

Corporate Governance Report

Corporate Governance

For us, the term “corporate governance” describes the responsible, far-sighted and value-driven management and control of a company with a view to achieving sustainable business growth. We consider efficient cooperation between the Executive Board and the Supervisory Board, upholding the interests of our shareholders and open, transparent corporate communications to be key aspects of good corporate governance. The following information on corporate governance reflects this fundamental understanding and our aspirations in this respect.

Corporate Governance Report / Declaration on corporate governance in accordance with section 289a HGB

In accordance with section 3.10 of the German Corporate Governance Code, the Executive Board and the Supervisory Board are required to prepare an annual report on corporate governance at the company and to publish this report together with the declaration on corporate governance. The Corporate Governance Report of SNP Schneider-Neureither & Partner AG contains the declaration on corporate governance that is required to be submitted in accordance with section 289a of the German Commercial Code (HGB), which includes the declaration of conformity in accordance with section 161 of the German Stock Corporation Act (AktG), relevant information on corporate governance practices, a description of the working methods of the Executive and Supervisory Boards, and the composition and working methods of their committees.

The Corporate Governance Report, including the declaration on corporate governance and the declaration of conformity, can be viewed in the Investor Relations/Corporate Governance section of the company’s website at www.snp-ag.com.

Declaration of conformity

In accordance with section 161 AktG, the Executive and Supervisory Boards of a public listed company must, every year, declare the extent to which the company has complied with and will continue to comply with the recommendations of the German Corporate Governance Code (GCGC) as published by the German Federal Ministry of Justice. As part of the declaration of conformity, the Executive and Supervisory Boards are obliged to disclose and explain any deviations from the GCGC.

Declaration of conformity 2012 issued by the Executive and Supervisory Boards of SNP AG on corporate governance at the company in accordance with section 161 AktG

The Executive and Supervisory Boards of SNP Schneider-Neureither & Partner AG (“SNP AG”) hereby declare in accordance with section 161 of the German Stock Corporation Act (AktG) that, since their last declaration of conformity, they have complied with and will continue to comply with the recommendations of the German Corporate Governance Code (GCGC) as published by the German Federal Ministry of Justice in the official section of the electronic Federal Gazette (Bundesanzeiger) on 15 May 2012 with the following exceptions:

1. Section 3.8 (3) of the GCGC

Section 3.8 (3) of the GCGC recommends that the liability insurance arranged by a company for its Supervisory Board members (“directors and officers liability insurance”, D&O) should include a deductible. SNP is of the opinion that the commitment and responsibility with which its Supervisory Board members perform their duties is not enhanced by arranging for deductibles. Accordingly, contrary to section 3.8 (3) of the GCGC, the existing D&O policies for the members of SNP’s Supervisory Board do not include deductibles. SNP AG will continue to deviate from the recommendation of section 3.8 (3) of the GCGC in this regard in future.

2. Sections 5.2 (2) sentence 1, 5.3.1 sentence 1, 5.3.2 sentence 1 and 2, 5.3.3 and 5.4.6 (1) sentence 3 of the GCGC

Contrary to the recommendations of the GCGC as set out in sections 5.2 (2) sentence 1 (committees to be chaired by the Chairman of the Supervisory Board), 5.3.1 sentence 1 (formation of committees), 5.3.2 sentence 1 and 2 (Audit Committee and chairmanship), 5.3.3 (Nomination Committee) and 5.4.6 (1) sentence 3 (remuneration for committee membership), the Supervisory Board has not currently formed any committees. The Supervisory Board is made up of only three members and it was deemed inexpedient to set up further committees, which would require a minimum of three members, to take decisions instead of the Supervisory Board.

