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**CORPORATE GOVERNANCE DECLARATION AND REPORT.** The Supervisory Board and the Management Board are committed to responsible management that is focused on achieving a sustainable increase in the value of the Company. Long-term corporate strategies, solid financial management, strict adherence to legal and ethical business standards, and transparency in corporate communication are key factors.

In this Corporate Governance Declaration, the Supervisory Board of Fresenius SE & Co. KGaA and the Management Board of the general partner of Fresenius SE & Co. KGaA, Fresenius Management SE (Management Board), report, pursuant to Sections 289f and 315d of the German Commercial Code (HGB), on corporate management and, pursuant to number 3.10 of the German Corporate Governance Code, on the Corporate Governance at the Company (Corporate Governance Report). The Corporate Governance Declaration and the Corporate Governance Report are published on our website, see [www.fresenius.com/corporate-governance](http://www.fresenius.com/corporate-governance).

## **CORPORATE GOVERNANCE DECLARATION**

### **GROUP MANAGEMENT AND SUPERVISION STRUCTURE AND CORPORATE BODIES**

#### **GROUP MANAGEMENT AND SUPERVISION STRUCTURE**

The Company has the legal form of a KGaA (Kommanditgesellschaft auf Aktien – partnership limited by shares). The **Annual General Meeting**, the **Supervisory Board**, and the **general partner** Fresenius Management SE are the legal corporate bodies. There have been no changes in the Group management and the supervision structure in the reporting period. The chart on the following page provides an overview of the Group structure.

The articles of association of Fresenius SE & Co. KGaA, which, in addition to legal provisions, further define the responsibilities of the individual corporate bodies, can be downloaded from our website, see [www.fresenius.com/corporate-governance](http://www.fresenius.com/corporate-governance).

## SHAREHOLDERS

The shareholders uphold their rights at the Annual General Meeting, where they exercise their **voting rights**. Every ordinary share of Fresenius SE & Co. KGaA confers one vote. None of the shares carry multiple or preferential voting rights.

We report in detail on our investor relations activities on page 145 and in the section "Fresenius share" on page 35.

## ANNUAL GENERAL MEETING

Our Annual General Meeting (AGM) was held on May 18, 2018, in Frankfurt/Main. Approximately 73% of the share capital was represented.

During the AGM, the shareholders approved the proposal made by the general partner and the Supervisory Board to increase the 2017 dividend by 21% to €0.75 per ordinary share with a majority of around 89% of the votes cast. Further, the shareholders voted for the cancellation of the Authorized Capital I and the creation of a new Authorized Capital I. New authorizations to issue convertible bonds, to repurchase own shares, and to use equity derivatives for repurchasing own shares were also approved. In addition, the shareholders approved the revised compensation system for the members of the Management Board of the general partner

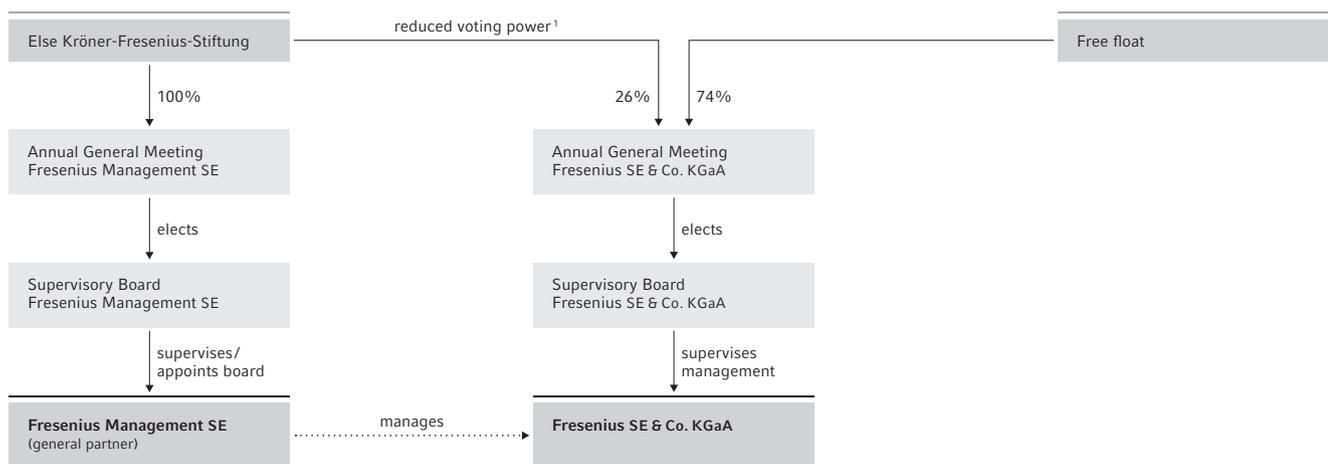
along with the new Long Term Incentive Plan 2018 (LTIP 2018). With regard to certain subject matters, legally required voting right exclusions exist for the general partner and in some instances for its sole shareholder, the Else Kröner-Fresenius-Stiftung. These pertain, for example, to the appointment of the Supervisory Board of Fresenius SE & Co. KGaA, the approval of the actions of the general partner and the members of the Supervisory Board, and the selection of the auditor. This guarantees that the remaining shareholders retain the sole authority to decide on these matters, especially those that pertain to the supervision of management.

Documents and information on the Annual General Meeting, as well as the voting results, are available on our website at [www.fresenius.com/annual-general-meeting](http://www.fresenius.com/annual-general-meeting).

## MANAGEMENT BOARD AND SUPERVISORY BOARD PROCEDURES

The **responsibilities** are distributed as follows in Fresenius SE & Co. KGaA: the Management Board of the general partner is responsible for conducting the business of Fresenius SE & Co. KGaA. The Supervisory Board of Fresenius SE & Co. KGaA supervises the management of the Company's business by the general partner.

