

Corporate Governance report and statement on Corporate Governance

Corporate Governance Report pursuant to Section 3.10 of the Code

LEONI pursues the objective of responsible and transparent corporate governance based on statutory rules, LEONI AG's Articles of Association, the rules of procedure for the Board of Directors and Supervisory Board, and the German Corporate Governance Code ('Code'), which are considered in all decision-making processes. In compliance with the legal requirements for a German public company, LEONI AG has a dual management system that is characterised by the separation of personnel between the Board of Directors as the executive and corporate business management body and the Supervisory Board as the corporate monitoring body.

Shareholders and Annual General Meeting

Each share in LEONI AG on principle grants one vote. During the Annual General Meeting, all our shareholders were able to exercise their equal voting rights themselves or by their nominated proxies and enter into a dialogue with the members of both the Board of Directors and the Supervisory Board on any agenda items. The invitation to the Annual General Meeting as well as the legally required reports and documents including the annual report are readily accessible for the shareholders on the Company's website together with the agenda in German as well as mostly also English. All other relevant information is published on LEONI's website and sent out upon request. Both the attendance and the voting results are likewise published on the internet after the Annual General Meeting.

To make it easier for shareholders not in attendance to exercise their rights, voting right representatives are available during the Annual General Meeting to cast these votes as instructed. Shareholders are able at any time to authorise and instruct these representatives, who are available to all shareholders in attendance throughout the meeting. Authorisations and instructions could be given to these representatives by electronic means until 11.00 hours on the day of the 2017 Annual General Meeting. There will be a corresponding opportunity during the 2018 Annual General Meeting until the end of the general debate.

Interested parties and shareholders who do not attend the Annual General Meeting can follow the CEO's speech and a presentation shown during this speech on the internet. This presentation will be available on our website www.leoni.com until the next Annual General Meeting.

Leadership and Management by the Board of Directors

The Board of Directors is responsible for leading and managing LEONI AG. It acts in the interests of the Company with the aim of raising its enterprise value on a lasting basis. To do so, the Board develops a suitable strategy,

LEONI website
» www.leoni.com



agrees it with the Supervisory Board and ensures its implementation. Its duties also include effective opportunity and risk management as well as controlling and ensuring of compliance (observance of legal requirements and guidelines within the Company) throughout the Group.

The law and rules of procedure, which also stipulate the Board of Directors' obligations concerning provision of information and reporting, govern the collaboration and division of duties among members of the Board. The rules of procedure also contain the departmental responsibilities of the individual Board members, matters that are the responsibility of the whole Board of Directors, the required majority as well as a catalogue of the types of transaction requiring the Supervisory Board's approval. The allocation of duties was updated during the year under report because of the changes on the Board of Directors described below.

During the year under report, the Board of Directors also launched an initiative to further improve corporate governance within the Group. This includes optimisation of decision-making processes and implementation, updating of the rules of procedure for Group companies, revision of the global power-of-attorney guideline and a corresponding scheme for training the managing directors of the companies concerned.

The composition of the Board of Directors changed as follows in 2017: On 1 April 2017, Martin Stüttem took office as member of the Board of Directors with responsibility for the Wiring Systems Division. The Supervisory Board appointed him on 29 July 2016. His Board of Directors mandate initially expires on 31 December 2020. CEO Dieter Bellé was in temporary charge of the Wiring Systems Division until Martin Stüttem took office. On 1 July 2017, furthermore, Karl Gadesmann took responsibility for the Corporate Investor Relations department, which was previously in the charge of CEO Dieter Bellé.

On 23 October 2017, Dieter Bellé, with the Supervisory Board's consent, resigned his mandate as member and chairman of the Board of Directors effective 31 January 2018 and left the Board of Directors at that time. The search for his successor began immediately. To find a suitable successor from either the inside or outside, the Supervisory Board defined a corresponding process, drafted a requirements profile and asked a well-known human resource consultancy for support. The search was not yet completed by the end of the year under report. The Supervisory Board has meanwhile decided to fill the CEO position vacant since 1 February 2018 with an outside candidate and to take this recruitment decision in the foreseeable future. Karl Gadesmann will act as spokesperson for the Board of Directors and as Labour Director until the future CEO takes office.

