CORPORATE GOVERNANCE

14 Corporate Governance Report
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CORPORATE GOVERNANCE REPORT

In this declaration, SMA Solar Technology AG reports on its corporate governance principles in accordance with Section 289f and 315d of the German Commercial Code (HGB) and on corporate governance in the Company in accordance with Section 161 of the German Stock Corporation Act (AktG) and clause 3.10 of the German Corporate Governance Code (DCGK). The declaration includes the declaration of compliance, information on corporate governance practices, which comprises information on where they can be accessed by the public, as well as information on the composition and description of the function of the Managing Board, Supervisory Board and respective committees and material corporate governance structures.

Complying with the principles of good corporate governance is extremely important to SMA. SMA is guided by the recommendations and suggestions in the German Corporate Governance Code (DCGK). The Managing Board and Supervisory Board dealt with meeting these requirements, in particular with the amendments to the DCGK in the version of February 2017. The Company has declared emergent deviations from the German Corporate Governance Code in the declaration of compliance of November 29, 2017. This declaration is reproduced below and published on our website at www.IR.SMA.de.

Declaration of Compliance with German Corporate Governance Code

In accordance with Section 161 of the German Stock Corporation Act, the Managing Board and Supervisory Board of SMA Solar Technology AG declare:

Since the last Declaration of Compliance dated December 8, 2016, SMA Solar Technology AG has complied with the recommendations of the Government Commission German Corporate Governance Code in the version dated February 7, 2017, published in the Bundesanzeiger (Federal Gazette) on April 24, 2017, with the exceptions mentioned below in numbers (1) and (2) and will continue to comply with them with the exceptions mentioned:

(1) Notwithstanding Article 5.4.1 (2) sentence 2 clause 4 of the German Corporate Governance Code in conjunction with the targets adopted by the Supervisory Board for its composition, the Supervisory Board includes with Dr. Erik Ehrentraut one member who will have reached the age of 75 by the end of the election period.

The Supervisory Board believes it is vital that Dr. Ehrentraut’s many years of experience in managing a company with international operations and supporting the Company remains available to the Supervisory Board.

(2) Notwithstanding Article 5.4.1 (2) sentence 2 clause 5 of the German Corporate Governance Code, the Supervisory Board has decided not to define any maximum limits for terms of office on the Supervisory Board. The Supervisory Board believes that a limit on the term of office does not account for the specific work of the Supervisory Board members and their profound knowledge of the Company and the market environment.

Niestetal, November 29, 2017

The Managing Board

The Supervisory Board
Corporate Governance Practices

In 2016, the SMA Managing Board together with a selected team developed the SMA Strategy 2020. It comprises a forward-looking vision and mission, the values that all SMA employees align themselves with and clear strategic targets for the years to come. The Strategy 2020 was presented to all SMA employees worldwide. It will provide the strategic framework for our activities, through which we will keep SMA on track for success even under changing market conditions. Further details can be found on page 28.

SMA adopted the code of conduct of the German Association of Materials Management, Purchasing and Logistics (BME) in 2009. These behavioral guidelines commit SMA to fair dealings with suppliers. The guidelines are based on, among other things, the Global Compact of the United Nations, the conventions of the International Labour Organization (ILO) and the United Nations’ Universal Declaration of Human Rights. The objective is to enshrine general principles with regard to fairness, integrity and corporate responsibility in business relationships. For SMA, these behavioral guidelines complement its mission statement and corporate culture, in which fairness, integrity and corporate responsibility are deeply rooted. The BME’s code of conduct is accessible on its website at www.bme.de.

In 2010, SMA also created its own guidelines for suppliers, which are guided by SMA’s corporate principles and likewise by the United Nations Global Compact and the international labor standards of the ILO. The guidelines prescribe standards for sustainable activity and give expression to what SMA expects of suppliers and business partners with regard to social, ecological and ethical issues. The key points of the guidelines are the ban on child labor, forced labor, abuse and discrimination, the fight against corruption, fair working conditions, occupational health and safety, environmental protection, quality and product safety. The latest version of the guidelines (SMA Supplier Code) is reproduced on the SMA website www.SMA.de.

On January 13, 2011, the Company made a declaration to the General Secretary of the United Nations to adopt the 10 principles of the UN Global Compact as compulsory guidelines for its corporate governance. The principles of the UN Global Compact define standards for upholding human rights, the protection of workers’ rights, environmental protection and the avoidance of corruption. They can be viewed on the website www.unglobalcompact.org.

