

**Corporate governance declaration and  
corporate governance report of  
Hawesko Holding AG, Hamburg,  
by the Supervisory Board and Board of Management**

**A. Fundamentals of corporate governance at Hawesko Holding AG**

Hawesko Holding AG is committed to responsible corporate management and supervision directed towards increasing the value of the company. The transparency of the company's principles as well as the presentation of its ongoing development are to be assured in order to create, maintain and strengthen confidence in the company among customers, business partners and shareholders.

In this declaration, the Board of Management and Supervisory Board report on the principles of corporate management and corporate governance pursuant to Article 3.10 of the German Corporate Governance Code as well as Sections 289f and 315d of the German Commercial Code (HGB).

**B. Declaration of Compliance with the German Corporate Governance Code  
pursuant to Section 161 of the German Stock Corporation Act (AktG)**

Pursuant to Section 161 of the German Stock Corporation Act, the Board of Management and Supervisory Board of publicly quoted stock corporations shall declare each year that the recommendations of the Government Commission on the German Corporate Governance Code, published in the official section of the electronic Federal Gazette by the Federal Ministry of Justice, have been and are complied with, as well as declare which of these recommendations have not been or will not be complied with.

The Supervisory Board and Board of Management of Hawesko Holding AG, Hamburg, addressed corporate governance matters on multiple occasions in the 2017 financial year. They jointly declare that, from 29 March 2017 (date of submission of the last Declaration of Compliance) the recommendations of the German Corporate Governance Code ("Code") as amended on 5 May 2015 (published in the official section of the Federal Gazette on 12 June 2015) were complied with, excepting the discrepancies stated in the following under Nos. 2-4, and that the recommendations of

the Code as amended on 7 February 2017 (published in the official section of the Federal Gazette on 24 April 2017) were complied with, excepting the discrepancies stated under Nos. 1-4. Hawesko Holding AG will continue to comply with the recommendations of the Code as amended on 7 February 2017, excepting the discrepancies stated in the following under Nos. 1-4. The current Declaration of Compliance – together with the Declarations of Compliance for previous years – can also be consulted by shareholders and the public on the website of Hawesko Holding AG at <https://www.hawesko-holding.com/en/corporate-governance/>.

**1. Establishment of a whistleblower system**

Article 4.1.3 of the Code recommends granting employees a suitable opportunity to report legal violations in the company along a secure channel, and also extending this scope to third parties.

Hawesko Holding AG takes the view that a whistleblower system constitutes an important tool for revealing legal violations in the company. For that reason the Board of Management drew up an effective whistleblower system in 2017 and expects it to be implemented in the second quarter of 2018.

**2. No stipulation of a statutory limit to the length of service on the Supervisory Board and no stipulation of an age limit for service on the Supervisory Board**

Article 5.4.1 of the Code recommends stipulating a statutory limit to the length of service and an age limit for service on the Supervisory Board

Until now, the Supervisory Board of Hawesko Holding AG has not specified either a statutory limit to the length of service nor an age limit for service on the Supervisory Board. In the opinion of the Supervisory, the decision on whether to remain a member is often best left to the individual Supervisory Board member. A statutory limit to the length of service and an age limit for service on the Supervisory Board would result in inappropriate restrictions.

**3. Performance-related component of the remuneration of the Supervisory Board members**

Article 5.4.6 of the Code recommends that performance-related remuneration of the Supervisory Board members be based on sustainable corporate development. The remuneration of the Supervisory Board members of Hawesko Holding AG includes a performance-related component that is based on the unappropriated profit for the year in question. The Board of Management and Supervisory Board are of the opinion that this year-specific remuneration component appropriately reflects the consultative and supervisory function of the Supervisory Board. In addition, time-based determination of the variable remuneration more closely

reflects in-year changes in the composition of the Supervisory Board as a result of the exit or arrival of new Supervisory Board members.

#### 4. **Public availability of the consolidated financial statements**

Article 7.1.2 of the Code recommends that the consolidated financial statements and group management report be made available to the public within 90 days of the end of the financial year.

The consolidated financial statements and group management report of Hawesko Holding AG will be published within 120 days of the end of the financial year, instead of within 90 days. This assures appropriate interest.

