

**Declaration by the Management Board and Supervisory Board of *aap* Implantate AG**

**on the recommendations of the**

**“Government Commission on the German Corporate Governance Code”**

**in accordance with Article 161 of the German Stock Corporation Act (Aktiengesetz/AktG)**

The Management Board and Supervisory Board of *aap* Implantate AG issued their last annual declaration of conformity to the German Corporate Governance Code pursuant to Article 161 of the German Stock Corporation Act (Aktiengesetz/AktG) on January 25, 2017. That declaration was amended by the Management Board and Supervisory Board on August 11, 2017. For the past the following declaration relates to the Code’s recommendations in its version of May 5, 2015, published in the Federal Gazette on June 12, 2015, and since April 25, 2017 to the Code’s recommendations in its version of February 7, 2017, published in the Federal Gazette on April 24, 2017. For *aap* Implantate AG’s present and future corporate governance practice, the following declaration relates to the Code’s recommendations in its version of February 7, 2017, published in the Federal Gazette on April 24, 2017.

The Management Board and Supervisory Board of *aap* Implantate AG hereby declare that, subject to the exceptions stated below, the Company has complied with the recommendations of the “Government Commission on the German Corporate Governance Code” since issuing its last annual declaration of conformity on January 25, 2017, as amended on August 11, 2017, and will continue to do so subject to the exceptions stated below.

**D&O Policy Deductible (Section 3.8 para. 3)**

*aap* Implantate AG has taken out D&O insurance cover for its Supervisory Board members. The policies do not include a deductible for Supervisory Board members. In the opinion of the Management Board and Supervisory Board, a deductible has no effect on the sense of responsibility and loyalty which Supervisory Board members perform their tasks and functions with. Furthermore, a deductible is not customary in other countries. Besides, every Supervisory Board member would be free to take out insurance cover to the amount of the deductible, so the deductible would no longer have the intended effect. For the reasons stated there it will continue to be no deductible for members of the Supervisory Board.

**Set-up of a Compliance Management System and a Whistleblowing System (Section 4.1.3)**

In the past financial year *aap* Implantate AG initiated the merger of already existing compliance instruments with complementary modules to an uniform Compliance Management System reflecting the company’s risk situation. The implementation of all elements of the Compliance Management System, which is valid company-wide, including the establishment of a Whistleblowing System for employees, will be concluded within the first quarter of the financial year 2018. Furthermore, *aap* Implantate AG will report in the future about the main features of the Compliance Management System in the Corporate Governance Declaration respectively the Corporate Governance Report of the Annual Report, thereby complying with the recommendations according to Section 4.1.3 of the Code.

**Multi-year Calculation Basis and Cap on Variable Compensation Components of the Management Board’s Compensation (Section 4.2.3 para. 2, sentence 3 and sentence 6)**

In amending the Management Board members’ employment contracts, *aap* Implantate AG reached agreement with Management Board members Bruke Seyoum Alemu and Marek Hahn on variable compensation components capped at a maximum amount with a multi-year calculation basis, as well as on such variable compensation components having neither a capped maximum amount nor a

multi-year calculation basis. The Supervisory Board is of the opinion that the relevant remuneration elements, which include the payment of a special allowance only in the case of certain extraordinary events, provide an incentive for the Management Board in the best interests of the company. The hereby intended alignment of the interests of shareholders and Management Board members would be undermined by imposing a ceiling on the amount. A multi-year calculation basis is precluded in the case of compensation to be granted only when particular special events occur.

#### **Age Limit for Management Board Members (Section 5.1.2 para. 2)**

*aap* Implantate AG has set no age limit for Management Board members. Setting an age limit for Management Board members would restrict the Supervisory Board in its task to appoint the best-qualified candidate to the Management Board. As a matter of principle, the Company should also be able to call on the expertise of experienced candidates. Setting a very high limit which does not limit the choice of candidates in order to comply with the Code's recommendations is not considered appropriate.

#### **No Formation of Committees by the Supervisory Board (Section 5.3.1; Section 5.3.2; Section 5.3.3)**

*aap* Implantate AG's Supervisory Board consists of three members. In the Company's circumstances and in view of the low number of Supervisory Board members no committees are formed. The efficiency of the Supervisory Board work is considered to be sufficient in the existing organizational structure.

#### **Objectives regarding composition of the Supervisory Board and profile of skills and expertise (Section 5.4.1 para. 2) as well as reporting about the implementation status (Section 5.4.1 para. 4)**

The Supervisory Board so far refrained from a formal written determination of concrete objectives regarding its composition and a profile of skills and expertise. The Supervisory Board is currently working out corresponding determinations which include, inter alia, the number of independent Supervisory Board members, an age limit for Supervisory Board members and a regular limit to Supervisory Board members' term of office, and take diversity aspects adequately into account. Thereby *aap* Implantate AG will comply with the recommendations according to Section 5.4.1 para. 2 in the future. Henceforth the Company will report about the status of implementation of the objectives and the profile of skills and expertise in the Corporate Governance Declaration respectively the Corporate Governance Report of the Annual Report, thereby also complying with the recommendations according to Section 5.4.1 para. 4.

#### **Training and Further Education Measures (Section 5.4.5 para. 2)**

The Company supports members of the Supervisory Board as a matter of principle in taking the training and further education measures required for their tasks but has not adopted any formal procedure or guidelines in this respect. Furthermore, it is not clear which conditions must be fulfilled pursuant to Section 5.4.5 para. 2 of the German Corporate Governance Code for the Company to be able to deem support for training and further education measures for Supervisory Board members to be appropriate. We therefore take the precaution of declaring a deviation from Section 5.4.5 para. 2 of the German Corporate Governance Code.

#### **Compensation of Supervisory Board Members (Section 5.4.6 para. 1 sentence 2)**

No special consideration is given in setting Supervisory Board compensation to the exercise of the Chair and Deputy Chair positions. The Management Board and Supervisory Board of *aap* Implantate AG are of the opinion that given the size of the Supervisory Board and the allocation of tasks within the Board a differentiation in the compensation paid to Supervisory Board members is inappropriate.

To increase transparency and state comprehensively the importance of the Corporate Governance Code for *aap* Implantate AG, the Management Board and Supervisory Board also include a statement on compliance with the Code's suggestions in this declaration of conformity. The following declaration relates to the Code's suggestions in its May 5, 2015 version, published in the Federal Gazette on June 12, 2015, and since April 25, 2017 to the Code's suggestions in its version of February 7, 2017, published in the Federal Gazette on April 24, 2017. For *aap* Implantate AG's present and future corporate governance practice, the following declaration relates to the Code's suggestions in its version of February 7, 2017, published in the Federal Gazette on April 24, 2017.

With the exception of the following suggestion, all suggestions made in the Code are complied with already respectively will be complied with in the financial year 2018:

### **Transmission of the Annual General Meeting on the Internet (Section 2.3.3)**

Use was not made of the provision in the Articles of Association for transmitting the 2017 Annual General Meeting on the internet. There are no plans to transmit the 2018 Annual General Meeting on the internet or by any other modern means of communication.

Berlin, January 24, 2018

For the Supervisory Board



Biense Visser  
Chairman of the Supervisory Board

For the Management Board



Bruke Seyoum Alemu  
Chairman of the Management Board / CEO