



Declaration on corporate governance, reporting period 2017

The Board of Management and the Supervisory Board are committed to conforming with the German Corporate Governance Code, allowing one justified exception

The conduct of the management and supervisory bodies of INDUS Holding AG is governed by the principles of good and responsible corporate governance. In this declaration, the Board of Management and the Supervisory Board report on the company's governance in line with Item 3.10 of the German Corporate Governance Code and Section 289f (1) of the German Commercial Code (HGB). The actions of INDUS Holding AG are geared toward long-term success. The Board of Management and the Supervisory Board have therefore followed German Corporate Governance Code recommendations for many years.

The government commission for the German Corporate Governance Code adopted the 2017 version of the Code as amended on February 7, 2017. In the year under review, the Supervisory Board and the Board of Management jointly provided an updated declaration of conformity in accordance with Section 161 (1) of the German Stock Corporation Act (AktG) on November 30, 2017. This declaration has been published on the company's website.

With the exception of one recommendation (no limitation of the Supervisory Board members' terms of office), INDUS Holding AG complies with all of the recommendations made by the government commission for the German Corporate Governance Code and will continue to do so in future.

Compliance Management System

INDUS Holding AG ensures the implementation of an adequate Compliance Management System at the holding company level. The corresponding risk-oriented measures include particularly the communication of a code of conduct to all employees of the holding company. This code of conduct defines principles for the conscious and responsible dealing with business partners, shareholders, and employees. In addition, the portfolio companies organize their compliance in a decentralized way. In this context, the managing directors of the portfolio companies are responsible for the adequate configuration of the respective Compliance Management System. The holding company does not provide a uniform system, but offers them support and monitors the management of material compliance risks which are relevant for the holding company. The code of conduct of INDUS Holding AG, which voluntarily goes beyond the legal requirements, is available on the company's website.

Working methods and composition of the Supervisory Board and committees

The Supervisory Board of INDUS Holding AG appoints the Board of Management, provides guidance regarding company management, and monitors management activities. Information regarding the focal points of Supervisory Board activity last year is available in the Supervisory Board's report. The Supervisory Board consisted of six members in the year under review. The next appointment date is at the 2019 Annual Shareholders' Meeting.



No member of the Supervisory Board performs or has performed executive, supervisory or consulting functions at any significant competitors of INDUS Holding AG. The Code recommendation is followed that no more than two former Board of Management members should be allowed on the Supervisory Board. There are currently no former Board of Management members on the Supervisory Board.

Moreover, the Code recommendation is followed that the Supervisory Board should include an adequate number of independent members. The Supervisory Board of INDUS Holding AG should include at least three independent members. The Supervisory Board of INDUS Holding AG does not include any member considered to be dependent.

The INDUS Holding AG Supervisory Board has formed a Personnel and an Audit Committee. The Nomination Committee is identical to the Personnel Committee. The Personnel Committee comprises three members. Its duties are to deal with personnel matters relating to the Board of Management, in particular the employment contracts and other contracts with members of the Board of Management. Decisions are only made by the full Supervisory Board if this is required by law. This applies in particular to Supervisory Board decisions regarding compensation models for Board of Management members and, since the German Act on the Appropriateness of Management Board Remuneration (VorstAG), regarding determination of overall compensation for the individual Board of Management members. The committee must present proposals on these points and submit them to the full Supervisory Board for resolution. The Audit Committee consists of three members.

The committees generally convene in in-person meetings. Outside of meetings, resolutions in writing are permissible if called for by the Supervisory Board Chairman. As with the Supervisory Board itself, committee decisions require a simple majority, unless the law provides otherwise. The effectuation of resolutions by the Supervisory Board and its committees is the responsibility of the Supervisory Board Chairman.

The Supervisory Board has given itself rules of procedure. It has defined targets for its own composition and ensures compliance with these targets. In addition, it performs two efficiency audits per year. The names, résumés, and relevant offices of the members of the Supervisory Board as well as the members of the above committees have been published in the annual report and on the company's website.

Diversity policy, targets for the ratio of women

The Supervisory Board has set an age limit for its members: the member may not be above the age of 70 at the time of appointment. This age limit was complied with in the year under review. The age limitation policy adopted by the Supervisory Board for members of the Management Board, which provides for their stepping down upon reaching the age of 67, was also complied with.

