

# SUPERVISORY BOARD REPORT

Dear Shareholders,

The 2018/19 reporting year brought progress for renewable energies in the transport sector, after years of, in part, controversial discussions. The adoption of the European “Renewable Energy Directive” in December 2018 makes a path to less fossil energy and more greenhouse gas reductions up to 2030 visible. How concrete implementation is to be carried out in the member states and who is to make the huge investment in production capacity, infrastructure and vehicles remains to be seen over the next few years, though this will depend, to a significant extent, on the price signals that the individual EU member states are prepared to send for fewer greenhouse gas emissions and on the investment strength that the established industry in particular develops.

The supervisory board concerned itself in depth with the business development, the financial position and the business prospects of the CropEnergies Group in the reporting year, consulting closely with the executive board. In doing so, the supervisory board performed the duties incumbent upon it according to the law, the articles of association and the rules of procedure in supervising and advising the executive board in the management of the company’s affairs.

**Cooperation between the supervisory board and the executive board** | The supervisory board was directly involved in all decisions of fundamental importance relating to the CropEnergies Group and was kept continuously informed in a timely and comprehensive manner about the corporate planning, the course of business, the position and the development of the CropEnergies Group, including the risk situation, risk management and compliance. The executive board determined the strategic orientation of CropEnergies in consultation with the supervisory board. The business transactions that are important for the company were discussed in detail on the basis of the reports of the executive board.

The supervisory board chairman had regular contact with the executive board beyond the supervisory board meetings and kept himself informed about all events of major importance and the current development of the company’s position. The executive board also reported on corporate policy, profitability, risk management and the corporate, financial, investment, research and personnel planning related to CropEnergies AG and the CropEnergies Group. The supervisory board chairman delved into these topics in numerous working meetings with the executive board.

**Supervisory board meetings and resolutions** | Four ordinary meetings of the supervisory board, each of which was attended by the executive board, took place in the 2018/19 financial year. Following thorough review and discussion, the supervisory board agreed to all the resolution proposals of the executive board.

No resolutions were passed by way of written procedure in the 2018/19 financial year.

The focal points of the reporting were the developments on the raw materials and sales markets, the hedging of market price risks, the political framework conditions for renewable energies, production and the progress of investments, and the current earnings situation.

At its annual account meeting on **14 May 2018**, the supervisory board examined and approved the annual financial statements and management reports of CropEnergies AG and the consolidated group for 2017/18, issued with an unqualified audit opinion by the independent auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC). The independent auditor, PwC, reported on the focus and results of the audit, which also included the accounting-related internal control system. After detailed discussion, the supervisory board adopted the annual financial statements and approved the consolidated financial statements. The supervisory board prepared the 2018 annual general meeting, decided on the agenda and

addressed the proposal for the election of the independent auditor. It also approved the short- and medium-term investment planning and carried out the regular adjustment of the executive board's compensation structure.

At the meeting on **17 July 2018** (prior to the annual general meeting), the medium-term planning was presented.

At the meeting on **12 November 2018**, the supervisory board addressed the earnings projection for the 2018/19 financial year and approved a supplement to the investment plan. As is always the case at the November meeting, the supervisory board mainly focused on the issue of corporate governance. It conducted the annual review of the efficiency of its activities and approved the declaration of conformity for 2018. The supervisory board also addressed the issue of compliance and discussed senior management development.

At the meeting on **14 January 2019**, the updated earnings projection for the 2018/19 financial year was presented.

**Attendance records I** Apologies for absence were received from one member of the supervisory board at the meeting on **14 January 2019**. No member of the supervisory board attended only half or less than half the meetings of the supervisory board or the committees.

**Supervisory board committees I** In order to carry out its duties more efficiently, the supervisory board has formed an audit committee and a nomination committee.

The **audit committee**, to which the supervisory board members Thomas Kölbl (Chairman), Dr. Wolfgang Heer, Prof. Dr. Markwart Kunz and Franz-Josef Möllenberg belong, convened five times in the 2018/19 financial year, with individual members being connected by telephone in some cases. In accordance with the recommendations of the German Corporate Governance Code, the chairman of the audit committee is not at the same time chairman of the supervisory board.

At its meeting on **8 May 2018**, the audit committee closely studied the annual financial statements of CropEnergies AG and the consolidated financial statements in the presence of the independent auditor. It prepared the annual account meeting of the supervisory board during which the supervisory board, after being briefed by the chairman of the audit committee, accepted the recommendations of the audit committee. Furthermore, it discussed the proposal to appoint the independent auditor and examined the latter's independence. It approved the checklist and application guidelines for non-audit services by the independent auditor, PwC.

At the meeting on **9 July 2018**, the audit committee discussed the quarterly statement for the 1<sup>st</sup> quarter of 2018/19.

At the meeting on **17 July 2018** (subsequent to the annual general meeting), the audit committee discussed the independent auditor's quotation for the audit of the annual financial statements and issued the mandate for the 2018/19 financial year.