In January 2012, the Managing Board also enacted the SMA business principles. The SMA business principles form the heart of the compliance management system and shape SMA’s values into clear behavioral standards. They were drafted in a workgroup project led by Group Compliance. The SMA business principles are obligatory for all SMA employees worldwide.

In compliance with the provisions of Section 76 (4) Sentence 2 AktG, the Managing Board resolved to set a target of 8% for the proportion of female employees in the first management level below the Managing Board and 14.6% for the second level by June 30, 2022. The targets correspond to the current ratio of genders at both management levels as of the date of the resolution.

Transparency

Transparency is a key element of good corporate governance. Our aim is to provide all shareholders, financial analysts, media and interested members of the public at large with timely information about our business situation and significant corporate changes.

All important information is also made available on our website at www.SMA.de. Reporting on the business situation and the operating results takes place in the Annual Report, in the press conference on financial statements and in the Quarterly Statements and Half-Yearly Financial Reports. Furthermore, the public is informed through press releases, via social networks and, if stipulated by law, by means of ad hoc statements. In addition, once a year SMA invites investors, analysts and the press to its Capital Markets Day to inform them about the market and competition, SMA’s strategic direction, unique selling propositions and financial developments.

Transparency is particularly important whenever deliberations and Company decisions might lead to conflicts of interest for members of the Supervisory Board or Managing Board. Any conflicts of interest that may have arisen are therefore disclosed by those members of the corporate bodies affected when discussion of the subject commences. The member concerned does not participate in the adoption of any necessary resolutions by the Managing Board or the Supervisory Board.
According to a disclosure made by the members of the Managing Board and the Supervisory Board, they held, either directly or indirectly, 10.01% (2016: 10.01%) of all shares issued as of the end of the fiscal year. The Managing Board members held a total stake of 0.33% (2016: 0.33%) in the share capital and the Supervisory Board members held a stake of 9.68% (2016: 9.68%) in the share capital. The cdw foundation, in which Supervisory Board members Peter Drews and Reiner Wettlaufer act as Managing Board members, holds an additional 8.65%. In addition, Danfoss A/S, in which Supervisory Board member Kim Fausing acts as chief executive officer, holds 20.00% (2015: 20.00%) of the share capital.

Remuneration Report

The Remuneration Report is a constituent part of the audited Consolidated Management Report and is shown on pages 20 et seq. of the Annual Report.

The Company’s Corporate Bodies and Their Functions

SMA Solar Technology AG is a stock corporation governed by German law. Accordingly, it possesses a dualistic management structure in which one corporate body is devoted to managing the Company (the Managing Board) and is supervised by another corporate body (the Supervisory Board). Both bodies are endowed with different powers and work closely with one another in an atmosphere of trust when managing and supervising the Company. At the Annual General Meeting, electing the auditor and shareholder representatives to the Supervisory Board takes place as does determining the appropriation of profits, along with making decisions that impact member rights of shareholders.

Managing Board

The Managing Board is responsible for independently and jointly managing the Company. It is obliged to sustainably ensure and increase Company value and is responsible for managing the business. It decides on fundamental issues of business policy and corporate strategy as well as on short- and medium-term financial planning. The Managing Board is responsible for preparing the Quarterly Statements, Half-Yearly Financial Reports and Annual Financial Statements of SMA Solar Technology AG and of the SMA Group, as well as for adherence to all legal and official provisions and internal policies. In compliance with the provisions in Section 111 (5) AktG, the Supervisory Board set a target of 25% for the proportion of women on the Managing Board in the period by June 30, 2022. The Supervisory Board strives to achieve this target by selecting suitable candidates when appointing new members to the Managing Board.

As a collective body, the Managing Board, in principle, strives to adopt resolutions unanimously. However, the Rules of Procedure for the Managing Board, adopted by the Supervisory Board (available on our website at www.IR.SMA.de) stipulate that individual members of the Managing Board are in charge of specific areas of responsibility. The Managing Board, with the consent of the Supervisory Board, lays out how responsibilities are assigned. The members of the Managing Board notify each other on an ongoing basis about all material events in their area of responsibility and about any matters covering multiple areas of responsibility. If the desired unanimity cannot be reached when adopting resolutions, then the Managing Board decides on the basis of a simple majority of the members present. However, no resolutions may generally be adopted on matters that have been assigned to the area of responsibility of a member absent from a meeting. Under legal provisions or the Rules of Procedure, in certain transactions, a unanimous resolution of the Managing Board is mandatory. For a predetermined number of transactions, the Supervisory Board has a reservation of consent. The Managing Board has not instituted any committees.

