

Declaration of Corporate Governance

Management and control structure – working practices of the Executive Board and the Supervisory Board

As a European corporation (Societas Europaea – “SE”), FUCHS PETROLUB SE, with its registered office in Mannheim, is subject in particular to the provisions of the SE Regulation and of the German Stock Corporation Act (AktG), on the basis of which the German Corporate Governance Code (Code) was also developed. A basic principle in German stock corporation law is the two-tier board system with the separation of personnel between the Executive Board as a management body and the Supervisory Board as a monitoring and advisory body, each of which has its own independent responsibilities. FUCHS also retained this two-tier board system following the transformation into an SE. Sound corporate governance requires continuous further development of this two-tier board system, with all divisions being included. In accordance with recommendation number 3.3 of the Code, the company’s Articles of Association and the Rules of Procedure of the Executive Board stipulate the need for the approval of the Supervisory Board for certain business processes – such as setting the investment budget or major acquisitions.

Corporate Management by the Executive Board

As a management body acting on its own responsibility, the Executive Board has a commitment to the company’s interests and to increasing the companies’ enterprise value in the long term. The Executive Board manages the company. In so doing, the members of the Executive Board are jointly responsible for all management activities. Notwithstanding the overall responsibility of the Executive Board, the individual members of the Executive Board also manage the divisions assigned to them under their own responsibility within the scope of Executive Boards resolutions.

In particular, the Executive Board makes decisions on corporate strategy, business policy, and annual and multi-year planning. The Executive Board ensures appropriate risk and opportunity management and risk controlling as well as providing an appropriate compliance management system to ensure compliance with legal provisions, official regulations and internal policies (compliance).

It takes diversity and the appropriate participation of women into account when filling management positions in the company.

Rules of procedure and a schedule of responsibilities govern the work and the allocation of responsibilities of the Executive Board members. The composition of the Executive Board and the allocation of duties within the Executive Board (organization of responsibilities, regions and divisions) are shown in detail in the section [organization](#) (Annual Report 2018, p. 134). The main features of the remuneration system and the remuneration of members of the Executive Board are described in the [compensation report](#) (Annual Report 2018, p. 72 et seq.).

The Supervisory Board is responsible for appointing the Executive Board in accordance with Section 84 AktG. Together with the Executive Board, the Supervisory Board ensures long-term succession planning. The Supervisory Board has assigned responsibility for preparing decisions to the Personnel Committee. The number of Executive Board members is based on the requirements resulting from the business and the division of work in the Executive Board. The Executive Board of FUCHS PETROLUB SE consists of five members.

As a global innovation-driven company in the lubricants industry, FUCHS PETROLUB SE's systematic management development and long-term succession planning for the Executive Board pays attention to

- the early identification of suitable candidates of different disciplines as well as varied professional and personal experience,
- proven strategic and operating creative drive, and
- a proven role model function as a manager in the implementation of the FUCHS mission statement.

However, the crucial factor for appointment to the Executive Board at FUCHS PETROLUB SE comes down to the assessment of the professional and personal qualifications. Overall, the current composition of the Executive Board ensures comprehensive compliance with the duties required of the executive board of a listed company.

To that FUCHS ensures that the Executive Board as a whole has the following profile in line with a diversity concept:

- years of experience in scientific, technical and commercial areas
- appropriate international experience due to background or professional activity

- at least one female member of the Executive Board (target until December 12, 2021: one female member)
- balanced age structure

In accordance with number 5.1.2 (2) of the Code, the Supervisory Board has set a standard age limit of 65 years for Executive Board members.

Monitoring and advising of the corporate management by the Supervisory Board

The Supervisory Board appoints the members of the Executive Board and both advises and monitors the Executive Board in its management of the company. It is included in strategy and planning, and in all issues of fundamental importance for the company. The Chairmen of the Executive Board and of the Supervisory Board of FUCHS PETROLUB SE regularly exchange information. The continuous dialog between the Executive Board and the Supervisory Board, which is based on mutual trust, forms an important foundation for FUCHS' success.

The Supervisory Board reaches its decisions through resolutions, which are passed by a simple majority of those members of the Supervisory Board participating in the vote. In the event of a tied vote, the Chairman has the casting vote.