The Board of Directors thus had the following members in 2017:

Dieter Bellé,

Graduate in business administration, 61

First appointed:	2000
Appointed until:	31/01/2018
Areas of responsibility:	Chief Executive Officer (CEO) Head of the Corporate Legal, Corporate Compliance, Corporate Strategy, Corporate Communications, Corporate Internal Audit, Corporate Investor Relations (until 30/06/2017) and Corporate Human Resources Management departments; Labour Director; until 31/03/2017 temporary responsibility for the Division Wiring Systems and the Corporate Sustainability department

Bruno Fankhauser, Business economist
(licentiatius rerum politicarum), 46

First appointed:	2016
Appointed until:	31/12/2023 ¹
Areas of responsibility:	Head of the Wire & Cable Solutions Division and the Corporate Marketing department

Karl Gadesmann,

Graduate in business administration, 55

First appointed:	2016
Appointed until:	31/12/2019
Areas of responsibility:	Chief Financial Officer (CFO); Head of the Corporate Accounting, Corporate Controlling, Corporate Finance, Corporate Information Management, Corporate Information Security, Corporate Investor Relations (from 01/07/2017), Corporate Process Management, Corporate Risk & Insurance, Corporate Taxes and Quality Management departments; from 01/02/2018 temporarily spokesperson for the Board of Directors and Labour Director ¹

Martin Stüttem,

Graduate of engineering, 51

First appointed:	2017
Appointed until:	31/12/2020
Areas of responsibility:	from 01/04/2017 Head of the Wiring Systems Division and the Corporate Sustainability department

¹ Pursuant to the Supervisory Board's decisions of 30 January 2018;
Information in this regard to be found on the website at www.leoni.com: Press release of 31 January 2018

All the information on the system applicable since 1 January 2015 for compensating members of the Board of Directors is contained in the compensation report.

Work of the Supervisory Board

The Supervisory Board of LEONI AG monitors and advises the Board of Directors in running the Company. Its work is governed by the law, the Articles of Association, the Code and rules of procedure.

In accordance with the German Co-determination Act, the Supervisory Board has an equal number of six members representing employees and six members representing shareholders. Additional information in this regard is to be found in the Supervisory Board Report. Its composition is in line with the latest Code requirements concerning diversity and appropriate participation of women as well as other criteria that ensure qualified monitoring of and advice to the Board of Directors of LEONI AG. The Supervisory Board formulated a competence profile with targets for its composition, which is part of the Board's rules of procedure. It furthermore devised a diversity concept for the composition of the Board of Directors and the Supervisory Board. According to this the members shall successfully perform the duties of a supervisory board member of an industrial group that operates internationally based on their experience, professional expertise, independence, commitment, integrity and personality. Details in this regard are to be found in the Corporate Governance report and statement.

There were new elections to both the employer and employee sides of the Supervisory Board in 2017. As was already the case prior to these elections, LEONI AG's Supervisory Board also now comprises members who fulfil the above-mentioned conditions. The sufficient diversity with respect to different career backgrounds, professional expertise and experience in accordance with the objectives for composition of the Supervisory Board is also assured. More information on the election is to be found in the Supervisory Board report and on the composition of the Supervisory Board in the Corporate Governance report and statement.

All shareholder representatives are independent within the meaning of Sections 5.4.1 and 5.4.2 of the Code. In particular, they are not in any personal or business relationship with LEONI AG, a corporate bodies, a controlling shareholder or an affiliated company, which may provide the basis for a material and not merely temporary conflict of interests. In the opinion of the Supervisory Board, Dr Werner Lang's role as managing director of Lang Verwaltungsgesellschaft mbH, the general partner of MEKRA Lang GmbH & Co. KG, a LEONI AG customer, does not constitute such a conflict of interest. The Supervisory Board members do not exercise directorships or similar positions or advisory tasks for important competitors of the LEONI Group. No member of the Supervisory Board is older than 75 years or has been on the Board for longer than 15 years.

Apart from these general criteria, the following requirements for the entire Board with respect to specific professional expertise are also fulfilled: At least two members have corporate globalisation experience, industrial knowledge in the regions and markets of importance to LEONI as well as expertise in the automotive (supply) industry. At least one independent member of the Supervisory Board furthermore has specialist expertise in the respective areas of accounting and auditing (financial expert) and more profound knowledge in the areas of international company law, compliance, risk management, competition law, the capital market as well as M&A. Altogether, the members of the Supervisory Board are familiar with the sector in which the Company operates. With respect to the proportion of women on the Supervisory Board, we refer to stipulations pursuant to Sections 76(4) and 111(5) of the German Stock Corporation Act (AktG) in the Corporate Governance report and statement.