The Company’s diversity concept for the Managing Board to be described in accordance with Section 289f HGB comprises, on the one hand, consideration of the various personal and professional competencies required to fulfill the respective tasks on the Managing Board. Other elements include the decision on the proportion of women on the Managing Board and the age limit for the Managing Board described in Section 1 (4b) of the Supervisory Board’s Rules of Procedure. The aim of the concept is to best meet the requirements for the work carried out by a Managing Board through a broad and varied range of knowledge and experience. The current makeup of the Managing Board upholds the prescribed age limit and reflects different professions and professional backgrounds as well as personal and professional competencies. Detailed information about the individual Managing Board members is provided on page 7.

The Managing Board currently comprises three members: Ulrich Hadding (Board Member for Finance, Human Resources and Legal, Labor Director), Dr.-Ing. Jürgen Reinert (Deputy Chief Executive Officer, Board Member for Operations and Technology) and Pierre-Pascal Urbon (Chief Executive Officer, Board Member for Strategy, Sales and Service).
Supervisory Board

The Supervisory Board advises the Managing Board in all matters and supervises its activity. The Managing Board involves and consults with the Supervisory Board on all matters of fundamental significance and whenever particularly important business decisions need to be made. Under the Rules of Procedure applicable to the Managing Board, which were adopted by the Supervisory Board, the Managing Board must obtain prior approval from the Supervisory Board for certain decisions. Such decisions include approval of the annual budget, including the investment plan, incorporation, acquisition or sale of companies and acquisition or sale of real estate, whenever stipulated threshold values are exceeded. The Supervisory Board must also consent to the allocations of responsibility to the Managing Board.

The Supervisory Board is currently made up of 12 members and its composition complies with the provisions of the German Stock Corporation Act and the Codetermination Act. Under these provisions, the employees of German Group companies and their shareholders (Annual General Meeting) each elect six representatives to the Supervisory Board. The current members of the Supervisory Board are: Oliver Dietzel, Johannes Häde, Heike Haigis, Yvonne Siebert, Dr. Matthias Victor and Hans-Dieter Werner as employee representatives, and Roland Bent, Peter Drews, Dr. Erik Ehrentraut (Chairman), Kim Fausing (Deputy Chairman), Alexa Hergenröther and Reiner Wetlauffer as shareholder representatives.

Dr. Erik Ehrentraut and Alexa Hergenröther, as independent members of the Supervisory Board, possess the necessary expertise in the fields of accounting or auditing as stipulated under Section 100 (5) of the AktG.

The Committees of the Supervisory Board are made up as follows:

<table>
<thead>
<tr>
<th>Committee</th>
<th>Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Presidial Committee</td>
<td>Dr. Erik Ehrentraut (Chairman), Yvonne Siebert (Deputy Chairwoman), Kim Fausing, Dr. Matthias Victor</td>
</tr>
<tr>
<td>Audit Committee</td>
<td>Alexa Hergenröther (Chairwoman), Dr. Erik Ehrentraut (Deputy Chairman), Oliver Dietzel, Johannes Häde</td>
</tr>
<tr>
<td>Nomination Committee</td>
<td>Peter Drews (Chairman), Reiner Wetlauffer (Deputy Chairman), Dr. Erik Ehrentraut (Deputy Chairman), Kim Fausing, Alexa Hergenröther</td>
</tr>
<tr>
<td>Mediation Committee</td>
<td>Heike Haigis (Chairwoman), Kim Fausing (Deputy Chairman), Dr. Erik Ehrentraut, Hans-Dieter Werner</td>
</tr>
</tbody>
</table>

The committees prepare topics and resolutions for review by the Supervisory Board at its plenary session. They regularly meet with stakeholders such as the Managing Board, the auditor or the Heads of Internal Auditing or Compliance for this purpose. The content of the committee meetings is reported on by the committee chairperson at the next plenary session of the Supervisory Board. Any member of the Supervisory Board may attend committee meetings, provided the relevant committee chairperson does not decide otherwise. The meeting minutes and resolutions adopted by committees are made available to all the members of the Supervisory Board.

The Supervisory Board reports annually on the focus of its activities and deliberations in the Supervisory Board Report. You may refer to the Supervisory Board Rules of Procedure on our website at www.IR.SMA.de. The Supervisory Board members take general and specialized training necessary for their tasks of their own accord, and in doing so, they receive appropriate support from the Company.

