



Corporate Governance Report 2016

Excerpt from
Annual Report

Corporate Governance Report including Corporate Governance Statement

The Corporate Governance Statement issued in accordance with section 289a Handelsgesetzbuch (HGB–German Commercial Code) does not form part of the annual audit pursuant to section 317 para. 2 sentence 3 German Commercial Code.

Transparent, responsible corporate governance and control geared towards long-term value enhancement are given high priority at 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 May 5, 2015 (published in the Federal Gazette on June 12, 2015) to the greatest possible extent.

Declaration of Conformity

Currently and until and including December 31, 2016, GEA Group Aktiengesellschaft complies with the recommendations of the German Corporate Governance Code (GCGC) as amended on May 5, 2015, and published by the Federal Ministry of Justice in the official section of the Federal Gazette, with the exemption of the recommendation under No. 4.2.3 para. 2 sentence 6 GCGC according to which the amount of compensation of the Executive Board members shall be capped both overall and for individual compensation components.

From January 1, 2017, onwards, GEA Group Aktiengesellschaft will comply with all recommendations of the GCGC.

Explanation:

If the services of the Executive Board members lead to an extraordinary increase of value for the shareholders of the company, the Supervisory Board may, subject to its dutiful discretion, grant a discretionary bonus in accordance with the service agreements of the Executive Board members. The Executive Board members are not entitled to receive this special bonus. The respective clause in the service agreements of the Executive Board members only authorizes the Supervisory Board to make an adequate discretionary decision based on statutory provisions and within the limits of the jurisdiction of the highest courts. Since the introduction of No. 4.2.3 para. 2 sentence 6 GCGC, the amount of this special bonus, which is only available in exceptional situations, has been gradually and expressly capped on the occasion of reappointments or new appointments of Executive Board members. Since the potential special bonus will be capped in all service agreements of the Executive Board members with effect as from January 1, 2017, the current deviation from the recommendation in No. 4.2.3 para. 2 sentence 6 GCGC no longer exists from this point in time onwards.

Since the issuance of the last Declaration of Conformity on December 17, 2015, GEA Group Aktiengesellschaft complied with the recommendations of the GCGC as amended on May 5, 2015, and published by the Federal Ministry of Justice in the official section of the Federal Gazette with the exception explained above relating to No. 4.2.3 para.2 sentence 6 GCGC.

Düsseldorf, December 16, 2016

For the Supervisory Board

For the Executive Board

Dr. Helmut Perlet

Jürg Oleas

Dr. Helmut Schmale

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 employees and bodies of GEA worldwide. It is supplemented by guidelines on individual topics, in particular the Anti-Corruption Guideline. In addition, the company and the European Works Council jointly agreed general principles of social corporate responsibility ("codes of conduct") laying down ethical, social and legal standards that are binding on all GEA employees. The Code of Conduct constitutes a globally applicable and uniform policy governing the areas of Quality, Health, Safety & Environment ("QHSE"). The Code of Conduct, the Anti-Corruption Guideline, the QHSE policy and further information are published on the website of GEA Group Aktiengesellschaft under Investors/Corporate Governance.

Compliance

Compliance in terms of measures designed to ensure adherence to legal, statutory and internal corporate policies, as well as group companies' compliance therewith, is considered to be a key management and supervisory task at GEA. For this purpose, the company established a compliance organization years ago. Group-wide compliance activities focus on corruption prevention, antitrust law, export control 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 reports to both the Executive Board and the Audit Committee of the Supervisory Board. The Chief Compliance Officer is assisted by the legal compliance and operational export control organization. The latter was aligned with GEA's new organizational structure within the framework of the "Fit for 2020" project. Central legal compliance activities are bundled in the "Compliance & Principle Legal Matters" unit that forms part of the group's corporate legal department. Apart from that, the Business Area Compliance Officers, who also belong to corporate legal, support the compliance activities undertaken at operational business level. As before, each operating entity is assigned a Local Compliance Manager. In addition, a Compliance Committee may be convened to advise the Chief Compliance Officer, if need be. In parallel, GEA has a worldwide operational export control organization. Key export control activities fall within the remit of the Business Area Export Managers. Like before, each operating entity is assigned one Local Export Manager.

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 relied on the so-called Integrity System that was implemented on a global level. This Integrity System allows GEA employees and external third parties to report suspected compliance infringements or violations of the GEA codes of conduct – i.e., general principles of social responsibility – via an internet-based system. Moreover, the group employees responsible 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 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.

Finally, the company sets up an QHSE organization designed to develop and implement group-wide guidelines, programs and procedures in this specific field.

Responsible risk management

Sustainable growth can only be achieved if both the opportunities and the risks associated with business 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 information see page 76 ff. of this Annual Report.

Transparency in 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 adopted by 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 as well as compliance, agrees the key audit areas with the auditor and resolves on the audit fee. In doing so, it ensures, also taking into account the EU audit reform, that the auditor's work is not compromised by any conflicts of interest and that the auditor immediately reports on any and all findings and events relevant to the Supervisory Board's discharge of duties that have come to the attention of the auditor in the course of the audit. In addition to the consolidated and annual financial and half-yearly report as well as quarterly 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 report, quarterly statements, press releases, ad hoc disclosures as well as 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, the group regularly holds analyst meetings, press conferences and events for investors. All presentations delivered on these occasions can also be downloaded from our website under "Investor Relations".

Managers' 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. The transaction reported to the company in fiscal year 2016 (still under section 15 WpHG – German Securities Trading Act) was 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. Details are available in note 6.3.3 (see page 181 ff.) to the consolidated financial statements.