The members of LEONI AG's Supervisory Board each hold a maximum of three other supervisory board mandates at other companies or on supervisory bodies of companies that impose comparable requirements. Prof. Dr Christian Rödl was a member of three other statutory supervisory boards until 30 April 2017. Two of those memberships terminated on that date, meaning that he has since been a member of just one other statutory supervisory board. He is also a member on two comparable domestic and foreign corporate governance bodies of economic entities, neither of which is stock-listed. A precise overview of the mandates held by all Supervisory Board members is provided in the section headed 'Supervisory Board and Board of Directors' in the Annual Report.

The Supervisory Board regularly audits the efficiency of its work based on a comprehensive questionnaire. At the end of 2017, the Board decided to appoint a working group to find a new way to set up, execute and schedule these efficiency audits. Information in this respect is also to be found in the Supervisory Board report.

To increase the efficiency of the Supervisory Board's work, an Audit Committee, Personnel Committee, Nomination Committee, Arbitration Committee and Strategy Committee are established, which, apart from the Arbitration Committee, met regularly during the year under report. The respective committee chairmen report during the Supervisory Board meetings on the work of their committees.

The Audit Committee has four members, one of whom the Supervisory Board appoints as chairman. The Audit Committee's chairman, Prof. Dr Christian Rödl, is independent and not simultaneously the chairman of the Supervisory Board; he has as financial expert professional knowledge in the fields of accounting and auditing. He has not been a member of LEONI AG's Board of Directors in recent years. The Audit Committee's task is to discuss and scrutinise in advance the annual financial statements, the consolidated financial statements, the management report and the Group management report, the report of the Board of Directors on relationships with affiliated companies (dependency report) as well as the Board of Directors' dividend proposal. The Audit Committee furthermore discusses the half-year and any quarterly financial reports with the Board of Directors. It considers matters concerning accounting and compliance, risk management, internal audit and the Internal Control System including testing the effectiveness of the systems and measures that are respectively in place. The Audit Committee prepares the Supervisory Board's proposal to the shareholders at the Annual General Meeting for nomination of the auditors and presents the Supervisory Board with a correspondingly reasoned recommendation. It furthermore verifies the independence of the auditors and obtains the corresponding declaration of independence. It issues the audit mandate to the auditing company and agrees the fees with said auditors. The committee also determines the focal areas of the audit and monitors the auditing.

Alongside the chairman of the Supervisory Board as Committee chairperson, the Personnel Committee comprises his or her first deputy and as well as one Supervisory Board member elected as proposed by each of the Supervisory Board's shareholder and employee representatives. The committee's main task is to advise on the appointment and recall of the members of the Board of Directors, the compensation system for the Board of Directors, the principal elements of the employment contracts of the members of the Board of Directors as well as approving the contracts with Supervisory Board members in accordance with Section 114 of the German Stock Corporation Act (AktG).

The Nomination Committee has two further, shareholder-representative members in addition to the Supervisory Board chairman, who also chairs the committee. It is the committee's task to make recommendations to the Supervisory Board for its proposals to shareholders at the Annual General Meeting of suitable candidates to be elected to the Board on the shareholder side. The judgement on a candidate's suitability is made based on the competence profile prepared by the entire Supervisory Board, the targets concerning the Board's composition with respect to the diversity concept and a questionnaire.

To perform the duties set out in Section 31 (3), sentence 1 of Germany's Co-determination Act (MitbestG), the Supervisory Board has formed an Arbitration Committee pursuant to Section 27 (3) of the Co-determination Act that comprises the Supervisory Board chairman, his deputy as well as one member of the shareholder and one member of the employee side, each elected by a majority of votes of the Supervisory Board members on the employee and shareholder sides.

In addition to the Supervisory Board chairman, the Strategy Committee comprises three members from each of the shareholder representatives and employee representatives. The Supervisory Board elects a committee member to be the committee's chairman. The committee deals in an advisory and preparatory role with the corporate strategy.

The section headed Supervisory Board and Board of Directors in the Annual Report provides information on the composition of the committees.

The Supervisory Board deems advanced training to be an important element of its work. As far as required, the Company gives the Board's members adequate support in seeking, as is their personal responsibility, the training and further education required to perform their duties. According to the currently applicable Articles of Association, this also includes assumption of commensurate costs.

