First Sensor

Declaration by the Executive Board and Supervisory Board of First Sensor AG on the recommendations of the Government Commission on the German Corporate Governance Code in accordance with Section 161 of the *Aktiengesetz* (AktG – German Stock Corporation Act)

The Executive Board and Supervisory Board of First Sensor AG hereby declare that, since their last declaration of conformity on March 12, 2019, they have complied with and will continue to comply with the recommendations of the German Corporate Governance Code in its version of February 7, 2017 (published in the Federal Gazette on April 24, 2017) with the following exceptions:

- **According to Section 3.8, para. 3, of the Code, a D&O insurance policy should contain provisions concerning a deductible for the Supervisory Board.**

  Members of the Supervisory Board are not required to pay a deductible because the company believes it is easier to recruit qualified members for the Supervisory Board without a deductible.

- **According to Section 4.2.3, para. 2, of the Code, the amounts paid as variable components of Executive Board compensation should be capped, and subsequent amendments to the performance targets or parameters for comparison should be excluded.**

  One component of our Executive Board's variable compensation is the granting of stock options. The corresponding stock option plans, approved at the Annual General Meetings in 2016 and 2017, are primarily geared toward long-term, positive growth of the share price and require substantial personal investment on the part of our Executive Board members. The respective stock option plans do not impose any caps.

  Another component of the Executive Board's variable compensation provided by the company is offered in the form of bonuses. Each bonus depends on the achievement of targets set by the Supervisory Board annually. Though there is no specific maximum amount for this variable Executive Board compensation, the amount of the bonus is limited to 200 percent of the target amount set for the variable Executive Board compensation. The accompanying incentive to not only achieve targets in the interest of the company but also exceed them is in the interest of all stakeholders, especially that of the shareholders.

Moreover, the Supervisory Board can, in special cases, set a limit of 125 percent of the target amount for hitting a target, regardless of the Executive Board's performance.

- **According to Section 4.2.3, para. 4, of the Code, payments made to an Executive Board member upon early termination of his/her contract should not exceed the value of two years' compensation (severance cap), including fringe benefits.**

  Since the members of the Executive Board do not lose entitlement to their variable compensation from the stock option programs already earned in the event of early termination of employment and the value of those options may even increase after they have left the company, the amount of the severance cap is not limited to two annual salaries. If the member of the Executive Board prefers a severance payment instead of remaining in the stock option program, the Supervisory Board may decide on the matter at its discretion.

- **According to Section 4.2.3, para. 4, sentence 5, of the Code, payments promised in the event of premature termination of Board of Management service due to a change of control should not exceed 150% of the severance payment cap.**

  The current employment contracts of the members of our Executive Board do place a cap on payments made in the event of premature termination of Board of Management service following a change of control but not on reimbursement for the stock options granted to them. Otherwise, the value of the stock options granted, which also reflect the successes already achieved, would either not compensate the members in full or at all.

- **According to Section 5.1.2, para. 1, of the Code, the Supervisory Board and Executive Board are required to ensure the company's long-term succession planning.**

  The company does not presently have a long-term plan of succession. Given the age structure of the members of our Executive Board, we do not see a need.

- **According to Sections 5.3.1, 5.3.2, and 5.3.3 of the Code, the Supervisory Board should form various committees.**

  Until the amendment to our Articles of Association approved at the Annual General Meeting on May 3, 2019, was entered in the commercial register on May 13, 2019, the Supervi-

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sory Board had four members. Under those circumstances, the formation of committees was not reasonable or practical. Following the amendment to the Articles of Association, the Supervisory Board now has six members, four representing the shareholders and two representing the employees. Even with that configuration, no committees, in particular, neither an audit committee nor a nomination committee, have been formed. The company ensures that the Advisory Board can perform its duties efficiently and effectively even without forming any committees.

- **According to Section 5.4.1, para. 2, of the Code, the Supervisory Board should set an age limit for its members and a general rule limiting its members' terms of office.**

  The Supervisory Board has thus far not set these limits because such restrictions do not appear to be in the company's interest due to the age structure of the members and the length of their membership on the Advisory Board.

Berlin, December 3, 2019

First Sensor AG

Dr. Dirk Rothweiler	Dr. Mathias Gollwitzer	Prof. Alfred Gossner
CEO	CFO	Chairman of the Supervisory Board

First Sensor AG | Peter-Behrens-Str. 15 | 12459 Berlin | Germany | T +49 30 6399 2399 | F +49 30 6399 2333 | contact@first-sensor.com