

DECLARATION ON CORPORATE GOVERNANCE  
CORPORATE GOVERNANCE REPORT  
19 MARCH 2020

## DECLARATION ON CORPORATE GOVERNANCE PURSUANT TO SECTION 289F AND 315D OF THE GERMAN COMMERCIAL CODE

The Declaration on Corporate Governance, in addition to the Declaration of Compliance pursuant to section 161 of the German Stock Corporation Act (Aktiengesetz, AktG), also contains information on corporate governance practices, the work approach of the Board of Management and the Supervisory Board as well as their established committees, and the report on equal participation of men and women in management positions as well as the diversity concept.

### DECLARATION OF COMPLIANCE

The German Corporate Governance Code (GCGC) describes nationally and internationally recognised standards of responsible corporate governance. In financial year 2019, the Supervisory Board and the Board of Management of RHÖN-KLINIKUM AG conducted a thoroughgoing review as scheduled of the German Corporate Governance Code in its version of 7 February 2017 ("**GCGC 2017**") at RHÖN-KLINIKUM AG and its subsidiaries. Apart from the exceptions disclosed in the Declaration of Compliance pursuant to section 161 of the German Stock Corporation Act (Aktiengesetz, AktG) ("**Declaration of Compliance**"), the recommendations of the GCGC 2017 were complied with. We observed most of the non-mandatory suggestions of the GCGC 2017 on a voluntary basis.

As a result of the deliberations, the regular Declaration of Compliance 2018 (dated 8 November 2018) was updated in financial year 2019 by the Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG in the year under way on 18 January 2019 and the regular Declaration of Compliance 2019 was issued on 6 November 2019. On 19 March 2020 an amendment in the year under way was additionally made to the Declaration of Compliance of 6 November 2019. The current and all past declarations of compliance are permanently made available over the Internet at [www.rhoen-klinikum-ag.com](http://www.rhoen-klinikum-ag.com).

The Declaration of Compliance of 6 November 2019 reads as follows:

DECLARATION OF COMPLIANCE PURSUANT TO SECTION 161 GERMAN STOCK CORPORATION ACT  
(as issued on 6 November 2019)

“The Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG declare that the recommendations issued by the ‘Government Commission of the German Corporate Governance Code’ as amended on 7 February 2017 and published by the Federal Ministry of Justice in the official section of the Federal Gazette on 24 April 2017 have been implemented will be implemented since the last update of the Declaration of Compliance on 18 January 2019 with the following exceptions:

**a) Code Item 4.2.2 (2) sentence 3**

Relationship between remuneration of the Board of Management and that of senior management and staff overall

Although the Supervisory Board has taken account of the wage and salary structure within the Company when setting the remuneration of the Board of Management, the Supervisory Board has not expressly determined how the senior management and the relevant overall staff are to be differentiated. The relationship of the remuneration of the Board of Management to the remuneration of the senior management and the relevant overall staff is consequently not reflected, either, by application of such definitions in the case of the criteria specified in Code Item 4.2.2 (2) sentence 2.

In view of the current management structure and specific staffing of a hospital company, the Supervisory Board at present does not find such definitions to be objectively justified.

**b) Code Item 4.2.3 (3)**

Pension commitments

Typical pension commitments do not exist at the Company. However, upon termination of the service contract or the decease of a member of the Board of Management the Company, subject to certain conditions, grants a “retirement benefit” explained in further detail in the Remuneration Report. It is paid as a one-time amount that is based on the number of completed years of service and additionally capped.

If the retirement benefits existing at the Company constitute provision benefits within the meaning of the recommendation pursuant to Code Item 4.2.3 (3), the “level of provision” in the view of the Supervisory Board results from the probable term of office of the respective member of the Board of Management and the formula defined in the retirement benefit. The annual as well as long-term expense for the Company is likewise derived from this.

Given the ambiguity of the recommendation pursuant to Code Item 4.2.3 (3) and the special structure of the retirement benefits existing at the Company, deviation from Code Item 4.2.3 (3) is nonetheless hereby declared as a precaution.