### STRUCTURE OF FRESENIUS SE & CO. KGAA



<sup>1</sup> For selected items no voting power, e. g., election of Supervisory Board of Fresenius SE & Co. KGaA, discharge of general partner and Supervisory Board of Fresenius SE & Co. KGaA, election of the auditor

## General partner – Management and Supervisory Boards

The general partner, Fresenius Management SE, represented by its Management Board, manages Fresenius SE & Co. KGaA at its own responsibility and conducts its business. The Management Board formulates the Company's strategy, discusses it with the Supervisory Boards of Fresenius Management SE and Fresenius SE & Co. KGaA, and oversees its implementation. Its actions and decisions are aligned with the best interests of Fresenius SE & Co. KGaA. The Management Board is committed to increasing the value of the Company on a sustainable basis. The rules of procedure for the Management Board were established by the Supervisory Board of Fresenius Management SE. They define the activities within the board more specifically, especially with regard to the individual duties and responsibilities of the members, matters reserved for the full Management Board, and resolutions to be passed by the full Management Board. Sustainability is a Group responsibility and directly reported to the CEO. Further information can be found in the Group Non-financial Report on pages 92ff.

The **meetings of the Management Board** are convened as required, but at least once a month, and are chaired by the Chairman of the Management Board or, if he is incapacitated, by the Chief Financial Officer or, if she is also incapacitated, by the Management Board member present who is most senior in age. However, Management Board meetings are usually held twice a month. The person chairing the meeting decides the order in which the items on the agenda are dealt with and the form in which the voting is conducted. The Management Board passes its resolutions by a simple majority of the votes cast or, outside its meetings, by a simple majority of its members, except in cases where mandatory provisions of law impose stricter requirements. The Chairman of the Management Board has the casting vote if a vote is tied. If the Chairman is incapacitated or absent, the motion is deemed rejected if a vote is tied. The rules of procedure for the Management Board also govern the relations between the Management Board and the Supervisory Board of the general partner, as well as between the general partner and

the Supervisory Board of Fresenius SE & Co. KGaA, and also matters that require approval of the general partner's Supervisory Board.

The Management Board generally consists of seven members: the Chairman, the Chief Financial Officer, the Chief Legal and Compliance Officer and Labor Relations Director, and the chief executive officers of the four business segments. This ensures that the full Management Board is kept constantly informed about important events, plans, developments, and measures within the business segments. There are no Management Board committees owing to Fresenius SE & Co. KGaA's role as an operating holding company. The Management Board is listed on page 272 of the Annual Report.

Members of the Management Board are appointed for a maximum period of five years. Following the recommendation of the Code, a first-time appointment period of five years is not the rule. In principle, first-time appointments are rather for a three-year period.

As a European company (SE – Societas Europaea), Fresenius Management SE has its own **Supervisory Board**. It consists of six members, and its Chairman is Dr. Gerd Krick. The Supervisory Board appoints the members of the Management Board of Fresenius Management SE and supervises and advises the Management Board by conducting the business. If necessary, e. g., in order to discuss or decide on matters concerning the Management Board, the Supervisory Board meets without the Management Board. It established its rules of procedure following the recommendation in number 5.1.3 of the Code.

The Supervisory Board members of Fresenius Management SE can be found on page 273 of the Annual Report.

### The Supervisory Board of Fresenius SE & Co. KGaA

The Supervisory Board of Fresenius SE & Co. KGaA supervises the management of the Company's business by the general partner. It supervises business operations to ensure that corporate decisions are compliant, suitable, and financially sound. The members of the Management Board of the general partner are appointed by the Supervisory Board of Fresenius Management SE, not – as already explained – by the Supervisory Board of Fresenius SE & Co. KGaA.

The Supervisory Board of Fresenius SE & Co. KGaA consists of 12 members. Half of its members are elected by the AGM. The proposals for the members of the Supervisory Board primarily take account of the knowledge, ability, and expert experience required to perform the tasks. The election proposals provided by the Supervisory Board will reflect its designated **objectives** as well as its **profile of expertise and skills**. In 2018, the objectives for the composition and profile of skills and expertise of the Board were met. Further information can be found on pages 137 ff.

For the Supervisory Board of Fresenius SE & Co. KGaA, the law requires a quota of at least 30% women and 30% men. These mandatory quotas were met by the Supervisory Board in fiscal year 2018 and are still met. As it is in the Company's interest not to limit the selection of qualified candidates in a general way, the Supervisory Board confines itself to a general declaration of intent and particularly refrains from an age limit, as well as a regular limit on length of membership. The statutorily required declaration of conformity concerning the Code accordingly includes a justified limitation. A Nomination Committee has been instituted for election proposals for the **shareholder representatives**. Its activities are aligned with the provisions of law and the Code. The European Works Council elects the **employee representatives** to the Supervisory Board of Fresenius SE & Co. KGaA. If an employee representative retires within their term of office, the substitute member will become a member of the Supervisory Board. Rainer Stein retired as of August 31, 2018 and his substitute member Bernd Behlert became the new member of the Supervisory Board as of September 1, 2018.

The Supervisory Board is of the opinion that all its members are independent. The Supervisory Board shall include what it deems to be an appropriate number of **independent members** who do not have any business or personal relationship with the Company, its corporate bodies, a controlling shareholder, or a party related to the latter that may give grounds for a material and not merely temporary conflict of interest. The **articles of association** of Fresenius SE & Co. KGaA regulate the details with regard to the Supervisory Board's election, constitution, term of office, meetings and resolutions, and rights and duties. They are published on our website, see [www.fresenius.com/corporate-governance](http://www.fresenius.com/corporate-governance).

The Supervisory Board of Fresenius SE & Co. KGaA has established its rules of procedure in accordance with number 5.1.3 of the Code. The Chairman of the Supervisory Board is responsible for coordinating the activities of the Supervisory Board, chairing the **meetings**, and representing its interests externally. The Supervisory Board should convene once each calendar quarter, and must convene twice each calendar half-year. The meetings are convened and chaired by the Chairman or, if he is incapacitated, by a chairperson named by the Chairman. The person chairing the meeting decides the order in which the items on the agenda are dealt with and the form in which the voting is conducted. Unless other majorities are mandatory by law, the Supervisory Board passes its resolutions by a simple majority of the votes submitted in the voting. If a vote is tied, the Chairman has the casting vote or, if he does not take part in the voting, the matter is decided by the vote of the Deputy Chairman, who is a shareholder representative. The shareholder representatives and the employee representatives within the Supervisory Board conduct separate meetings on a regular basis.

