

CORPORATE GOVERNANCE REPORT | 2019

Excerpt from the Annual Report

Corporate Governance Report including Corporate Governance Statement

The content of the Corporate Governance Report is not subject of the audit and, pursuant to section 317 para. 2 sentence 6 HGB of the German Commercial Code (HGB), the audit of the disclosures to be made in the corporate governance declaration in accordance with sections 289f para. 2 and 5, 315d of the German Commercial Code (HGB) must be limited to checking whether they have been made.

Transparent, responsible corporate governance and control geared towards long-term value enhancement are given high priority by GEA Group Aktiengesellschaft. In doing so, we align our actions with the generally accepted principles of corporate governance while implementing the suggestions and recommendations of the German Corporate Governance Code as amended on February 7, 2017 (published in the Federal Gazette on April 24, 2017) to the greatest possible extent.

Declaration of Conformity

GEA Group Aktiengesellschaft complies with the recommendations of the German Corporate Governance Code as amended on February 7, 2017 ("GCGC"), and published by the Federal Ministry of Justice in the official section of the Federal Gazette, with the exception of the following deviations, all of which relate to the remuneration of the Executive Board members; with these exceptions, the company will continue to comply with the above recommendations until December 31, 2019. From January 1, 2020, GEA Group Aktiengesellschaft will fully comply with the recommendations of the GCGC.

Since January 1, 2019, GEA has applied a new remuneration system for the members of the Executive Board ("**New Remuneration System**"). Three of the currently four Executive Board members are compensated in accordance with the New Remuneration System, while the Executive Board service agreement concluded with Martine Snels, who will leave the company at the end of the fiscal year, is still based on the Executive Board remuneration system approved by the Annual General Meeting in April 2012 ("**Old Remuneration System**").

As regards the Old Remuneration System, the Company discloses the following areas of non-compliance with the GCGC that will apply until and including December 31, 2019:

- The company fails to comply with the recommendation set forth in section 4.2.3 para. 2 sentence 3 GCGC, according to which variable remuneration components generally have a multiple-year assessment basis that shall have essentially forward-looking characteristics.

The multi-year variable remuneration granted to the members of the Executive Board under the Old Remuneration System comprises two components that are weighted and account for 20 and/or 40 percent of their total variable remuneration. The assessment basis underlying the 40 percent component of the multi-year variable remuneration embraces the current as well as the two previous fiscal years ("Multi-year Component") and is, thus, not forward-looking. As a consequence, taken as whole, the assessment bases governing multi-year variable remuneration do not have essentially forward-looking characteristics.

- The recommendation under section 4.2.3 para. 2 sentence 8 GCGC, according to which subsequent amendments to the performance targets or comparison parameters shall be excluded, is not complied with.

In the first quarter of 2019, the Supervisory Board defined the financial key performance indicators under the New Remuneration System for the 2019 fiscal year on the basis of the budget drawn up for this fiscal year. In the process, the equally required alignment of the financial key performance indicators under the multi-year component of the Old Remuneration System for the 2019 fiscal year that still applied to Martine Snels was inadvertently omitted; this omission was remedied by the Supervisory Board in December 2019 with effect for fiscal year 2019.

Between November 15, 2018, and December 18, 2019, GEA Group Aktiengesellschaft complied with the recommendations of the GCGC with the aforementioned exception regarding the recommendation set forth in section 4.2.3 para. 2 sentence 3. As also explained above, in the fiscal year 2019, GEA Group Aktiengesellschaft equally deviated from the recommendation under section 4.2.3 para. 2 sentence 8 GCGC.

Furthermore, from November 15, 2018, until and including December 31, 2018, GEA Group Aktiengesellschaft also deviated from the recommendation under section 4.2.3 para. 2 sentence 2 GCGC, according to which monetary compensation should comprise fixed and variable components.

- Stefan Klebert was appointed to the Executive Board as of November 15, 2018. The New Remuneration System underlying his Executive Board service agreement did not come into effect until fiscal year 2019. For the transition period from November 15, 2018, to December 31, 2018, a target achievement level of 100 percent was assumed for the variable remuneration awarded to Stefan Klebert, which was equivalent to an exclusively fixed remuneration for the corresponding period. Agreeing on targets for such a brief period of time following his initial appointment was considered to be unreasonable by the Supervisory Board.