In the past, the Supervisory Board has regularly dealt with the personal and professional requirements of its members and, with regard to the provisions of clause 5.4.1 of the German Corporate Governance Code, has decided on appropriate objectives for its composition and established a competence profile. The competence profile addresses the requirements for members of the Supervisory Board, which are provided by law, the German Corporate Governance Code and the objectives of the Supervisory Board for its composition in particular.

The requirements and the competence profile continue to form the diversity concept of the Supervisory Board within the meaning of Section 289f (6) of the HGB, the objective of which is to ensure that the Supervisory Board has the broadest possible range and variation of knowledge and experience. The Supervisory Board considers that increasing the diversity in the composition of the Supervisory Board is already the objective of various provisions of the law and of the German Corporate Governance Code. It incorporated this objective when selecting new members and took it into consideration when creating its competence profile and the objectives for its composition, and will continue to do so in the future for implementation of the diversity concept.

The objectives of the Supervisory Board for its composition are as follows:

1. The minimum proportion of women on the Supervisory Board is determined by legal provisions.
2. Maintain the composition of Supervisory Board members with a background of international experience at least in the previous scope
3. Special consideration given to candidates with knowledge and experience in the application of financial reporting standards and internal control processes as well as in the field of auditing
4. Special consideration given to candidates with technical expertise, particularly in the field of renewable energies, preferably in the field of photovoltaics
5. Special consideration given to candidates with knowledge of the Company
6. At least half of the shareholder representatives are to be independent. At the same time, at least one member is to possess expertise in the field of accounting or auditing.
7. Consideration of the age limit of 75 years at the end of the term of office when selecting new members
These objectives have been implemented as follows:

As regards 1: The Supervisory Board now has three female members, Heike Haigis, Alexa Hergenröther and Yvonne Siebert. The appointment of Alexa Hergenröther by the Annual General Meeting in 2017 means that another vacant shareholder seat has been filled by a woman.

As regards 2 to 5: In the opinion of the Supervisory Board, these objectives have been achieved.

As regards 6: The Company currently considers at least three shareholder representatives independent: Roland Bent, Dr. Erik Ehrentraut and Alexa Hergenröther. Two of these independent members have expertise in the fields of accounting and financial audits: Dr. Erik Ehrentraut and Alexa Hergenröther.

As regards 7: To date, one member of the Supervisory Board will exceed the age limit of 75 years at the end of his term of office.

From the perspective of the Supervisory Board, the requirements arising from the competence profile and the diversity concept have been fulfilled, with the exception of the proportion of women and the age limit.

Cooperation Between the Managing Board and the Supervisory Board

The Managing Board and the Supervisory Board work closely with one another in an atmosphere of trust for the good of the Company, thus meeting both the requirements of effective enterprise control and the need to be able to make decisions quickly. Their common goal is to secure the continued existence of the Company and steadily increase its value. To this end, the Managing Board keeps the Supervisory Board promptly and comprehensively informed, both in writing and verbally, and during regular meetings about the Company’s position, current business developments and all relevant questions pertaining to strategic planning, risk management and important compliance matters. The Quarterly Financial Statements and the Half-Yearly Financial Report are discussed with the Managing Board on a regular basis during Audit Committee meetings prior to their publication.

Outside meetings, the Chairman of the Supervisory Board and his Deputy are also in contact with the Managing Board to discuss significant business transactions and upcoming decisions and are informed of key developments immediately.

Shareholders and Annual General Meeting

SMA Solar Technology AG shareholders discuss their co-determination and control rights at the Annual General Meeting, which takes place at least once a year. The Annual General Meeting adopts resolutions with binding effect and each share grants one vote. Every shareholder who registers on time is entitled to participate in the Annual General Meeting. In addition, shareholders may have their voting rights exercised by a credit institution, a shareholder association, the proxies deployed by SMA Solar Technology AG and bound by the shareholder’s instructions or by another authorized representative. The invitation to the Annual General Meeting and all reports and information necessary for adopting resolutions, including the Annual Report, are published in accordance with the provisions of the Stock Corporation Act and are available in the run-up to the Annual General Meeting on our website at www.IR.SMA.de.