**c) Code Item 5.4.1 (2) to (4) and second half-sentence of (5) sentence 3**

Objectives regarding the composition of the supervisory board and competency profile, stating the number and names of independent members as well as publication of curricula vitae (CVs)

The Supervisory Board refrains from stating specific objectives regarding its composition and from defining an abstract competency profile for the body as a whole within the meaning of Code Item 5.4.1 (2) sentence 1, as well as from defining limits in respect of age or in terms of standard length of service within the meaning of Code Item 5.4.1 (2) sentence 2. Consequently, it is not possible to comply with the recommendations pursuant to Code Item 5.4.1 (4), which are based on the recommendations pursuant to Code Item 5.4.1 (2) sentence 1 and 2.

In the past the Supervisory Board, when nominating candidates for membership on the Supervisory Board, has been guided solely by the qualification of such candidates and by the law. In this regard, the Supervisory Board has long been guided by a fundamental requirements profile, which is adapted and clarified on an ad hoc basis as required in the individual case. The shareholders’ representatives on the Supervisory Board are convinced that this practice has proven itself and in its view does not require any further self-regulation giving rise to further layers of bureaucracy.

The Corporate Governance Report does not inform separately on what the Supervisory Board regards as an adequate number of independent members of shareholders and

their names, and the CVs supplemented within the meaning of Code Item 5.4.1 (5) sentence 3 – where no Supervisory Board elections are impending – are not permanently published and annually updated on the website.

In the assessment of the Supervisory Board, it has an adequate number of independent members of the shareholders within the meaning of Code Item 5.4.2 sentence 1. However, the Supervisory Board does not regard needlessly exposing individual members by stating their number and names in the Corporate Governance Report as objectively justified, especially given the vague character of the independence criterion as defined in the Code. This also rings true for permanent publishing all CVs on the website when no Supervisory Board elections are actually impending. Where elections to the Supervisory Board are impending, the CVs of the candidates have been published, and in future will continue to be published, on the website during this period.”

The supplementary amendment in the year under way by the Declaration of Compliance dated 19 March 2020 to the Declaration of Compliance dated 6 November 2019 reads as follows:

AMENDMENT DURING YEAR UNDER WAY TO DECLARATION OF COMPLIANCE IN  
ACCORDANCE WITH SECTION 161 OF THE GERMAN STOCK CORPORATION ACT  
(as issued on 19 March 2020)

Amendment during year under way of the Declaration by the Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG pursuant to section 161 AktG with the German Corporate Governance Code

“The Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG issued the last Declaration of Compliance pursuant to section 161 AktG on 6 November 2019. They declare, in addition to the derogations specified in the Declaration of Compliance dated 6 November 2019, the following additional derogations to the recommendations issued by the “Government Commission of the German Corporate Governance Code” as amended on 7 February 2017 and published by the Federal Ministry of Justice in the official section of the Federal Gazette on 24 April 2017:

**a) Code Item 5.3.2 (3) sentence 2**

Independence of the chairman of the audit committee

According to Code Item 5.3.2 sentence 2, the chairman of the audit committee is to be independent. The current chairman of the Audit Committee is Mr. Wolfgang Mündel. Mr. Mündel at the same time is a member of the Board of Directors of HCM SE. HCM SE and Asklepios Kliniken GmbH & Co. KGaA have founded a joint venture company which, after clearance under merger control legislation by the German Federal Cartel Office, is expected to hold more than 50% of the shares in RHÖN-KLINIKUM AG. As a result, Mr. Wolfgang Mündel might be regarded as being no longer independent. Since the Supervisory Board, at the Annual General Meeting to be held on 3 June 2020, is to be elected again anyway, the Supervisory Board does not now intend to appoint a new chairman of the Audit Committee.