3. Section 5.4.1 (2) and (3) of the GCGC

Section 5.4.1 (2) of the GCGC recommends that the Supervisory Board defines specific objectives regarding its composition, whilst taking into account the specific situation of the company, its international activities, potential conflicts of interest, a specified age limit for members of the Supervisory Board and the principles of diversity. Contrary to the recommendation of the code, the Supervisory Board has not defined specific objectives with regard to its composition and hence failed to comply with the other recommendations set out in section 5.4.1 (2) and (3) of the GCGC. As the Supervisory Board is made up of only three members, it sees no advantage in committing itself to specific objectives. Rather, the Supervisory Board deems it more expedient to maintain its flexibility, make proposals to the responsible election bodies on a case-by-case basis and consider the candidates with the

best qualifications. Moreover, it is the opinion of the Supervisory Board that the effort associated with naming and publishing specific targets and regularly adjusting them involves considerable work. In view of the ownership structure and the size of both the company and the Supervisory Board, the increased workload that would entail for its members does not seem justifiable.

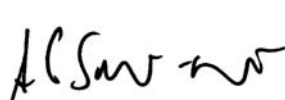
Since issuing its last declaration of conformity on 8 March 2012, the company has complied with the recommendations of the Commission of the German Corporate Governance Code in the version dated 26 May 2010 with the aforementioned exceptions and the additional exception detailed below:

Section 4.2.5 in conjunction with section 5.4.6 (3) GCGC

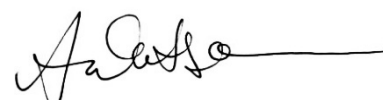
Section 4.2.5 sentence 1 and section 5.4.6 (3) recommended the disclosure of the remuneration of the Executive and/or Supervisory Board in a remuneration report forming part of the corporate governance report. Contrary to this recommendation, the remuneration report was included in the management report in order to prevent redundancies in the company’s financial reporting. This deviation no longer applies as the recommendation has been amended in the new version of the GCGC.

Heidelberg, 6 March 2013
SNP Schneider-Neureither & Partner AG

For the Executive Board



Dr. Andreas Schneider-Neureither
CEO



Andrew Watson
CFO/COO

For the Supervisory Board



Thomas Volk
Chairman

Management and control structure

As a stock corporation under German law, SNP Schneider-Neureither & Partner AG is subject to the provisions of the German Stock Corporation Act and has a dual management and control structure consisting of an Executive Board and a Supervisory Board. The tasks, powers and responsibilities of these two bodies are each clearly regulated by law and there is a separation of the personnel concerned. The working methods, responsibilities and composition of the Executive and Supervisory Boards of SNP AG are described in greater detail in the following section.

Working methods of the Executive and Supervisory Boards

For SNP AG, the fundamental principle of responsible corporate governance and control is to ensure that the Executive and Supervisory Boards work together in an efficient and trustworthy manner, whilst upholding the principles of impartiality and the independence of their members. In order to uphold the independence of persons in management positions so that they are able to take decisions without being subject to instructions from third parties, all positions held by members of the Supervisory and Executive Boards at other companies are disclosed in the subsequent report. Furthermore, no member of either the Executive or Supervisory Board held more than three positions on the supervisory boards of public listed companies outside the Group. In addition, there were no conflicts of interest requiring immediate disclosure to the Supervisory Board in the 2012 financial year. In the 2012 financial year, the Supervisory and Executive

Boards of SNP AG held four meetings at which they passed the necessary resolutions and discussed the strategic direction and further development of the company and a number of other individual issues. Additional telephone conferences were held between Supervisory Board members and a total of four resolutions were adopted by way of written circulars.

The Executive Board

The Executive Board is responsible for the operational management of SNP AG and reports to the Supervisory Board on the implementation and results of the corporate strategy. As an executive organ, the Executive Board has sole responsibility for managing the company's business in the interests of the company with a view to creating sustainable value. As such, the members of the Executive Board are jointly responsible for managing the company and work in close cooperation with the Supervisory Board in making fundamental decisions about business policy and strategy. To this end, the Executive Board regularly, promptly and comprehensively updates the Supervisory Board on all topics relevant to the company as a whole, including the course of business, compliance-related issues and corporate risks. The Executive Board's duty of information and reporting is laid down in detail by the Supervisory Board in the rules of procedure for the Executive Board. The Executive Board also ensures appropriate risk management and controlling within the company. In the 2012 financial year, the Executive Board of SNP AG consisted of two persons: the founding member of the company, Dr. Andreas Schneider-Neureither (Chairman) and Mr. Andrew Watson. Dr. Schneider-Neureither's current term of office began on 1 October 2012 and will end on 31 December 2015. Mr. Watson was appointed on 17 August 2011 until 31 December 2014.