Further details of the way the Supervisory Board works as well as on the number and principal topics of the committee meetings in 2017 are comprehensively presented in the Supervisory Board report, as are details of the changes in the Board's composition. The compensation report provides information on the breakdown and amount of compensation for Supervisory Board members.

Collaboration between the Board of Directors and the Supervisory Board

The Board of Directors and the Supervisory Board of LEONI AG collaborated closely and in mutual trust for the benefit of the Company in 2017. The Supervisory Board actively assisted and monitored the Board of Directors in its work. During the Supervisory Board meetings, the Board of Directors and Supervisory Board members discuss all key strategic decisions as well as transactions requiring consent extensively, openly and based on maintaining strict confidentiality. The Board of Directors keeps the Supervisory Board comprehensively informed on a regular and up-to-date basis about all relevant matters as well as the planning, business performance, the risk situation and the compliance measures.

In addition to the Supervisory Board meetings in which the members of the Board of Directors were present, the chairmen of the two boards regularly, also on short notice and as warranted by events, discuss all relevant, current matters. The Supervisory Board report also contains additional information on the collaboration between the Board of Directors and the Supervisory Board.

D&O insurance with an excess, which for the event of any single claim for damages involves at least 10 percent and a maximum of one and a half times the individual member's fixed annual compensation, was in place for members of the Board of Directors and the Supervisory Board during the year under report.

Compliance

LEONI AG's Compliance Management System is an elementary part of our commitment to entrepreneurial action. The objective is to prevent misconduct, avoid liability risks and to protect the Company's reputation. The Compliance Management System has three mainstays (prevent, detect and react), which in turn comprise a large number of processes, guidelines and measures. Details in this regard are to be found in the Group management report. Again, during the year under report, the Board of Directors dealt with the organisation and further development of all compliance matters and ensured implementation of the necessary measures. It regularly informed the Supervisory Board on the latest status. The latter monitored the corresponding activities. Furthermore, the Audit Committee regularly dealt with the content, organisation and further development of compliance.

Transparency

LEONI AG informs its shareholders, the shareholder associations, financial analysts, the media and the interested public equally, promptly and comprehensively about the Company's performance and significant events, for which the Company makes use of a wide variety of media. All mandatory publications as well as extensive supplementary information are always made available without delay on LEONI's website. The publications, such as ad hoc announcements, media releases, interim and annual reports, are in every case issued in both German and English. LEONI AG always also broadcasts conference calls as well as the annual balance sheet press conference and the analyst conference live on the internet, where audio and video recordings are easily accessible for a limited period. The latest fiscal calendar, which provides information on the dates for all key releases and events, can also be viewed on the website.

Accounting and audit of financial statements

The consolidated financial statements for fiscal 2017 as well as the condensed consolidated interim financial statements in the half-year report and in the quarterly reports of LEONI AG are prepared in accordance with the International Financial Reporting Standards (IFRS). The individual financial statements of LEONI AG are prepared as required by the German Commercial Code (HGB) and the German Stock Corporation Act (AktG) as well as supplementary provisions of the Articles of Association.

On 11 May 2017, the Annual General Meeting appointed accountants Ernst & Young GmbH of Stuttgart as the auditors for the year under report. The nomination was preceded by an examination of independence.

It was furthermore agreed with the auditor that the latter would notify without delay of findings and occurrences material to its duties that arise during execution of the audit. Accordingly, the auditors are obliged to advise the Supervisory Board, or note it in their audit report, if facts are discovered that point

to incorrectness in the declaration pursuant to the Code submitted by the Board of Directors and the Supervisory Board. The audit for the 2017 financial year did not give any cause in this regard.

The auditors are given only limited mandate to provide non-audit services. A process was furthermore established during the year under report by means of which non-audit services are itemised and authorised to a limited degree subject to prior approval. The content and extent of provided non-audit services are monitored.