**b) Code Item 5.4.2 last sentence**

Directorship of supervisory board members with major competitors

Item 5.4.2 last sentence of the Code provides that supervisory board members are not to exercise any directorship at major competitors of the company. After the clearance under merger control legislation, HCM SE and Asklepios Kliniken GmbH & Co. KGaA will hold an interest in the joint venture company mentioned in lit. a) in proportion to their contributed RHÖN-KLINIKUM shares. At the same time, Asklepios Kliniken GmbH & Co. KGaA will not only contribute the shares already held by it but also any shares it will acquire in the context of an announced public takeover offer. Through the joint venture company, Asklepios Kliniken GmbH & Co. KGaA will probably control more than 50% of the shares in RHÖN-KLINIKUM AG. Asklepios Kliniken GmbH & Co. KGaA and its affiliates are among the major competitors of RHÖN-KLINIKUM AG on the German hospital market.

The Supervisory Board has resolved to propose to the shareholders, in the elections to the Supervisory Board to take place at the Annual General Meeting on 3 June 2020, also persons exercising directorships with Asklepios Kliniken GmbH & Co. KGaA.”

## DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES

To meet the social responsibility in the highly complex world of a healthcare services provider, the corporate governance practices at RHÖN-KLINIKUM AG, which are applied above and beyond the statutory requirements, include ethical standards that are reflected in our corporate philosophy, corporate responsibility and our corporate code. We act at all times in accordance with the leading principle:

“Don’t do to others what you would not like done to yourself, and don’t leave off doing anything that you would like done to yourself.”

The Corporate Governance Code forms an integral part of the compliance management system implemented at RHÖN-KLINIKUM AG. In addition to statutory requirements and rules to be observed in the administrative area (e.g. patient data protection, combating corruption in the healthcare system), most of the services provided in the hospital constitute an invasion of a patient’s physical integrity. That is why it is all the more important for our patients to feel they are safe and in good hands when under our care.

Our compliance guidelines and recommendations explain the principles and rules of fair dealings with one another and responsible corporate governance. They define the relationship to our patients, customers, suppliers, shareholders and the general public as well as the conduct of employees amongst one another. In this regard, our employees are regularly informed of current developments, and since financial year 2017 an eLearning programme was moreover introduced for this purpose. The safety cards published internally by Compliance serve to assist and protect employees. At a glance, they cover on a subject-by-subject basis the most important legal requirements and rules and make corresponding recommendations.

At the heart of our corporate philosophy and underlying all our activity is the well-being of our patients. That is why the well-being of patients and integrity in dealing with patients is always the focus of interest of the work performed by our staff. Our success is based on the well-being of our patients and the trust they place in our employees and the medical services provided.

We firmly believe that everyone is entitled to affordable and high-quality medical care. For us, quality, cutting-edge medical care consists in the freedom in choosing medical treatment, ongoing investments in modern medical care as well as the further development of clinical processes and structures relating to our patients. We specifically promote interdisciplinary cooperation in the treatment provided by doctors and nurses, thus raising the quality of treatment noticeably. Personal integrity and professionalism enjoy the highest priority in all areas of our Company. At the same time, our basis of affordable, high-quality healthcare is private capital, whether generated thanks to our own entrepreneurial output or made available by the capital market. It enables investment in innovations, ensuring the future viability of healthcare. This in turn allows for profitability and sustainable financing of new growth and medical innovations.

Our corporate code and statements on corporate philosophy and corporate responsibility are permanently made available to the general public over the Internet at [www.rhoen-klinikum-ag.com](http://www.rhoen-klinikum-ag.com).

## **WORK APPROACH OF THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD**

As prescribed in German stock corporation and corporate law, RHÖN-KLINIKUM AG has a dual management system, i.e. a strict separation exists at the personnel level between the Board of Management vested with powers of direction and the Supervisory Board vested with supervisory powers. Simultaneous membership in both corporate bodies is not permissible.

The Board of Management is responsible for directing the Company. In accordance with the Terms of Reference, its business operations are carried out under joint responsibility. The Supervisory Board is responsible for advising the Board of Management on directing the Company and for supervising its management activity. To achieve the objective of sustainable value-added, the Board of Management and the Supervisory Board have committed themselves to cooperating through mutual trust in the best interests of the Company and on the basis of a balanced allocation of duties and responsibilities in accordance with the law, the Articles of Association and the Terms of Reference.