Members of the SNP AG Executive Board 2012	Tenure from/to	Responsibilities and Departments	Other Appointments
Dr. Andreas Schneider-Neureither Dipl.-Physiker d.o.b. 05.10.1964	01.10.2009 to 30.09.2012; 01.10.2012 to 31.12.2015	CEO – responsible for: - Corporate Strategy - Sales - Marketing - Product Strategy - Development - Quality Assurance - Product Support - Control of group companies	Supervisory Board Casadomus AG, Stuttgart
Andrew Watson Dipl.-Betriebswirt BA (Hons) d.o.b. 23.03.1967	17.08.2011 to 31.12.2014	CFO, COO – responsible for: - Consulting - Training - Finance & Controlling - Human Resources - Investor Relations - Legal/Compliance - IT - Administration	

The Supervisory Board

The Supervisory Board is responsible for advising and monitoring the Executive Board in its management of the company. As major company decisions require the approval of the Supervisory Board, the Supervisory Board is involved in all decisions of fundamental importance to the company. The Supervisory Board has established rules of procedure for its work. The Supervisory Board of SNP consists of three persons. When proposing the election of members to the Supervisory Board, the knowledge, skills and professional experience required for the position are considered. Accordingly, the current members of the Supervisory Board have many years of experience in leading management positions at large companies. They possess specific knowledge about the market and the product risks connected with the core business of SNP AG. They are especially experienced in the area of international expansion. This means that they ensure the most effective corporate governance possible and support the Executive Board in matters of strategic alignment. With a large majority, the Annual General Meeting held in Leimen on 24 May 2012 re-elected Mr. Thomas Volk, Dr. Michael Drill and Mr. Klaus Weinmann as Supervisory Board members for the period from the end of the Annual General Meeting on 24 May 2012 to the end of the Annual General Meeting resolving on the approval of the actions of the Supervisory Board for the 2015 financial year. The Supervisory Board nominated its members Mr. Volk and Dr. Drill as Chairman and Deputy Chairman respectively. The Chairman of the Supervisory Board coordinates the work of the Supervisory Board, chairs its meetings, and attends to its affairs and interests externally. The members of SNP AG's Supervisory Board are not former members of the Executive Board. An efficiency review of the Supervisory Board of SNP AG is conducted on a regular basis using a self-assessment checklist. The German Corporate Governance Code recommends that Supervisory Boards should form committees with sufficient expertise. Given that the identities of the three-member Supervisory Board and those of any committee would be the same, SNP has deemed it unnecessary to form any committees. The members of the Supervisory Board therefore share responsibility for all decisions made on critical issues. Section 5.4.1 (2) and (3) GCGC recommends that the Supervisory Board define specific objectives for its composition and publish these along with a report on the status of their implementation in the Corporate Governance Report. The Supervisory Board does not comply with the recommendation on defining specific objectives for its composition, and hence does not report on this matter.

sory Board of SNP AG is conducted on a regular basis using a self-assessment checklist. The German Corporate Governance Code recommends that Supervisory Boards should form committees with sufficient expertise. Given that the identities of the three-member Supervisory Board and those of any committee would be the same, SNP has deemed it unnecessary to form any committees. The members of the Supervisory Board therefore share responsibility for all decisions made on critical issues. Section 5.4.1 (2) and (3) GCGC recommends that the Supervisory Board define specific objectives for its composition and publish these along with a report on the status of their implementation in the Corporate Governance Report. The Supervisory Board does not comply with the recommendation on defining specific objectives for its composition, and hence does not report on this matter.