Düsseldorf, December 19, 2019

For the Supervisory Board For the Executive Board

Dr. Helmut Perlet Stefan Klebert Marcus A. Ketter

Code of Conduct

The Code of Conduct of GEA Group Aktiengesellschaft stipulates that the group's business activities are to comply with all existing laws and high ethical standards. This Code of Conduct applies to all GEA employees and bodies worldwide. It is supplemented by policies and guidelines on individual topics, in particular anti-corruption, anti-trust and competition law as well as conflicts of interest. This Code of Conduct is supplemented by a Code of Conduct for Suppliers and Subcontractors that obliges these groups to comply with a set of key principles regarding their responsibility towards society, the environment as well as the individuals involved in the production of goods and/or the rendering of services. In addition, there is a Code of Corporate Responsibility jointly agreed between the company and the European Works Council that lays down ethical, social and legal standards binding on all GEA employees. The Code of Conduct and the Code of Corporate Responsibility constitute a globally applicable and uniform policy governing the areas of Quality, Health, Safety & Environment ("QHSE"). The Code of Conduct, the Code of Corporate Responsibility, the QHSE policy as well as further information are published on GEA's website under Investors/Corporate Governance. For further information [see page 147 f.](#) of this Annual Report.

Compliance

Compliance in terms of measures designed to ensure adherence to the law as well as internal corporate policies, and the group companies' compliance therewith, are considered to be a key management and supervisory task at GEA. Group-wide compliance activities focus on the prevention of corruption and money-laundering, conflicts of interest, antitrust law as well as data protection. The Chief Compliance Officer coordinates and ensures the implementation of compliance measures, in particular in the aforementioned areas. In this capacity, he/she reports to both the Executive Board and the Audit Committee of the Supervisory Board. Moreover, the compliance organization is involved in processing any and all compliance incidents carrying the risk of criminal proceedings or a fine. The Chief Compliance Officer is assisted by the extended legal compliance organization and the internal audit department. Central legal compliance activities are pooled and handled by the "Compliance & Principle Legal Matters" unit that forms part of the group's corporate legal department. Apart from that, the Business Area Compliance Officers (referred to as Division Compliance Officers from 2020 onwards), who are also members of corporate legal, support the compliance activities undertaken at operational business level. Each operating entity is assigned a Local Compliance Manager (plus an extra Local Compliance Officer from 2020 onwards, if required). In addition, further functions for the purpose of counselling and supporting the Chief Compliance Officer are involved, if need be. GEA's Compliance Management System was reviewed in accordance with the IDW PS 980 auditing standard by the auditing company KPMG with regard to the appropriateness and implementation of the company's anti-corruption and anti-trust policies. The audit was completed without any objections being raised in January 2020.

Parallel to the compliance organization described above, GEA has a worldwide operational export control organization. Key export control activities fall within the remit of the Business Area Export Control Managers. Furthermore, each operating entity is assigned a local Export Control Manager. Finally, a Quality, Health, Safety & Environmental (QHSE) organization is in place to develop and implement group-wide policies, programs and procedures in this specific field.

The members of the compliance organization meet at regular intervals to discuss the latest developments and the potential impact of and/or need to supplement GEA's compliance program. Since December 1, 2014, GEA has in place the so-called Integrity System that was implemented on a global level. This Integrity System allows GEA employees and independent third parties to report suspected compliance infringements or violations of GEA's Codes of Conduct – the general principles of social responsibility – via an internet-based system. To the extent permitted by law, the individuals reporting a violation may remain anonymous, as the case may be. This anonymity is guaranteed by the technical set-up of the Integrity System. The compliance organization rigorously investigates all suspected cases, if necessary by involving group internal audit. Moreover, the group employees relevant for compliance regularly receive face-to-face and web-based training covering current issues and regulations relative to the law, the Code of Conduct and GEA's additional compliance policies and guidelines. GEA's compliance program is rounded off by a close cooperation between the compliance organization and the group's internal audit department as well as on-site talks between representatives of the compliance organization and local managers for evaluating best practices within the group.