Directors' Dealings and shareholdings

All share transactions carried out by members of the Board of Directors and of the Supervisory Board as well as parties related to them (Directors' Dealings pursuant to Article 19 of the Market Abuse Directive (EU 596/2014)) are published on LEONI's website as soon as LEONI AG is advised to this effect. The following transactions were reported for fiscal 2017:

Date	Notifying party, function	Issuer	Transactions subject to mandatory disclosure	Place of transaction
12/06/2017	Dieter Bellé, member of LEONI AG's Board of Directors	LEONI AG ¹	Purchase of 1,500 no-par-value LEONI shares at a price of € 48.898 per share. Total amount: € 73,347.00	Xetra

¹ WKN 540888, ISIN DE0005408884

Members of the Board of Directors and the Supervisory Board held shares issued by LEONI AG on 31 December 2017. These holdings broke down as follows:

Shareholdings		
	No. of shares on 31/12/2017	Percentage of share capital of 32.669 million shares
Supervisory Board members and related parties	76,709	0.23
Board of Directors members and related parties	32,550	0.10
Supervisory Board and Board of Directors, total	109,259	0.33

Statement on Corporate Governance pursuant to Sections 289f and 315d HGB¹

Declaration by the Management Board and Supervisory Board of LEONI AG on the recommendations of the 'Government Commission on the German Corporate Governance Code' in accordance with Article 161 of the German Companies Act (AktG)

LEONI AG complies with all the recommendations of the German Corporate Governance Code ('Code') in the version of 7 February 2017 as published by the Federal Ministry of Justice in the official part of the Federal Gazette on 24 April 2017 with the exception stated below in section 1. and will comply with all the recommendations of the Code with the exception stated below in section 1. in the future:

1. In accordance with its duties, the Supervisory Board of LEONI AG concerns itself with the appropriateness of the compensation of the Management Board, giving consideration to the periodic developments of the company-internal salary and wage structures, however, without application of the recommendation in section 4.2.2., para. 2, sentence 3 of the Code in a targeted and structured way. It is the conviction of the Supervisory Board that earlier practice and statutory specifications in accordance with Article 87 of the German Companies Act (AktG) suffice for determining the compensation of the Management Board in consideration of normal compensation. Standards of comparison are only beneficial if they are realistic, provide a basis for orientation, and allow sufficient leeway for considerations to be made on a case-by-case basis. It is the opinion of the Supervisory Board that the recommendation in section 4.2.2., para. 2, sentence 3 of the Code does not satisfy these requirements in the case of a company such as LEONI, where the majority of the workforce is employed in non-European countries. A delineation of the upper management and the relevant workforce would, in the opinion of the Supervisory Board, be subject to manipulation and ultimately arbitrary, and would not result in standards of comparison which are more comprehensible. Therefore, the recommendation does not serve as an efficient tool for determining the compensation of the Management Board.

Since issuance of the last declaration of conformity on 8 December 2016, LEONI AG has complied with all the recommendations of the Code in the version of 5 May 2015 and in the version of 7 February 2017 since its publication by the Federal Ministry of Justice in the official part of the Federal Gazette on 24 April 2017 with the exceptions stated above in section 1. and stated below in 2.:

2. The members of the Company's Management Board receive a variable remuneration. Prerequisite for the payment of such variable remuneration is the achievement of at least 50% of the planned annual profit during a three-year period. In particular due to the appointments of three new members of the Management Board, the service agreements applicable until 8 December 2016 stipulated different three-year periods for every single member of the Management Board which would have ended in 2017, 2018 or 2019, respectively. On 8 December 2016, the Supervisory Board agreed to terminate the current three-year periods consensually and to start a new, uniform three-year period for all members of the Management Board comprising the years 2017 up to 2019. The members of the Management Board have not received any remuneration out of the medium term component for the elapsed period of the now prematurely terminated three-year period. In one case where a member of the Management Board received advance payments in accordance with the stipulations of his service contract, such advance

¹ The statement on Corporate Governance pursuant to Sections 289f and 315d of the German Commercial Code (HGB) is part of the Group management report. According to Section 317 (2) sentence 6 of the German Commercial Code (HGB) the auditors are not required to include disclosures pursuant to Sections 289f (2) and (5) as well as Section 315d HGB in their audit; in that respect the audit is required only to determine whether these disclosures have been made.

payments were to be repaid. At the beginning of the financial year 2017, the planned annual profit targets for the individual years of the three-year period were newly determined.

This could represent a change of the performance targets and the comparison parameters pursuant to section 4.2.3., para. 2, sentence 8 of the Code. Thus, the Company would not have complied with this recommendation due to the adjustment.

