

Corporate governance declaration in accordance with section 289f HGB

Declaration of compliance to the Corporate Governance Code

The declaration of compliance to the Corporate Governance Code in accordance with section 161 of the *Aktiengesetz* (AktG – German Stock Corporation Act) is published in the Investor Relations section of the First Sensor AG’s website.

Disclosures on Corporate Governance

As a listed German stock corporation, the management of First Sensor AG is primarily governed by the German Stock Corporation Act and the provisions of commercial and company law. The rights and obligations of the bodies (the Executive Board, the Supervisory Board and the Annual General Meeting) arise from the law and the Articles of Association.

Function of the Executive Board and the Supervisory Board

The “management” and “supervision” functions are clearly separated according to the law and Articles of Association. The Executive Board and the Supervisory Board form this dual management system of First Sensor AG. They are committed to shareholder interests and the good of the company and work closely together with the aim of sustainably increasing enterprise value.

The Executive Board

As of the end of the reporting period, the Executive Board has two members: Dr. Dirk Rothweiler is appointed as Chairman of the Executive Board until December 31, 2019 and Dr. Mathias Gollwitzer is appointed as Chief Financial Officer until August 9, 2022. They manage the company on their own and in a spirit of collective responsibility. Cooperation is the basis of the Rules of Procedure. The Executive Board develops the corporate strategy, coordinates it with the Supervisory Board, oversees its implementation and regularly discusses the status of implementation with the Supervisory Board. It is also responsible for the company’s annual and long-term planning, and for the preparation of the quarterly, half-year, annual and consolidated financial statements. The Executive Board also ensures appropriate risk management and risk controlling, and a regular, prompt and comprehensive reporting to the Supervisory Board on matters of the strategy relevant to the Group, the corporate planning, business development, risk situation, risk management and compliance to the statutory provisions and the internal corporate guidelines, and supports compliance by Group

companies. In the case of important issues, that may have a considerable impact on the company, the Supervisory Board is informed immediately. Significant measures require the approval of the Supervisory Board in accordance with the Rules of Procedure.

The Executive Board usually resolves by simple majority in meetings convened and headed by the Chairman of the Executive Board, unless the law prescribes a larger majority vote. In a tie, the Chairman has the casting vote. The distribution of divisions according to the executive organization chart regulates the responsibilities of the individual members of the Executive Board. The Executive Board resolves all significant measures together. The Chairman of the Executive Board coordinates the business divisions of the Executive Board and the adherence to reporting obligations and is kept informed of all important matters by other members of the Executive Board on an ongoing basis. One member of the Executive Board held a supervisory board mandate at a listed, non-Group company as of the end of the reporting period.

The Supervisory Board

The four members of the Supervisory Board are elected by the Annual General Meeting. Information about the goals for the composition and the competence profile can be found in the Corporate Governance report. Members of the Supervisory Board supervise and advise the Executive Board on the management of the company. As a basis for the cooperation, the Supervisory Board has established its own Rules of Procedure. The Supervisory Board coordinates the strategic orientation developed by the Executive Board with the Executive Board and is informed on the status of implementation, finance and investment planning of the next fiscal year and medium-term planning. The Supervisory Board meets at least once per quarter. Resolutions of the Supervisory Board are regularly adopted in meetings and can also be adopted outside of a meeting in accordance with the Rules of Procedure. If proper notice on an item on the agenda has not been given, it may be voted on only if no member of the Supervisory Board objects to putting forward the resolution. The Supervisory Board has a quorum if at least three members participate in the adoption of the resolution, and adopt its resolution on the basis of a simple majority. The Supervisory Board has not formed any committees as this is not expedient or useful for a Supervisory Board with four members. An efficient and effective fulfillment of tasks is ensured in this case even without forming committees. Between members of the Supervisory Board and the company there are no consultancy, services or work contracts.

The Chairman of the Supervisory Board coordinates the work of the committee. The Supervisory Board meetings are convened and headed by the Chairman or, if he is unable to do so, by his deputy in accordance with the Rules of Procedure. The Chairman is also responsible for the minutes of the resolutions. Outside the regular meetings, the Chairman

maintains an ongoing dialog with the Chairman of the Executive Board particularly on the issues of strategy, planning, business development, risk situation, risk management and compliance. Within an appropriate framework, the Chairman of the Supervisory Board is also prepared to hold talks with investors on topics specific to the Supervisory Board. The Executive Board and the Supervisory Board have formulated guidelines for this dialog. The Chairman of the Supervisory Board makes the decision to enter in a specific dialog. The Chairman can invite other members of the Supervisory Board or members of the Executive Board to the talks. The Chairman informs the members of the Supervisory Board and the company on these talks afterwards.