Responsible risk management

Sustainable growth can only be achieved if both the opportunities and the risks associated with corporate activities are identified and adequately taken into account. For this reason, an effective control and risk management system represents one of the core elements of corporate governance at GEA. For further details [see page 152 ff.](#) of this Annual Report.

Accounting and audit transparency

GEA Group Aktiengesellschaft is committed to transparent reporting. The company's consolidated financial statements and half-yearly financial reports are prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union. The single entity financial statements of GEA Group Aktiengesellschaft, which are legally required and determine dividend payout, are governed by the German Handelsgesetzbuch (HGB – German Commercial Code). The Supervisory Board engages the external auditor elected by the shareholders at the Annual General Meeting. The Audit Committee gives particular attention to the oversight of the accounting process, the effectiveness of the internal control, risk management and internal audit systems, the audit of the annual financial statements (in this context, notably the selection and independence of the auditor and the additional services provided by the auditor, audit engagement, the determination of key audit areas as well as the audit fee) as well as compliance. While also taking into account the EU audit reform, it ensures that the auditor's work is not compromised by any conflicts of interest and that the auditor immediately reports any and all findings and events relevant to the Supervisory Board's discharge of duties that have come to the attention of the auditor while performing the audit. Apart from the consolidated and annual financial statements, the Audit Committee also discusses the half-yearly financial and quarterly statements with the Executive Board.

Detailed reporting

GEA Group Aktiengesellschaft communicates openly, actively and extensively. It regularly and promptly informs shareholders, shareholders' associations, analysts, and interested members of the public on equal terms about the company's situation as well as any material changes to its business. In this respect, the company's website constitutes an important means of communication. It contains the annual and half-yearly reports as well as quarterly statements, press releases and other notifications required under the EU Market Abuse Regulation (MAR)

and the Wertpapierhandelsgesetz (German Securities Trading Act), the financial calendar and other relevant information. Moreover, analyst meetings, press conferences and events for investors are hosted regularly. The presentations delivered on these occasions are also available on our website under "Investors."

Transactions and shareholdings held by members of governing bodies

Under section 19 MAR, Executive Board and Supervisory Board members or persons closely associated with them are obliged to disclose reportable transactions in shares of GEA Group Aktiengesellschaft or related financial instruments if the transactions concluded in one calendar year reach or exceed the threshold of EUR 5,000 in fiscal year 2019 (new threshold as of January 1, 2020: EUR 20,000). The two transactions reported to the company in fiscal year 2019 were duly disclosed and published on the company's website. The total number of shares in GEA Group Aktiengesellschaft held by all Executive Board and Supervisory Board members amounts to less than 1 percent of the shares issued by the company.

Securities-based remuneration scheme for company executives

With effect from July 1, 2006, GEA Group Aktiengesellschaft launched a long-term, share price-based remuneration scheme called "GEA Performance Share Plan" for certain managers below Executive Board level that expired in fiscal year 2019. Details are provided in note 6.3.3 (🔗 see page 232 ff.) to the consolidated financial statements. Currently, there is no successor program replacing this scheme.

Corporate governance and control: Executive Board and Supervisory Board

GEA Group Aktiengesellschaft is subject to the German Stock Corporation Act and, therefore, has a two-tier board structure comprising the Executive Board and the Supervisory Board. The Executive Board constitutes the group's management body. The Supervisory Board – which is composed of twelve members, half of whom are shareholder representatives, while the other half are employee representatives – appoints and advises the Executive Board while overseeing its work. The Executive Board and the Supervisory Board cooperate closely for the benefit of the company, their common goal being the sustainable increase in shareholder value.

Executive Board

The Executive Board holds overall responsibility for the management of the company in accordance with statutory requirements, the Articles of Association as well as the rules of procedure and the corporate policies that are in place. In line with the Rules of Procedure of the Executive Board, each Executive Board member has overall responsibility for and independently manages the area of responsibility assigned to him/her under the schedule of responsibilities while keeping the entire Executive Board consistently informed of all essential business affairs. Decisions on matters of fundamental importance or particular magnitude must be taken by the entire Executive Board. Executive Board resolutions are adopted at regular meetings or, should no member of the Executive Board raise any objections, in writing, orally (also via telephone), via telefax or by referring to other common means of communication such as emails. Each member of the Executive Board must immediately disclose conflicts of interests to the Supervisory Board and inform the other members of the Executive Board, accordingly.

