

## Corporate Governance

Corporate governance stands for the responsible management and control of companies aimed at creating value over the long term. It strengthens the confidence of investors, financial markets, business partners, financial agents, employees and the general public in the Company's management and supervision and represents an essential cornerstone of sustainable business success. The OVB Group's corporate governance and corporate culture comply with the statutory provisions and - with a few exceptions - the additional recommendations of the German Corporate Governance Code. Those few exceptions should be regarded in light of the fact that the German Corporate Governance Code itself argues in its preamble that a reasoned deviation from a Code recommendation can be in the interest of sound corporate governance. Executive Board and Supervisory Board of OVB Holding AG feel committed to corporate governance; all business divisions are guided by its principles. For us the emphasis is on values such as competency, transparency and sustainability.

In the following chapter, the Executive Board reports - also on behalf of the Supervisory Board - on corporate governance at OVB Holding AG in accordance with No. 3.10 of the German Corporate Governance Code. The chapter includes the statement on corporate governance pursuant to Section 289f HGB (Commercial Code).

### Statement on corporate governance

#### General management structure with three corporate bodies

In accordance with the statutory provisions for a German stock corporation, OVB Holding AG has a dual board system consisting of Executive Board and Supervisory Board. The third corporate body is the General Meeting of shareholders where the Company's shareholders participate in essential decisions regarding the Company. Executive Board and Supervisory Board work closely together for the benefit of the Company and maintain an intensive and open dialogue on a regular basis.

#### Direction and management - the Executive Board

The Executive Board of OVB Holding AG directs the Company and the Group managed by the Company on its own authority. The Executive Board assumes its management tasks, particularly including corporate planning, the Group's strategic orientation and its control and monitoring as well as the Group's financing, as a corporate

body composed of Executive Board members who share the overall responsibility for the Company's management. They work together as colleagues and inform each other constantly about the measures and transactions of relevance in their respective areas of responsibility. Overall responsibility of all Executive Board members notwithstanding, the individual Board members manage the areas of responsibility assigned to them on their own authority.

The Executive Board's work is defined in detail by the rules of procedure resolved by the Supervisory Board which also determines the topics that are subject to Executive Board decisions to be made in full session and other formalities for the Executive Board's resolutions. The assignment of the areas of responsibility to the individual members of the Executive Board derives from a schedule of responsibilities which is part of the rules of procedure.

The Executive Board consults the Supervisory Board on the Company's strategic orientation in detail and discusses the strategy and its implementation with the Supervisory Board at regular intervals. The Executive Board reports to the Supervisory Board on all aspects of relevance to the Company relating to business performance, assets and liabilities, financial position and profit/loss, planning and target achievement, risk position and risk management regularly, timely and comprehensively. Any deviations of the business performance from the scheduled plans and targets are discussed and explained within this framework. The Executive Board's regular and in-depth reports at the meetings of the Supervisory Board and the Audit Committee also include the subject of compliance, i.e. the measures for the observance of statutory provisions and in-house guidelines.

Certain Executive Board decisions of special importance require the approval of the Supervisory Board. Those cases are defined in the Executive Board's rules of procedure and relate to e.g. the acquisition of non-current assets or borrowing of financial loans that exceed a certain amount. The formation, acquisition, liquidation and disposal of holdings require approval as well.

Executive Board resolutions are adopted at meetings held regularly - at least once a month - and chaired generally by the Chairman of the Executive Board. Furthermore, any Board member may call for the convening of a meeting. If not required otherwise by law, the Executive Board decides by a simple majority of the votes cast. In case of a tie of votes, the Chairman has the casting vote.

Appointed members of the Executive Board of OVB Holding AG are at present:

*Mario Freis*

(born 1975, on the Executive Board since 2010, appointed until 31 December 2022)  
CEO

*Oskar Heitz*

(born 1953, on the Executive Board since 2001, appointed until 31 December 2020)  
CFO

*Thomas Hücker*

(born 1965, on the Executive Board since 2014, appointed until 31 December 2020)  
COO

**Supervision and advice to the Company's management – the Supervisory Board**

The Supervisory Board supervises and advises the Executive Board, appoints its members and is directly involved in all decisions of essential relevance to the Company. The Supervisory Board also coordinates the Company's strategic orientation and routinely discusses the implementation of the business strategy with the Executive Board. The Chairman of the Supervisory Board coordinates the corporate body's work and chairs its meetings. Maintaining constant exchange with the Executive Board, the Supervisory Board is always informed about the business policy, corporate planning and strategy. It is also the Supervisory Board's responsibility to adopt or rather approve the separate and consolidated financial statements as well as the management report of OVB Holding AG integrated into the consolidated management report based on its own examination and in consideration of the reports provided by the auditor. As part of its report to the Annual General Meeting, the Supervisory Board informs the shareholders about its work.