Share transactions by the Executive Board and Supervisory Board

Section 15a of the German Securities Trading Act (WpHG) states that members of the Executive and Supervisory Board of SNP, as well as senior staff and people closely associated with them ("management personnel"), must disclose any acquisitions or disposals of SNP shares and any related financial instruments if the total value of the transactions conducted exceeds €5,000.00 within a calendar year. On the basis of the notifications submitted to SNP AG on share and other transactions, this information was published immediately in accordance with the relevant provisions of capital market law. The notifications for the 2012 financial year can be viewed in the Investor Relations/Financial Statements/Directors' Dealings section of the company's website and on the website of DGAP (Deutsche Gesellschaft für Adhoc-Publizität mbH).

Members of the SNP AG Supervisory Board 2011	Tenure from/to	Membership on other Supervisory Boards and other similar bodies
Thomas Volk CEO Lumesse Corporate Ltd.	Chairman since: 24.05.2012 First appointed: 19.05.2011 Tenure until: AGM resolving on the approval of the actions of the Supervisory Board FY 2015	P&I Personal & Informatik AG Chairman, Germany
Dr. Michael Drill Chairman of the Executive Board Lincoln International AG	Deputy Chairman since: 24.05.2012 First appointed: 04.04.2011 Tenure until: AGM resolving on the approval of the actions of the Supervisory Board FY 2015	Shareholder Value Beteiligungen AG Chairman of the Supervisory Board, Germany Lincoln International SAS Supervisory Board member, France Lincoln International LLP Supervisory Board member, England
Klaus Weinmann Chairman of the Executive Board CANCOM AG	Member of the Supervisory Board First appointed: 26.04.2011 Tenure until: AGM resolving on the approval of the actions of the Supervisory Board FY 2015	IHK Schwaben Vice President, Germany CANCOM NSG GmbH Supervisory Board member, Germany CANCOM IT Solutions GmbH Chairman, Germany

Shareholdings of the Executive and Supervisory Boards

Section 6.6 GCGC stipulates that any ownership of shares in the company or related financial instruments by its Executive or Supervisory Board members should be disclosed if this exceeds 1% of the shares issued by the company, either directly or indirectly. Furthermore, the total number of shares held should be disclosed separately for the Executive Board and the Supervisory Board. As of 31 December 2012, the members of the Executive Board directly and indirectly held

around 24% of the shares issued by the company (297,644 shares). No subscription rights for SNP AG shares have been issued by the company. The current members of the Supervisory Board do not hold any shares in SNP AG. The following table shows the number of SNP shares held by each member of the executive bodies and any changes in the 2012 financial year.

Shares owned by Executive Board	Number of shares on 31.12.2011	% on 31.12.2011	Number of shares on 31.12.2012	% on 31.12.2012
Dr. Andreas Schneider-Neureither	331,301	29.25	297,466	23.87
Andrew Watson	0	0	178	0.014
Total	331,301	29.25	297,644	23.89

Disclosures on risk management

SNP AG's business activities are subject to a variety of risks that are unavoidable in the course of its business activities. Good corporate governance includes dealing with these risks responsibly. In order to identify and assess risks at an early stage and deal with them accordingly, SNP AG employs effective management and control systems that are combined as part of a uniform risk management system. A detailed description of the risk management system can be found in the report on risks and opportunities in the 2012 Group Management Report. This section also contains the reports on the accounting-related internal control and risk management system that are required in accordance with the German Accounting Law Modernisation Act (BilMoG).

Remuneration report

The remuneration systems for the Executive and Supervisory Boards are described in the group management report / notes to the consolidated financial statements, which contain extensive disclosures on the remuneration paid to the members of the Executive and Supervisory Boards broken down by each individual member and by fixed and variable components. The structure of the remuneration system is regularly reviewed.