Hamburg, 11 April 2018

**The Supervisory Board**

**The Board of Management**

### **C. Relevant disclosures on corporate management practices, the modus operandi of the Board of Management and Supervisory Board, and the composition and modus operandi of the Supervisory Board committees**

#### **I. Organisation and management**

The structure of the Hawesko Group is characterised by a balance of non-central units and corporate functionalities: as many decisions as possible concerning business operations are taken and implemented by the individual subsidiaries. This organisational structure is useful because the wine trade depends to a great extent on exploiting personal contacts with both producers and customers. The parent company Hawesko Holding AG normally holds 100% or a majority of the shares in the subsidiaries, which are active predominantly in the wine trade. The significant operationally active incorporated firms within the consolidated companies – above all *Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH* and *Jacques' Wein-Depot Wein-Einzelhandel GmbH* – are integrated into the group by means of profit transfer agreements with the holding company. In the case of the subsidiaries where the shareholding is not 100%, the respective directors hold a minority interest. The parent company Hawesko Holding AG and the majority of the subsidiaries are domiciled in the Federal Republic of Germany. The subsidiaries not based in Germany are all domiciled in other European Union countries or in Switzerland.

The Hawesko Group is essentially divided into three business segments (referred to as “brand units”) (cf. “Strategy” section in the combined management report).

The Board of Management uses EBIT and ROCE as the basis for its management approach.<sup>1</sup> The target minimum rates of return are presented in the “Management system” section of the combined management report. The targets and the development of the individual brand units on the basis of these benchmarks form part of the regular strategy and reporting discussions with the managing directors of the individual group companies. By incorporating EBIT margins and the return on capital employed into the objectives and target attainment checks, responsibility is clearly apportioned to the managing directors below Board of Management level.

## **II. Shareholders and Shareholders’ Meeting**

The shareholders of Hawesko Holding AG exercise their right to have a say in the running and supervision of the company through the Shareholders’ Meeting. All shares are no par value bearer shares equipped with identical rights and obligations. Every share in Hawesko Holding AG carries one vote. The principle of “one share, one vote” is taken to its logical conclusion, as there are no caps on the number of voting rights which may be held by one shareholder, nor any special voting rights. Every shareholder is entitled to take part in the Shareholders’ Meeting, to comment there on the individual agenda items and to demand information on matters concerning the company, to the extent that this is needed for the correct assessment of a matter being brought before the Shareholders’ Meeting. The Annual Shareholders’ Meeting is held during the first eight months of each financial year. Chairing of the Shareholders’ Meeting is the responsibility of the Supervisory Board Chairman or another member of the Supervisory Board nominated by the Chairman. The Shareholders’ Meeting fulfils all the tasks assigned to it by law. A resolution shall normally be carried by a simple majority or, in certain cases (e.g. for resolutions on capital measures and amendments to the articles of incorporation) by a majority of at least three-quarters of the capital stock represented.

The Supervisory Board member Detlev Meyer is the biggest shareholder of Hawesko Holding AG, holding 72.6% of the shares through Tocos Beteiligung GmbH. There then follows Michael Schiemann, with a 5.6% shareholding via Augendum Vermögensverwaltung GmbH. The remaining approx. 21.8% are held by institutional

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<sup>1</sup> EBIT: earnings before interest and taxes. It is an indicator of the company’s operating profitability.

ROCE = return on capital employed. This is the ratio of EBIT to the average amount of capital employed and provides an indication of the return on the capital employed in the period under review.

and private investors. There are no employee shares as defined in Sections 289a (1) first sentence No. 5 and 315a (1) first sentence No. 5 of German Commercial Code.

### **III. Supervisory Board**

The Supervisory Board advises and oversees the Board of Management. On matters of importance and fundamental significance, the Board of Management requires the prior consent of the Supervisory Board by a two-thirds majority, in particular for carrying out individual investments of a value of more than € 2.5 million and for the acquisition of other companies or the disposal of investments in companies of a value of more than € 0.5 million. A reporting system informs the Supervisory Board members monthly of key financial data compared with the target and prior-year figures, and explains them. At least four ordinary meetings of the Supervisory Board as well as meetings of its committees take place each year.