According to Section 10 (1) of the Articles of Association, the Supervisory Board consists of six members, all of whom are elected by the General Meeting of shareholders.

The terms of the acting Supervisory Board members elected by the Annual General Meeting expire as of the end of the Annual General Meeting in the year 2018 that will decide on the formal approval of the actions of the Executive Board and the Supervisory Board for financial year 2017.

The Supervisory Board has established two standing committees to support the Board's efficient performance of its tasks as well as a focused discussion of topics by

providing assistance to the Board's work in full session: the Audit Committee and the Nomination and Remuneration Committee. Within their respective scope of responsibility, the committees prepare the resolutions of the Supervisory Board as well as the topics to be addressed in full session. At each following Supervisory Board meeting a report is given on the committees' work. Completing the rules of procedure of the Supervisory Board, there are separate rules of procedure for the Audit Committee and the Nomination and Remuneration Committee.

**Audit Committee**

In preparing topics and resolutions for the Supervisory Board, the four committee members particularly address the diligent examination of the separate and consolidated financial statements as well as of the management report of OVB Holding AG integrated into the consolidated management report. The Audit Committee also concerns itself with issues of financial accounting, risk management and compliance. It manages the selection process of the auditor and furnishes two suggestions and one recommendation to the Supervisory Board in consideration of the required auditor independence. The Audit Committee discusses and agrees on the key audit matters with the auditor and decides on the fee agreement with the auditor. The committee also discusses the quarterly and 6-month financial reports prior to their publication with the Executive Board.

**Nomination and Remuneration Committee**

This committee, consisting of the Chairman of the Supervisory Board and one other Board member, prepares the body of work for the Supervisory Board's consideration in full session and suggests suitable candidates to the Supervisory Board for its election proposals to the Annual General Meeting. It also concerns itself with the composition of the Executive Board and its succession planning as well as with issues relating to the remuneration of Executive Board members.

**Working methods of the Supervisory Board in full session and in the committees**

The Supervisory Board of OVB Holding AG fulfils its supervisory and advisory functions with special diligence. Even outside the framework of meetings, the Chairmen of Supervisory Board and Audit Committee regularly exchange information with the Executive Board. They report on any relevant information in the following Supervisory Board or committee meeting at the latest.

The Supervisory Board regularly reviews its own efficiency, most recently in the year 2016. This is generally done by way of self-inspection by analysing the answers given by Supervisory Board members to an extensive ques-

tionnaire. The analysis and the following discussion in the Supervisory Board meeting result in suggestions for the further improvement of its work, to be implemented in full session by the Supervisory Board and by the committees if applicable.

Each Supervisory Board member discloses any conflicts of interest resulting from his involvement to the Supervisory Board without delay. The Supervisory Board informs about any conflicts of interest and how they have been responded to in its report to the General Meeting of shareholders.

The Supervisory Board of OVB Holding AG consists of the following members at present:

*Michael Johnigk*

(born 1953, on the Supervisory Board since 2001, elected until 2018)

Chairman of the Supervisory Board

Member of the Executive Boards of SIGNAL IDUNA Krankenversicherung a.G. (Dortmund), IDUNA Vereinigte Lebensversicherung aG für Handwerk, Handel und Gewerbe (Hamburg), SIGNAL Unfallversicherung a.G. (Dortmund), SIGNAL IDUNA Allgemeine Versicherung AG (Dortmund) and SIGNAL IDUNA Holding AG (Dortmund)

*Dr Thomas A. Lange*

(born 1963, on the Supervisory Board since 2013, elected until 2018)

Deputy Chairman of the Supervisory Board

Chairman of the Executive Board of NATIONAL-BANK AG (Essen)

*Markus Jost*

(born 1961, on the Supervisory Board since 2013, elected until 2018)

Independent Certified Expert for Accounting and Management Accounting

*Wilfried Kempchen*

(born 1944, on the Supervisory Board since 2012, elected until 2018)

Businessman, retired; former Chairman of the Executive Board of OVB Holding AG

*Winfried Spies*

(born 1953, on the Supervisory Board since 2010, elected until 2018)

Mathematician, retired

*Dr Alexander Tourneau*

(born 1965, on the Supervisory Board since 2015, elected until 2018)

Senior Advisor and Supervisory Board Member in the financial services sector

An overview of the members of the Executive Board, the Supervisory Board and the Supervisory Board committees of OVB Holding AG in financial year 2017 as well as their memberships of comparable corporate bodies can be found in this Annual Report beginning on page 124.