The Executive Board reports to the Supervisory Board regularly, promptly and comprehensively on all issues relating to strategy, planning, business progress, risk exposure, the risk management system as well as compliance that are relevant to the company. Should important issues or business matters that may considerably impact on the situation of the company arise, the Executive Board will notify the Chairman of the Supervisory Board without undue

delay. The Articles of Association and the rules of procedure specify key transactions that require the Supervisory Board's approval. Further information on the individual members of the Executive Board can be found on [pages 24](#) as well as [284](#) of this Annual Report.

Supervisory Board

The Supervisory Board advises the Executive Board on the management of the company and oversees its conduct of the company's business. Between the Supervisory Board meetings, the Chairman of the Supervisory Board maintains regular contact with the Executive Board, in particular the CEO, with whom he discusses matters of strategy, planning, business progress, risk exposure, risk management and corporate compliance. The Supervisory Board usually holds 6 meetings per calendar year that are attended by the members of the Executive Board unless the Chairman of the Supervisory Board determines otherwise. As a rule, the Supervisory Board's resolutions are adopted at these meetings. Unless the majority of the Supervisory Board members immediately object, the Chairman of the Supervisory Board may also determine that resolutions be adopted during a conference call or a video conference or outside of meetings by the members casting their votes in writing, text form or by telephone. Resolutions require a simple majority of the votes cast unless statutory law provides for a different majority. After the notice of the meeting has been given to all members, the Supervisory Board has a quorum when a minimum of half of its members vote on a resolution by attending in person, by telephone or video conference or have cast their votes in writing or text form pursuant to section 108 para. 3 Aktiengesetz (AktG – German Stock Corporation Act).

Supervisory Board Committees

The work of the Supervisory Board is supported by committees. These are primarily the Presiding Committee and the Audit Committee. In addition, there is the statutory Mediation Committee as well as the Nomination Committee recommended by the German Corporate Governance Code. In addition, the Supervisory Board set up a Technology Committee with

effect from May 1, 2019, as well as a Special Committee, which was established at the Board meeting on June 19, 2019. Since the Special Committee was not designed as a permanent committee, it was dissolved at the Supervisory Board meeting held on December 19, 2019.

The Audit Committee, the Mediation Committee, the Technology Committee as well as the Special Committee each comprise and/or comprised four members, while the Presiding Committee is composed of 6 members; each of the above committees features and/or featured equal representation of shareholder and employee representatives. The Nomination Committee consists of 3 members, who include exclusively shareholder representatives in accordance with section 5.3.3 of the German Corporate Governance Code.

In each calendar year, the Presiding Committee and the Audit Committee usually meet four and/or five times, respectively. During meetings, Presiding Committee and Audit Committee resolutions are adopted by a simple majority of the votes cast, while they are passed by a simple majority of the members outside of meetings. If the vote is tied, the respective chairman has a casting vote in the event of another ballot on the same subject. The Nomination Committee, the Mediation Committee and the Special Committee only hold and/or held meetings as required.

The Technology Committee usually meets twice a year.

The Presiding Committee focuses on Executive Board matters including succession and remuneration topics, corporate governance as well as specific transactions requiring approval. Moreover, the Presiding Committee is also responsible for jointly deliberating on corporate strategy, capital investments and funding operations together with the Executive Board. In this context, decisions on the Executive Board remuneration system, the total remuneration awarded to the individual Executive Board members, as well as their appointment and dismissal are reserved to the full Supervisory Board.

The Audit Committee, whose chairman has a sound knowledge of and experience in applying financial accounting standards as well as internal control systems, primarily focuses on overseeing the financial accounting process, the efficiency of the internal control and risk management systems, the internal audit process, compliance as well as the audit of the annual financial accounts.