For further details on the work approach of the Board of Management and of the Supervisory Board and its committees, please refer to the Corporate Governance Report which is publicly accessible on our website at [www.rhoen-klinikum-ag.com](http://www.rhoen-klinikum-ag.com).

The composition of our Board of Management, Supervisory Board and its committees is likewise permanently accessible on our website.

### **EQUAL PARTICIPATION OF WOMEN AND MEN IN MANAGEMENT POSITIONS**

Already before and on entry into force of the Act on Equal Participation of Women and Men in Management Positions in the Public and Private Sector (Gesetz zur gleichberechtigten Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst, BGleiG), target figures, relevant management levels and target dates for the share of women were the subject of thorough discussions.

For the Board of Management and the two management levels below it, targets pursuant to section 111 (5), section 76 (4) AktG were specified.

The proportion of women on the Board of Management was defined as nil as at 30 June 2017 and was defined as at 31 December 2019 likewise nil.

The two management levels below the board of management refer to the hierarchical levels below the board of management actually established in the specific company. According to the management structure in place at RHÖN-KLINIKUM AG and the Terms of Reference, only one management level is formed below the Board of Management. The group of persons includes: managing directors, executive/commercial directors, Group divisional heads, chairman and deputy chairman of the Medical Board. The target for the proportion of women at this management level was defined and observed at 13% until 30 June 2017, the proportion targeted until 30 June 2022 was raised to 21%. As at 31 December 2019 the proportion of women is 23%.

Currently, 43.8% of the Supervisory Board is comprised of women and 56.2% of men. The minimum proportion of 30% pursuant to section 96 (2) sentence 1 AktG is complied with already as of 2015. The five-year term of office of the Supervisory Board ends upon

conclusion of the Annual General Meeting resolving on the formal approval of the actions of the Supervisory Board for financial year 2019.

## **DIVERSITY CONCEPT**

Pursuant to Code Item 5.1.2 (1) sentence 2 GCGC 2017, the Supervisory Board also gives due regard to diversity in the composition of the Board of Management. However, this is not done by pursuing an explicitly stipulated diversity concept in relation to age, gender, education or professional background. The composition of the Board of Management must ensure an effective and sustainable management of the Company geared to the Company's interests. To ensure that these statutory duties are duly performed, the Supervisory Board, when filling positions on the Board of Management, will primarily be guided in future also by the knowledge, skills and experience of the candidates being considered. In this regard, the Supervisory Board orients itself on a fundamental requirements profile, which is adapted and clarified on an ad hoc basis as required in the individual case. The Supervisory Board is convinced that this concept has proven itself.

The Supervisory Board has refrained from setting out any specific objectives regarding its composition within the meaning of Code Item 5.4.1 (2) sentence 1 GCGC and has stated this in the Declaration of Compliance pursuant to section 161 AktG. Consequently, no criteria such as age, gender, education or professional background were defined, either, as specific targets for the diversified composition of the Supervisory Board as part of an explicitly stipulated diversity concept.

Bad Neustadt a. d. Saale, 19 March 2020

The Supervisory Board

The Board of Management

*For better readability, we have avoided any gender differentiation in the terminology used in this Report. For any cases of relevance in this regard, the terms used apply equally to all genders in the interest of equal treatment.*

## CORPORATE GOVERNANCE REPORT

*In the annual Corporate Governance Report, the Board of Management and Supervisory Board of RHÖN-KLINIKUM AG report jointly on corporate governance.*

Corporate Governance stands for good and responsible corporate management practice and forms the basis of efficient, responsible decision-making and control processes of supervisory boards and boards of management oriented towards long-term corporate success. A transparent as well as legally and ethically sound corporate culture for us is the basis for ensuring value enhancement at our companies on a sustained basis as well as for preserving and further strengthening the trust that shareholders, business partners, patients and employees place in us.

