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CORPORATE GOVERNANCE REPORT

Pursuant to the recommendation of Subsection 3.10 of the German Corporate Governance Code [Deutscher Corporate Governance Kodex, DCGK], the Management Board and the Supervisory Board of CECONOMY AG deliver the following report on corporate governance at CECONOMY AG and CECONOMY Group.

The Management Board and the Supervisory Board of CECONOMY AG are firmly committed to the principles of transparent, responsible corporate management and supervision. They attach great importance to good corporate governance standards.

The voluntary commitment of the corporate bodies to the German Corporate Governance Code is reinforced by the following provision in § 1 para. 2 of the Code of Procedure for the Management Board of CECONOMY AG and in § 1 para. 2 of the Code of Procedure for the Supervisory Board of CECONOMY AG:

“The Management Board and the Supervisory Board of the Company base their actions on the relevant valid recommendations of the German Corporate Governance Code and deviate from the code’s recommendations only in well-founded exceptional cases. If the Management Board or Supervisory Board intends to deviate from a recommendation, the corporate bodies inform each other of the planned move in advance.”

Implementation of the German Corporate Governance Code

During financial year 2017/18, the Management Board and the Supervisory Board of CECONOMY AG discussed the implementation of the recommendations of the German Corporate Governance Code and compliance therewith in detail and issued the following declaration pursuant to

§ 161 para. 1 of the German Stock Corporation Act [AktG] in September 2018:

“The Management Board and Supervisory Board of CECONOMY AG hereby declare that the recommendations of the Government Commission on the German Corporate Governance Code published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette have been complied with since the last declaration of compliance was issued by the Management Board and the Supervisory Board of CECONOMY AG (the **Company**) in September 2017 with the following exception:

As the reorganisation in connection with the demerger of the former METRO GROUP and the associated transition of the Company to an independent listed holding company continued in the first half of financial year 2017/18, the half-year financial report Q2/H1 2017/18 was not published until 17 May 2018. Although this took place within the legally prescribed period, it did not take place within the period of 45 days after the end of the reporting period recommended in Subsection 7.1.2 (3) DCGK.

The deviation was expected. In the forward-looking section of their last declaration, issued in September 2017, regarding the recommendations of the Government Commission on the German Corporate Governance Code pursuant to § 161 AktG, the Management Board and the Supervisory Board of the Company had indicated the likelihood of deviation from the recommendation pursuant to Subsection 7.1.2 (3) DCGK in the course of financial year 2017/18, as they assumed that publication of the half-year financial report Q2/H1 2017/18 would only be possible after expiry of the recommended period due to the reorganisation effort required in connection with the demerger and the associated transition to an independent listed holding company.



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Another deviation from the recommendation pursuant to Subsection 7.1.2 (3) DCGK is already foreseeable in financial year 2018/19 since the publication of the half-year financial report for Q2/H1 2018/19 is scheduled for 21 May 2019, which – although still within the statutory period – is not within the recommended period of 45 days from the close of the reporting period. Due to organisational constraints during the preparation period, publication will not be possible until slightly after the recommended period has elapsed.”

Unlike the half-year financial report for Q2/H1 2018/19, the quarterly statements for Q1 and Q3/9M 2018/19 will be published within the recommended period of 45 days from the close of the reporting period in light of their smaller volume compared to the half-year report.

➤ CECONOMY AG makes the current declarations pursuant to § 161 AktG permanently available on the website, as well as declarations that are no longer up to date, at [www.ceconomy.de/en/ in section Company - Corporate Governance](http://www.ceconomy.de/en/in section Company - Corporate Governance).

In addition to recommendations, the DCGK contains suggestions that listed companies can – but do not have to – address. CECONOMY AG follows the vast majority of these suggestions. In financial year 2017/18, there was only one suggestion that the Company did not fully implement:

Subsection 2.3.3 DCGK recommends enabling shareholders to follow the Annual General Meeting via modern communication media such as the internet. In financial year 2017/18, CECONOMY AG – like the former METRO AG in previous years – only broadcast the speech by the Chair of the Management Board over the internet. This practice will be continued.

Division of duties and areas of responsibility between the Management Board and the Supervisory Board

The clear division between corporate management and corporate supervision is a key element of corporate governance for German stock corporations.