From the Supervisory Board's point of view, the new beginning of the three-year period was required to harmonize the medium-term performance targets and to achieve a uniform target determination for all members of the Management Board, as until now, very different planned annual profit targets were applicable for the various three-year periods. Further, for some members of the Management Board, the agreed planned annual profit targets, in connection with the failure of achieving the planned annual profit targets in the financial years 2015 and 2016, seemed to render the achievement of the medium-term component targets for the three-year period impossible. This has demonstrated that the variable remuneration results in the desired decrease of the remuneration in case of low company results. However, if the targets are unachievable, the medium-term component will lose its incentivising effect. As a consequence, the remuneration system would no longer have provided for sufficient long-term incentives.

Nuremberg, 12 December 2017

LEONI AG

For the Board of Directors



Dieter Bellé

For the Supervisory Board



Dr.-Ing. Klaus Probst



Franz Spieß

Suggestions of the Code

LEONI AG voluntarily complies with the non-obligatory suggestions of the Code except for Section 2.3.2, which states that a voting rights representative should also be contactable during the Annual General Meeting. Voting right representatives are contactable only for the shareholders present at the Annual General Meeting and their proxies. Shareholders not attending were able to send instructions to their voting rights representatives via the shareholders' portal on the day of the 2017 Annual General Meeting, but only until 11:00 hours. This time limit served to ensure that the instructions are faithfully followed when voting takes place. There will be a corresponding opportunity during the 2018 Annual General Meeting until the end of the general debate.

Deviating from section 4.2.3 (2), final sentence of the Code, which was newly included in 2017, the remuneration system for the members of LEONI AG's Board of Directors stipulates that the Board members shall receive annual instalments of the multi-year bonus on the compensation for members of the Board of Directors equalling 50% of the annual amount. Paid instalments must be repaid at the end of the relevant three-year period if a corresponding multi-year bonus is not achieved. Further information on the system applicable since 1 January 2015 for compensating members of the Board of Directors is contained in the compensation report.

Other Corporate Governance practices

LEONI's Corporate Governance was and is aligned to recognised external standards and various of our own sets of rules in addition to the legal requirements and the Code throughout the reporting period. These include the UN Global Compact and the Diversity Charter as well as such internal guidelines as the LEONI Social Charter, the LEONI Code of Conduct (after it came into force in November 2017) and the occupational health and safety as well as environmental protection policy for the LEONI Group, which can be viewed on LEONI AG's website.

LEONI website
www.leoni.com



Description of the way the Board of Directors and Supervisory Board work as well as the composition and procedures of the Supervisory Board's committees

The composition of the Supervisory Board's committees is to be found in the section of the Annual Report headed Supervisory Board and Board of Directors. Further information on the tasks and procedures of the Board of Directors and Supervisory Board as well as the latter's committees are contained in the Corporate Governance report under the headings 'Leadership and Management by the Board of Directors' as well as 'Work of the Supervisory Board'. Information on the duties and procedures of the Board of Directors and the Supervisory Board as well as their composition and that of the Supervisory Board's committees can also be accessed on LEONI AG's website.

LEONI website
www.leoni.com



Diversity

LEONI regards diversity as a key success factor for the Company's future viability.

The diversity concept for the composition of the Board of Directors considers the following aspects:

- gender diversity
- diversity in terms of cultural origins, religion and ethnic background
- variety of career backgrounds, experience and mindset
- balanced age structure within framework parameters for standard retirement age (70th year)
- equal consideration of external and internal candidates in recruitment selection

Applied diversity is a strategic success factor. Different career and educational backgrounds facilitate the fulfilment of duties and obligations in accordance with statutory requirements, the provisions of the Company's Articles of Association and rules of procedure. The Company's increasing internationalisation requires leadership of diversely composed teams. Without this capability and experience it would be impossible to take appropriate account of cultural backgrounds within the Group. A balanced age structure ensures regular regeneration, and simultaneously that knowledge as well as career and life experience are maintained for as long as possible in the Company's interest. Gender diversity is, in turn, the resolute

continuation of the initiatives launched by the Board of Directors to raise the proportion of women in management positions.

Implementation of this concept is ensured principally by involving the Supervisory Board in the strategic, financial and current situation of the Company as well as its organisation, as is stipulated by statutory requirements, the provisions of the Company's Articles of Association and rules of procedure. Allocation of duties, appointment and succession planning for the Board of Directors are part of the Supervisory Board's responsibility. The Board of Directors reports regularly during Supervisory Board's meetings on diversity as well as the development and potential of managers within the Group. The aforementioned criteria are furthermore considered in the decisions of the Personnel Committee and the Supervisory Board when it comes to recruiting internal or external candidates for positions on the Board of Directors.