**Objectives for the composition of the Supervisory Board**

The decision of the Supervisory Board on election proposals to the General Meeting of shareholders is based on the competency profile as adopted by the Supervisory Board for the Supervisory Board's composition and is oriented solely towards the Company's best interest. This holds true irrespective of the increase of the representation of women on the Supervisory Board generally aimed for. The Supervisory Board meets the requirements of the competency profile in its current composition. The Supervisory Board's deciding criteria for its election proposals to be brought before the Annual General Meeting are the candidates' individual expert knowledge and professional experience, required to meet the requirements of the Supervisory Board's competency profile in their entirety. This also applies for the financial expert for the purpose of Section 100 (5) AktG (Stock Corporation Act).

In the interest of the Company, the Supervisory Board is particularly dependent on its members' specific knowledge and experience relating to the Company's business activity and business model, the products offered and the different markets in which the subsidiaries operate. Section 100 (5) AktG postulates accordingly that the supervisory board as a whole shall be familiar with the business sector in which the company operates. It is therefore particularly important that the members of the Supervisory Board of OVB Holding AG have a sound understanding of the particulars of the insurance business as well as of the market and the competition. They enable the Company's Supervisory Board to assume its statutory task of supervision efficiently and to be available to the Executive Board as a competent partner and advisor with respect to the Company's strategic orientation and its future development.

In particular consideration of the Company's specific shareholder structure, the Supervisory Board regards as adequate and sufficient that the Supervisory Board has one independent member. The independent member of the Supervisory Board of OVB Holding AG is Wilfried Kempchen.

## Compliance with the Corporate Governance Code

### Declaration of conformity 2017

Section 161 AktG (Stock Corporation Act) requires the executive board and the supervisory board of any listed German stock corporation to declare at least once a year if and to what extent the German Corporate Governance Code was and is complied with and which of the Code's recommendations were or are not applied, and for what reason.

As of 21 March 2017, Executive Board and Supervisory Board of OVB Holding AG have released the following declaration of conformity:

Executive Board and Supervisory Board of OVB Holding AG hereby declare in accordance with Section 161 (1) sentence 1 AktG that the recommendations of the Government Commission "German Corporate Governance Code" in its version of 5 May 2015 - released in the Federal Gazette on 12 June 2015 - have been and are complied with, with the following exceptions.

#### Recommendations:

##### *No. 3.8 GCGC (directors' & officers' liability insurance)*

OVB Holding AG has so far not provided for a deductible in the D&O liability insurance policy taken out for the members of the Supervisory Board. The members of the Supervisory Board attend to their duties responsibly and in the Company's best interest. In the opinion shared by Executive Board and Supervisory Board, a deductible is not an appropriate means of further improving the Board members' commitment and sense of responsibility. The legislator also considers a differentiation between Executive Board and Supervisory Board adequate as there are statutory provisions governing the deductible with respect to Executive Board members yet no comparable provisions with respect to Supervisory Board members.

##### *No. 4.1.5 sentence 1 GCGC (consideration of diversity for executive positions)*

According to the recommendations of the German Corporate Governance Code, the Executive Board shall pay attention to the aspect of diversity in filling executive positions and thus aim for the adequate representation of women. The Executive Board of OVB Holding AG pursues the goal of promoting women and aims at having more women assume executive positions. However, the Executive Board holds the view that the aspect of diversity which includes the consideration of women should not

be the sole determinant for filling executive positions. In the interest of the Company, the right choice much rather depends on management and leadership qualities, expert knowledge in response to the respective executive areas and responsibilities and professional experience. In view of these considerations, a deviation from No. 4.1.5 sentence 1 GCGC is declared by way of precaution.

##### *No. 5.1.2 (1) sentence 2 GCGC (consideration of diversity for composition of the Executive Board)*

According to the recommendations of the Code, the Supervisory Board shall pay attention to the aspect of diversity in the composition of the Executive Board. The Supervisory Board of OVB Holding AG does consider diversity an objective to be pursued for the composition of the Executive Board yet regards the specialist know-how, capabilities and experiences of the candidates in their respective fields of business and areas of responsibility as the ultimately deciding criteria for their selection in the interest of the Company and its shareholders. In view of these considerations, a deviation from No. 5.1.2 (1) sentence 2 GCGC is declared by way of precaution.