INFORMATION CONCERNING TAKEOVERS REQUIRED BY HGB SECTIONS 289A AND 315A

Number 1: The share capital of SMA Solar Technology AG amounts to €34.7 million. The capital is divided up into 34,700,000 no-par value bearer shares. The rights and obligations associated with the shareholdings fall under the regulations in the German Stock Corporation Act.

Number 2: Each share has the right to one vote. On October 1, 2010, the four founders and main shareholders of SMA Solar Technology AG, Dr.-Ing. h. c. Günther Cramer, Peter Drews, Prof. [em.] Dr.-Ing. Werner Kleinkauf and Reiner Wettlaufer, transferred equity stakes to the next generation within their families by way of a gift. The acquiring shareholders concluded a pooling agreement for a period of seven years, which would have been terminable for the first time in 2017. During the term of this agreement, the voting rights emanating from the shares transferred may only be exercised as a block vote. In addition, the shares may only be sold to third parties with the consent of the other members of the pool or if narrowly defined prerequisites are satisfied. As far as the Company is aware, the agreement has not been terminated up to now. At the end of the fiscal year, the shareholders who coordinate their voting rights in “Poolvertrag SMA Solar Technology AG” (pooling agreement) hold a total of 8,744,470 shares or 25.20% of the Company’s voting rights. Beyond this, the Managing Board is not aware of any restrictions affecting voting rights or the transferability of shares.
Number 3: Danfoss A/S, Denmark, holds 20.00% of the Company’s share capital.

Shareholders who coordinate their voting rights in “Poolvertrag SMA Solar Technology AG” (see Number 2) hold 25.20% of the Company’s share capital. Lars Cramer as individual shareholder of the “Poolvertrag SMA Solar Technology AG” holds 11.05% of the Company’s share capital.

Numbers 4 and 5: The shareholders do not have any special rights conferring them any particular powers of control.

Number 6: Appointment and dismissal of the Managing Board takes place pursuant to Sections 84 and 85 of the German Stock Corporation Act (AktG) together with Section 31 of the Codetermination Act (MitbestG). Under Article 5 of the Articles of Incorporation, the Managing Board consists of at least two members and the exact number is laid down by the Supervisory Board. Under Section 179 of the AktG, the Articles of Incorporation may be amended by a resolution adopted by the Annual General Meeting with a majority of three-quarters of the share capital represented at the vote.

Number 7: The Articles of Incorporation include the provisions on the powers of the Managing Board regarding Authorized Capital II. The Managing Board, after obtaining the consent of the Supervisory Board, is entitled to increase the share capital on one or several occasions by up to a total of €10 million by issuing new bearer shares in return for cash contributions and/or contributions in kind in the period ending May 22, 2018. The Managing Board, with the consent of the Supervisory Board, is entitled to cancel the statutory subscription rights of shareholders: (a) in the case of capital increases in return for contributions in kind for the acquisition of or investment in companies, parts of companies or investments in companies, (b) for the purpose of issuing shares to employees of the Company and companies affiliated with the Company, (c) to exclude fractions and (d) in the case of capital increases in return for cash contributions if the issue amount of the new shares does not fall significantly below the stock exchange price of shares of the same class and terms that are already listed at the time the Managing Board sets the final issue amount, and the total pro rata amount of the issued capital attributable to the new shares in respect of which the subscription right is excluded may not exceed 10% of the issued capital available at the time the new shares are issued.

Furthermore, following a resolution adopted by the Annual General Meeting on May 31, 2016, the Managing Board, in the period ending May 30, 2021, is entitled, on behalf of the Company, to acquire its own shares up to a value of 10% of the existing capital stock at the time the resolution was adopted by the Annual General Meeting, and to dispose of shares acquired in this way with the consent of the Supervisory Board by means other than through the stock exchange, or an offer made to all the shareholders, provided the shares are sold in return for cash at a price that does not fall significantly below the stock exchange price of shares in the Company issued under the same terms or the shares are sold in return for in-kind contributions, or they are offered in return for shares held by persons that either had or have an employment relationship with the Company, or with one of its affiliated companies, or members of bodies in companies that depend on the Company. Additionally, if the Managing Board sells the Company’s own shares by offering them to all the shareholders with the consent of the Supervisory Board, the Managing Board is entitled to exclude the shareholders’ right of subscription for fractions. In addition, the Managing Board is entitled to cancel any acquired own shares after obtaining the consent of the Supervisory Board.

Number 8: Credit lines agreed with banks with a volume of €100 million contain a change of control clause that includes the special termination right of the relevant bank.