Disclosures on other corporate governance practices

SNP AG also voluntarily fulfils the non-mandatory suggestions set out in the GCGC to the extent that this is expedient and viable for the company.

Other corporate governance practices going above and beyond the statutory requirements are set out in various internal documents and are implemented accordingly. These contain the fundamental principles and rules of conduct to be applied within the company and when dealing with external partners and the general public. The management encourages the implementation of these principles through management training in particular.

Remuneration report

The following Remuneration Report is part of the Management Report. In line with good corporate governance it aims to present to our shareholders and corporate stakeholders the remuneration of the Executive and Supervisory Boards in a transparent and understandable way. The Remuneration Report summarises the principles applied in determining the remuneration of the Executive and Supervisory Boards of SNP. On one hand it explains the amounts and composition of the Executive Board's incomes, whilst showing that, through the variable wage components, regular adjustments are made according to current market conditions. On the other hand, it accounts for the remuneration of the Supervisory Board.

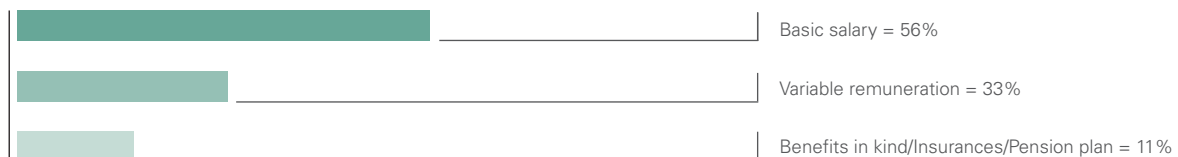
General notes on the remuneration of the Executive Board

According to the German law on the appropriateness of executive remuneration (“VorstAG”), which came into effect on 5 August 2009, determining Executive Board remuneration is the task of the entire Supervisory Board. This was already common practice at SNP AG. The structure and substance of the compensation system is regularly revised and monitored by the Supervisory Board. Criteria for determining the appropriate remuneration paid to Executive Board members include, in particular, the duties of Board members concerned, their personal performance, the performance of the Executive Board as a whole, the economic situation, and the performance and future prospects of the company when compared with corporate peers. SNP AG acts in accordance with the requirements of VorstAG.

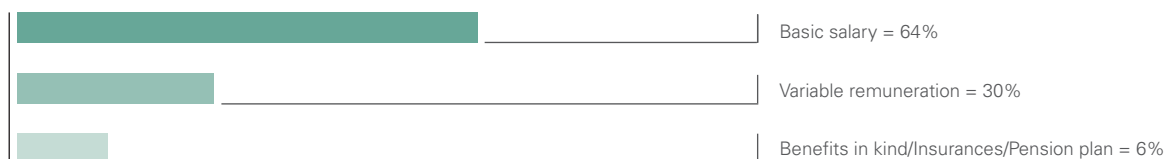
In fiscal year 2012, variable remuneration of Executive Board members was still determined on the basis of the company’s annual business performance. With the changes in the Executive and Supervisory Boards in fiscal year 2011, the employment contracts of the Executive Board members of SNP AG were also amended in line with the new VorstAG requirement. Pursuant to section 87(1) sentences 2 and 3 of the German Stock Corporation Act (AktG), the variable component of Executive Board remuneration was switched to an assessment basis, based over several years. The employment contract of Mr Andrew Watson has already been concluded on the basis of these requirements. The existing contract of employment for Dr. Andreas Schneider-Neureither based on the previous arrangements expired on 30 September 2012. At a session held on the 25 November 2011 the Supervisory Board appointed Dr. Andreas Schneider-Neureither to another term on the Executive Board and concluded a new employment contract, beginning on 1 October 2012 which meets the requirements of VorstAG.

The composition of the remuneration paid to Executive Board members in the fiscal year 2012 is as follows:

Dr. Andreas Schneider-Neureither CEO SNP AG



Andrew Watson CFO / COO SNP AG



Principles of the Executive Board remuneration system

The total remuneration of Executive Board members consists of a number of components and is composed of fixed and performance-related components. The non-performance-related components consist of a basic salary, fringe benefits and pension plans, whilst the performance-related components are based on the company’s business performance.