Duties and areas of responsibility are clearly divided between the Management Board and the Supervisory Board of CECONOMY AG.

The management authority lies with the Management Board of CECONOMY AG, which was composed of three members in financial year 2017/18. The Management Board of CECONOMY AG is responsible for running the Company. The key duties of the Management Board include defining corporate objectives and budgets, determining the corresponding strategic position of the Company and Group, and steering and monitoring them. In addition, the Management Board ensures the availability of investment funds, decides on their allocation within the Group, and is responsible for attracting and promoting highly qualified managers.

The Supervisory Board of CECONOMY AG monitors the management of the Company and advises the Management Board on the management of the Company. In accordance with the applicable regulations of the German Co-determination Act, the German Stock Corporation Act and the Company's articles of association, the Supervisory Board of CECONOMY AG consists of ten shareholder representatives and ten employee representatives, with women and men both holding at least 30 per cent of the seats (that is, at least three each acting as shareholder representatives and employee representatives, respectively). The Supervisory Board advises the Management Board and oversees their management including the attainment of long-term corporate objectives. The Management Board informs and involves the Supervisory Board on an ongoing basis in its plans for the future development of CECONOMY and includes the Supervisory Board in decisions about important measures and legal transactions. Above and beyond its legally prescribed approval obligations, the Supervisory Board has determined its own approval requirements for certain types of business dealings and measures planned by the Management Board. The Supervisory Board is also responsible for appointments and revoking appointments to the Management Board.

➤ For more information about members of the Management Board and Supervisory Board, see the notes to the consolidated financial statements of CECONOMY AG, No. 55 Corporate bodies of CECONOMY AG and their mandates.

➤ The modes of operation of the Management Board and Supervisory Board, the composition and functions of the Supervisory Board committees and information on key corporate management practices are described in the annual declaration on corporate management, in which the declaration of compliance pursuant to § 161 AktG also appears in full.



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The statement on corporate management is available on the website www.ceconomy.de/en/ in section Company – Corporate Governance.

Objectives regarding the composition of the Management Board and Supervisory Board

To carry out their duties properly, the Management Board and the Supervisory Board must possess a broad range of knowledge, skills and experience.

REQUIREMENTS FOR APPOINTMENTS TO THE MANAGEMENT BOARD

The Supervisory Board appoints the members of the Management Board. The decisions taken by the Supervisory Board regarding the composition and appointment of the Management Board as a whole are based on careful analysis of current and future business challenges. Potential members of the Management Board must not only have solid general qualifications, but must also be individuals capable of helping the Company to address its current situation and future challenges.

In selecting members of the Management Board, the Supervisory Board also heeds the recommendations of the DCGK. In particular, the Supervisory Board considers the issue of diversity, and strives to provide adequate consideration of women.

In financial year 2017/18, no woman had yet been appointed a member of the Management Board of CECONOMY AG. In compliance with German legislation governing equal participation of men and women in management positions, the Supervisory Board again set targets and deadlines in financial year 2016/17 for increasing the share of women on the Management Board. According to the law, these deadlines must not exceed five years. In light of the remaining terms of the members of the Management Board in office in financial year 2017/18, the Supervisory Board has determined that no women will probably be appointed to the Management Board of CECONOMY AG before 30 September 2020. However, in order to demonstrate that diversity is a preferred criterion for the Supervisory Board with regard to the composition of the Management Board, the Supervisory Board have adopted a longer-term perspective on this target, aiming to ensure that at least one woman be appointed to the

Management Board between now and 30 June 2022. Given the conceivable composition of the Management Board of three or four members, this would equate to a share of at least 25 per cent.

With its resolutions in the meeting of 12 October 2018, the Supervisory Board initiated a fundamental personnel realignment in the Management Board of CECONOMY AG, which also entails the search for suitable candidates for the positions of CEO and CFO at the level of the Management Board of CECONOMY AG. The Supervisory Board's intention and claim to equal participation of women and men in management positions will continue to apply and will be taken into account in the ongoing selection process. With regard to the ongoing process, however, at the time of this statement it is not yet possible to say whether the aforementioned long-term objective will be achieved ahead of schedule.