The Supervisory Board of Fresenius SE & Co. KGaA conducts its business in accordance with the provisions of law, the articles of association of Fresenius SE & Co. KGaA, and its rules of procedure. The Management Board of the general partner Fresenius Management SE continuously informs the Supervisory Board of the corporate development, planning, and strategy. The Supervisory Board supervises the Company's management and, taking into account the auditor's reports, reviews the Group's annual financial statements. Another important part of the Supervisory Board's activities is the work conducted within the committees formed in accordance with the requirements of the German Stock Corporation Act and the recommendations of the Code.

### Supervisory Board training and further education measures

The members of the Supervisory Board independently take on necessary training and further education measures required for their tasks. They keep themselves regularly informed, through internal and external sources, about the latest requirements with regard to their supervisory activities. The Supervisory Board at all times ensures that its members are suitably qualified, keep their professional knowledge up to date, and further develop their judgment and expertise. They are supported appropriately by the Company in accordance with number 5.4.5 paragraph 2 of the Code. Various external experts as well as experts from the Company provide information about important developments, for example about the strategic orientation of the Company in growth markets, relevant new laws and precedents, or changes in the IFRS accounting and auditing standards. In addition, the Company holds an onboarding event for new members of the Supervisory Board.

The members of the Supervisory Board of Fresenius SE & Co. KGaA can be found on pages 270 to 271 of the Annual Report. On pages 16 to 23 of the Annual Report, the Supervisory Board reports on the main focuses of its activities and those of its committees in 2018.

### Supervisory Board efficiency evaluation

The Supervisory Board of Fresenius SE & Co. KGaA deliberated on the efficiency evaluation in accordance with number 5.6 of the Code at its meeting in March 2018.

It reviewed the efficiency of its activities through an open discussion within the full Supervisory Board. A **company-specific questionnaire** covering the salient points for a self-evaluation served as the basis for the discussion. Among other things, this included the organization and structuring of the meetings, the amount of information, and how this information was provided. The self-evaluation showed that the Supervisory Board assesses its organization as well as its work as efficient.

### Cooperation between general partner and Supervisory Board of Fresenius SE & Co. KGaA

Good corporate governance requires **trusting and efficient cooperation** between the Management and the Supervisory Board. The Management Board of the general partner and the Supervisory Board of Fresenius SE & Co. KGaA closely cooperate for the benefit of the Company. Open communication is essential. The common goal is to sustainably increase the

company value in line with the corporate governance and compliance principles. The Management Board of the general partner and the Supervisory Board of Fresenius SE & Co. KGaA coordinate with each other, especially with regard to the Company's strategic focus. As the monitoring body, the Supervisory Board of Fresenius SE & Co. KGaA also needs to be fully informed about operating performance and corporate planning, as well as the risk situation, risk management, and compliance. The Management Board of the general partner provided this information in full and in compliance with its duties.

The representatives of the shareholders and of the employees may prepare the Supervisory Board meetings separately, and, if applicable, with members of the Management Board. Pre-meetings of the employee representatives as well as consultations of the shareholder representatives take place on a regular basis. If necessary, the Supervisory Board meets without the Management Board.

### COMPOSITION AND PROCEDURES OF THE SUPERVISORY BOARD COMMITTEES

The Supervisory Board of Fresenius SE & Co. KGaA forms two **permanent committees** from among its members: the Audit Committee, consisting of five members, and the Nomination Committee, consisting of three members. The committee members were elected for the duration of their term as a member of the Supervisory Board of Fresenius SE & Co. KGaA. In accordance with the articles of association of Fresenius SE & Co. KGaA, only members of the Audit Committee receive additional compensation (Section 13 (5) and Section 13 (2) (old version)). There is no Personnel Committee in the KGaA because the Supervisory Board of Fresenius SE & Co. KGaA is not responsible for appointing members of the Management Board of the general partner or for their contracts. Responsibility for these personnel matters lies with the Supervisory Board of the general partner.

The provisions for the Supervisory Board of Fresenius SE & Co. KGaA apply analogously to the committees. The committees hold meetings as required. The meetings are convened by

the committee chairmen. They report during the following Supervisory Board meeting about the work of the respective committee. The rules of procedure for the committees are regulated in the rules of procedure of the Supervisory Board of Fresenius SE & Co. KGaA. The committees do not have their own rules of procedure.

The members of the Supervisory Board's committees are listed on page 271 of the Annual Report.

### Audit Committee

The Audit Committee's function is, among other things, to prepare the Supervisory Board's approval of the financial statements – and the consolidated financial statements – and the Supervisory Board's proposal to the AGM on the appointment of the auditor for the financial statements, and to make a preliminary review of the proposal on the allocation of distributable profits. It also reviews the quarterly reports before they are published and – following discussions with the Management Board – engages the auditor for the financial statements (and concludes the agreement on the auditor's fees), determines the main focuses of the audit, and defines the auditor's reporting duties in relation to the Supervisory Board of Fresenius SE & Co. KGaA. Other matters within its remit are to review the effectiveness of the internal controls system, of the risk management system, of the internal audit system, and of the compliance.

The Audit Committee consists of Klaus-Peter Müller (Chairman), Konrad Kölbl, Dr. Gerd Krick, Hauke Stars, and Niko Stumpfögger (since September 1, 2018), as successor of Rainer Stein who left the committee as of August 31, 2018. Klaus-Peter Müller is independent and has the required expertise in the fields stated in Section 100 (5) of the German Stock Corporation Act (AktG), as well as specialist knowledge and experience in the application of accounting principles and internal control processes.

The Audit Committee also examined in detail the non-audit services rendered additionally by the auditor KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, as well as the audit firm rotation in 2020.