In financial year 2019, the Supervisory Board and the Board of Management of RHÖN-KLINIKUM AG conducted a thoroughgoing regular examination of the German Corporate Governance Code. Its development, amendments as well as compliance at RHÖN-KLINIKUM AG and its subsidiaries were the subject of detailed consultations.

Two declarations of compliance – jointly drafted by the Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG pursuant to section 161 of the German Stock Corporation Act (Aktiengesetz, AktG) – were submitted in financial year 2019 in accordance with Item 3.10 of the German Corporate Governance Code as amended on 7 February 2017: on 18 January 2019 an updated declaration of the version of 8 November 2018, and on 6 November 2019. On 19 March 2020 an amendment in the year under way was additionally made to the Declaration of Compliance of 6 November 2019. According to that, derogations from the following recommendations are declared:

- Code Item 4.2.2 (2) sentence 3: Relationship between remuneration of the board of management and that of senior management and staff overall
- Code Item 4.2.3 (3): Pension commitments
- Code Item 5.4.1 (2) to (4) and second half-sentence of (5) sentence 3: Objectives regarding the composition of the supervisory board and competency profile, stating the number and names of independent members as well as publication of curricula vitae (CVs)

- Code Item 5.3.2 (3) sentence 2: Independence of the chairman of the Audit Committee
- Code Item 5.4.2 last sentence: Directorships of supervisory board members with major competitors

We observe most of the non-mandatory suggestions of the German Corporate Governance Code. The current and all past declarations of compliance are published on the Internet at [www.rhoen-klinikum-ag.com](http://www.rhoen-klinikum-ag.com).

### **SHAREHOLDER COMMUNICATION AND TRANSPARENCY**

Engaging in an active and open, i.e. transparent communication with our shareholders and treating them equally are things that are self-evident to us. We use suitable communication channels such as the Internet to provide information promptly and uniformly to all market participants, and to *ad hoc* service providers for mandatory publications to be disseminated. All reports and notices can be accessed on our Company's website at [www.rhoen-klinikum-ag.com](http://www.rhoen-klinikum-ag.com). Our financial calendar containing all important financial dates for analysts, investors, shareholder associations and media likewise can be viewed on our website under the Investor Relations section. Information relating to our share and its price trend as well as inside information directly concerning us are published on our website.

We report to the public on a quarterly basis on business development as well as the Group's net assets, financial position and results of operations in accordance with the applicable International Financial Reporting Standards (IFRS), applying section 315a of the German Commercial Code (Handelsgesetzbuch, HGB). As a rule, its preliminary business figures and forecasts for the current year are made known approximately six to eight weeks from the end of the financial year in accordance with the requirements.

On our website we promptly disclose notices pursuant to Article 19 of the Market Abuse Regulation (MAR) (Managers' Transactions) by members of the Board of Management and the Supervisory Board as well as by parties closely associated with them on the acquisition and sale of shares of the Company or other financial instruments relating thereto. If we become aware of the fact that an individual reaches, exceeds or falls below the statutory

thresholds of voting rights in the Company by means of a purchase, sale or in any other manner, we also publish this information on our website immediately.

Dealings of RHÖN-KLINIKUM AG and its subsidiaries with related parties of as well as companies related to such parties are disclosed in the Consolidated Financial Statements. Contracts entered into with related parties were reviewed and approved by the Supervisory Board. In the view of the Board of Management and the Supervisory Board, such contracts have no impact on the independence of the member of the Supervisory Board.

## **SHAREHOLDERS AND GENERAL MEETING**

At the Annual General Meeting of the Company, which is normally held within the first six months of each year, the Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG report to their shareholders on business performance as well as the financial position and results of operations.

Based on the scope of possibilities afforded to them by the Articles of Association, it is stipulated that the shareholders of RHÖN-KLINIKUM AG avail themselves of their rights exclusively at the Annual General Meeting by exercising their voting rights. Shareholders are free to decide whether to exercise their voting rights themselves or through an authorised person of their choice, or may have themselves represented by proxies appointed by the Company for this purpose. Each share confers one vote. In the interests of securing the resolution procedure, we maintain at the present time the system whereby voting rights are exercised by attendance in person or by legitimised representation at the Annual General Meeting.