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 comprises 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 enterprise 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 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 email. 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 12 and 222 ff. 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 Chairman of the Executive Board, with whom he discusses matters of strategy, planning, business progress, risk exposure, risk management and compliance that are of relevance to the company. The Supervisory Board usually holds 6 meetings per calendar year that are attended by the Executive Board members 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 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 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).

When appointing members to the Executive Board and proposing candidates for election to the Supervisory Board, the Supervisory Board and its Committees will take into account a balanced mix of specialist expertise and personal attributes as well as the criterion of diversity.

At its meeting on December 17, 2015, the Supervisory Board passed a resolution on its composition on the basis of the recommendations outlined in the German Corporate Governance Code: The members of the Supervisory Board – while taking into account the specific situation of the company – are to have the knowledge, skills and specialist expertise required to ensure the proper performance of their duties. In this context, the Supervisory Board will also pay attention to industry knowledge, an adequate number of independent members, international experience as well as diversity. With a view to the best interests of the company, the decisive criterion for appointing Supervisory Board members shall always be the specialist expertise and personal suitability of the respective candidate.

With a view to section 5.4.1 para. 1 sentence 1 of the German Corporate Governance Code, the Supervisory Board seeks to ensure a board composition that takes into account the following elements in relation to its current term of office: The number of Supervisory Board members with an international background is to be at least maintained at its current level. 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. The Supervisory Board is to include – what it considers to be – an adequate number of independent members (section 2 para. 3 Rules of Procedure of the Supervisory Board). 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. As a rule, a member's uninterrupted service on the Supervisory Board is not to exceed three full terms of office and/or a period of 15 years. As a rule, 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 (section 2 para. 1 Rules of Procedure of the Supervisory Board). In its current composition, the Supervisory Board complies with these targets.

As a result of the elections of representatives on both the employer and employee side of the Supervisory Board, the number of female Supervisory Board members has gone up from three to five. As a consequence, the current proportion of women on the Supervisory Board amounts to approximately 42 percent and, thus, exceeds the legally binding minimum quota of 30 percent for the under-represented gender on the Supervisory Board.

Supervisory Board Committees

The work of the Supervisory Board is supported by committees. These are primarily the Presiding Committee and the Audit Committee, as well as the statutory Mediation Committee and the Nomination Committee recommended by the German Corporate Governance Code. The Audit Committee and the Mediation Committee each comprise four members, while the Presiding Committee is composed of 6 members; each of the above committees features equal representation of shareholder and employee representatives. The Nomination Committee consists of three members who include exclusively shareholder representatives in accordance with section 5.3.3 of the German Corporate Governance Code.

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

The duties of the Presiding Committee, which is chaired by the Chairman of the Supervisory Board, include the preparation of the meetings of the Supervisory Board. Furthermore, the Presiding Committee's specific responsibility is to define the legal relationship between the company and the individual Executive Board members, and to ensure Executive Board succession planning. 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 and reporting 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 statements.

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 222 f. of this Annual Report. In addition, the Report of the Supervisory Board on pages 7 ff. of this Annual Report gives further details on the activities performed by the Supervisory Board and its Committees in fiscal year 2016.

Compliance with minimum quotas pursuant to section 96, para. 2 Aktiengesetz (AktG – 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 of the German Stock Corporation Act

As early as in 2011, GEA started to encourage the promotion of diversity at group level. A description of the diversity strategy is provided in the chapter Sustainability at GEA (see page 99 f.). Under its diversity strategy, GEA also pursues the aim of attracting more women to GEA and 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.

The Act on Equal Participation of Women and Men in Executive Positions in the Private and Public Sector, which took effect in April 2015, requires certain companies in Germany 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. In this context, the first implementation deadline set by such companies must be no later than June 30, 2017. From January 1, 2016, a statutory minimum quota of 30 percent applies to the underrepresented gender on the supervisory boards of listed and codetermined companies like GEA Group Aktiengesellschaft; this quota has to be observed whenever these companies seek to fill vacant supervisory board seats. As a result of the elections of representatives on both the employer and employee side of the Supervisory Board that were held during the period under review, the number of female Supervisory Board members has gone up from three to five. As a consequence, the current proportion of women on the Supervisory Board of GEA Group Aktiengesellschaft amounts to approximately 42 percent and, thus, complies with the legally binding minimum quota of 30 percent for the underrepresented gender on the Supervisory Board.

In the light of the extremely short statutory deadline of June 30, 2017, set for the initial implementation of the relevant target, and in view of the current composition of the Executive Board, the Supervisory Board of GEA Group Aktiengesellschaft, during its Supervisory Board meeting held on September 23, 2015, resolved on setting a 0 percent target for the proportion of women represented on the Executive Board of GEA Group Aktiengesellschaft that is to be achieved by the above initial implementation deadline.

On September 7, 2015, the Executive Board of GEA Group Aktiengesellschaft determined target quotas for women on the first and second management levels below the Executive Board that are to be implemented within the maximum statutory period for the very first time. Against the backdrop of the extremely short statutory deadline of June 30, 2017, the defined target quotas of 18.1 percent and 23.5 percent respectively reflect the status quo at the time the company made this commitment, which does not preclude an increase in the share of women on these two management levels.

The other GEA companies affected by this law also set targets for the proportion of women represented on the Supervisory Board and/or the Board of Directors as well as the two uppermost management levels below the Board of Directors, and defined the corresponding deadlines for target implementation.