The Supervisory Board has moreover defined concrete targets for its composition as well as a competence profile for the full Supervisory Board. Information and details about the defined fields of competence have been published in the Supervisory Board's report in the annual report of the year under review. The members of the Supervisory Board meet the requirements defined in the competence profile.

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On September 23, 2015, the Supervisory Board determined a first target of 16.67% for the ratio of women on the Supervisory Board of INDUS Holding AG. This target was valid until June 30, 2017 and was met during the entire period of time. On May 24, 2017, the Annual Shareholders' Meeting elected Prof. Dr. Nadine Kammerlander as an additional woman on the Supervisory Board. Consequently, the ratio of women on the Supervisory Board is currently 33.33%. On May 23, 2017, i.e. before the end of the period of validity, the Supervisory Board updated the target for the ratio of women on the Supervisory Board of INDUS Holding AG. It remained unchanged at 16.67% and is valid until May 23, 2022. The Supervisory Board is open to raising the target. The Supervisory Board will discuss and make a decision before May 23, 2022, regarding the new target that will apply from May 24, 2022, for the ratio of women on the Supervisory Board.

The Supervisory Board expects a ratio of women on the Board of Management of INDUS Holding AG of 25.00% in the medium term. On September 23, 2015, the Supervisory Board determined a first target of 0.00% for the ratio of women on the Board of Management because it seemed impossible to meet the 25% target by the end of the period of validity, i.e. June 30, 2017. This target was met upon expiry of the period of validity as expected. On May 23, 2017, i.e. before the end of the period of validity, the Supervisory Board updated the target for the ratio of women on the Board of Management of INDUS Holding AG. It remained unchanged at 0.00% and is valid until May 23, 2022. This target corresponds to the current status. The Supervisory Board is open to raising the target. The Supervisory Board will discuss and make a decision before May 23, 2022, regarding the new target that will apply from May 24, 2022, for the ratio of women on the Board of Management.

There are no management levels below the Board of Management in INDUS Holding AG's organizational structure. The determination of targets for the ratio of women at such management levels is therefore not necessary.

Working methods and composition of the Board of Management

The INDUS Holding AG Board of Management runs the company and manages its business activities. The Board determines the company's strategic orientation, coordinates this with the Supervisory Board, and ensures its implementation. The Board of Management also outlines the business goals of INDUS Holding AG, the annual and multi-year projections, the internal control and risk management system, and the business segments' controlling practices. The Board of Management's duties also include preparation of the quarterly, semi-annual, and annual financial statements of INDUS Holding AG and the INDUS Group.

Since October 1, 2017, the Board of Management has consisted of four members. The Board's members are Jürgen Abromeit (CEO), Axel Meyer, Dr. Johannes Schmidt and Rudolf Weichert. The Board of Management has given itself rules of procedure. The résumés and relevant offices of the members of the Board of Management have been published in the annual report and on the company's website.

Collaboration between the Board of Management and the Supervisory Board

The composition of the Board of Management, the Supervisory Board, and the Board committees is described in the section Governance Bodies. The Board of Management has no committees. The Board of Management informs the Supervisory Board in a regular, timely, and comprehensive manner of all

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relevant issues, including particularly those pertaining to the corporate budget, strategic development, earnings and financial position, risk situation, risk management, and compliance. Deviations from targets and planning in the company's course of business are also elucidated, as well as the strategic approach at the holding company level and the further development of the composition of the portfolio. Decisions of material significance for the course of business of INDUS Holding AG require Supervisory Board approval according to the rules of procedure.

Avoiding conflicts of interest

There were no consulting, service or work contracts in place between individual Supervisory Board members and the company in the reporting year. In the year under review, members of the Board of Management and the Supervisory Board had no conflicts of interest requiring immediate reporting to the Supervisory Board. See the chapter 'Further information' regarding additional offices held by Board of Management or Supervisory Board members on legally mandatory supervisory boards or comparable domestic or foreign oversight bodies. See the Notes for related party disclosures.

D&O insurance deductible

The company has taken out directors and officers (D&O) insurance for members of the Board of Management and the Supervisory Board with an appropriate deductible in accordance with Section 93 (2) Sentence 3 of the German Stock Corporation Act (AktG) regarding Board of Management members and in accordance with the German Corporate Governance Code regarding Supervisory Board members.