According to the articles of incorporation the Supervisory Board comprises six members, elected by the Shareholders' Meeting. It elects a Chairman and a Deputy from among its members. Declarations of intent by the Supervisory Board are issued by the Chairman or, if the Chairman is prevented from attending, by his Deputy. The Supervisory Board has a quorum if all members have been invited and at least half of the members take part in the vote. Resolutions of the Supervisory Board are carried by a simple voting majority, unless otherwise specified by law or in the articles of incorporation; in the event of a tied vote, a majority may resolve to conduct a fresh debate; otherwise a new vote must be held without delay. When voting anew on the same matter, the Chairman has two votes if the result is once again a tie.

#### **1. The Supervisory Board committees**

The Supervisory Board has formed two committees that perform the functions assigned to them on behalf of the whole Supervisory Board. The committees are convened by their respective chairs and meet as often as is deemed necessary. There is currently a Personnel and Nominating Committee, and also an Audit and Investment Committee, each comprising three members.

##### **a) Personnel and Nominating Committee**

The Personnel and Nominating Committee prepares the personnel decisions to be dealt with by the Supervisory Board, attends to long-term succession planning jointly

with the Board of Management, and also pays heed to diversity in the composition of the Board of Management. It prepares the passing of resolutions by the whole Supervisory Board on the determination of Board of Management remuneration and the review of the remuneration system for the Board of Management, and deals with Board of Management contracts unless the German Stock Corporation Act specifies that these tasks be dealt with by the whole Supervisory Board. In addition, it makes proposals to the Supervisory Board on suitable candidates for the election of Supervisory Board members by the Shareholders' Meeting, taking into account the statutory requirements, the recommendations of the Code and the requirements profile for the Supervisory Board resolved by the Supervisory Board. In doing so, in each case it assures itself that the candidate is able to set aside the anticipated time required. The committee in addition coordinates personnel affairs regarding the appointment or dismissal of senior executives of the group.

The Chairman of the Personnel and Nominating Committee is Detlev Meyer. The other members are Wilhelm Weil and Kim-Eva Wempe.

#### b) Audit and Investment Committee

The Audit and Investment Committee deals with the supervision of accounting, the financial reporting process and the effectiveness of the auditing of financial statements. It also prepares the resolution proposal of the Supervisory Board to the Shareholders' Meeting on the election of the auditors. If there is the intention to rotate auditors, the Audit and Investment Committee is responsible for the selection process. Following election by the Shareholders' Meeting it issues the mandate for the audit of the consolidated and annual financial statements, agrees the fee and specifies the audit priorities. It continuously monitors the independence of the auditors and discusses with them the threats to their independence as well as the precautions taken to reduce those threats. In that connection the Audit and Investment Committee is also responsible for monitoring and approving the services provided by the auditors over and above the audit of the financial statements (non-audit services).

The Chairman of the Audit and Investment Committee is Prof Dr iur Dr rer pol dres hc Franz Jürgen Säcker. The other members are Thomas R Fischer and Dr Jörg Haas. The function of financial expert within the meaning of Section 100 (5) of the German Stock Corporation Act is performed by Thomas R Fischer.

## **2. Target for the proportion of women on the Supervisory Board**

On the basis of the requirements profile for the Supervisory Board (see 3.), the Supervisory Board endeavours also to take diversity aspects into consideration, and not solely specialist and personal qualifications of the candidates, in making its election proposals to the Shareholders' Meeting. The defined target for the proportion of women on the Supervisory Board remains at least one woman by the deadline of 30 June 2022. It is currently met.

## **3. Requirements profile for the Supervisory Board**

In respect of the various requirements and recommendations for the composition of the Supervisory Board, in April 2018 the Supervisory Board approved a requirements profile for the Supervisory Board of Hawesko Holding AG that contains both key statutory requirements and recommendations of the Code on the composition of the Supervisory Board and also the objectives of the Supervisory Board regarding its composition and the competency profile for the whole board within the meaning of Article 5.4.1 (2) of the Code, as well as the diversity concept for the Supervisory Board including the disclosures according to Section 289f (1) No. 6 of the German Commercial Code.