Number 9: If the employment contract with a member of the Managing Board ends after being terminated by the member of the Managing Board within a period of six months since a change of control, this member is entitled to severance pay amounting to his/her remuneration rights for the remaining term of the employment contract, however, no longer than a period of two years.
REMUNERATION REPORT

The Remuneration Report summarizes the principles that are decisive when it comes to determining remuneration for the Supervisory Board and Managing Board and also explains the remuneration structure and the emoluments payable.

Managing Board Remuneration and Emoluments

The remuneration system for the Managing Board (including the most important contractual elements) is decided at a Supervisory Board plenary session. The Supervisory Board regularly examines the remuneration system for the Managing Board and defines targets for the variable components of the emoluments. The criteria for determining remuneration include evaluating the tasks of the individual Managing Board members, their personal performance, the overall financial situation and Company success, using compensation peer benchmarking and the Company’s usual remuneration structure. In its assessment, the Supervisory Board also included Managing Board remuneration in relation to remuneration of the top-level executives and the workforce as a whole, taking into account changes over time, and thus, laid out comparable peer groups from top-level executives and the workforce. The remuneration is assessed in a way that ensures it is competitive with the market for highly qualified managerial staff. Apart from statutory requirements, the remuneration system also complies with the stipulations of the German Corporate Governance Code and with case law and was approved by the Annual General Meeting on May 23, 2017. The remuneration of the Managing Board consists of the components described below in which the fixed component of the emoluments amounts to 60% and the variable component and long-term bonus in the case of good business performance of 40% of the total remuneration before additional benefits. 60% of the variable component of the emoluments must correspond to the long-term bonus. The percentages provided are approximate values. A deviation of up to five percentage points is permitted.

NON-PERFORMANCE-BASED FIXED REMUNERATION

The annual fixed emoluments are divided into 12 monthly salaries.

PERFORMANCE-BASED VARIABLE REMUNERATION

Managing Board members also receive a performance-based variable salary, which depends on earnings before income tax (EBT) as recorded in the Consolidated Financial Statement for a fiscal year audited by the auditors. The performance-based variable salary consists of three components: “profit,” “sales” and “personal performance.” “Profit” counts for 40% and “sales” and “personal performance” count for 30% each of the performance-based variable salary. The “profit” and “sales” components can also be fulfilled up to 150%. If the defined lower limits of the respective components are not met, they are graded with a “0.” Values in-between are determined on a linear basis. If the sum of the percentages of the components reaches 100% or more, this entitles payment of the full agreed remuneration. If the agreed targets are exceeded, this does not entitle payment of an overall higher variable remuneration (cap).

The target values (EBT, sales) and personal objectives are redefined by the Supervisory Board every year and the corresponding remuneration based on the objectives achieved after the Consolidated Financial Statement has been approved is generally paid in March of the following year. If the Managing Board members’ duties do not extend beyond one full fiscal year, then they receive one-twelfth of the performance-based variable remuneration determined for the entire fiscal year for each month of the fiscal year in which they carry out their duties.

LONG-TERM BONUS

Managing Board members also receive a long-term bonus, which depends on the mean EBT margin as recorded in the Consolidated Financial Statements audited by the auditors over a period of three fiscal years. The upper and lower limits of the target value (EBT margin) are determined annually by the Supervisory Board for the following three fiscal years. If the upper limit of the target value is achieved, then the full agreed long-term bonus may be claimed, whereas if the lower limit of the target value is not met, no bonus is payable. Values in-between are determined on a linear basis.
If the target value is exceeded, this does not entitle payment of a higher long-term bonus (cap). The bonus is payable, at the very earliest, upon expiration of the three-year period. Payment takes place after the third Consolidated Financial Statements have been approved, usually at the end of March, even if the employment contract ends before the end of the performance period. If the employment contract still has a term of at least two years to run when payment becomes due, then the Managing Board members are expected to invest the net amount payable, in part, in shares in SMA Solar Technology AG and to hold these shares until their Managing Board duties with the Company have ended.

ADDITIONAL BENEFITS

All Managing Board members are entitled to:

→ A company car
→ Reimbursement of travel costs and any expenses incurred on company business
→ Continued payment of remuneration for up to nine months in the event of temporary sick leave
→ Employer’s contribution up to the contribution assessment ceiling of statutory social insurance (pension, health, long-term care), even in the case of voluntary insurance and without furnishing any proof as well as appropriate directors and officers liability insurance.