### Nomination Committee

The Nomination Committee proposes suitable candidates to the Supervisory Board for the nominations it makes to the AGM for the election of Supervisory Board members on the shareholders' side. It consists solely of shareholder representatives. In making its proposals, the Nomination Committee is guided by the requirements of the Code.

The Nomination Committee consists of Dr. Gerd Krick (Chairman), Michael Diekmann, and Klaus-Peter Müller.

### Mediation Committee

Fresenius SE & Co. KGaA does not have a Mediation Committee because the provisions of the German Co-Determination Act that require such a committee do not apply to a partnership limited by shares and because the Code does not require such a committee either.

### Joint Committee

For some matters, which are defined in further detail in Section 13c (1) of the articles of association of Fresenius SE & Co. KGaA, the general partner requires the approval of the Joint Committee if 40% of the consolidated sales, the consolidated balance sheet total, and the consolidated profit are affected by the matter. These include, for example, the divestiture and acquisition of large investments and business units or the divestiture of large business units from the assets of Fresenius SE & Co. KGaA or a wholly owned company. The approval of the Joint Committee is also required for certain legal transactions between Fresenius SE & Co. KGaA or its affiliates and the Else Kröner-Fresenius-Stiftung.

Dr. Gerd Krick and Michael Diekmann are members of the Joint Committee. The other members are Dr. Dieter Schenk (Chairman) and Dr. Karl Schneider, who were appointed by the general partner. The Joint Committee did not meet in 2018.

Information on positions held by committee members on statutorily required supervisory boards and comparable domestic and foreign control bodies of other business enterprises can be found on pages 270 to 273 of the Annual Report.

## **OBJECTIVES FOR THE COMPOSITION, PROFILE OF SKILLS AND EXPERTISE, AND DIVERSITY CONCEPT**

The Supervisory Board of Fresenius SE & Co. KGaA determined in accordance with number 5.4.1 of the German Corporate Governance Code concrete objectives for its composition and prepared a profile of skills and expertise for the entire board. Furthermore, it resolved on a diversity concept for the Management Board of Fresenius Management SE and the Supervisory Board of Fresenius SE & Co. KGaA.

## **OBJECTIVES FOR THE COMPOSITION OF THE SUPERVISORY BOARD AND PROFILE OF SKILLS AND EXPERTISE FOR THE ENTIRE BOARD**

The Supervisory Board of Fresenius SE & Co. KGaA is to be composed in such a way that its members in entirety have the required knowledge, skills, and professional experiences for duly observing the tasks. Thereby, it is necessary to differentiate between the requirements for the individual Supervisory Board members and the requirements for the composition of the entire Board.

### **Requirements for the individual Supervisory Board members**

The Supervisory Board members have to be professionally as well as personally qualified to advise and supervise the Management Board of a globally active health care Group.

### **Good corporate governance**

Each Supervisory Board member is to have the knowledge of good corporate governance of a capital-market-oriented company required for duly observing its tasks. This includes knowledge of the main features of accounting, risk management, internal control mechanisms, and of compliance matters.

### **Sector experience and internationality**

Each Supervisory Board member is to have general knowledge of the health care sector, as well as a basic understanding of the global activities of Fresenius.

## **Independence**

A minimum of half of the Supervisory Board members and a minimum of the half of the shareholder representatives in the Supervisory Board are to be independent within the meaning of the German Corporate Governance Code. Independent in this meaning is someone who does not have a personal or business relationship with the Company, its governing bodies, a controlling shareholder, or a company affiliated with such that may cause a substantial and not merely temporary conflict of interest. The shareholder structure may be appropriately taken into account.

When assessing independence, in the view of the Supervisory Board, neither an appointment to the Management Board lapsed for more than two years nor the duration of the membership to the Supervisory Board exclude the classification as independent per se.

With regard to the employee representatives, the independence is not contested by the fact of representing employees nor by the employment relationship.

Individuals exercising an office in a body of a significant competitor of Fresenius or who hold, directly or indirectly, more than 3% of the voting capital in such are not to be a member of the Supervisory Board.

In cases where a Supervisory Board member is active for another company having business relationships with Fresenius, this activity is described in the section "Legal relationships with members of the corporate bodies" of the Annual Report.

## **Time availability and limit to the numbers of offices held**

Each Supervisory Board member is to have sufficient time available for duly observing the office as Supervisory Board member and to comply with the limit to the offices held as recommended by the German Corporate Governance Code. Under the assumption of four meetings annually, the expected time expenditure of new members generally amounts to approximately 12 to 24 days a year. This includes the preparation and follow-up of the Supervisory Board's meetings, the review of reports to the Supervisory Board, the participation in the Annual General Meeting, and regular training. Thereby, it is to be considered that the time expenditure also depends on the membership of one or several Supervisory Board committees.

### **Age limit and duration limit on the term of membership**

In order to not unduly limit the selection of qualified candidates, the Supervisory Board refrains from an age limit and a duration limit on the term of membership. The statutorily required declaration on the German Corporate Governance Code therefore includes a reasoned exception. The Supervisory Board is rather to include members with long-term experience and therefore generally older members. A balanced ratio of Supervisory Board members of various ages and various durations of term of membership is essential.

## **Requirements for the entire Board**

### **Sector experience**

The Supervisory Board in its entirety needs to be familiar with the health care sector. An appropriate number of Supervisory Board members are to have in-depth knowledge and/or experience in the important sectors of the Company's operations:

- ▶ dialysis products, dialysis services, and Care Coordination
- ▶ essential medicines, medical products, and services for the critically and chronically ill
- ▶ operation of hospitals
- ▶ planning, construction, and management of health care institutions

The Supervisory Board is to include an appropriate number of members with management experience in the health care sector.

### **Financial knowledge**

The Supervisory Board in its entirety needs to have financial knowledge, in particular in the fields of accounting, reporting, and auditing. At least one member needs to have expert knowledge in the fields of accounting or annual auditing.

### **Knowledge of relevant legal issues as well as relevant regulatory and compliance matters**

The Supervisory Board in its entirety is to be familiar with the relevant legal issues, as well as relevant regulatory and compliance matters.

### **Experience in the field of digitalization**

The Supervisory Board in its entirety is to have the required understanding of the requirements of digitalization.