On convening of the Annual General Meeting, the Invitation with the Agenda as well as the reports and documents required by law including the Annual Report are made accessible on our website under the Annual General Meeting section.

## **BOARD OF MANAGEMENT AND SUPERVISORY BOARD**

In keeping with the requirements of German legislation governing joint stock corporations and corporations, RHÖN-KLINIKUM AG has a dual management system subject to the strict separation at the personnel level between the management and supervisory bodies. The Board of Management has powers to direct the Company and the Supervisory Board powers to supervise the Company. The current composition of our Board of Management, the Supervisory Board and its committees is published on our website at [www.rhoen-klinikum-ag.com](http://www.rhoen-klinikum-ag.com). Simultaneous membership in both corporate bodies is not permissible.

To achieve the objective of sustainable value-added, the Board of Management and the Supervisory Board have committed themselves to cooperating closely in a spirit of mutual trust in the best interests of the Company and on the basis of a balanced allocation of duties and responsibilities in accordance with the law, the Articles of Association and the Terms of Reference.

The Board of Management informs the Supervisory Board regularly and timely on the current situation of the Company. At the level of RHÖN-KLINIKUM AG and its subsidiaries, the Board of Management has implemented a compliance and risk management system. Our Group-wide compliance management system pursues the aim of ensuring that statutory requirements and ethical codes of conduct are observed over all hierarchical levels. Our Rules of Procedure and Guidelines for Compliance define the relationship with our patients, customers, suppliers, shareholders and the general public as well as the conduct of employees amongst one another. Our compliance activities are focused on combating corruption both actively and passively. Thus, any contraventions in the area of corruption are not tolerated and strictly sanctioned at all management and employee levels. Initiation and implementation of measures is event-driven. RHÖN-KLINIKUM AG moreover maintains a whistleblowing system in which everyone enjoys protection when they report evidence of legal violations within the Company. To identify risks of substantial losses in time, a risk management system has been implemented Group-wide. The risk profile allows the Board of Management to respond early and adequately to changes in the Group's risk position and to exploit opportunities. Our handling of risks and opportunities is also consistent with the

principles of responsible corporate behaviour. The risk management system is reviewed by our auditor as part of the annual audit of the financial statements.

Both for members of the Supervisory Board and for members of the Board of Management, RHÖN-KLINIKUM AG has taken out indemnity insurance cover (D&O insurance) with an adequate coverage concept and the deductible mandatory in accordance with Code Item 3.8 (2) and (3) GCGC. In this connection, the insurance premium (including insurance tax) paid by the Company in financial year 2019 was € 151 thousand.

### **Management Board**

The Board of Management is responsible for directing the Company. In accordance with the Terms of Reference, its business operations are carried out under joint responsibility. Each member of the Board of Management has his own areas of responsibility as determined by operative and/or functional competencies. The chairman of the Board of Management is responsible for corporate policy as well as the Group's fundamental strategic orientation. When filling management positions within the Company, the Board of Management gives due regard to the principle of diversity and has defined targets at the management levels below the Board of Management which are published in the Declaration on Corporate Governance accessible on our website.

The Board of Management reports regularly, without delay and comprehensively to the Supervisory Board on all significant issues relating to the business development and position of the Group and its subsidiaries. The Board of Management furthermore coordinates with the Supervisory Board the Group's further strategic development and discusses its implementation. If any events of special significance should arise, the chairman of the Board of Management informs the chairman of the Supervisory Board of these without delay. Any transactions and measures which are subject to consent are presented to the Supervisory Board in due time. Moreover, the Supervisory Board must give its consent to any side activity of the members of the Board of Management. The consent of the Supervisory Board is also required for transactions between the members of the Board of Management or parties related to them on the one hand and RHÖN-KLINIKUM AG on the other. For the members of the Board of Management, a fixed age limit of 65 years is enshrined in the Articles of Association.