The Supervisory Board of FUCHS PETROLUB SE consists of six members. Of these, the shareholders elect four members in the Annual General Meeting and the European Works Council (SE Works Council) of FUCHS PETROLUB SE, which represents the company's European employees, elects two members.

The Supervisory Board of FUCHS PETROLUB SE is composed of people, who ensure compliance with the duties of a listed company, in particular providing qualified advice to the Executive Board and performing the Supervisory Board's monitoring duties. Pursuant to number 5.4.1 of the Code, on the basis of their expertise and practical experience, integrity, motivation, independence and personality, the members of the Supervisory Board are capable of performing their duties in an international group operating in the lubricants industry and preserving the reputation of the FUCHS Group in public. The Supervisory Board has, in accordance with recommendation number 5.4.1 (2) of the Code, set specific targets for its composition and regularly focuses on the issue of long-term succession planning, most recently in its meeting on December 10, 2018.

The Supervisory Board of FUCHS PETROLUB SE as a whole must

- be familiar with the lubricants sector and its value chains,
- have the required knowledge, skills and specialist experience, which refer in particular to the management of an international company,
- have appropriate knowledge of finance, financial reporting, accounting, legal matters and compliance in addition to a member with expertise in accounting and auditing (financial expert),
- feature experience in innovation, research and development, technology, start-ups and
- possess experience in the areas of human resources, society, communication, IT, digitalization and business models.

With the objective of maximum benefit for the company, the Supervisory Board is striving for sufficient diversity in terms of character, in particular gender, internationality, professional backgrounds, specialist knowledge and experience, age distribution and independence as follows:

- at least 30 % women or men (target for female members until December 12, 2021: 17 %)
- at least 50 % different education and professional experience
- at least 50 % international experience due to background or profession
- at least 30 % independent members

Furthermore, in accordance with recommendation number 5.4.1 (2) of the Code, each individual member of the Supervisory Board should not usually be a member of the Supervisory Board of FUCHS PETROLUB SE for longer than 15 years and should not be older than 70 at the time of election.

Corporate co-determination at FUCHS PETROLUB SE in accordance with the agreement on the involvement of employees Employee representatives for the Supervisory Board are appointed and elected in accordance with the provisions contributes to diversity in terms of professional experience and cultural background. of laws on the participation of employees in a European Company through the autonomous decision of the employees. The fact of being an employee representative while also being an employee is not an impediment.

All the criteria of the diversity concept have been met at FUCHS.

In the Supervisory Board's opinion, five of the six members listed on page 133 of the Annual Report 2018 and therefore an appropriate number are independent within the meaning of recommendation number 5.4.2 of the Code. Dr. Susanne Fuchs is not considered independent as she has a personal relationship with the company and its Executive Board, and because she holds an appreciable number of shares in the company.

The term in office of the Supervisory Board is five years. The next term in office starts as of the end of the Annual General Meeting in 2020.

Targets for women in management positions

In compliance with the law on equal participation of women and men in management positions in both the private and public sector, the Supervisory Board has specified the following minimum targets for the share of women on the Executive Board and the Supervisory Board until December 12, 2021:

- 17 % female members on the Supervisory Board,
- one female member on the Executive Board.

The target for the Supervisory Board has been exceeded (33%). The target of one female member on the Executive Board has been achieved.

The Executive Board has defined the two management levels of FUCHS PETROLUB SE below the Executive Board as follows: The first management level comprises the members of the Group Management Committee and the division leaders within FUCHS PETROLUB SE; the second management level is made up of the department heads of FUCHS PETROLUB SE. The Executive Board has specified targets for the percentage of women at these management levels as 10% and 30% respectively, each valid until December 12, 2021. The target for the percentage of women at the first management level was exceeded with 17% as of the end of 2018; the target for the percentage of women at the second management level was exceeded (40%).

Committees of the Supervisory Board

In accordance with the recommendations of number 5.3 of the Code, the Supervisory Board at FUCHS PETROLUB SE has formed qualified committees - an Audit Committee, a Personnel Committee and a Nomination Committee - which prepare and also supplement its work.

The Personnel Committee and the Audit Committee meet several times a year, while the Nomination Committee convenes for meetings only when necessary based on its allocation of duties. The Personnel Committee focuses on personnel matters in the Executive Board. In accordance with number 5.3.2 of the Code, the key tasks of the Audit Committee include monitoring the accounting process, examining the effectiveness of the internal control system, the risk management and internal audit system and the audit of the financial statements by the statutory auditor and compliance. The respective chairs of the committees regularly report to the Supervisory Board on the work of the committees.