- The **fixed** component is a non-performance related basic remuneration and is paid as a salary on a monthly basis. In addition, Executive Board members receive further benefits in the form of benefits in kind, which consist mainly of insurance premiums and the private use of a company car. Although these additional benefits are essentially available to all Executive Board members, tax is to be paid on them individually by each Board member.
- The amount of the **variable remuneration** depends on quantitative targets, which are determined by the company’s performance, and on qualitative targets, which are determined by the Executive Board member’s personal performance and leadership skills. These targets, including the weighting, are set each year by mutual agreement between the Executive Board and Supervisory Board.
- The new employment contracts arranged in fiscal year 2011 contain a variable remuneration component with **long-term incentives** in addition. This component is linked to a fixed objective and is measured by EBT per share over a period of three years. The objective is determined by the full Supervisory Board. Payments are limited to € 150,000 per Executive Board member. In accordance with the new contract of employment concluded on 1 October 2012, this rule will apply to Dr. Andreas Schneider-Neureither with effect from 1 January 2013.

Regulations in the event of the early exit of a member of the Executive Board

Dr. Schneider-Neureither's current term of office began on 1 October 2012 and will end on 31 December 2015. Mr Watson's contract of employment has been in place since 11 July 2011 and will run until 31 December 2014. In the event of a premature dismissal pursuant to section 84 (3) AktG, the Executive Board and Supervisory Board may properly terminate the employment relationship with 18 months' notice to the end of the month.

In the event of the early resignation of an Executive Board member no special rules apply except for the calculation of the variable remuneration. Should an Executive Board member resign prior to the year's end, the following regulations shall apply:

- The bonus will be paid pro rata temporis taking adequate account (section 315 BGB) of the Executive Board member's contribution. The following exceptions apply in this respect: if the company terminates the employment relationship for good cause as defined in paragraph 626 BGB for reasons for which the Executive Board member is responsible, his claim to unpaid bonus payments will lapse and they will not be paid. His claim for periods of time-off will also lapse.

- The Supervisory Board exercises its discretion in setting the Long-Term-Incentive (section 315 BGB). In so doing, it must take appropriate account of the Executive Board member's contribution to the company's achievements and its performance up to the end of the assessment period. If his targets are met in full, a rate of € 50,000 gross per full year of the term of the contract should be paid pro rata temporis. Irrespective of any possible premature termination, the Long-Term-Incentive does not become due until the maturity date specified above following the end of the assessment period.

The above provisions do not apply should, in the event of the resignation of Executive Board member, there be a termination agreement, regulating remuneration claims, which covers any bonus entitlements the Executive Board member may have.

Remuneration of the Executive Board in fiscal year 2012

The total remuneration awarded to members of the Executive Board in fiscal year 2012 amounted to a total of € 658,414.16. Details of the remuneration paid to Executive Board members in fiscal year 2012 are itemised in the following table:

	Basic salary €	Variable salary €	Fringe benefits €	Pension fund €	Insurance benefits €	Total €
Dr. Andreas Schneider-Neureither	174,999.00	102,600.00	22,134.12	9,608.81	3,356.67	312,698.60
Andrew Watson	220,008.00	105,000.00	15,578.64	0.00	5,128.92	345,715.56
Total	395,007.00	207,600.00	37,712.76	9,608.81	8,485.59	658,414.16

In addition to general insurance and pension commitments, the company has also arranged Directors and Officers (D&O) liability insurance on behalf of the Executive Board members. The annual insurance premium of € 7,021.00 (€ 5,900.00 plus 19% insurance tax) also includes the D&O insurance for members of the Advisory Board and senior executives. The pro-rata insurance premiums paid per person/per period of activity can be consulted in the insurance benefit table.