At the meeting on **9 October 2018**, the audit committee discussed the interim report. At the supervisory board's instruction, the audit committee also addressed the monitoring of the financial reporting process as well as the effectiveness of the internal control system and the risk management system. It also focused on the internal audit system and the compliance management system.

At the meeting on **8 January 2019**, the audit committee discussed the quarterly statement for the 3<sup>rd</sup> quarter of 2018/19.

All members were present at, or connected by telephone to, the audit committee's meetings and conference calls.

The **nomination committee**, to which the supervisory board members Thomas Kölbl (Chairman), Dr. Wolfgang Heer, Prof. Dr. Markwart Kunz and Franz-Josef Möllenberg belong, had no occasion to convene.

**Review of the supervisory board's efficiency** | The supervisory board reviewed the efficiency of its activities in accordance with the recommendation pursuant to paragraph 5.6 of the German Corporate Governance Code. This is performed every year on the basis of a questionnaire without external support. The questionnaire is adapted in each case to the changes in the Code. The evaluation of the questionnaires, the discussion of the results and the deliberations on proposed improvements took place at the meeting on 12 November 2018. The objective is the continuous improvement of the activities of the supervisory board and its committees.

**Compliance** | On 8 January 2019, the regular discussion about fraud and corruption risks took place between the independent auditor and the chairman of the supervisory board and the audit committee, with information being provided, and subsequent discussions held, with regard to the assessment of business risks and measures for limiting the fraud and corruption risks.

**Corporate Governance** | Comprehensive information on corporate governance at CropEnergies, including the wording of the supervisory board's diversity objectives for its future composition and the declaration of conformity for 2018 issued jointly by the executive board and supervisory board, can be found in the declaration on corporate management on pages 70–72 of the corporate governance report. Additionally, all the relevant information is available on the CropEnergies website [www.cropenergies.com](http://www.cropenergies.com) on the investor relations pages.

The executive board fulfilled its duties, assigned to it by law and the rules of procedure, to inform the supervisory board in an exhaustive and timely manner. The supervisory board also assured itself of the due and proper conduct of the company's affairs and the effectiveness of the company's organisation and discussed these matters at length in talks with the independent auditor. The same applies with regard to the effectiveness of the CropEnergies Group's risk management system.

In the reporting period, the supervisory board was not notified by any of its members of a conflict of interest – especially no conflict of interest that could arise as a result of an advisory function or position on a board or committee at customers, suppliers, creditors or other business partners.

**Annual financial statements** | The independent auditor, PwC, elected by the annual general meeting at the proposal of the supervisory board, has audited the annual financial statements and management report of CropEnergies AG for the 2018/19 financial year, and the consolidated financial statements and the group management report for 2018/19, and has issued an unqualified audit opinion in each case. Furthermore, the independent auditor has confirmed that the executive board has suitably complied with the measures that were incumbent upon it pursuant to § 91 (2) AktG. In particular, it has created an appropriate information and monitoring system in line with company requirements that appears suited to its purpose of identifying, in good time, developments that could be a threat to the company's existence. PwC has been auditing the consolidated financial statements and the separate financial statements since the 2006/07 financial year. Since the beginning of the 2016/17 financial year, Michael Conrad has been the responsible independent auditor at PwC.

In light of the fact that, as of 28 February 2019, Süddeutsche Zuckerrüben-Verwertungs-Genossenschaft eG (SZVG), including the 69.2% of voting rights held by Südzucker AG, directly and indirectly holds 74.4% of voting rights, the executive board has drawn up a report pursuant to § 312 AktG. The independent auditor has reviewed this report, has provided a written report on the results of its review and confirmed that the actual facts set out in the report are correct; payments by the company in

connection with legal transactions referred to in the report were not unreasonably high, and no circumstances indicate any materially different assessment than that given by the executive board.

The documents to be examined and the independent auditor's reports were distributed in good time to each supervisory board member. Representatives of the independent auditor, PwC, were present at the audit committee's meeting on 7 May 2019 and at the supervisory board's annual account meeting on 13 May 2019, and reported in detail on the procedures and findings of the audit. After detailed discussions, the supervisory board noted and agreed with the independent auditor's reports. The findings of the audit committee's prior review and the findings of the supervisory board's own review are fully consistent with the findings of the independent audit. The supervisory board raised no objections to the financial statements presented. It approved the annual financial statements of CropEnergies AG prepared by the executive board as well as the consolidated financial statements of the CropEnergies Group at its meeting on 13 May 2019; the annual financial statements of CropEnergies AG are thereby adopted. The supervisory board has agreed with the executive board's proposal on the use of the unappropriated profit, with the distribution of a dividend of € 0.15 per share.

**Personnel matters** | There were no changes to the executive board or the supervisory board in the 2018/19 financial year.

The supervisory board wishes to express its thanks and appreciation to all employees and the executive board for the work that they have performed.

Mannheim, 13 May 2019

**On behalf of the supervisory board**



**Prof. Dr. Markwart Kunz**  
Chairman