Any taxes due must be borne by the Managing Board member.

OTHER CONTRACTUAL BENEFITS

In the event of death or long-term sick leave, remuneration will continue to be paid for six months.

In the event of early termination of Managing Board duties without good cause, the compensation payable is limited to the total remuneration for the remaining term of the contract and up to a maximum of two years’ emoluments (severance pay cap). If an employment contract with a member of the Managing Board ends after being terminated by the member within a period of six months from a change of control¹, this member is entitled to severance pay amounting to his/her remuneration rights for the remaining term of the employment contract, however, no longer than a period of two years.

All members of the Managing Board are subject to a post-termination non-compete clause valid for a period of two years, which provides an appropriate compensation payment amounting to 50% of the services contractually agreed by the Managing Board. The Managing Board member must set off any remuneration earned while he/she is otherwise employed during the non-compete period, insofar as the remuneration exceeds the amount of the last contractually agreed services performed when the other earnings are added.

The maximum cash value of the compensation sums payable in a non-compete clause after conclusion of Managing Board duties amounts to €0.750 million for Ulrich Hadding, €1.242 million (2016: €0.653 million) for Dr.-Ing. Jürgen Reinert and €1.819 million (2016: €0.860 million) for Pierre-Pascal Urbon.

In the 2017 fiscal year, the total emoluments payable to all members of the Managing Board in office in the fiscal year amounted to €3.945 million (2016: €3.484 million). This included variable emoluments of €1.265 million paid to the Managing Board in 2017 (2016: €0.599 million). The Managing Board members receive no separate remuneration for carrying out tasks at subsidiaries.

The table below provides information on the remuneration of the Managing Board in accordance with the rules of the German Corporate Governance Code dated February 2017. The values in the “Inflow” table relate to the emoluments of individual Managing Board members for the 2017 fiscal year. The “Grants” table also shows the minimum and maximum remuneration achievable with regard to the variable remuneration components for the fiscal year.

No credits were granted nor were any advances paid to Managing Board members during the fiscal year. There are no pension commitments.

¹ contrary to the provision introduced in the 2017 Annual General Meeting
## Inflow

<table>
<thead>
<tr>
<th></th>
<th>Roland Grebe Board Member for HR and IT Left 2016/12/31</th>
<th>Ulrich Hadding Board Member for Finance, HR and Legal Joined 2017/01/01</th>
<th>Dr. Ing. Jürgen Rainert Board Member for Operations and Technology Joined 2014/04/01</th>
<th>Pierre-Pascal Urban Chief Executive Officer, Board Member for Strategy, Sales and Service Joined 2006/07/01</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed remuneration</td>
<td>480</td>
<td>600</td>
<td>480</td>
<td>800</td>
</tr>
<tr>
<td>Additional benefits/Others</td>
<td>23</td>
<td>26</td>
<td>23</td>
<td>23</td>
</tr>
<tr>
<td>Total</td>
<td>503</td>
<td>626</td>
<td>503</td>
<td>823</td>
</tr>
<tr>
<td>One-year variable remuneration</td>
<td>190</td>
<td>160</td>
<td>184</td>
<td>220</td>
</tr>
<tr>
<td>Multi-year variable remuneration</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Long-term variable remuneration 2014 - 2016</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Long-term variable remuneration 2015 - 2017</td>
<td>0</td>
<td>240</td>
<td>240</td>
<td>240</td>
</tr>
<tr>
<td>Total</td>
<td>693</td>
<td>786</td>
<td>687</td>
<td>1,283</td>
</tr>
</tbody>
</table>


Due to contractually agreed long-term targets (2015–2017), Lydia Sommer (left the Managing Board on February 28, 2015) still received a pro-rata final payment of €29,000.

## Grants

<table>
<thead>
<tr>
<th></th>
<th>Roland Grebe Board Member for HR and IT Left 2016/12/31</th>
<th>Ulrich Hadding Board Member for Finance, HR and Legal Joined 2017/01/01</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2017</td>
</tr>
<tr>
<td>Fixed remuneration</td>
<td>480</td>
<td>600</td>
</tr>
<tr>
<td>Additional benefits/Others</td>
<td>23</td>
<td>26</td>
</tr>
<tr>
<td>Total</td>
<td>503</td>
<td>626</td>
</tr>
<tr>
<td>One-year variable remuneration</td>
<td>240</td>
<td>160</td>
</tr>
<tr>
<td>Long-term variable remuneration 2016 - 2018</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Long-term variable remuneration 2017 - 2019</td>
<td>0</td>
<td>240</td>
</tr>
<tr>
<td>Total</td>
<td>240</td>
<td>400</td>
</tr>
<tr>
<td>Pension contribution</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>240</td>
<td>400</td>
</tr>
</tbody>
</table>