##### *No. 5.4.1 (2) sentence 1 GCGC (consideration of diversity and definition of a regular limit of length of membership of the Supervisory Board)*

In the composition of the Supervisory Board, the aspect of diversity is generally taken into account. In the interest of the Company, however, the Supervisory Board will be governed in its election proposals to the Annual General Meeting primarily by the knowledge, capabilities and expert experience of the candidates to be suggested. For this reason a deviation from No. 5.4.1 (2) sentence 1 GCGC is declared by way of precaution.

The recommendation under No. 5.4.1 (2) sentence 1 GCGC regarding the objectives for the composition of the Supervisory Board have been amended within the framework of the 2015 amendments to the Code to the effect that the Supervisory Board shall define a regular limit of length of membership of the Supervisory Board as another objective to be considered. The Supervisory Board of OVB Holding AG has decided not to specify a regular limit of length of Supervisory Board membership as a blanket regular limit would not consider individual factors justifying longer membership of individual members of the Supervisory Board. Suitability for performing one's tasks on the Board does not expire as one reaches a certain age or completes a certain time period of membership but depends solely on one's respective individual capabilities.

*No. 5.4.6 (1) sentence 2, (2) sentence 2 GCGC (remuneration of the Supervisory Board)*

Contrary to the recommendation of the Code, the remuneration of the members of the Supervisory Board does not account for membership or chairmanship of any of the Supervisory Board's committees. In the opinion shared by the Company's Executive Board and Supervisory Board, work on the committees is adequately compensated by the Supervisory Board remuneration provided for. This also holds true as there is a close exchange of information with the Audit Committee and the Nomination and Remuneration Committee in the interest of sound corporate governance anyway and the remaining

Supervisory Board members usually attend the meetings of the Audit Committee, too. The performance-based remuneration of the members of the Supervisory Board is not particularly oriented toward the Company's sustained development. Performance-based remuneration is governed by Section 14 of the Articles of Association of OVB Holding AG and is particularly transparent in the opinion shared by the Company's Executive Board and Supervisory Board. The remuneration model has proved its worth in the past and leads to adequate remuneration of the Supervisory Board, compliant with the law and in line with the interests of the shareholders.

On behalf of the Executive Board



Mario Freis



Oskar Heitz



Thomas Hücker

On behalf of the Supervisory Board



Michael Johnigk

Detailed information on the subject of corporate governance is also available on our website. All previously released declarations of conformity are permanently available on the website.

## Information on targets for the representation of women on the Supervisory Board, on the Executive Board and in executive positions of OVB Holding AG

The German Act on Equal Participation of Women and Men in Executive Positions in the Private and the Public Sector requires companies that are publicly listed or subject to codetermination to define targets for the share of women on the supervisory board, the executive board and the two senior executive levels below the executive board. First-time definition of those targets had to be finalised by 30 September 2015 and could not be effective beyond 30 June 2017.

### Resolutions adopted in the year 2015:

The Supervisory Board of OVB Holding AG concerned itself with this issue at its meeting in September 2015. At that time there were no women either on the Supervisory Board or on the Executive Board of OVB Holding AG.

Against the backdrop of the term provided for the first-time definition of targets, it was determined that all terms of appointment of the acting members of the extended beyond 30 June 2017. It was also stated that the contracts of employment of all members of the Executive Board extended beyond 30 June 2017 as well.

As there were no vacancies in the relevant time period until 30 June 2017, the Supervisory Board decided to apply targets of 0 per cent for the share of women on the Supervisory Board and the Executive Board with respect to the first-time definition of targets.

In June 2015 the Executive Board of OVB Holding AG had determined a target of one woman (equivalent to 9.1 per cent) for the representation of women at the senior executive level below the Executive Board, consisting at that time of 11 persons (thereof one woman). This target has been achieved as of 30 June 2017.

### Resolutions adopted in the year 2017:

Upon adopting a new resolution in June 2017, the Supervisory Board stated that the share of women on the Supervisory Board and the Executive Board was unchanged. With respect to the share of women on the Executive Board as well as the Supervisory Board, it was decided to keep the targets at 0 per cent for the time period until 30 June 2022 for the sake of flexibility.