The composition of the Supervisory Board and its committees, participation in meetings, and the details on its work in the reporting year are presented in more detail in the [report of the Supervisory Board](#) (Annual Report 2018, p. 12 et. seq).

The main features of the remuneration system and the individual remuneration of members of the Supervisory Board are described in the [compensation report](#) (Annual Report 2018, p. 72 et seq.).

Shareholders and the Annual General Meeting

FUCHS PETROLUB SE has issued both ordinary and preference shares. The holders of ordinary shares represented at the Annual General Meeting pass resolutions on all matters assigned to the Annual General Meeting by law, such as the appropriation of earnings, amendments to the Articles of Association, the election of members of the Supervisory Board, approval of the actions of the Executive Board and the Supervisory Board and the election of the auditor. Each ordinary share grants the holder one vote. The Schutzgemeinschaft Familie Fuchs holds around 55 % of the ordinary shares. While the preference shares only grant voting rights in the cases prescribed by law. However, they grant the holders a preference right on the distribution of unappropriated profit and entitle them to an additional (preference) dividend.

The holders of ordinary and preference shares exercise their co-determination and control rights at the Annual General Meeting held at least once a year. In compliance with the legal conditions and those of the Articles of Association, every shareholder is entitled to participate in the Annual General Meeting. Shareholders who do not wish to, or who are unable to, attend the Annual General Meeting in person can have their voting right exercised by a voting representative (proxy), such as a bank, a shareholders' association as well as in accordance with number 2.3.2 of the Code, a voting representative appointed by the company, by granting an appropriate power of attorney.

The reports, documents and information, including the annual report, required by the German Stock Corporation Act (AktG) to be submitted for annual general meetings are available on the Internet, where the agenda of the Annual General Meeting and any counter-motions or nominations by shareholders to be made public can also be found. In accordance with number 2.3.3 of the Code, shareholders of FUCHS PETROLUB SE can follow parts of the Annual General Meeting on the Internet.

Compliance

The company understands compliance to mean observing rights, laws and the company's Articles of Association, adherence to internal rules and making voluntary personal commitments. Illegal conduct harbors the risk of damaging the company's image, weakening its market position or even causing financial harm. Without exception, management and employees are required to observe laws, directives and social standards applicable to them within the scope of their duties.

FUCHS has set up a Compliance Management System (CMS) for the prevention of the aforementioned dangers and damages. The FUCHS Code of Conduct as well as the compliance guidelines for complying with rules on competition in particular, and on preventing money laundering, corruption and venality are essential foundations of the CMS. The Code of Conduct and the compliance guidelines form a binding framework for FUCHS to ensure lawful and socially ethical conduct. They are supplemented by multifarious information and training activities, a whistleblower portal including a compliance hotline for reporting illegal conduct, the systematic processing and appropriate sanctioning of compliance violations, regular compliance reporting and compliance audits performed by Internal Audit.

The CMS is implemented by a Group-wide compliance organization. The Executive Board bears overall responsibility for the tasks relevant to compliance. Within the Executive Board, responsibility for compliance lies with the Chief Financial Officer (CFO). The Chief Compliance Officer (CCO) appointed by the Executive Board, the Group Compliance Committee (GCC), which consists of various specialist departments, and other compliance officers (LCO) appointed by each national subsidiary implement the compliance program together, manage and develop it further, and support and advise employees around the world. The GCC assists the CCO on the basis of its own rules of procedure and comprehensively bundles the expertise within the company for compliance management. In addition, the GCC ensures the sharing of information between the central Group and specialist departments that mainly deal with compliance issues, monitors the processing and investigation of events relevant to compliance and ensures appropriate sanctions in the event of compliance violations. A digital whistleblower portal gives both all employees and business partners the chance to initiate a dialog with the CCO, while remaining anonymous if so desired. As a result, identified vulnerabilities can be identified and the CMS can be further developed from the findings gained. All employees are explicitly required to immediately report conduct and incidents relevant to compliance to the responsible offices.