### **Internationality**

Fresenius is present in more than 100 countries. Therefore, the Supervisory Board in its entirety is to have knowledge and experience in the regions important for Fresenius. The Supervisory Board is to include an appropriate number of members with, due to their origin or business experience, a particular relation to the international markets relevant for Fresenius.

### **Management experience**

The Supervisory Board is to include an appropriate number of members with experience in managing or supervising a medium-sized or large company.

### **Diversity and appropriate representation of women**

The Supervisory Board is to rely on as different as possible expert knowledge, skills, and experiences. Therefore, diversity is to be appropriately considered for its composition, and when making election proposals, in the Company's interest, attention should be paid to ensuring that the candidates' profiles reasonably complement each other.

At least 30% of the Supervisory Board are women and at least 30% are men. In general, the participation of women is a joint responsibility of the shareholder and employee sides. For nominations, both the shareholder and employee sides will consider, to the extent possible, whether the proportion of women can be increased with qualified female candidates. Please note that the responsibility for electing employee representatives is with the European Works Council. Therefore, the Supervisory Board cannot provide a recommendation.

In fiscal year 2018, there were no changes with regard to the objectives for the composition and profile of skills and expertise of the Board. Rainer Stein retired and his substitute member Bernd Behlert became the new member of the Supervisory Board of Fresenius SE & Co. KGaA. The current composition of the Supervisory Board of Fresenius SE & Co. KGaA still fulfills the designated objectives. Furthermore, the current composition complies with the profile of competence. The Supervisory Board is of the opinion that all of its members are currently independent.

## DIVERSITY CONCEPT

A diversity concept applies for the Management Board of Fresenius Management SE and the Supervisory Board of Fresenius SE & Co. KGaA. The concept is outlined below. The objectives of the diversity concept, the way in which they are implemented, and the results achieved in the fiscal year are also explained. Diversity enables us to look at matters from different perspectives and against the background of different experiences. Fresenius seeks diversity in the Management Board of Fresenius Management SE as well as in the Supervisory Board of Fresenius SE & Co. KGaA in terms of age, gender, education, professional background, and international experience.

### Age

Finding a balance between expertise and novel approaches is important for the Management Board of Fresenius Management SE and the Supervisory Board of Fresenius SE & Co. KGaA. Therefore, both the Management Board of Fresenius Management SE and the Supervisory Board of Fresenius SE & Co. KGaA should have a balanced mix of experienced and new members, ensuring that different perspectives are taken into consideration in the decision-making processes and a continuous transfer of knowledge is fostered. Therefore, there is no age limit for members of the Management Board and Supervisory Board and also no duration limit for the term of membership of those serving on the Supervisory Board.

### Gender

Fresenius believes that a mix of women and men on both the Management Board of Fresenius Management SE and the Supervisory Board of Fresenius SE & Co. KGaA is desirable. At least 30% of the Supervisory Board are women and at least 30% are men. In general, the participation of women is a joint responsibility of the shareholder and employee sides. For nominations, both the shareholder and employee sides will consider, to the extent possible, whether the proportion of women can be increased with qualified female candidates. Please note that the responsibility for electing employee representatives is with the European Works Council. Therefore, the Supervisory Board cannot provide a recommendation. Besides, qualification is the decisive criterion for filling board positions.

## Professional background

For each one of the Company's key business areas, one member of the Management Board of Fresenius Management SE shall have longstanding experience:

- ▶ dialysis products, dialysis services, and Care Coordination
- ▶ essential medicines, medical devices, and services for the critically and chronically ill
- ▶ operation of hospitals
- ▶ planning, construction, and management of health care institutions

In addition, one of the members shall have longstanding experience and expertise in finance and one in corporate governance, law, and compliance. This takes into account the special requirements of a capital-market-oriented company.

The Supervisory Board of Fresenius SE & Co. KGaA shall have a reasonable number of members experienced in the management or supervision of a medium-sized or large company. A reasonable number of Supervisory Board members should have leadership experience in the health care industry. At least one member of the Supervisory Board shall have expertise in accounting or auditing.

## International experience

Fresenius is present in more than 100 countries. Against this background, the majority of the members of the Management Board of Fresenius Management SE are expected to have international experience in at least one of the markets relevant to Fresenius, based on their background, professional training, or career.

An appropriate number of members of the Supervisory Board of Fresenius SE & Co. KGaA should also have a special connection to international markets relevant to Fresenius as a result of their origin or business experience.

## Implementation of objectives

The implementation of the objectives of the Diversity Concept with regard to the composition of the Management Board of Fresenius Management SE will be reflected by future personnel decisions of the Supervisory Board of Fresenius Management SE. The Diversity Concept will be reflected in the proposals of candidates by the Supervisory Board of Fresenius SE & Co. KGaA to the Annual General Meeting of Fresenius SE & Co. KGaA.

As far as possible, this should be taken into account by the European Works Council in the election of employee representatives to the Supervisory Board of Fresenius SE & Co. KGaA.

In fiscal year 2018, Bernd Behlert, as substitute member of Rainer Stein, became new member of the Supervisory Board of Fresenius SE & Co. KGaA.

In the past fiscal year, the Management Board has remained unchanged.

Overall, the objectives of the diversity concept continue to be fulfilled.

## RELEVANT DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES

The general partner, represented by its Management Board, manages the Company's business with the due care and diligence of a prudent and conscientious company director in compliance with the provisions of the law, the articles of association, the rules of procedure for the Management Board, the resolutions passed by the full Management Board, and the Supervisory Board of the general partner. Corporate governance practices extending beyond the requirements of law are defined in the **Fresenius Code of Conduct**. This Code of Conduct contains the key principles and rules for our conduct within the Company and in our relations with external partners and with the public. We have published the Fresenius Code of Conduct on our website at [www.fresenius.com/compliance](http://www.fresenius.com/compliance). The Code of Conduct is binding for all Company employees and must be complied with regarding any type of business relationship. Our executives regard ensuring compliance with the principles of the Code of Conduct as part of their managerial responsibilities.