Against the backdrop of GEA's endeavors to develop and/or tap into new and innovative products, processes, markets and business models, the work of the Technology Committee focuses on the assessment of the group's medium- to long-term technology strategy. This also includes digitalization on the basis of the company's business strategy as well as advising the Executive Board and the management on the above topics.

Within the framework of a thematic priority chosen by the Supervisory Board as regards its work in the previous fiscal year, the Special Committee took a closer look at a variety of questions and issues arising in connection with public takeovers; this also included a corresponding full-day skills training workshop for the entire Supervisory Board in summer 2019.

The Mediation Committee performs its duties as set out in sections 27, 31 Mitbestimmungsgesetz (MitbestG – German Co-determination Act). The task of the Nomination Committee is to propose suitable candidates to the Supervisory Board based upon which the latter submits its nominations to the Annual General Meeting.

Further information on the composition of the Supervisory Board and its committees can be found on the company's website at gea.com, as well as on [pages 285 and 286](#) of this Annual Report. In addition, the Report of the Supervisory Board that starts on [page 27](#) of this Annual Report gives further details on the activities performed by the Supervisory Board and its committees in fiscal year 2019. It also discloses individual attendance at meetings held by the Supervisory Board and its committees. In the fiscal year just ended, all Supervisory Board members participated in well over half of the meetings of the Supervisory Board and the committees of which they are members.

Compliance with minimum quotas pursuant to section 96, para. 2 German Stock Corporation Act and commitment to promoting the participation of women in executive positions in accordance with section 76 para. 4 and section 111 para. 5 German Stock Corporation Act

For many years, GEA has encouraged diversity at group level. A description of the diversity strategy is provided in the section on Sustainability at GEA (🔗 see page 141 f.). Under its diversity strategy, GEA also pursues the aim of attracting more women to join the company while promoting female talent. In the long run, the company seeks to increase the share of women on all management levels. GEA will continue to support this process by means of strategic measures.

GEA is legally obliged to define targets in relation to the proportion of women represented on the Supervisory Board, the Executive Board and/or the Board of Directors as well as on the two management levels below, and to set target dates for achieving the respective quota of women. Since January 1, 2016, a statutory minimum quota of 30 percent has applied with regard to the underrepresented gender on the supervisory boards of listed and codetermined companies like GEA Group Aktiengesellschaft; this quota has to be observed whenever such companies seek to fill vacant supervisory board positions. Since the 2016 Supervisory Board elections, the Supervisory Board has included 5 female members (previously 4). As a result, the share of women represented on the Supervisory Board of GEA Group Aktiengesellschaft currently amounts to 42 percent.

At its meeting on June 22, 2017, the Supervisory Board of GEA Group Aktiengesellschaft set a new 20 percent target for the proportion of women represented on the Executive Board that will be applicable until December 31, 2021.

In June 2017, the Executive Board of GEA Group Aktiengesellschaft set target quotas for the two management levels below the Executive Board that are to be achieved by December 31, 2021, namely a 25 percent share of women on the first and a 30 percent proportion of women on the second management level.

Targets for the other GEA Group companies affected by this law were also set in due time in relation to the proportion of women represented on the respective Supervisory Board and/or the Board of Directors as well as the two uppermost management levels below the Board of Directors, just like the corresponding deadlines for timely target implementation.

GEA takes the corresponding measures (🔗 see page 139 ff.) to ensure that the set targets are accomplished.

Diversity concepts governing the composition of the Executive Board and the Supervisory Board

Together with the Executive Board, the Supervisory Board engages in long-term Executive Board succession planning. The selection process for Executive Board positions is subject to a structured standard procedure. Apart from a balance between technical qualifications and personal skills, the Supervisory Board and its committees also take into account the criterion of diversity when appointing members to the Executive Board. As GEA is an international engineering group and supplier for the food processing industry and various other sectors, appointments to the Executive Board should specifically meet the following additional criteria: International composition, members of at least 2 different nationalities, with the entire body being multilingual, a 20 percent minimum proportion of women as well as an overall balanced age structure. Apart from that, at least half of all Executive Board members should have gained many years of experience in the food sector, while a minimum of 2 Executive Board members should have an engineering or scientific background. As a rule, the members of the Executive Board shall not remain in service beyond the age of 65. However, since the selection of Executive Board members eventually mainly boils down to criteria like professional and personal suitability, while also including other aspects such as candidate availability, this diversity concept did not become fully effective in relation to the appointment of new Executive Board members that started in 2018 and was continued in the 2019 fiscal year.