REQUIREMENTS FOR APPOINTMENTS TO THE SUPERVISORY BOARD

To ensure that the Supervisory Board of CECONOMY AG can duly perform its responsibilities, the members once again defined the overall competence profile for the Supervisory Board in the constituent meeting of the Supervisory Board on 16 May 2018 and at the meeting on 19 September 2018 and, building on this, formulated a diversity concept as well as concrete objectives for the composition of the Supervisory Board and the associated composition requirements. The diversity concept aims to ensure that the Supervisory Board and the Management Board each have a diverse composition, particularly, but not exclusively, with regard to gender, educational, experience or professional background, age and an international outlook.

Diversity

The "Diversity" objective ensures that the members of the Supervisory Board complement each other in terms of age, (educational and professional) background, experience and skills, in such a way that the Board as a whole can draw on the widest possible range of knowledge and expertise.

In addition to the aforementioned criteria, the Supervisory Board aims to have a sufficient number of members with international experience or expertise.



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Moreover, the employee representatives and the shareholder representatives should each comply separately with the statutory gender quota of 30 per cent. This means that the Supervisory Board should have at least three female and at least three male members on each side.

The current composition of the Supervisory Board fulfils this target (as of 30 November 2018). The employee representatives contribute their experience from the Group's German business and their administrative expertise from the key holding and cross-divisional service companies in Germany to the Supervisory Board, including, in particular, expertise in the Group's service business. Several shareholder representatives have national and international retail expertise, but also specific banking and finance expertise. Some members also have extensive experience in insurance or with consumer goods. In their capacity as active or former managers, several of the shareholder representatives contribute specific expertise in managing publicly listed globally operating companies to the Supervisory Board, while other individuals representing the shareholders are knowledgeable about digitalisation, marketing and M&A.

The representation of men and women on the Supervisory Board of CECONOMY AG complies with the legal requirements governing equal participation of men and women in management positions. The employee representatives and the shareholder representatives each comply separately with the statutory gender quota of 30 per cent applicable to the Supervisory Board of CECONOMY AG. The Supervisory Board currently includes five female representatives on the shareholder side and four on the employee side.

Impartiality

In addition to the diversity envisaged by the diversity concept, the impartiality of the members of the Supervisory Board is another important aspect for the composition of the Supervisory Board as a whole. At least six of the ten shareholder representatives on the Supervisory Board should be impartial within the meaning of Subsection 5.4.2 DCGK in accordance with the objectives set by the Supervisory Board for its composition.

Moreover, at least one member of the Supervisory Board must fulfil the requirements for chairing the Audit Committee. The committee Chair

must also be impartial in accordance with the Code of Procedure of the Audit Committee.

The current composition of the Supervisory Board of CECONOMY AG meets these requirements. In accordance with legal stipulations, the Supervisory Board is composed of ten employee representatives and ten shareholder representatives. At least six shareholder representatives are impartial as defined in Subsection 5.4.2 of the DCGK. The Chair of the Audit Committee, Karin Dohm, is one of the impartial members of the Supervisory Board, as defined in Subsection 5.4.2 DCGK.

Special requirements related to appointments to the Audit Committee

With regard to the composition of the Audit Committee and the position of the Chairperson of the Committee, the Supervisory Board has stipulated in the Code of Procedure of the Audit Committee that the Chair must be impartial and possess professional knowledge in the areas of accounting and auditing as well as internal control measures (financial expert). The other committee members should possess sufficient professional knowledge and experience in these areas, and one member of the Audit Committee should ideally also possess special knowledge in the area of compliance.

These requirements are met by the current composition of the Audit Committee (as of 30 November 2018). The Chair of the Audit Committee, Karin Dohm, is impartial and possesses professional knowledge in the areas of accounting, auditing, and internal control procedures. The Vice Chair of the Audit Committee, Sylvia Woelke, is sufficiently knowledgeable and experienced in these fields, as are all other members of the Audit Committee, Dr Florian Funck, Ludwig Glosser, Peter K pfer and Rainer Kuschewski. In her current capacity as a member of the Corporate Risk Management & Internal Controls department, and her former capacity as a member of the internal auditing department, Sylvia Woelke also possesses special knowledge in the area of compliance.