The Board of Management is currently comprised of three members: Mr. Stephan Holzinger, Chairman of the Board of Management and Chief Financial Officer (CEO/CFO), Prof. Dr. Bernd Griewing, Chief Medical Officer (CMO), and Dr. Gunther K. Weiß, Chief Operating Officer (COO).

### **Supervisory Board**

The Supervisory Board is responsible for advising the Board of Management on directing the Company and for supervising its management activity. By their close and efficient cooperation, the Board of Management and the Supervisory Board pursue the common goal of achieving sustained value enhancement. The basis for this is provided by the Terms of Reference for the work between the Board of Management and the Supervisory Board.

In accordance with the requirements of the German Co-Determination Act (Mitbestimmungsgesetz, MitbestG), the Supervisory Board of RHÖN-KLINIKUM AG, in accordance with the principle of equal representation of shareholders and staff and pursuant to the Articles of Association, currently comprises an equal number of shareholder and employee representatives (16 in total). In 2019 four regular meetings were held. The Supervisory Board is chaired by Mr. Eugen Münch in a full-time capacity.

The Supervisory Board has refrained from specifying definitive targets for its composition. Consequently, no criteria such as age, gender, education or professional background were defined, either, as specific targets for the diversified composition of the Supervisory Board as part of an explicitly stipulated diversity concept. The Corporate Governance Report does not inform separately on what the Supervisory Board regards as an adequate number of independent members of shareholders and their names, and the supplemented CVs – where no Supervisory Board elections are impending – are not permanently published and annually updated on the website. The Supervisory Board has stated the deviations regarding Code Item 5.4.1 of the GCGC in the Declaration of Compliance pursuant to section 161 of the AktG.

As scheduled, the last election of the shareholder representatives to the Supervisory Board took place at the Annual General Meeting on 10 June 2015. The election of the shareholders' representatives was based on a recommendation of the Nomination Committee of the



Supervisory Board and was held in accordance with the recommendations of the German Corporate Governance Code on an individual basis. For the proposed candidates, due regard was given both to their qualification on the basis of a profile of professional requirements and to their independence with a view to avoiding conflicts of interests as well as in terms of their expected time commitment. The five-year term of office of the Supervisory Board ends upon conclusion of the Annual General Meeting on 3 June 2020 resolving on the formal approval of the actions of the Supervisory Board for financial year 2019. The Articles of Association provide for an age limit of 75 years for members.

At the Annual General Meeting on 5 June 2019, Mr. Jan Hacker was elected as a new member to the Supervisory Board. The appointment of Mr. Jan Hacker was made for the term of office until the conclusion of the Annual General Meeting resolving on formal approval of actions for financial year 2019. The new election was necessary by reason of the departure of Prof. Dr. h. c. Ludwig Georg Braun for reasons of age as required by the Articles of Association.

As a result, 43.8% of the Supervisory Board is currently comprised of women and 56.2% of men. The composition of our Supervisory Board is presented in the 2019 Annual Report in the annex to the Report of the Supervisory Board and in the Notes to the consolidated financial statements.

The Terms of Reference of the Supervisory Board provide for the formation of committees. In 2019 there were seven standing committees: the Mediation Committee, Personnel Affairs Committee, Audit Committee as well as the Investment, Strategy and Finance Committee and the Committee for Compliance and Communication as committees with power to adopt resolutions, as defined in section 107 (3) AktG, and the Nomination Committee and Medical Innovation and Quality Committee. The respective committee chairmen report at regular intervals to the Supervisory Board on the work of the committees.

The **Mediation Committee** submits proposals to the Supervisory Board for the appointment of members to the Board of Management if in the first round of voting the required majority of two thirds of votes of the Supervisory Board members is not reached.

The **Personnel Affairs Committee** is responsible for the personnel-related matters of the Board of Management. Its tasks include reviewing candidates for service as members on the Board of Management and making proposals to the Supervisory Board regarding appointments. It is also responsible for negotiating, making preparations for entering into, amending and terminating service contracts of members of the Board of Management and other contracts. Furthermore, it evaluates the performance of the Board of Management, and at regular intervals conducts a review of whether the remuneration of the Board of Management is reasonable and customary as well as of the guidelines for the remuneration of members of the Board of Management. In this regard, it makes proposals to the full Supervisory Board for adoption of resolutions.

