

Corporate governance report

Good corporate governance implies the responsible management and control of corporate enterprises oriented towards long-term value creation. The aim of corporate governance is to promote the trust of shareholders and investors, the financial markets, business partners, employees and the general public in the company, thereby also increasing the value of the company on a sustainable, long-term basis. The executive and supervisory boards of CropEnergies AG are committed to the principles of good corporate governance. CropEnergies fulfils the most stringent transparency requirements on German stock exchanges. Accordingly, the CropEnergies share has been listed in the Prime Standard since 2006. Compliance with the German Corporate Governance Code underlines the commitment to transparent corporate management.

In CropEnergies' view, the German Corporate Governance Code as amended on 16 December 2019 is largely balanced, practical and of a high standard when compared internationally. As in previous years, we have thus not found it necessary to prepare individual, company-specific corporate governance principles.

Declaration of conformity for 2019

The declaration of conformity for 2019 issued by the executive board and the supervisory board pursuant to § 161 AktG, the following divergence from recommendations was updated in comparison with the text of the previous year:

It was possible to delete the passage at paragraph 4.1.3 – (Compliance, whistle-blower system), as this recommendation was implemented through the introduction of an electronic whistle-blower system in April 2018.

As with declarations of conformity issued in previous years, the declaration of conformity for 2019 is published on the CropEnergies website at www.cropenergies.com on the Investor Relations/Corporate Governance pages:

It has the following wording:

"The executive board and the supervisory board of CropEnergies AG, Mannheim, passed a resolution on 11 November 2019 to

issue the following declaration of conformity with the German Corporate Governance Code pursuant to § 161 AktG:

CropEnergies AG complied with the recommendations of the 'Government Commission of the German Corporate Governance Code' in the Code's current version of 7 February 2017 with the following exceptions and will comply with the recommendations in future:

Paragraph 4.2.2 (Vertical comparison of executive board compensation):

The supervisory board is charged with assessing the appropriateness of the executive board's compensation. In so doing, it takes into consideration the company's salary and wage structure. The supervisory board is convinced that the formal procedure recommended in paragraph 4.2.2, subsection 2, sentence 3 is superfluous, as it would not improve the quality of its decisions.

Paragraph 4.2.3, subsections 4 and 5

(Severance payment cap in executive board contracts):

The executive board contracts do not provide for a severance payment cap. We see no need for this, especially as there are considerable legal reservations about such contractual clauses.

Paragraphs 4.2.4 and 4.2.5

(Individualised executive board compensation):

The annual general meeting of CropEnergies AG most recently passed a resolution on 12 July 2016 to waive individual disclosure of executive board compensation for a period of five years. The company therefore does not disclose executive board members' individual compensation in its compensation report.

Paragraph 5.3.2, sentence 3

(Autonomy of the audit committee chairman):

Thomas Kölbl is chairman of the audit committee. He is simultaneously a member of the executive board of Südzucker AG, which holds a majority interest in CropEnergies AG. In our view, it makes sense that a majority shareholder is appropriately represented on the supervisory board of a company and its committees. It is our conviction that it is in the interests of the company and all its shareholders for Thomas Kölbl to exercise this office as audit committee chairman.

Paragraph 5.4.1, subsection 2

(Objectives for the composition of the supervisory board):

A regular limit of length of membership on the supervisory board is not specified. This facilitates continuity and the preservation of long-standing expertise in the supervisory board in the interests of the company.

Paragraph 5.4.6

(Supervisory board compensation):

Our company's articles of association make provision for performance-related supervisory board compensation oriented to dividends (cf. paragraph 5.4.6, subsection 2, sentence 2). Convergence with the interests of the shareholders in particular speaks for this structure.

We disclose the supervisory board's compensation as a total, divided according to fixed compensation and performance-related components (cf. paragraph 5.4.6, subsection 3). In our opinion, the associated encroachment on privacy associated with the disclosure of compensation on an individual basis is disproportionate to the benefits of such practice. The corporate governance report, notes and management report therefore do not contain any individualised information on supervisory board compensation."

Gender quota

The Stock Corporation Act makes provision for listed companies to define target figures for supervisory board, executive board and the two management levels below executive board. CropEnergies AG is affected by this, but is not affected by the introduction of a fixed gender quota of 30% in the supervisory board; this applies to listed companies that are also equally represented. CropEnergies is not a co-determined company.