Shareholders and the Annual General Meeting

Shareholders assume their rights at the Annual General Meeting and exercise their right to vote there. In particular this includes the election of shareholders' representatives to the Supervisory Board, the approval of the Executive Board and the Supervisory Board, the amendment to the Articles of Association, the appropriation of earnings and capital measures. Each First Sensor AG share grants the bearer one vote. The Chairman of the Supervisory Board chairs the meeting.

Convening the Annual General Meeting including the agenda, the explanation of the conditions of participation, shareholder rights, the form for exercising voting rights by instruction and any counter proposals and election proposals by shareholders and the required reports and documents are published in English and German on the First Sensor AG's website. These documents are also available at the Annual General Meeting.

First Sensor AG offers shareholders who cannot attend the Annual General Meeting or who leave the Annual General Meeting before voting takes place to authorize before and during the Annual General Meeting a proxy representative named by the company, who will vote for them as instructed. After the close of the Annual General Meeting, the voting results on the individual agenda items are promptly published on the company's website.

Accounting and Auditing

First Sensor AG prepares its consolidated financial statements in accordance with IFRS guidelines. First Sensor AG prepares its annual financial statements in accordance with the regulations of the *Handelsgesetzbuch* (HGB – German Commercial Code). Consolidated and annual financial statements are prepared by the Executive Board and audited by the auditor. The Supervisory Board adopts the annual financial reports and approves the consolidated financial statements. Throughout the entire auditing process, the Supervisory Board works closely together with the Executive Board and the auditor. The Chairman of the Supervisory

Board is directly informed by the auditor on all matters and events, which arise during the auditing process, that are important for the work of the Supervisory Board.

Transparency

The Executive Board of First Sensor AG considers himself obligated to transparent communication. First Sensor AG comprehensively and promptly informs shareholders, analysts, shareholder and media about the current business situation and development on a regular basis. All those provided information are treated equally and provided information at the same time. The information relevant for capital markets is also published on the First Sensor AG's website both in English and German. This also includes changes in shareholdings in First Sensor AG and changes in share ownership of Board members.

Information on section 76 (4) and section 111 (5) of the German Stock Corporation Act (AktG) and on target fulfillment

The Executive Board of the company has determined a target for the proportion of woman at the two management levels below the Executive Board, as per section 76 (4) of the German Stock Corporation Act (AktG). The proportion of woman at the two management levels below the Executive Board is expected to reach 20% by June 30, 2022. As of December 31, 2018, 20 employees were in this category, including 4 women. This corresponds to a proportion of 20%, meaning that the target was not met in fiscal year 2018.

The Supervisory Board of the company has determined a target for the proportion of woman within the Executive Board and the Supervisory Board in accordance with section 111 (5) Akt. Until June 30, 2019, the proportion of women on both the Executive Board and the Supervisory Board of First Sensor AG is expected to reach 0%. This target was met in fiscal year 2018.

Description of the Diversity Concept

Diversity is increasingly important for an international company like First Sensor. The company considers diversity and equality of opportunity as important principles of our working environment and have also stipulated them in our Code of Conduct: "First Sensor does not tolerate any discrimination or harassment in the working environment, whether for reasons of age, handicap, origin, gender, political opinions, trade union activities, ideology, race, religion or sexual orientation. We do not tolerate any discrimination on the basis of these characteristics, no sexual harassment or other personal attacks on individuals. These principles apply not only for internal cooperation but also in respect to behavior in respect to third parties. We make decisions in respect to staff, suppliers, customers, business partners,

etc. only on the basis of appropriate considerations, never for other extraneous motives such as discrimination or compulsion.”

In line with item 5.4.1 of the Code of Conduct, the Supervisory Board has resolved targets for its composition. They take particular account of the company’s specific situation, especially in relation to the size of the company and the Group and the Supervisory board, the international activity of the company, potential conflicts of interests, the number of independent members of the Supervisory Board and diversity. The targets were achieved in fiscal year 2018 (please refer to the Corporate Governance report).

In the selection of members of the Executive Board, in addition to the relevant specialist qualification the Supervisory Board also pays attention to diversity. In the medium and long term, the Supervisory Board is aiming that a woman becomes a member of the company’s Executive Board. To avoid setting a goal which the Supervisory Board does not deem realistic with the means it has available and which it does not consider to be in the company’s interest, the Supervisory Board has limited itself to setting a target of 0% which corresponds to the current status quo. Of course should a position on the Executive Board unexpectedly become vacant, this does not exclude the possibility that the Supervisory would take into account the target of increasing the woman quota when filling the Executive Board position.

Note: The declaration of business management will be published in Internet on March 20, 2019 and will not be updated during the year.