## COMPLIANCE MANAGEMENT SYSTEM

For us, compliance means more than acting in accordance with laws and regulations. Compliance means doing the right thing. This means: we adhere to all rules, including legal requirements, internal guidelines, our commitments, and ethical principles. Compliance is an integral part of our corporate culture and our daily work.

Our **Fresenius Code of Conduct** defines the framework of our rules. All Fresenius business segments have implemented Codes of Conduct. They cover the specifics of their businesses and reflect the values of the Fresenius Code of Conduct.

Underlying guidelines, instructions, and process descriptions complement and specify the rules of the Code of Conduct.

Our **Compliance Management Systems** are designed to achieve the implementation of these rules within the Company. We have implemented risk-based Compliance Management Systems in all our business segments and at Fresenius SE & Co. KGaA's corporate level. They comprise three pillars: Prevent, Detect, and Respond. Emphasis is placed on preventing any acts of non-compliance before they occur. Such systems consider the markets Fresenius is operating in. They are tailored to the specific requirements of each business segment.

Each of our business segments has appointed a Chief Compliance Officer who is in charge of developing, implementing, and monitoring the Compliance Management System (CMS) of the business segment. In line with the business structure and organization, the business segments have established compliance responsibilities at the respective organizational levels. The Corporate Compliance department of Fresenius SE & Co. KGaA supports the compliance functions of the business segments with standardized tools, processes, and methodologies and reports to the Chief Compliance Officer of Fresenius SE & Co. KGaA – the member of the Management Board responsible for Legal, Compliance, and Labor Relations.

We take even possible misconduct seriously. This is why Fresenius employees who are aware of potential misconduct, e. g., non-compliance with laws, regulations, or internal policies, can contact their superior or the responsible compliance function or report a potential compliance case anonymously through whistleblowing systems or dedicated e-mail addresses. Fresenius SE & Co. KGaA and Fresenius Kabi have opened the whistleblowing system not only to employees, but also to third parties, such as customers, suppliers, and other partners, via the corporate website.

Any illegal actions or violations of the rules may harm the individual and Fresenius. We do not tolerate non-compliance. If a violation of applicable regulations is detected, we will take the necessary actions to remediate the violation and prevent any recurrence. We also take all reports as an opportunity to review our company processes for possible improvements.

In 2018, the Management Board approved a **Statement on Human Rights** which is published on our website, see [www.fresenius.com/compliance](http://www.fresenius.com/compliance). Further information on human rights can be found on pages 125 ff. of our Group Non-financial Report.

Further information on Compliance and the Compliance Management Systems can be found on pages 109ff. of our Group Non-financial Report.

### RISK MANAGEMENT AND CONTROL SYSTEM

In our view, responsible risk management is a crucial element of good corporate governance. Fresenius has a systematic risk management and control system that allows the Management Board to identify risks and market trends at an early stage and to react promptly to relevant changes in our risk profile. It consists of the following elements:

- ▶ early warning system for risks,
- ▶ steering of financial, operational, and strategic risks,
- ▶ quality management systems,
- ▶ compliance management systems,
- ▶ reporting on legal risks, and
- ▶ risk assessment in investment and acquisition processes.

The well-being of our patients is important to us. Our risk management and control system, as well as efficiently designed processes, help to enhance the Company's performance. Our risk management is reviewed as part of the annual audit of the financial statements. The control system is regularly reviewed by the Management Board and the Internal Audit department. The Audit committee of the Supervisory Board supervises the quality and effectiveness of the risk management system. Further information can be found in the Report of the Supervisory Board on pages 16 to 23 in the Annual Report 2018 and on pages 77 to 78 of the Management Report.

The Internal Audit department supports the Management Board as an independent function outside the Company's day-to-day operations. The department assesses internal processes from an objective viewpoint and with the necessary distance. Our goal is to create added value for Fresenius, and thus to help achieve organizational goals through improved internal controls, optimized business processes, cost reduction, and efficiency increases. Results from internal audits are evaluated both by the business segments and by the Compliance organization to continuously improve preventive measures, for example to prevent corruption.

Fresenius Medical Care AG & Co. KGaA has its own internal risk management and control system.

### GERMAN CORPORATE GOVERNANCE AND DECLARATION OF CONFORMITY

The German Corporate Governance Code aims to provide more transparency for investors with regard to existing regulations covering the management and monitoring of companies. Our value-enhancing strategies, as well as the majority of the guidelines, recommendations, and suggestions for **responsible management** contained in the Code, have been basic components of our activities for many years. Extensive information on Corporate Governance can be found on our website at [www.fresenius.com/corporate-governance](http://www.fresenius.com/corporate-governance).

The Management Board of the general partner of Fresenius SE & Co. KGaA, Fresenius Management SE, and the Supervisory Board of Fresenius SE & Co. KGaA have issued the required **Declaration of Conformity** pursuant to Section 161 of the German Stock Corporation Act (AktG) and have made it available to shareholders on the website of the Company:

#### **“Declaration by the Management Board of the General Partner of Fresenius SE & Co. KGaA, Fresenius Management SE, and the Supervisory Board of Fresenius SE & Co. KGaA on the German Corporate Governance Code pursuant to Section 161 German Stock Corporation Act (Aktengesetz)**

The Management Board of the General Partner of Fresenius SE & Co. KGaA, Fresenius Management SE (hereafter the Management Board), and the Supervisory Board of Fresenius SE & Co. KGaA declare that since the issuance of the last Declaration of Conformity in December 2017, the recommendations of the “Government Commission on the German Corporate Governance Code” published by the Federal Ministry of Justice and Consumer Protection (Bundesministerium der Justiz und für Verbraucherschutz) in the official section of the Federal Gazette (Bundesanzeiger) (hereafter the Code) in the version of February 7, 2017 have been met and will also be met in the future. Only the following recommendations of the Code in the version of February 7, 2017 have not and will not be met as explained in the following:

► **Code number 4.2.3 paragraph 2 sentence 6:  
Compensation caps by specific amount**

Pursuant to Code number 4.2.3 paragraph 2 sentence 6, the compensation amount for Management Board members shall be capped by a specific amount, both overall and for variable compensation components.