For the representation of women at the senior executive level below the Executive Board, the Executive Board resolved a 10.5 per cent target for the time period until 30 June 2022 in March 2017.

Supervisory Board and Executive Board keep aiming at increasing the representation of women on the Supervisory Board, on the Executive Board and in executive positions below the Executive Board and giving preference for new openings to women over men at equal professional qualification.

## Essential corporate governance practices

### Compliance as an essential management task of the Executive Board

We consider compliance the legally and ethically faultless conduct of our staff in the day-to-day business because each employee has an impact on the Company's reputation by his or her professional conduct. Violations of applicable law, relevant codes or in-house rules are not tolerated. Compliance as a measure geared to the adherence to such rules and their observance by the group companies is an essential task in management and supervision implemented at OVB. Compliance is not limited to our employees but also addresses the financial agents who work for us in the different markets.

The OVB Group transacts its business responsibly and in compliance with the laws and official regulations of the countries in which the Company operates.

Compliance principles were implemented at OVB as early as in the 2008 financial year and a compliance management system (CMS) based on the pillars "prevent, recognize, respond" was introduced, subject to a continuous internal updating process and constant review in consideration of changing legal requirements. With the regular advancement of the CMS implemented at OVB, an important contribution is made to the systematic expansion of prevention and control measures.

The CMS comprises the principles and measures implemented by OVB for assuring compliant conduct of its staff. One central component of conduct in compliance with the rules is a code of conduct, representing the foundation of the compliance provisions throughout the Group and explaining the basic principles our actions are based on. With the help of the CMS, the continuous development of OVB's in-house standards of conduct and the implementation of internal and external requirements are managed and controlled. The entire OVB management team has made it their job to bring compliance to life and to be role models in terms of compliance.

Another central instrument provided by the CMS for safeguarding compliance throughout the Group is the guideline management system implemented at OVB Holding AG. Within this guideline management system, the Group's general guidance was established and a system of guidelines was developed. Based on the Group's general guidance and the system of guidelines, corporate guidelines are managed, defined with binding effect for the entire OVB Group. The individual corporate guidelines contain specific instructions for safeguarding compliance with legal obligations and internal guidelines and creating consistent standards for all Group companies wherever possible.

The essential tasks of OVB's compliance management include the identification and prevention of potential compliance risks in a systematic process, promoting the compliance observing conduct of business partners and developing and implementing communication measures on this subject.

The Group's Chief Compliance Manager (CCM) reports directly to the Chief Financial Officer. The compliance officers of the operating subsidiaries are assigned to the CCM for support and concern themselves with all compliance relevant transactions at the level of business operations. The compliance team works closely together with the Executive Board, the management teams and other executives, addresses questions of doubt and assists all employees in adhering to external and internal provisions.

Based on regular reports given by the Chief Compliance Manager, the Executive Board, the Supervisory Board's Audit Committee and the Supervisory Board in full session are informed about recent developments in this field. The compliance reports also find entry into OVB's risk management reporting. Furthermore, the CCM is available to all employees and third parties in all issues of compliance for discussion and advice.

## Additional information on corporate governance at OVB Holding AG

### Implementation of the German Corporate Governance Code

Executive Board and Supervisory Board of OVB Holding AG concerned themselves thoroughly with conformity with the provisions of the German Corporate Governance Code (GCGC) once again in the year under review. Following intensive debate, as of 19 March 2018 Executive Board and Supervisory Board released a joint declaration of conformity pursuant to Section 161 (1) AktG (Stock Corporation Act), reproduced in its entirety on the Company's website at [www.ovb.eu/english/investor-relations/corporate-governance](http://www.ovb.eu/english/investor-relations/corporate-governance), explaining the respective deviations from the recommendations of the Code.

### Insider list / Directors' dealings

In order to guarantee that potential insider information is handled in compliance with the law, OVB Holding AG keeps an insider list in accordance with the Market Abuse Regulation. In addition to that, directors' dealings are recorded and announcements of reportable transactions of this kind are released without delay on the internet at [www.ovb.eu/english/investor-relations/corporate-governance](http://www.ovb.eu/english/investor-relations/corporate-governance).

### Corporate governance of OVB Holding AG on the internet

[www.ovb.eu/english/investor-relations/corporate-governance](http://www.ovb.eu/english/investor-relations/corporate-governance)

- Information on the committees
- Statements on corporate governance
- Declarations of conformity
- The Articles of Association of OVB Holding AG
- Directors' dealings