### a) Objective

The Supervisory Board aims for a composition that assures qualified monitoring of and consultancy for the Board of Management at all times. To that extent the Supervisory Board holds the view that diversity aspects, alongside specialist and personal requirements, play an important role in the effective work of the Supervisory Board, and therefore in the sustainable development of the company. A variety of personalities, experience and knowledge avoids groupthink, allows more rounded views and thus enriches the work of the Supervisory Board. As such, the following objectives serve as a guideline for long-term succession planning and the selection of suitable candidates, and create transparency regarding the key criteria governing appointments.

### b) Requirements of the individual members

#### (i) General requirements

Every Supervisory Board member is to be in a position to carry out the duties of a Supervisory Board member in an internationally active, listed enterprise on the strength of their personal and specialist competencies, and to uphold the public image of the Hawesko Group. With regard to that, every Supervisory Board member should meet the following requirements:

- Sufficient expertise, i.e. the ability to carry out the duties that normally arise on the Supervisory Board;
- Dedication, integrity and personality;
- General understanding of the business of Hawesko Holding AG, including the market context and customer requirements;
- Entrepreneurial or operational experience, ideally in the form of experience from working in corporate management, as a senior executive or in supervisory bodies;
- Compliance with the limits on mandates according to Section 100 of the German Stock Corporation Act and according to Article 5.4.5 second sentence of the Code.

(ii) Time availability

Every Supervisory Board member ensures that they can set aside the time required to carry out their Supervisory Board mandate properly. It should be noted in particular that there are at least four Supervisory Board meetings per year, each requiring appropriate preparation, in particular with regard to the examination of documentation for the annual and consolidated financial statements. Depending on membership of one or more of the committees that exist, additional time will need to be set aside for preparing for and attending the committee meetings. Finally, extraordinary meetings of the Supervisory Board or of the committees may be necessary to deal with special topics.

c) Requirements and goals for the whole board

With regard to the composition of the whole board, including in the interests of diversity the Supervisory Board seeks a composition where the members complement each other in terms of their personal and professional background, experience and specialist knowledge, so that the whole board can draw on as wide as possible a range of experience and specialist knowledge.

(i) General requirements

The Supervisory Board of Hawesko Holding AG must at all times be composed such that its members as a whole possess the necessary knowledge, skills and specialist experience to be able to perform the duties of the Supervisory Board properly. In addition, the members of the Supervisory Board must as a whole be familiar with the wine trading sector. At least one member of the Supervisory Board must have expertise in the fields of financial reporting or auditing of financial statements.

(ii) Specific knowledge and experience

The Supervisory Board of Hawesko Holding AG as a whole is to cover all competency areas that are necessary for it to carry out its duties effectively. That involves – in keeping with the business model of the company – in particular more extensive knowledge and experience in the following areas:

- Accounts, finance, controlling;
- The procurement end of the market, for example from running a winery;
- The online area from taking active responsibility for the restructuring of print-based marketing activities into IT-led marketing and sales activities;
- Traditional corporate culture from the perspective of a comparable family firm (corporate identity, corporate culture);
- Legal, corporate governance and compliance.

The Supervisory Board strives for a composition where at least one member is available as a source of expertise on each of the above aspects.

(iii) Independence and conflicts of interest

Taking account of the company-specific situation of Hawesko Holding AG and the ownership structure, the Supervisory Board is to have at least four independent members within the meaning of Article 5.4.2 of the Code.

To avoid potential conflicts of interest, no more than two former Board of Management members are to serve on the Supervisory Board. In addition, no persons who serve on corporate bodies or provide consultancy for key competitors of the company are to serve on the Supervisory Board.

Where conflicts of interest arise in individual cases – particularly as a result of a consultative or board function at suppliers, customers, lenders or other third parties – the Supervisory Board member in question is obliged to disclose this to the Supervisory Board. The Supervisory Board provides information on conflicts of interest arising and how they have been handled in its yearly report to the Shareholders' Meeting. Members are to surrender their mandate in the event of material conflicts of interest of a Supervisory Board member that are more than merely temporary.

#### (iv) Diversity

For the quota of women on the Supervisory Board, the Supervisory Board of Hawesko Holding AG has specified a proportion of at least one woman and a deadline for attainment of the target of 30 June 2022.

Diversity for the Supervisory Board is also reflected in such aspects as individual career background and area of activity, as well as in the horizon of experience of its members (e.g. industry experience). To that extent, in the interests of diversity the Supervisory Board seeks a composition where the members complement each other in terms of background, experience and specialist expertise. In this regard it is also desirable for some of the members to possess an international horizon of experience.