This recommendation was only partly met with regard to the compensation of the Management Board members guaranteed for the fiscal years through 2017. Until FY 2017, stock options and phantom stocks as compensation components with long-term incentive and therefore the overall compensation have not provided for a cap by specific amount as the setting of these types of caps for equity-based compensation components contradicts the basic idea of letting the Management Board members adequately take part in the economic risks and opportunities of the company. As part of updating the long-term equity-based compensation in 2018, a cap was introduced for this component. Starting 2018, the compensation for Management Board members granted by Fresenius Management SE as indicated in the Management Board contracts will include caps by specific amount for each individual variable compensation component and thus for overall compensation. The compensation promised by the Fresenius Management Board as of FY 2018 will thus fully meet the Code recommendation.

► **Code number 4.2.3 paragraph 4:  
Severance payment cap**

Pursuant to Code number 4.2.3 paragraph 4, when contracts are entered into with Management Board members, it shall be ensured that payments, including fringe benefits, made to a Management Board member due to early termination of their contract do not exceed twice the annual remuneration (severance cap) and do not constitute remuneration for more than the remaining term of the employment contract. If the employment contract of a

Management Board member is terminated for good cause for which the Management Board member is responsible, no payments will be made to that Management Board member. The severance cap shall be calculated on the basis of the total remuneration paid for the previous financial year and, if appropriate, shall take into account the expected total remuneration for the current fiscal year.

This recommendation was not complied with until the end of FY 2017 as uniform severance payment arrangements of this kind contradict the concept practiced by Fresenius in accordance with the German Stock Corporation Act (Aktiengesetz), according to which service agreements of the members of the Management Board are, in principle, concluded for the duration of their appointment. The employment contracts of Fresenius Management SE with the Management Board members were adjusted and contain a severance payment cap effective as of FY 2018. The Code recommendation will thus be met as of FY 2018.

► **Code number 4.2.5 paragraph 3:  
Presentation in the compensation report**

Pursuant to Code number 4.2.5 paragraph 3, the presentation of the compensation for each individual member of the Management Board in the compensation report shall include information on the maximum and minimum achievable compensation for variable compensation components by using model tables.

This recommendation was not met in view of the compensation that was promised to the members of the Management Board for the fiscal years through 2017 as until that point in time, no caps by specific amount had been set for the variable compensation components and thus the overall compensation.

As already explained with regards to Code number 4.2.3 paragraph 2 sentence 6, caps by specific amount exist for compensation granted to the Management Board members by Fresenius Management SE as of FY 2018 for each individual variable compensation component and thus for the overall compensation. This meets the Code recommendation for the compensation granted to the Management Board members by Fresenius Management SE as of FY 2018.

► **Code number 5.1.2 paragraph 2 sentence 3:  
Age limit of Management Board members**

Pursuant to Code number 5.1.2 paragraph 2 sentence 3, an age limit shall be specified for the members of the Management Board.

As in the past, Fresenius will refrain from specifying an age limit for Management Board members. Following this recommendation would unduly limit the selection of qualified candidates.

► **Code number 5.4.1 paragraph 2 and paragraph 4:  
Specification of concrete objectives regarding the composition of the Supervisory Board, preparation of a profile of skills and expertise and their consideration when making election proposals**

Pursuant to Code number 5.4.1 paragraph 2 and paragraph 4, the Supervisory Board shall specify specific goals for its composition and prepare a competency profile for the entire Board. The targets shall be considered when making election proposals to the Annual General Meeting and at the same time aim to fulfill the competency profile for the entire Board. The status of the implementation shall be published in the Corporate Governance Report.

The Supervisory Board has specified concrete goals for its composition and has prepared a competency profile for the entire Board. In the interest of the company and to avoid unduly limiting the selection of qualified candidates, it has refrained from specifying an age limit and a regular limit for a member's tenure. Instead, the Supervisory Board should also consist of members with long-term experience and thus individuals who are generally older. The balanced ratio of Supervisory Board members of various ages and with varying tenures is crucial. With this exception, the recommendations pursuant to Code number 5.4.1 paragraph 2 and paragraph 4 are met.

► **Code number 5.4.6 paragraph 2 sentence 2:  
A Performance-related compensation of the members of the Supervisory Board oriented toward sustainable growth of the enterprise**

Pursuant to code number 5.4.6 paragraph 2 sentence 2, a performance-related compensation component, if promised to the Supervisory Board members, shall be oriented toward the sustainable growth of the enterprise.

For the last time in FY 2017, the members of the Supervisory Board received variable compensation that did not have a multi-year calculation basis and therefore was not oriented toward the sustainable growth of the enterprise within the meaning of the Code. On the contrary, it was linked to the dividend.

On May 12, 2017 the Annual General Meeting of Fresenius SE & Co. KGaA adopted a Supervisory Board compensation system that meets the recommendation of the Code. This compensation system applied for the first time in FY 2018. This Code recommendation will thus be met as of FY 2018.

Bad Homburg v. d. H., December 2018

Management Board of the General Partner of Fresenius SE & Co. KGaA, of Fresenius Management SE, and Supervisory Board of Fresenius SE & Co. KGaA"

In accordance with Section 161 para. 2 AktG and number 3.10 sentence 3 of the Code, this declaration and all past declarations are published on our website, see [www.fresenius.com/corporate-governance](http://www.fresenius.com/corporate-governance).

## FURTHER INFORMATION ON CORPORATE GOVERNANCE

### DIVERSITY

The Management Board takes diversity into account when filling executive positions. At Fresenius, the individual's qualifications are the paramount consideration in all hiring and promotion decisions. This means that women and men with comparable qualifications and suitability have the same career opportunities. Fresenius will continue to consistently act upon this principle, and will of course comply with the law on the equal participation of women and men in executive positions in private companies and the public service:

For the Supervisory Board of Fresenius SE & Co. KGaA, the law requires a quota of at least 30% women and 30% men. These mandatory quotas were met by the Supervisory Board elections in 2016.

