of Conformity, the Declarations of Conformity for previous years and further Corporate Governance documents can be found online at www.secunet.com under >> The Company >> Investor Relations >> Corporate Governance.

The Management Board has introduced a Code of Conduct for the Company and its employees, summarising the business principles of secunet Security Networks AG. These principles are a crucial part of how secunet Security Networks AG sees itself, and of the expectations that it strives to meet. The Code of Conduct sets down standards of conduct for dealing with all the economic, legal and moral challenges that we face in our day-to-day business activities, and is intended to serve as a benchmark and guide when working with customers, suppliers and other business partners, as well as for our conduct towards our competitors. It also governs our conduct in financial matters and trading in secunet shares, their derivatives and other financial instruments. The Company has set up a compliance unit to handle questions arising in connection with the Code of Conduct.

In accordance with the provisions of Item 4.1.3, sentence 3 of the German Corporate Governance Code, the Company has provided its employees with an opportunity to report, under protection, legal violations within the Company by means of an electronic whistleblower system. This option is also available to third parties.

Management Board and Supervisory Board remuneration

secunet Security Networks AG complies with statutory regulations and the recommendations of the German Corporate Governance Code and discloses the remuneration of each individual member of the Management Board. In this Annual Report (more specifically, in the remuneration report, which forms part of the Management Report), we detail the remuneration of the members of the Management Board and Supervisory Board.

Information on stock option programmes and similar securities-based incentive systems

No stock option programmes or similar securities-based incentive systems exist for members of corporate bodies or employees of the Company.

Notification of transactions under Article 19 of the European Market Abuse Directive (Directors' Dealings)

Article 19 of the European Market Abuse Directive (EU) No. 596/2014 requires members of corporate bodies (Supervisory Board/Management Board) and certain executives, as well as closely related parties, to disclose transactions in secunet shares or related financial instruments where the sum total of such transactions reaches 5,000 euros within a single calendar year. Directors' Dealings disclosures are also published on our website under Investor Relations. No Directors' Dealings were reported in the 2018 financial year.

Accounting and auditing of the financial statements

secunet Security Networks AG prepares its Consolidated Financial Statements and Consolidated Interim Financial Statements in accordance with the International Financial Reporting Standards (IFRS). The Annual Financial Statements of secunet Security Networks AG are prepared in accordance with German commercial law (HGB). The Annual and Consolidated Financial Statements are compiled by the Management Board and audited by the auditors and the Supervisory Board. Quarterly updates and the 6-month report are discussed by the Management Board and Supervisory Board prior to their publication.

secunet Security Networks AG's Consolidated and Annual Financial Statements have been audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Düsseldorf branch, the auditors appointed by the 2018 Annual General Meeting. The audits were performed in accordance with Article 317 HGB and with due consideration for the generally accepted standards for the audit of financial statements in Germany promulgated by the Institute of Public Auditors in Germany (IDW). The undersigned auditors for the Annual Financial Statements and Consolidated Financial Statements of secunet Security Networks AG are Mr Martin C Bornhofen and Dr Dominic Sommerhoff.

It was also contractually agreed with the auditors that they inform the Supervisory Board without delay of any potential grounds for exclusion or bias and of any findings or occurrences of significance to the Supervisory Board's remit that came to light during the auditing of the financial statements.

The Condensed Consolidated Interim Financial Statements and the Interim Group Management Report as at 30 June 2018 were subjected to an audit review by KPMG AG Wirtschaftsprüfungsgesellschaft.

Declaration of Conformity under Article 161 of the German Stock Corporation Act

The management and supervisory boards of companies listed on the German stock exchange are legally obliged, in accordance with Article 161 of the German Stock Corporation Act (Aktiengesetz, AktG), to annually declare whether the official recommendations of the Government Commission on the German Corporate Governance Code applicable at the time of making the declaration have been fulfilled and will be fulfilled. The Company is furthermore required to disclose which recommendations of the Code have not been applied or will not be applied and to explain the reasons for this. This Declaration of Conformity is printed in full below, with explanations. The Declaration of Conformity can also be found on secunet Security Networks AG's website under >> The Company >> Investor Relations >> Corporate Governance. The Declarations of Conformity issued in the last five years are permanently available on the website.

The Company complies with, and will continue to comply with, the recommendations of the Government Commission on the German Corporate Governance Code, as amended in the version in force on 7 February 2017 and published by the German Ministry of Justice in the official part of the Federal Gazette on 24 April 2017, with the following exceptions:

3.8, Para. 3

A similar deductible shall be agreed upon in any D&O policy for the Supervisory Board.

Explanation: The secunet Supervisory Board conducts its business with the utmost sense of responsibility. A deductible would not give rise to any additional improvement or incentive.

5.1.2, Para. 2, sentence 3

An age limit for members of the Management Board shall be specified.

Explanation: secunet Security Networks AG does not stipulate an age limit for Management Board members, as the age of the particular Management Board member is not a blanket criterion for suitability to hold a position on the Management Board. An age limit would therefore generally limit the selection of suitable candidates to an unreasonable degree.

5.3.1

Depending on the specifics of the enterprise and the number of its members, the Supervisory Board shall form committees with sufficient expertise.

Explanation: The Supervisory Board of secunet Security Networks AG has no committees. In the opinion of the Supervisory Board, this is not in fact necessary, as the Supervisory Board comprises only six members. Given a board of this size, efficient operation of the Supervisory Board can be guaranteed without the formation of committees.

5.3.2

The Supervisory Board shall set up an Audit Committee.

Explanation: The Supervisory Board consists of six members. Due to the number of Supervisory Board members and the composition of the Supervisory Board, setting up a separate Audit Committee would not increase the efficiency of the work performed by the Supervisory Board in relation to accounting, risk management, compliance and the auditing of the financial statements.

5.3.3

The Supervisory Board shall form a Nomination Committee.

Explanation: The Supervisory Board of secunet Security Networks AG consists of only six members. All members are elected by the shareholders. An additional Nomination Committee has therefore not been set up.

5.4.1, Para. 2, sentence 1

The Supervisory Board shall determine concrete objectives regarding its composition, and shall prepare a profile of skills and expertise for the entire Board. Within the company-specific situation the composition of the Supervisory Board shall reflect appropriately the international activities of the company, potential conflicts of interest, the number of independent Supervisory Board members within the meaning of number 5.4.2, an age limit and a regular limit to Supervisory Board members' term of office, both to be specified, as well as diversity.

Explanation: The Supervisory Board of secunet Security Networks AG has not determined a regular limit for the length of membership in the Supervisory Board. In the view of the Supervisory Board such a restriction is not necessary with regard to efficient operation of the Board, especially since the Board's work may benefit from the experience of long-standing members.

5.4.6, Para. 1, sentence 2

The status as Chair or membership of a committee shall also be taken into consideration when specifying the remuneration of Supervisory Board members.

Explanation: Since the Supervisory Board has no committees, there is currently no question of a special chairmanship and committee membership remuneration.

secunet Security Networks AG

Essen, 27 March 2019

The Executive Board

The Supervisory Board