#### d) Implementation status

In the current composition of the Supervisory Board, the above targets are met. The Supervisory Board comprises individuals with a variety of career backgrounds, horizons of experience and expertise. The proportion of at least one woman is met. In Dr Haas, Prof Dr iur Dr rer pol dres hc Säcker, Mr Weil and Ms Wempe, the Supervisory Board has four independent members.

The Personnel and Nominating Committee and the Supervisory Board will take account of the above requirements and targets in succession planning, the search for suitable candidates and their proposals for the election of Supervisory Board members to the Shareholders' Meeting, while at the same time seeking to meet the competency profile for the whole board. The requirements profile for the Supervisory Board did not yet apply in the 2017 financial year because it had not yet been approved at the time of the election of Mr Weil and the appointment by court of Mr Haas. Their appointment nevertheless contributes towards attaining the targets in the requirements profile.

## **IV. Board of Management**

### **1. Modus operandi of the Board of Management**

The Board of Management is independently responsible for the running of the company and represents it in transactions with third parties. It coordinates the strategic direction of the group with the Supervisory Board and, in accordance with the legal requirements, informs the Supervisory Board regularly, promptly and comprehensively of all plans, business developments and risks that are of relevance to the company.

The Board of Management comprises four members and reaches its decisions by majority vote. Each member is in charge of individual areas of responsibility, irrespective of their collective responsibility for the management of the group. The Board of Management members work together collegially and continually inform each other of important measures and events in their divisions. There are no sub-committees within the Board of Management.

Each brand unit of Hawesko Holding AG is headed by a member of the Board of Management, who is responsible for the attainment of the segment targets and possesses authority to issue instructions within the brand unit.

When filling management functions in the company, the Board of Management strives for diversity, in particular through the suitable involvement of women. The defined target remained unchanged at 25% women among the group's management by 30 June 2022. This level is achieved.

Since 1 January 2011 a compliance code passed by the Board of Management and Supervisory Board has been in place for all Hawesko Group companies. The code of conduct for employees and the social media guidelines can be accessed at [www.hawesko-holding.com/en/corporate-governance/](http://www.hawesko-holding.com/en/corporate-governance/).

## **2. Diversity concept for the Board of Management**

Pursuant to Article 5 of the articles of incorporation, the Board of Management of Hawesko Holding AG comprises at least two persons. There are currently four members of the Board of Management. The members of the Board of Management are appointed by the Supervisory Board. The latter attends to long-term succession planning together with the Board of Management and pays heed to diversity in the composition of the Board of Management. In the interests of contouring the diversity aspects more finely, the Supervisory Board approved a diversity concept for the Board of Management in April 2018.

a) Objective of the diversity concept

The Board of Management plays a pivotal role in the further development of Hawesko Holding AG and of the group. The Supervisory Board considers that diversity aspects, alongside the specialist skills and experience of the Board of Management members, play an important role in the sustainable development of the company. A variety of personalities, experience and knowledge avoids groupthink, allows more rounded views and thus enriches the work of the Board of Management. The following diversity aspects serve as guidelines for long-term succession planning and the selection of suitable candidates.

#### b) Diversity aspects

The Supervisory Board seeks a composition of the Board of Management where the members complement each other in terms of their personal and professional background, experience and specialist knowledge, so that the Board of Management as a whole can draw on as wide as possible a range of experience, knowledge and skills. Notwithstanding the following diversity aspects, the Supervisory Board is convinced that ultimately an all-round appraisal of each individual is the only basis for appointment to the Board of Management of Hawesko Holding AG.

##### (i) Proportion of women on the Board of Management

The Supervisory Board takes the equal participation of women and men as its basis for the composition of the Board of Management and actively promotes that goal, for example by specifically searching for female candidates to join the Board of Management. In view of the modest size of the Board of Management and the generally limited pool of suitable candidates, it is nevertheless not always possible to assure equal numbers of women and men. Against this backdrop, the Supervisory Board has set a proportion of 0-30% as the target level for women on the Board of Management of Hawesko Holding AG, to be achieved by 30 June 2022.