Corporate Governance Guidelines

The Articles of Association of FUCHS PETROLUB SE, the FUCHS Code of Conduct, the Declaration of Corporate Governance and further corporate governance documents, such as the Anti-Corruption Directive, the Anti-Trust Directive or the FUCHS Sustainability Guideline, are available on the company's website. In accordance with number 3.10 of the Code the company makes Declarations of Compliance available on its website for five years.

Commitment to sustainable, success-driven and value-oriented corporate governance

The terms trust, creating value, respect, reliability and integrity form the core values of the FUCHS Code of Conduct and accordingly shape company's mission statement for good corporate governance. This mission statement expresses a common attitude on the part of management levels and provides a clear guideline for acting responsibly. The core values apply to the FUCHS Group as a benchmark for internal objectives and form the basis for individual actions.

Good corporate governance also includes the adoption of sustainable business principles. FUCHS has summarized its basic principles for sustainable activities in a comprehensive Sustainability Guideline. Further information on sustainability is provided in the combined non-financial declaration (Annual Report 2018, p. 59 et seq.) and the sustainability report (www.fuchs.com/sustainabilityreport).

Opportunity and risk management

Sound corporate governance also includes the responsible handling of opportunities and risks. The Executive Board ensures appropriate opportunity and risk management in the company. The Executive Board and the Supervisory Board regularly discuss existing opportunities and risks, changes therein and the measures to be taken. The internal control system, the risk management system and the internal audit system are developed on an ongoing basis and adapted to a changing framework. Details on this can be found in the report on [opportunities and risks](#) (Annual Report 2018, p. 44 et seq.).

High transparency through comprehensive information

In accordance with number 6.1 (1) of the Code, FUCHS PETROLUB SE keeps capital market participants updated on the economic situation of the Group and key events through regular, prompt, uniform and comprehensive information. This reporting takes the form of the annual report, half-year financial reports and interim reports. Furthermore, FUCHS PETROLUB SE also provides information by press releases and ad hoc disclosures. All information can be viewed on the Internet at <https://www.fuchs.com/group/>. The website also features a financial calendar showing all major events and publications.

Reportable [managers' transactions](#) are also published there.

The Executive Board and the Supervisory Board are committed to the interests of the company. In making their decisions, they must not pursue any personal interests or business opportunities available to the company for their own personal gain. In accordance with recommendation number 4.3.3 of the Code, the rules of the procedure of the Executive Board regulates its obligation to disclose possible conflicts of interest to the Supervisory Board. There were no conflicts of interest in the reporting year.

Accounting and audit

The consolidated financial statements and half-year financial report of FUCHS PETROLUB SE are prepared in accordance with the International Financial Reporting Standards (IFRS). The statutory annual financial statements, which are relevant for the distribution of dividends, are prepared by FUCHS PETROLUB SE in accordance with the provisions of the German Commercial Code (HGB). After being prepared by the Executive Board, the auditor elected by the Annual General Meeting audits the annual and consolidated financial statements together with the combined management report. Having subsequently reviewed the annual financial statements itself, the Supervisory Board approves them. In accordance with recommendation number 7.1.4 of the Code, the consolidated financial statements explain relationships with shareholders, who qualify as related parties for the purposes of the applicable [accounting standards](#) (Annual Report 2018, p. 131).

The Supervisory Board has agreed with the auditor, in accordance with number 7.2.1 of the Code, that the auditor will inform the Chairman of the Supervisory Board or the Chairman of the Audit Committee immediately of any issues identified during the audit that might give rise to grounds for exclusion or bias in the auditor's report, unless these issues can be resolved immediately. In accordance with recommendation number 7.2.3 of the Code, the auditor shall also report immediately on all findings or conclusions significant to the duties of the Supervisory Board that emerge in performing the audit. The auditor must also inform the Supervisory Board or rather make a note in the auditor's report if he detects any facts while performing the audit that suggest any part of the Declaration of Compliance submitted by the Executive Board and Supervisory Board in accordance with Section 161 AktG is inaccurate.

Information on the auditor

Following the proposal of the Supervisory Board, the Annual General Meeting on May 8, 2018, elected PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Mannheim, as auditor of the annual and consolidated financial statements of FUCHS PETROLUB SE for the financial year 2018. The responsible Auditor is Mr. Dirk Fischer.

The declaration of compliance is available on the company's website at

www.fuchs.com/declaration-of-compliance