Grants

### Supervisory Board Remuneration and Emoluments

In accordance with the regulations on Supervisory Board remuneration in effect since the 2013 fiscal year, Supervisory Board members receive fixed remuneration of €25,000 a year. The remuneration payable to the Chairman amounts to twice the amount mentioned above and the remuneration payable to the Chairman’s deputy amounts to one and a half times the aforementioned amount.

Members of the Supervisory Board Audit Committee receive an annual remuneration of an additional €7,500. For members of the Supervisory Board Presidial Committee, the total annual remuneration is an additional €5,000. The chairpersons of these committees receive twice the aforementioned amounts. Members of other committees do not receive any special remuneration for their committee duties.

Supervisory Board members receive an additional €750 per meeting day for their meeting participation. If they take part in several meetings in one day, they receive a maximum payment of twice the aforementioned amount. The remuneration is payable at the end of the fiscal year. Supervisory Board members who have only sat on the Supervisory Board or a committee for part of the fiscal year receive remuneration pro rata temporis.

No other remuneration or benefits for personally rendered services, in particular consulting and mediation services, were granted to Supervisory Board members. Similarly, in the year under review, the Supervisory Board members were granted no credits or advances.

As of December 31, 2017, four of the members of the Supervisory Board held SMA shares.

The emoluments payable to the members of the Supervisory Board amounted to a total of €0.441 million in the reporting year (previous year: €0.433 million).

Beyond the remuneration of the Supervisory Board, the employee representatives that are employees of the Company receive fee payments unrelated to their Supervisory Board duties.
## Remuneration of the Supervisory Board

<table>
<thead>
<tr>
<th></th>
<th>Remuneration for supervisory duties</th>
<th>Remuneration for committee duties</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roland Bent</td>
<td>28.8</td>
<td>28.8</td>
<td>0.0</td>
</tr>
<tr>
<td>Oliver Dietzel</td>
<td>30.3</td>
<td>30.3</td>
<td>12.8</td>
</tr>
<tr>
<td>Peter Drews</td>
<td>29.5</td>
<td>30.3</td>
<td>0.0</td>
</tr>
<tr>
<td>Dr. Erik Ehrentraut (Chairman)</td>
<td>55.3</td>
<td>56.0</td>
<td>32.0</td>
</tr>
<tr>
<td>Kim Fausing (Deputy Chairman)</td>
<td>0.0¹</td>
<td>0.0¹</td>
<td>0.0¹</td>
</tr>
<tr>
<td>Johannes Häde</td>
<td>30.3</td>
<td>31.0</td>
<td>12.8</td>
</tr>
<tr>
<td>Heike Haigis</td>
<td>28.8</td>
<td>29.5</td>
<td>0.0</td>
</tr>
<tr>
<td>Alexa Hergenröther (as of August 5, 2016)</td>
<td>11.6</td>
<td>29.5</td>
<td>0.9</td>
</tr>
<tr>
<td>Dr. Winfried Hoffmann (until June 30, 2016)</td>
<td>14.8</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Yvonne Siabet</td>
<td>29.5</td>
<td>30.3</td>
<td>7.3</td>
</tr>
<tr>
<td>Dr. Matthias Victor</td>
<td>30.3</td>
<td>31.0</td>
<td>7.3</td>
</tr>
<tr>
<td>Hans-Dieter Werner</td>
<td>29.5</td>
<td>31.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Reiner Wettlauer</td>
<td>29.5</td>
<td>31.0</td>
<td>11.5</td>
</tr>
<tr>
<td>Total</td>
<td>348.2</td>
<td>358.7</td>
<td>84.6</td>
</tr>
</tbody>
</table>

¹ Kim Fausing waived his entitlements from the Company.

### Other

The Company has taken out professional indemnity insurance (D&O insurance) for the members of the corporate bodies of all SMA Group companies. It is effected or extended every year. The insurance covers the personal liability risk of the members resulting from a breach of duty when exercising their duties in the event that any claims for economic losses are asserted against them. The deductible in the policy for the 2017 fiscal year was 10% of the damage, however, no higher than one and a half times the fixed annual emoluments of the member of the corporate body.