The **Audit Committee** prepares the resolutions of the Supervisory Board on the adoption of the annual financial statements and the approval of the consolidated financial statements. This is done by way of preparatory internal review of the annual financial statements and management reports. It reviews the resolution on the appropriation of profit and discusses the annual financial statements and audit reports with the auditor and the Board of Management.

The Audit Committee is moreover responsible for selecting and appointing the statutory auditor, including agreeing on the auditing fees and concluding the required agreements pursuant to the German Corporate Governance Code for the performance of the audit of the annual financial statements. Prior thereto, the Audit Committee is required to thoroughly satisfy itself of the independence of the statutory auditor and to assure itself that neither grounds for disqualification nor grounds for bias exist. The Audit Committee is further responsible for reviewing and monitoring the auditor, the auditor's independence and quality as well as the services additionally provided by the auditor.

Monitoring of financial reporting including the interim reports, the accounting process, the effectiveness of the internal controlling system, risk management system and the internal audit system likewise fall within the scope of duties of the Audit Committee, as does dealing with questions of fundamental importance relating to accounting and corporate governance. For all members elected to the Audit Committee, due regard is given to their independence

and particular experience and knowledge with regard to the application of accounting rules and internal controlling processes.

The chairman of the Audit Committee, Mr. Wolfgang Mündel, possesses the required knowledge of the Company and its market environment given his long-standing membership in the Supervisory Board of RHÖN-KLINIKUM AG. He meets the requirements pursuant to Item 5.3.2 of the German Corporate Governance Code for this challenging position thanks to his qualification as auditor and tax adviser. Mr. Mündel is the 2<sup>nd</sup> deputy chairman of the Supervisory Board and performs his duties on the Supervisory Board in a full-time capacity. The Audit Committee comprises three financial experts who satisfy the conditions of section 100 (5) of the AktG.

The **Investment, Strategy and Finance Committee** is responsible for advising the Board of Management regarding the strategy for the Company's further development. It furthermore adopts resolutions pursuant to section 107 (3) of the AktG on the approval of hospital takeovers, on other investments subject to approval and their financing. Reports to be remitted by the Board of Management to the Supervisory Board on the Company's investment and financial development as well as on fundamental strategic developments are reviewed and commented by this Committee.

The **Committee for Compliance and Communication** may be approached in all compliance matters directly by all patients, employees, suppliers and other third parties, and devotes its efforts to advising on and monitoring the Group's compliance management as well as communication with the media and the capital markets. To ensure close ties to the Audit Committee, the chairman of the Committee for Compliance and Communication is also represented on the Audit Committee. She has the right in certain cases to request a special audit.

The **Nomination Committee** selects candidates from the shareholders' representatives to be members of the Supervisory Board and proposes them to the Supervisory Board for nomination.

The **Medical Innovation and Quality Committee** works in an advisory capacity, particularly with regard to developments and trends in medicine. It also monitors the development of medical quality at the Company.

The Supervisory Board internally reviews the efficiency of its activity on an ongoing basis and at regular intervals arranges for an efficiency audit to be carried out with consultation by an external consultant. In 2019/2020 an independent external audit, which included questionnaires and interviews, was once again carried out. Its results were in line with the Supervisory Board's expectations in terms of efficient performance of duties.

A detailed overview of the work of the individual committees and their composition in financial year 2019 is provided in the Report of the Supervisory Board in the 2019 Annual Report.

The remuneration report and the remuneration tables of the Supervisory Board and the Board of Management are disclosed in the Notes to the Group Management Report.

Bad Neustadt a. d. Saale, 19 March 2020

The Supervisory Board      The Board of Management

*This Report is published in connection with the Declaration on Corporate Governance on our website at [www.rhoen-klinikum-ag.com](http://www.rhoen-klinikum-ag.com) under the Corporate Governance section.*