##### (ii) Educational and professional background

Diversity on the Board of Management is also reflected in the individual horizons of training and experience as well as in the variety of career backgrounds of its members (e.g. industry experience). A variety of backgrounds in education, profession and experience is therefore expressly desired. Every Board of Management member must however be in a position to carry out the duties of a Board of Management member in an internationally active, listed enterprise on the strength of their personal and specialist competencies, and to uphold the public image of the Hawesko Group. The

members of the Board of Management should moreover possess an in-depth understanding of the business of Hawesko and generally possess several years of leadership experience.

In addition, with regard to the business model of Hawesko at least one member should possess particular expertise in the following areas:

- Strategy and strategic leadership;
- Logistics business including the relevant markets and customer requirements;
- Sales including e-commerce in particular;
- Operations and technology including IT and digitalisation;
- Legal, corporate governance and compliance;
- Personnel, in particular human resources management and development, as well as experience with codetermined structures
- Finance, including financing, accounts, controlling, risk management and internal control procedures.

This expertise need not have been acquired through university studies or another form of training; it may also have been acquired by other means within or outside the Hawesko Group.

### (iii) Age

There exists neither a minimum or a maximum age for Board of Management members. However Board of Management members should generally possess several years of leadership experience at the time of their appointment, and that presupposes a degree of professional experience. For reasons of diversity and in the interests of long-term succession planning, a heterogeneous age structure within the Board of Management is sought, though age is not considered to be of pivotal importance compared to the other criteria.

### c) Implementation status

In the current composition of the Board of Management, the above targets are met. The Board of Management comprises individuals with a variety of career backgrounds

and horizons of experience, and possesses expertise in the areas stated. The defined target for the proportion of women is met. The Supervisory Board and its Personnel Committee will take account of the above diversity aspects as part of its long-term succession planning and in its search for suitable candidates for the Board of Management of Hawesko Holding AG. The diversity concept was not yet applied in the 2017 financial year because the appointment of Mr Raimund Hackenberger as Board of Management member with effect from 1 March 2017 was resolved before the approval of the diversity concept. His appointment nevertheless contributes towards attaining the targets in the diversity concept.

#### **D. Financial reporting and auditing of financial statements**

The Consolidated Financial Statements have been prepared under IFRS since the 2000 financial year. Following their compilation by the Board of Management, the Consolidated Financial Statements are examined by the independent auditors, and examined and approved by the Supervisory Board. The Consolidated Financial Statements are made available to the public within 120 days of the end of the financial year.

The following was agreed with the independent auditors:

1. The Chairman of the Audit and Investment Committee shall be informed without delay if potential reasons for exclusion or conflicts of interest that cannot be rectified without delay come to light during the audit.
2. The independent auditor shall report on all findings and occurrences identified while conducting the audit of the financial statements that are of material significance for the work of the Supervisory Board.
3. If the independent auditor should, while conducting the audit of the financial statements, identify facts that have led to a misstatement in the Declaration of Compliance issued by the Board of Management and Supervisory Board in respect of the Corporate Governance Code (Section 161 of the German Stock Corporation Act), it shall note this in the audit report and inform the Chairman of the Supervisory Board of this.

## **E. Transparency**

Hawesko Holding AG attaches high priority to the policy of providing uniform, comprehensive and timely information. The trading position and the results of the company are reported on through the Annual Report, the Annual Press Conference, in the Quarterly Financial Reports at 31 March and 30 September, and in the Interim Financial Report.

Further information is published in the form of press releases and ad hoc announcements in accordance with Article 17 of the Market Abuse Regulation. One constantly used, up-to-date communications medium is the website [www.hawesko-holding.com](http://www.hawesko-holding.com), which makes all relevant information available in German and English. In addition to providing comprehensive information about the Hawesko Group and Hawesko shares, it includes the financial calendar, which gives an overview of all important events. The Investor Relations department is moreover the point of contact for enquiries from shareholders, investors and analysts.

## **F. Remuneration report**

Particulars of the remuneration of the Board of Management and Supervisory Board are to be found in a separate section of the combined management report for the group and the parent company for 2017, as well as in the notes to the consolidated financial statements and notes to the individual financial statements. No stock option schemes or similar securities-based incentive systems exist.

Hamburg, 11 April 2018

**The Supervisory Board**

**The Board of Management**