At its meeting on 16 May 2017, the supervisory board determined the proportion of women in the supervisory board up to 15 May 2022 to be the "retention of zero %".

At its meeting on 16 July 2019, the supervisory board, taking all relevant criteria and particularly the current and expected future status quo into account, determined the target for the proportion of women in the executive board up to 15 May 2022 to be the "retention of zero %". At its meeting on 15 May 2017, the executive board decided as a target specification that the

proportion of women at management level below the executive board (owing to its flat hierarchies, CropEnergies AG has only one management level below the executive board) should be retained at 20% until 14 May 2022.

Training and professional development

The members of the supervisory board take responsibility for undertaking any training or professional development measures necessary to fulfil their duties. They receive appropriate support from CropEnergies in this regard:

An information event on corporate governance issues involving an external specialist lawyer is again planned in the 2020/21 financial year.

Code of conduct and guiding principles

CropEnergies has prepared a code of conduct and guiding principles. These are published on the CropEnergies website at www.cropenergies.com under "Company".

Compensation report

In the compensation report, CropEnergies discloses the level and structure of the compensation paid to the executive board (paragraph 4.2.5 of the Code) and the supervisory board (paragraph 5.4.6 of the Code). CropEnergies AG waives individualised disclosure of executive board and supervisory board compensation as the associated encroachment on privacy is out of reasonable proportion to the benefits. The shareholders of CropEnergies AG last passed a resolution not to disclose individualised information on executive board compensation for a period of five years, by a large majority, at the annual general meeting on 12 July 2016 (opting out). The decision to waive individualised disclosure of supervisory board and executive board compensation was reflected in the declaration of conformity.

The compensation of the executive board of CropEnergies AG is determined by the supervisory board and is reviewed at regular intervals. The compensation is oriented to the company's long-term performance and consists of

1. a fixed annual salary,
2. variable annual compensation, depending on

- a) the achievement of agreed targets and
 - b) the operating profit generated by the CropEnergies Group based on performance over several years (the basis, in each case, being the CropEnergies Group's average operating profit for the past three financial years),
3. non-monetary benefits mainly in the form of a company car for business and private use and contributions to social insurance, and
 4. a company pension scheme, based on a percentage of the fixed annual salary.

There are no share-based compensation components or stock option plans.

The total compensation for the executive board is disclosed in the notes at item (35), "Related party transactions".

The compensation of the supervisory board is set out in § 12 of the articles of association of CropEnergies AG. Each member of the supervisory board receives a fixed compensation of € 20,000, payable at the end of the financial year, and variable compensation at the rate of € 1,000 for each € 0.01, or part thereof, by which the dividend paid per share exceeds € 0.20, in addition to the reimbursement of their out-of-pocket expenses and the value-added tax they incur for their supervisory board activities. The chairman receives double and his deputy one-and-a-half times this compensation. The fixed compensation increases by 25% for each membership of a supervisory board committee; the rate of increase is 50% for the chairman of a committee. This presupposes that the relevant committee has convened in the financial year.

The compensation for activities undertaken by the supervisory board members is disclosed in the notes at item (35), "Related party transactions".

Financial loss liability insurance

The company has taken out financial loss liability insurance with a deductible which incorporates cover for the activities of the members of the executive board and the supervisory board (D&O insurance). § 93 (2) AktG stipulates that the deductible for executive board members must amount to at

least 10% of the loss up to at least the level of one-and-a-half times the fixed annual compensation. CropEnergies has agreed such a deductible with the members of the executive board. Regarding a deductible for supervisory board members, the German Corporate Governance Code recommends a similar ruling. CropEnergies complies with this recommendation.

Holdings of company shares by members of the executive board and supervisory board; reportable dealings in securities

No member of the executive board or the supervisory board holds shares of CropEnergies AG or related financial instruments directly or indirectly representing 1% or more of the share capital. Furthermore, the aggregate holdings of all executive board and supervisory board members are less than 1% of the shares issued by the company.

Members of the executive board and the supervisory board did not disclose any reportable dealings in securities to CropEnergies AG in the 2019/20 financial year.