Reportable securities transactions and shareholdings of Board of Management and Supervisory Board members

In 2017, one member of the Supervisory Board disclosed a reportable purchase. No reportable purchases were disclosed by the other members of the Supervisory Board or their reportable relatives or by the four members of the Board of Management. The total shareholdings of all Board of Management and Supervisory Board members fell below the 1% threshold of shares issued as of December 31, 2017 and amounted 0.05%. Reportable securities transactions and the shareholdings of the members of the Board of Management and the Supervisory Board are published on the company's website.

Transparency

INDUS provides shareholders, shareholder associations, analysts, the media, and the interested public with information on the company's current business and position in a regular and timely manner. The company notifies these groups simultaneously and they receive equal treatment. During the course of its Investor Relations work, INDUS has regular contact with analysts and institutional investors. The most recent presentations are freely available on the website. A financial calendar, published in the annual report, interim reports, and on the company's website, provides information regarding regular events, such as the date of the Annual Shareholders' Meeting or the publication dates of interim reports. The website also provides information regarding recent developments. All INDUS press releases and ad-hoc releases are published on the website in both English and German, and images and information are also available. The articles of incorporation, annual reports, interim reports, and declaration on corporate governance can also be downloaded. Interested persons can also subscribe to an electronic newsletter via the website, which provides news about the Group.

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Shareholders and Annual Shareholders' Meeting

Shareholders and potential investors can find information about the company's current position online at any time. The shareholders of INDUS Holding AG exercise their (voting) rights within the framework of the Annual Shareholders' Meeting. Each share carries one vote. Shareholders whose shares amount to a total of twenty percent of the capital stock or EUR 500,000 may have issues placed on the agenda and announced. The shareholders must reach the lower of either quota system, that is, based on capital stock amounting to EUR 63,571,323.62, 24,450,509 shares would correspond to 5% of the capital stock of 1,222,525 shares. The alternative quota of EUR 500,000 corresponds to 192,308 shares (approx. 0.8% of capital stock). All INDUS shares are bearer shares; there are no other classes of shares. INDUS publishes all documents required for decision-making in good time on its website. INDUS helps shareholders exercise their voting rights by nominating proxies who cast votes at the Annual Shareholders' Meeting in accordance with the instructions they receive from the shareholders. Voting instructions can be given to the proxies both before and during the Annual Shareholders' Meeting up until the end of the general debate. Shareholders can submit their instructions until the start of the Annual Shareholders' Meeting. Shareholders are also able to vote by absentee ballot without appointing a proxy. Shareholders can also use the web-based proxy and voting system on the company's website to nominate proxies and submit instructions as well as to vote by absentee ballot. In the year under review, the Annual Shareholders' Meeting, held in Cologne on May 24, 2017, had an attendance of roughly 500.

Accounting and financial statement auditing

Since the beginning of 2005, the consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS), as applicable for the EU. The INDUS Holding AG financial statements, on the other hand, on which dividend distribution is based, are prepared in accordance with HGB (German Commercial Code) regulations. At the Annual Shareholders' Meeting held on May 24, 2017, Ebner Stolz GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Cologne, was chosen as auditor for the Group and the financial statements based on the Supervisory Board's suggestion. The auditor is chosen in line with the legal requirements for a period of one fiscal year by the Annual Shareholders' Meeting. Ebner Stolz has been the auditor of INDUS Holding AG's financial statements and the consolidated financial statements since fiscal 2013.

The individual and consolidated financial statements are signed by the auditors Dr. Werner Holzmayer and Marcus Lauten (both since the fiscal year 2013). The legal requirements and rotation obligations laid out in Sections 319 and 319a of the German Commercial Code (HGB) are met. The corresponding statement of independence in accordance with Item 7.2.1 of the German Corporate Governance Code was obtained by the Supervisory Board. The audit assignment for the individual and consolidated financial statements was issued by the Supervisory Board following the resolution passed by the Annual Shareholders' Meeting. The Supervisory Board and the auditor of the financial statements agreed that the Chairman of the Supervisory Board is to be informed immediately of any grounds for exclusion or bias during the audit. Furthermore, the auditor of the financial statements is to immediately report on any findings and events material to the Supervisory Board's tasks.



Securities-based incentive systems

One element of the Board of Management's remuneration system is the long-term incentive, which consists of virtual stock options. More information on the long-term incentive has been published in the remuneration report of the annual report on the fiscal year and on the company's website. There are no stock option plans and similar securities-based incentives systems for the Supervisory Board.