The distribution of competencies in accordance with the competence profile adopted by the Supervisory Board at its meeting on 19 September 2018 is shown in the table below:

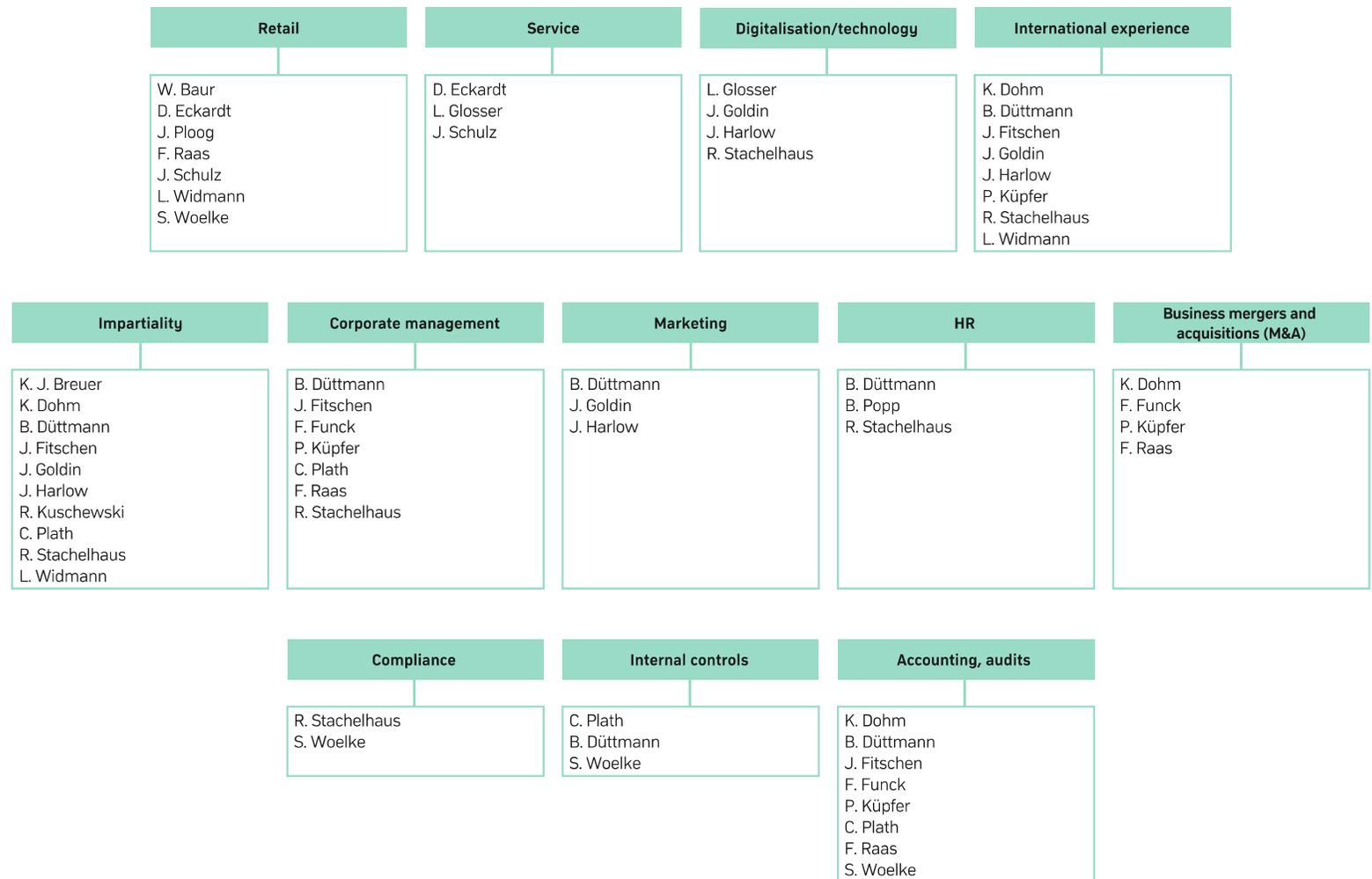


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Allocation of responsibilities in the Supervisory Board of CECONOMY AG¹



¹Competencies in accordance with the resolution on the competence profile dated 19 September 2018



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POTENTIAL CONFLICTS OF INTEREST WITHIN THE SUPERVISORY BOARD/TERM OF OFFICE AND AGE RESTRICTIONS

To prevent potential conflicts of interest, the Supervisory Board has stipulated in its Code of Procedure that members of the Company's Supervisory Board may not assume board functions, consulting tasks or memberships on the supervisory boards of German or international, direct and material competitors.

