

# DECLARATION OF COMPLIANCE

## DECLARATION BY THE MANAGEMENT AND SUPERVISORY BOARDS OF QSC AG PURSUANT TO § 161 OF THE GERMAN STOCK CORPORATION ACT (“AKTG”) REGARDING THE COMPANY’S COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE (“DEUTSCHER CORPORATE GOVERNANCE KODEX”) IN THE VERSION DATED 7 FEBRUARY 2017

Since its formation, QSC AG (“QSC”) has been committed to good corporate governance and has viewed transparency and value-driven management as essential. Consequently, the Company implements nearly all recommendations set forth in the German Corporate Governance Code and adheres to them in its daily work. Since submitting its previous Declaration of Compliance, the Company has complied and continues to comply with the recommendations of the Government Commission “German Corporate Governance Code” in the version dated 7 February 2017, with the following exceptions:

***No agreement regarding a deductible in the D&O insurance for members of the Supervisory Board (§ 93, paragraph 2 of the German Stock Corporation Act [“AktG”])  
(Item 3.8, Paragraphs 2 and 3 of the Code)***

QSC complies with the recommendation of the German Corporate Governance Code in that the D&O insurance policy for Supervisory Board members includes a deductible of 10 percent of the respective damages per damage event. However, and contrary to the recommendation, the liability per year is capped at 100 percent of the fixed annual remuneration of the Supervisory Board members, since QSC does not deem it appropriate for the deductible to exceed their annual remuneration.

***Management Board no longer to consist of several members in future  
(Item 4.2.1 of the Code)***

Once Stefan Baustert stands down from the Management Board as of 31 December 2019, from 1 January 2020 onwards the Management Board will consist of one member, namely the Management Board member and current Chief Executive Officer Jürgen Hermann. The Company’s current organisational structure allows it to be efficiently managed by just one Management Board member. The Management Board will be supported by an extended group of senior managers. The Supervisory Board currently does not deem it necessary to appoint further members to the Management Board.

***No exclusion of subsequent amendments to performance targets or comparison parameters for the variable remuneration of Management Board members  
(Item 4.2.3, Paragraph 2, Sentence 8 of the Code)***

The Management Board contracts provide for variable remuneration, the amount of which is based on achievement of (one-year) annual targets (“short-term incentives”) and multiyear targets based on a three-year performance period (“long-term incentives”), with both incentives to be agreed in a separate target agreement. The multiyear targets stipulated in March 2018 for a performance period running until the conclusion of the 2020 financial year and the (one-year) annual target stipulated in March 2019 are largely based on group key figures. These were significantly influenced by the closing of the sale of Plusnet GmbH in June 2019 and the deconsolidation of that company. The Supervisory Board believes that this situation made it necessary to

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introduce a subsequent amendment to the (one-year) annual target for the 2019 financial year, as well as to the stipulated multiyear targets, to ensure that both the short-term and the long-term variable remuneration for the Management Board continue to be based on relevant and demanding performance targets. In view of this, QSC did not comply with the recommendation made in Item 4.2.3, Paragraph 2, Sentence 8 of the Code. This recommendation will nevertheless be complied with once again in future.

***No regular limit set for length of Supervisory Board membership  
(Item 5.4.1, Paragraph 2, Sentence 2 of the Code)***

The Supervisory Board of QSC has compiled a competence profile for the board as a whole and set specific targets for its composition that are consistent with the recommendations made in Item 5.4.1 with the exception of the requirement to set a regular limit for the length of Supervisory Board membership. The Supervisory Board believes that it would not be in the Company's best interests to set an advance limit on the length of individual board membership. It is basically desirable that the Supervisory Board should change its composition at certain intervals; on the other hand, the Company should also be able to draw on the expertise of experienced Supervisory Board members.

***No disclosure of personal and business relations of each individual candidate with the Company, its executive bodies and with any shareholders holding material interests in company in election proposals to the Annual General Meeting  
(Item 5.4.1, Paragraphs 6 to 8 of the Code)***

In QSC's opinion, the recommendation of the German Corporate Governance Code does not specify clearly enough which relationships of a candidate must be disclosed and the extent to which such disclosures are required to be made for proposed elections at the Annual General Meeting in order to comply with the recommendation. In the interests of legal certainty with respect to future elections to the Supervisory Board, the Management Board and Supervisory Board have decided to declare a divergence from the recommendation. QSC is of the opinion that the existing disclosure requirements contained in § 124, paragraph 3 sentence 4 and in § 125, paragraph 1 sentence 5 of the German Stock Corporation Act ("AktG") are sufficient to meet the informational needs of the shareholders and will, at an appropriate date, investigate and decide - voluntarily and without tying itself to the Code's recommendation - whether to disclose additional information about candidates proposed for election at the Annual General Meeting.

Cologne, 21 November 2019



On behalf of the Management Board  
Jürgen Hermann



On behalf of the Supervisory Board  
Dr. Bernd Schlobohm