Advances or loans to Executive Board members or contingent liabilities incurred on behalf of these persons

As at 31 December 2012, no loans, credits or advances had been extended to any of the Executive Board members (prior year: € 4 thousand). Furthermore, during the reporting year, SNP AG did not incur any contingent liabilities on behalf of members of the Executive Board.

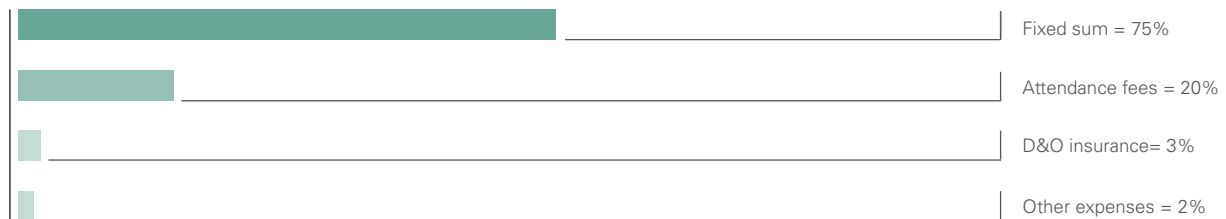
Provisions for pension commitments to members of the Executive Board

In accordance with IFRS, SNP AG has made provisions for pension commitments to Dr Andreas Schneider-Neureither and Mrs Petra Neureither (CFO until 19 May 2011), totalling € 68 thousand (prior year: € 74 thousand). An insurance policy has been agreed to cover pension obligations.

Principles of the remuneration system for the Supervisory Board

The remuneration of Supervisory Board members is based on their responsibilities and the scope of their activities. As laid down in article 6 (20) of the Articles of Association, it consists of a fixed annual remuneration, attendance fees, and the reimbursement of proven necessary expenses. No performance-related component is attached to the remuneration. Since the continuous growth of the business has also increased the workload of Supervisory Board members, their remuneration was revised at the 10th Annual General Meeting, held on 20 May 2010. Since fiscal year 2010, in addition to the reimbursement of their expenses and an attendance fee of € 1,000 per Supervisory Board session, the members of the Supervisory Board receive a fixed sum of € 10,000.00 per fiscal year. In line with German Corporate Governance provisions, the Chairman receives twice and his deputy one and one half times this

amount. In addition, the Supervisory Board members were covered in the performance of their tasks by a Directors and Officers (D&O) loss and liability insurance, with coverage of € 5,000,000.00, arranged by the company for each member of the Supervisory Board. The aggregate composition of the remuneration of the Supervisory Board in fiscal year 2012 is therefore as follows:



Remuneration of the Supervisory Board in fiscal year 2012

The total remuneration awarded to members of the Supervisory Board in fiscal year 2012 amounted to a total of € 59,883.82. At the balance sheet date, there were no loan receivables due from the Supervisory Board members. The following table shows individual remuneration per Supervisory Board member:

	Fixed sum €	Attendance fee €	D & O Insurance €	Other expenses €	Total €
Thomas Volk (Chairman)	20,000.00	4,000.00	663.40	496.89	25,160.29
Dr. Michael Drill (Deputy Chairman)	15,000.00	4,000.00	663.40	280.85	19,944.25
Klaus Weinmann (Member of the Supervisory Board)	10,000.00	4,000.00	663.40	115.88	14,779.28
Total	45,000.00	12,000.00	1,990.20	893.62	59,883.82

The company has arranged Directors and Officers liability insurance on behalf of the Supervisory Board members. The annual insurance premium of € 7,021.00 (€ 5,900.00 plus 19% insurance tax) also includes the D&O insurance for members of the Executive Board and senior executives. The pro rata premiums paid for each person for the period of their appointment are shown in the table.

Supplementary report

After the end of the fiscal year and until the completion of this Management Report there were no additional special events that are of relevance to the evaluation of the Group's net assets, financial position and results of operations.

Heidelberg, 6 March 2013

The Executive Board