In addition, the Supervisory Board has set a standard limit of ten years for the period of service on the Supervisory Board and determined that the term of office for shareholder representatives on the Supervisory Board should typically be three years. The Supervisory Board may, at its sole discretion, approve exceptions to these rules.

Candidates proposed for election to the Supervisory Board for the first time should, as a rule, not be older than 65 at the time of election. Only candidates who are younger than 71 at the time of election should generally be proposed for election to the Supervisory Board. The Supervisory Board may also, at its discretion, approve justified exceptions to these rules.

The Supervisory Board of CECONOMY AG currently meets these requirements (as of 30 November 2018). No member of the Supervisory Board assumes a function for direct, material competitors. In view of the fact that the Supervisory Board's Code of Procedure stipulates a ten-year limit for membership of the Supervisory Board, the Supervisory Board has established justified exceptions to this rule with regard to Rainer Kuschewski and Jürgen Fitschen. Rainer Kuschewski has been a member of the Supervisory Board since 2005 and Jürgen Fitschen has been a member since 2008. As part of the resolutions to approve the exceptions, the Supervisory Board determined that the in-depth knowledge and experience of the members in question were particularly valuable to the future work of the Supervisory Board. In particular, the Supervisory Board believes that their experience as members of the Supervisory Board of the former METRO AG prior to the demerger implemented in 2017 will serve to ensure continuity in the work of the Supervisory Board following the repositioning of the Company.

Compliance as well as opportunity and risk management

Compliance as well as opportunity and risk management are integral parts of the value-based management practiced by CECONOMY.

CECONOMY's business activities are subject to various legal stipulations and self-imposed standards of conduct. CECONOMY AG has bundled its measures for securing compliance with these rules and regulations in its Group-wide compliance management system.

The aim of the compliance management system is to systematically and sustainably prevent, detect and sanction regulatory infringements within the Company and the Group. To this end, CECONOMY regularly identifies behavioural compliance risks, establishes the necessary organisational structures and rigorously monitors and controls these risks through the responsible departments. In its Group-wide systematic reporting, key compliance risks and measures are transparently communicated and documented. The need for the further development of the compliance management system is ascertained from the results of regular internal controls and audits.

Opportunity and risk management at CECONOMY is a systematic, Group-wide process that helps the Company management identify, assess, monitor and manage opportunities and risks. As such, opportunity and risk management is a uniform process. The risk management system ensures that unfavourable developments and events are transparently flagged early on and their implications analysed to enable the Company to put the necessary countermeasures in place. Equally, the opportunity management system enables early identification and analysis of any opportunities that arise so that they can specifically be exploited. Both the compliance management system and the opportunity and risk management system are subject to continuous improvement.

They are managed through the internal control system [ICS]. CECONOMY AG further oriented and developed its management systems in financial year 2017/18 and adjusted them to the new structure of CECONOMY following the demerger.



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➤ For more information about compliance as well as opportunity and risk management, see the combined management report – opportunity and risk report – as well as the declaration on corporate management. The statement is available on the website www.ceconomy.de/en/ in section Company – Corporate Governance.

Transparent corporate management

Transparency is an essential element of good corporate governance. The website of CECONOMY AG www.ceconomy.de/en/ is an important source of information for its shareholders, other capital market participants and the general public. Aside from a host of information about CECONOMY's strategy, brands and business unit, the site also contains IR publications, investor news, and ad hoc and other legal disclosures. CECONOMY also publishes the dates for its most important regular publications and events (including announcements of annual sales results, annual reports, quarterly statements and half-year financial reports, the annual business press conference and the Annual General Meeting) on its website with reasonable advance notice. The website also offers information shown as part of annual business press conferences, roadshows, investor conferences and information events for private investors.

The Annual General Meeting

The Annual General Meeting of CECONOMY AG gives shareholders the opportunity to use their legal rights, that is, in particular, to exercise their rights to vote (where these apply) as well as to address questions to the Company's Management Board. To help shareholders exercise their individual rights at the Annual General Meeting, CECONOMY AG posts documents and information for each Annual General Meeting in advance on its website.

