

Report by Infrafrontier GmbH
on Compliance with the Public Corporate Governance Code
of the Federation
for the year 2016

A. Preamble

Being a non-profit GmbH (company with limited liability) Infrafrontier GmbH pursues the goal of establishing and operating a research infrastructure as well as promoting research, education and application in all fields concerning the phenotyping, archiving and distribution of mouse resources. The company meets the objectives set out in its articles of association (hereinafter referred to as "Articles of Association") by, in particular, organising scientific events for the purpose of sharing experiences in the field of mouse phenotyping and archiving and by working together with other organisations, primarily public bodies, facilities and research institutes. The company has been founded in 2013 and the business activities in the reporting year 2016 have been manageable. The shareholders of Infrafrontier GmbH are the Helmholtz Zentrum München Deutsches Forschungszentrum für Gesundheit und Umwelt (GmbH) [German Research Centre for Environmental Health], the Institute of Molecular Genetics of the ASCR, v. v. i., the Centre National de la Recherche Scientifique (CNRS), the University of Oulu and the Biomedical Sciences Research Centre Alexander Fleming.

The Public Corporate Governance Code of the Federation (hereinafter referred to as "PCGK") contains essential provisions concerning the laws applicable to the management and supervision of companies of which the Federal Republic of Germany is a shareholder as well as internationally and nationally recognised standards of good and responsible corporate governance.

This report covering the year 2016 includes the following statements:

- The Managing Directors of Infrafrontier GmbH (hereinafter referred to as "Management") declare that the essential recommendations set out in the Code have been and continue to be met.
- The following recommendations set out in the PCGK are (currently) not yet complied with (or shall, for certain reasons, not be complied with on a permanent basis).

B. PCGK report of INFRAFRONTIER GmbH

I. Bodies

As a company that is organised as a GmbH (company with limited liability), Infrafrontier GmbH has two bodies: the Shareholders' Meeting (hereinafter referred to as "Council") and the Managing Directors/Board of Directors. In the PCGK, these are referred to as "Partners' Meeting" (Anteilseignerversammlung) and "Management" (Geschäftsleitung).

II. Supervisory body

In several sections, the PCGK refers to a steering and control system that is ensured by a management and supervisory body.

Infrafrontier GmbH has not set up a supervisory body (supervisory board). According to the applicable statutory rules and regulations or its Articles of Association it is not duty-bound to do so. It is the task of the "Scientific Advisory Board" (Wissenschaftlicher Beirat), required by the company's Articles of Association, to advise the Council and the Managing Directors on questions of science and normal business procedures of fundamental importance. It has however no supervisory role. Hence, the task of the supervisory body according to the content and objectives of the PCGK is assumed by the Council.

III. Partners' Meeting

Pursuant to section 2.3 of the PCGK, for companies that are set up as a GmbH, the meeting must be called at least two weeks prior to the day when the meeting takes place.

Pursuant to section 51 I, sentence 2 of the German Law on Limited Liability Companies (GmbHG), the invitations to the 2016 meetings of the Council of Infrafrontier GmbH were, in each case, effectuated at least one week in advance.

IV. Cooperation of management and supervisory body

Pursuant to section 3.1.3 of the PCGK, it is the joint task of the management and the supervisory body to provide sufficient information for the supervisory body. The duties concerning report content and rotation should, even in the case of companies that are not managed as Public Limited Companies (Aktiengesellschaft), be based on section 90 of the German Law on Public Limited Companies (AktG). The supervisory body has to set out in detail the information and reporting duties of the management in its rules of procedure. Any reports that the management submits to the supervisory body must, as a rule, be issued in writing.

The Managing Directors of Infrafrontier GmbH verbally informed the Council both in June and in November 2016 at its meeting about the development and evaluation of the company. Some of the relevant documents were sent out in advance. The paperwork was not always dispatched 14 days before the meeting; complaints etc. have so far not been submitted. The Rules of Procedure for the Board of Directors do not contain detailed provisions concerning reporting duties.

V. Management

1. Pursuant to section 4.1.3 the management is responsible for adequate risk management and risk control.

So far, neither a supervisory system nor a body for the prevention of corruption has been established.

2. Section 4.2.1 sets out that sole power of attorney must only be granted in justified, exceptional cases.

Such an exceptional modus operandi was justified in July 2014 when the then only employee of Infrafrontier GmbH was given sole power of attorney. This power of attorney has been and still is limited to business transactions with a value less than 5.000€.

VI. Supervisory body

1. As Infrafrontier GmbH is not obliged to form a supervisory body (supervisory board), the recommendations concerning supervisory bodies set out in section 5 of the PCGK are not all complied with; there are, for example, no quarterly meetings of the shareholders in their function of members of the supervisory body; there are no procedural rules concerning the supervisory body, no chairman, no committees set up by the supervisory body and no audit committee.
2. The meetings of the supervisory body shall, in accordance with section 5.1.4 of the PCGK, be chaired by its chairman.

The meetings of the Council of Infrafrontier GmbH have, since the election of the Council Chairman, been called by him; the meetings have regularly been chaired by the Scientific Managing Director.

3. The members of a supervisory body must not allow others to assume their tasks (section 5.2.3 of the PCGK).

According to article 11 (4) of the Articles of Association of Infrafrontier GmbH every shareholder may authorise another shareholder to represent him at the Council Meeting and vote on his behalf.

4. According to section 5.4.2 of the PCGK, members of the supervisory board must not enter into any consultancy and other service- and work-related contracts with the company.

Several contracts have been entered into with the shareholder Helmholtz Zentrum München (GmbH). These are service and rental contracts; in each case, payment takes place separately.

5. Pursuant to 5.1.2 of the PCGK, the first term of office for members of the management should be limited to three years. Furthermore, an age limit should be set upon the reaching of which members of the management should retire, and long-term succession planning should be ensured.

The Scientific Managing Director of Infrafrontier GmbH was appointed at the Council Meeting on 11 April 2013 and confirmed by the Council Meeting after the circle of shareholders had been extended. The only time limit concerning his activity is imposed indirectly via article 5 of the Articles of Association of Infrafrontier GmbH, i.e. for a period of less than five years. If Infrafrontier GmbH is not dissolved by the end of 2017 as stipulated in article 5 of the Articles of Association, he will either be confirmed or a new appointment will be made. The Administrative Managing Director has been appointed at the Council Meeting on 15 December 2015, his first term of office has been limited to three years.

In view of Infrafrontier GmbH being as the case may be only in existence for a short time, it does not appear necessary to stipulate an age limit for the departure from Management despite the fact that such a *modus operandi* contradicts the statutory rules and regulations set out in the German General Equal Treatment Act (AGG); the same applies to succession planning.

VII. Transparency

Section 6.3 stipulates that the annual financial accounts of a company must be placed on the company website to ensure public access.

Infrafrontier GmbH has complied with its duties concerning the disclosure of its annual financial accounts pursuant to section 325 et seq. of the German Code of Commercial Law (HGB) by making use of the less stringent rules that apply to small limited liability companies.

VIII. Accounting and final audit

Pursuant to section 7.2.3 of the PCGK it is to be agreed with the auditor that he shall report any facts that reveal an inaccuracy in the declaration concerning the PCGK made by the Managing Directors.

The auditor has not commented on the Report concerning compliance with the Public Corporate Governance Code.