The legally stipulated targets for the Management Board do not apply to Fresenius Management SE or to Fresenius SE & Co. KGaA. Due to its legal form, Fresenius SE & Co. KGaA does not have a Management Board. Fresenius Management SE is not listed on the stock exchange and is also not subject to codetermination.

In accordance with the legal requirements, the Management Board specifies composition of the two management levels directly below the Management Board as follows:

The first management level includes all Senior Vice Presidents and Vice Presidents who have an employment contract with Fresenius SE & Co. KGaA and who report directly to a Member of the Management Board. Through a decision effective January 1, 2016, the Management Board has set a target, which has to be met by December 31, 2020, and calls for a proportion of women of 33.3% at the first management level. This target corresponds with the proportion as of December 31, 2015.

The second management level includes all Vice Presidents who have an employment contract with Fresenius SE & Co. KGaA and who report directly to a member of the first management level. Through the decision effective January 1, 2016, the Management Board has set a target, which has to be met by December 31, 2020, and calls for a proportion of women of 37.5% at the second management level. This target corresponds with the proportion as of December 31, 2015.

The Management Board believes that inclusion in the company-wide long-term incentive programs is a strong indicator that an individual holds a leading executive position. The proportion of women in this group of our top 1,400 executives was 30.3% as of December 31, 2018.

Further information on diversity as well as personnel development and personnel management are included in the Group Management Report on page 46f. and in the Group Non-financial Report on pages 113ff.

### LEGAL RELATIONSHIPS WITH MEMBERS OF THE CORPORATE BODIES

The general partner and the Supervisory Board of Fresenius SE & Co. KGaA have a duty to act in the best interests of the Company. In performing their activities, they do not pursue personal interests or bestow unjustified benefits on others. Any sideline activities or transactions with the Company by members of the corporate bodies must be reported to, and approved by, the Supervisory Board. The Supervisory Board of Fresenius SE & Co. KGaA reports to the AGM on any conflicts of interest and how they are dealt with.

Fresenius SE & Co. KGaA reports the following relationships existing between Fresenius Group companies and companies in which members of the Supervisory Board of Fresenius SE & Co. KGaA or members of the Supervisory or Management Board of Fresenius Management SE held an executive or other function in 2018:

Prof. Dr. med. D. Michael Albrecht is a member of the Supervisory Board of Fresenius SE & Co. KGaA and medical director and spokesman for the management board of the University Hospital Carl Gustav Carus Dresden, as well as a member of the supervisory board of the University Hospital in Aachen. The Fresenius Group maintains business relations with these hospitals in the ordinary course of business under customary conditions. Klaus-Peter Müller is a member of the Supervisory Boards of Fresenius Management SE and of Fresenius SE & Co. KGaA and was Chairman of the Supervisory

Board of Commerzbank AG until May 8, 2018, with which the Fresenius Group maintains business relationships under customary conditions. Michael Diekmann is a member of the Supervisory Board of Fresenius Management SE and Deputy Chairman of the Supervisory Board of Fresenius SE & Co. KGaA, and is Chairman of the Supervisory Board of Allianz SE. In 2018, the Fresenius Group paid insurance premiums to Allianz under customary conditions.

There are no other consulting or service contracts – neither directly nor indirectly – between Supervisory Board members and the Company.

Fresenius has disclosed the information on related parties in its 2018 quarterly reports and on page 258 of the Annual Report.

#### DISCLOSURES ON DIRECTORS' DEALINGS/ MANAGERS' TRANSACTIONS AND SHAREHOLDINGS IN 2018

According to the provisions of Art. 19 Market Abuse Regulation (MAR) regarding managers' transactions, persons discharging managerial responsibilities, as well as persons closely associated with them, shall notify of transactions conducted on their own account relating to the shares or debt instruments of Fresenius SE & Co. KGaA or to derivatives or other financial instruments linked thereto.

Managers' transactions in 2018 are disclosed on our website at [www.fresenius.com/corporate-governance](http://www.fresenius.com/corporate-governance).

None of the Management or Supervisory Board members of the general partner or of the Supervisory Board of Fresenius SE & Co. KGaA directly or indirectly holds more than 1% of the shares issued by Fresenius or any related financial instruments.

The members of the Management and Supervisory Boards of Fresenius Management SE and the members of the Supervisory Board of Fresenius SE & Co. KGaA together hold 0.30% of the shares of Fresenius SE & Co. KGaA outstanding as of December 31, 2018, in the form of shares or related financial instruments and stock options under the Fresenius SE & Co. KGaA stock option plans. 0.28% are held by members of the Management Board of Fresenius Management SE, 0.02% by members of the Supervisory Board of Fresenius Management SE, and 0.01% by members of the Supervisory

Board of Fresenius SE & Co. KGaA. Due to the fact that some persons are members of both Supervisory Boards, the amount of shares or related financial instruments and stock options held by the Boards of Fresenius SE & Co. KGaA and Fresenius Management SE in total can be smaller than the cumulative holdings of the three Boards as reported herein.

There were no notifications that the shareholdings of members of the Management and Supervisory Boards had reached, exceeded, or fallen below the reporting thresholds stipulated in the German Securities Trading Act.

#### TRANSPARENCY AND COMMUNICATION

Fresenius adheres to all recommendations under number 6 of the Code. Transparency is guaranteed by continuous communication with the public. In that way we are able to validate and deepen the trust given to us. Of particular importance to us is the **equal treatment** of all recipients. To ensure that all market participants receive the same information at the same time, we post all important publications on our website at [www.fresenius.com](http://www.fresenius.com). We report in detail on investor relations activities on page 35 of the Annual Report.

#### FINANCIAL ACCOUNTING AND REPORTING

Fresenius, as a publicly traded company based in a member country of the European Union, has to prepare and publish its consolidated financial statements, as required, in accordance with International Financial Reporting Standards (IFRS) pursuant to Section 315e of the German Commercial Code (HGB).

The leading auditor Thomas Rodemer, KPMG AG Wirtschaftsprüfungsgesellschaft, has been responsible for the audit of the consolidated financial statements since 2018.