The registration and legitimization procedure for the Annual General Meetings of CECONOMY AG complies with German stock corporation law and international standards. All shareholders wishing to attend an Annual General Meeting of CECONOMY AG and exercise their voting rights must register and supply proof of their right to attend and exercise voting

rights. Written proof of share ownership in German or English from the custodian of the securities deposit account satisfies this requirement. A deposit of shares is not necessary. Proof of share ownership must correspond to the beginning of the 21st day before each Annual General Meeting. Like the registration for the Annual General Meeting, it must be submitted to CECONOMY AG at the address specified in the invitation within the time frame specified by law and in the articles of association. Detailed registration and attendance conditions are announced in the invitation to each Annual General Meeting.

Shareholders who are unable to attend the Annual General Meeting in person may exercise their voting rights through a proxy. The necessary voting right authorisation must be provided in written form. In certain cases, described in the invitation to the Annual General Meeting, simplified formal stipulations may apply, such as issuing voting right authorisations to banks or shareholder associations.

Shareholders may also authorise Company-appointed proxies to exercise their voting rights (known as proxy voting). The following rules apply: In addition to voting right authorisations, shareholders must also provide instructions on how to exercise these voting rights. The proxies appointed by the Company are obliged to vote according to these instructions. For the assignment of voting rights during the Annual General Meeting for those shareholders who initially participate in the Annual General Meeting but who want to leave early without forgoing the exercise of their voting rights, proxies appointed by CECONOMY AG are also available. Of course, this does not affect the right to appoint other proxies to exercise one's voting rights. The details on proxy voting are given in the invitation to each Annual General Meeting.

In the interest of shareholders, the Chair of the Annual General Meeting, who as a rule is the Chair of the Supervisory Board, works to ensure that the Annual General Meeting is conducted efficiently and effectively. The objective is to complete a regular CECONOMY AG Annual General Meeting within four to six hours at most.



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Managers' transactions, share ownership by members of the Management and Supervisory Boards

Pursuant to Art. 19 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation), members of the Management and Supervisory Boards as persons discharging managerial responsibilities must inform CECONOMY AG of any transactions involving their own CECONOMY shares or CECONOMY bonds or related financial instruments (referred to as Managers' Transactions). This notification requirement also applies to persons closely associated with members of these corporate bodies. However, there is a minimum threshold for reporting such transactions, with transactions under €5,000 in any calendar year not being reportable. No managers' transactions were reported to CECONOMY AG in the 2017/18 financial year.

➤ Notifications of managers' transactions are published in the Legal Announcements section of the website at www.ceconomy.de/en/.

Audit

AUDIT 2017/18

The Annual General Meeting of CECONOMY AG held on 14 February 2018 appointed KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, (KPMG) to audit the financial statements for financial year 2017/18 and to perform a review of the condensed financial statements and the interim management report for the first half of financial year 2017/18. In awarding the corresponding auditing contract, the Supervisory Board considered the recommendations listed in Subsection 7.2 of the DCGK.

Throughout the audit, which was completed in November 2018, KPMG did not notify the Supervisory Board of any grounds for disqualification or conflicts. There was also no evidence that any existed.

Whilst conducting the audit, the auditor informed the Audit Committee of all findings and facts material for the duties of the Supervisory Board of which it became aware when conducting the audit. In the past financial year, the auditor participated in six out of seven Audit Committee meet-

ings for this purpose. The auditor found no irregularities in the Management and Supervisory Boards' declarations of compliance.

AUDITOR'S IMPARTIALITY

The auditor fulfils two key functions. Their audit activities help the Supervisory Board in exercising corporate control while providing the basis for the trust of the general public and capital market participants, in particular, in the accuracy of the annual financial statements and management reports. The auditor's impartiality is a key precondition for fulfilling these two functions. One of the foremost tasks of the Audit Committee of the Supervisory Board of CECONOMY AG is therefore the reassurance of the auditor's impartiality. The committee reviewed this impartiality again in financial year 2017/18.

➤ For more information on corporate governance at CECONOMY Group, please refer to the Company – Corporate Governance section of the website at www.ceconomy.de/en/.