Martin Stüttem was appointed as a member of the Board of Directors effective 1 April 2017. In the opinion of the Supervisory Board, he contributes to diversity on the Board of Directors with his background and career. Information on him and all other members of the Board of Directors can be viewed in their resumes, which are available on the Company's website.

The diversity concept for the composition of the Supervisory Board (and its committees) considers the following criteria:

- gender diversity
- diversity in terms of cultural origins, religion and ethnic background
- variety of career backgrounds, experience and mindset
- balanced age structure within framework parameters for standard retirement age (75th year) at the time of election as well as maximum duration of membership (15 years)

In addition to the statutory gender ratio (Section 96 (2) of the German Stock Corporation Act (AktG)), the Supervisory Board has set itself further targets for its composition. For the members on the shareholder side, these include sector and specific professional expertise as well as international experience and independence. Election of the employee representatives in accordance with Germany's Co-determination Act also contributes to the diversity of career backgrounds.

The aim is to have a sufficient diversity on the Supervisory Board that is keeping with being able to successfully master tasks in an international setting. In the view of the Supervisory Board, this also provides a role model for the Company as a whole. Considering consistency and regeneration with respect to (impending) appointments furthermore contributes to sustainability and fresh impetus.

Statutory requirements, the Company's rules of procedure and Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG) underpin the realisation of these objectives. The Nomination committee also contributes in this regard with its work on the appointment of shareholder representatives, as do regular efficiency audits. The Supervisory Board believes there is currently no need for action concerning diversity. Information on the members of the Supervisory Board can be viewed in their resumes, which are available on the Company's website.

The diversity concept for the composition of the Board of Directors and the Supervisory Board is to be reviewed in the upcoming reporting year. This is related to the changing requirements, but also the associated momentum and importance, which underlie this subject.

Diversity was a key aspect during the year under report for other reasons, too. It was established as a strategic guideline for the whole Group as part of the strategy process. This has made diversity more prominent and placed emphasis on LEONI's aim not only to have appropriate participation of women in management, but also for greater internationalisation. More information in this regard is contained in the Group management report.

Stipulations pursuant to Sections 76(4) and 111(5) of the German Stock Corporation Act (AktG)

Section 111 (5) of the German Stock Corporation Act (AktG) provides that the supervisory board of a listed stock corporation must set target quotas for the proportion of women on the Board of Directors. Pursuant to Section 76 (4) of the German Stock Corporation Act (AktG), the Board of Directors must furthermore set target quotas for women on the two management levels below the Board of Directors. According to Section 96 (2) of the German Stock Corporation Act (AktG), LEONI's Supervisory Board must furthermore have a quota of at least 30 percent women and men each.

With respect to the proportion of women and men on the Supervisory Board, both the Board's employee and shareholder representatives decided in principle that they fulfil this quota separately, consequently also dissenting from overall fulfilment for the elections to the Supervisory Board at the Annual General Meeting on 11 May 2017. The requirement for these elections therefore was that the shareholder and employee sides must each and separately be occupied by at least 30 percent women and men. Following the new elections, the mandatory quota is fulfilled on both the shareholder and employee sides of the Supervisory Board as both sides have two female members.

In setting its target quotas for the Board of Directors and the two management levels below the Board of Directors, LEONI AG has, as a technically oriented company, considered sector-specific circumstances as well as the current proportion of women in the workforce. The Supervisory Board had targeted a quota for the Board of Directors of 15 percent to be reached by 30 June 2017. Given the reassessment for the next five years required at this time, this target was confirmed for 30 June 2022. As was already the case prior to the update, this target quota is currently not met because the Board of Directors had four men and no women as members during the year under report. There were no new appointments to the Board of Directors in 2017.

For the next two management levels below the Board of Directors, the Board of Directors had set target quotas of 8 percent for the first management level and of 14 percent for the second level to be met by 30 June 2017. Given the new targets as updated in mid-2017, the target quotas for both levels have now been raised to at least 15 percent by 30 June 2022. In the past financial year, there was no staffing change on the first management level below the Board of Directors. There was one new appointment on the second level, for which a female manager was recruited. There are currently no women at the first management level, while the proportion on the second level is 12 percent. The targeted quotas are consequently not met.