At its meeting held on December 15, 2017, the Supervisory Board revised the targets for its composition by taking into consideration the recommendations of the German Corporate Governance Code and adding a profile of skills and expertise. Accordingly, the Supervisory Board members shall collectively have the knowledge, skills and professional expertise required to properly perform their duties in consideration of the company-specific situation. This is why, aside from the integrity and commitment of its members, who must have sufficient time to exercise their respective mandate, the Supervisory Board also pays attention to a balanced profile of skills and expertise amongst its members, in particular sufficient industry and sector knowledge relevant to GEA Group Aktiengesellschaft, an adequate number of independent members, international experience as well as diversity. With a view to the interests of the company, the decisive criterion for filling a position on the Board shall in all cases be the professional and individual suitability of the male or female candidate while taking into account the skills and expertise of the other members of the Supervisory Board.

The Supervisory Board seeks to ensure a board composition that takes into consideration the following elements: In terms of the origin, the professional and cultural background as well as the age and gender of its members, the Supervisory Board is to reflect diversity. At least one quarter of the members of the Supervisory Board shall have an international background that ideally covers various regions or cultural areas. Each gender shall account for a minimum of one third of the members of the Supervisory Board. The Supervisory Board shall include – what it considers to be – an adequate number of independent members. For this reason and in consideration of the shareholder structure, the Supervisory Board seeks to ensure that a minimum of two thirds of the shareholder representatives are independent in line with the definition given under section 5.4.2 sentence 2 of the German Corporate Governance Code. At present, all shareholder representatives on the Supervisory Board are independent within the meaning of the German Corporate Governance Code. As a rule, a member's uninterrupted service on the Supervisory Board shall not exceed three full terms of office and/or a period of 15 years. Generally, nominations shall only consider individuals who have not yet reached the

age of 70 at the date of the Annual General Meeting resolving on the election of the proposed candidates. If it is foreseeable that individuals would be subject to permanent or repeated conflicts of interest in the event of their election to the Supervisory Board, such individuals shall not be considered as Supervisory Board candidates. Apart from that, the Rules of Procedure of the Supervisory Board provide for detailed rules and regulations governing the handling of conflicts of interests that may occur after a member is elected to the Board. According to these regulations, each Supervisory Board member has the obligation to disclose potential conflicts of interest to the Supervisory Board. Conflicts of interest of a material and non-temporary nature in relation to a Supervisory Board member shall result in the termination of his/her mandate.

The profile of skills and expertise the Supervisory Board seeks to establish for the entire body may be summarized as follows: All members of the Supervisory Board are to be familiar with the sector in which the company operates. At least one Supervisory Board member must have expertise in the fields of financial accounting or auditing. Furthermore, the Chair of the Audit Committee shall also have specific knowledge and expertise in applying internal control procedures. The Supervisory Board shall comprise members with a commercial or business background, individuals from the engineering profession as well as members with experience in one or several of the company's customer industries. A minimum of two Supervisory Board members shall have management experience in operational business. All members of the Supervisory Board shall be able to understand and assess the specific nature of the company's business as well as resulting risks and opportunities. They shall be familiar with the basic principles of accounting and risk management.

In its current composition, the Supervisory Board meets the target composition criteria and lives up to the profile of skills and expertise.



We live our values.

Excellence • Passion • Integrity • Responsibility • GEA-versity

GEA is one of the largest suppliers for food processing technology and of related industries. The global group specializes in machinery, plants, as well as process technology and components. GEA provides sustainable solutions for sophisticated production processes in diverse end-user markets and offers a comprehensive service portfolio.

The company is listed on the German MDAX (G1A, WKN 660 200), the STOXX[®] Europe 600 Index as well as the DAX 50 ESG Index and selected MSCI Global Sustainability Indexes. With an "A-" rating, GEA is among the leading group in the climate benchmark Carbon Disclosure Project.

GEA Group Aktiengesellschaft

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