

Corporate Governance Practices and Compliance

Corporate governance is the regulatory, management and monitoring framework within which a company operates. In contrast to pure corporate management, which is also possible without consideration of corporate governance rules, corporate governance aims for 'responsible corporate management and control'. Corporate governance is thus a complex construction of obligatory and voluntary measures. By designing and implementing appropriate management and control structures, the Executive Board and the Supervisory Board are responsible for ensuring compliance with corporate governance. The framework for this arises from the Articles of Association, the rules of procedure of the Supervisory Board and the Executive Board, the German Corporate Governance Code as well as national and directly applicable European legislation. The Articles of Association and the Rules Of Procedure are available on our website at **www.sleepz.com > Investor Relations > Corporate Governance > Articles of Association and... > Corporate Governance > Rules of Procedure.**

The Executive Board and Supervisory Board of SLEEPZ AG regularly deal with the topic of corporate governance and compliance. In particular during the Supervisory Board meeting held on 6 December 2017, the Executive Board and the Supervisory Board were informed in detail about the subject matter dealt with in the past financial year, as well as about the changes and additions to the Code made by the Government Commission of the German Corporate Governance Code in February 2017. In addition, it was discussed which of the existing and new recommendations as well as suggestions of the Code could be followed by the company. Furthermore, the Executive Board and the Supervisory Board adopted the declaration which is to be released once a year in accordance with section 161 AktG – (German Stock Corporation Act) on this day. Individual deviations from the recommendations have been published, presented and substantiated in the required form on the website at **www.sleepz.com > Investor Relations > Corporate Governance > Declaration of Conformity.** The text of this statement is also reproduced at the end of this report.

Due to the parallel listing of the SLEEPZ share in the regulated market of the Warsaw Stock Exchange, the Company is also required to comply with the capital market requirements and specifications in Poland. Since the European Market Abuse Directive came into force in summer 2016 with the resulting harmonisation of the capital market law and the clarification of responsibilities, there has since been considerable alleviation. Nonetheless, SLEEPZ continues to endeavour to comply with the requirements imposed by the Warsaw Stock Exchange on companies listed in the regulated market of the Warsaw Stock Exchange in respect to good corporate governance. The SLEEPZ Executive Board also reports once a year on the matter. This report is as well published on the website at **www.sleepz.com > Investor Relations > Corporate Governance > Corporate Governance according to Polish Law.**

Against the background of changing regulatory specifications on the one hand and corporate structural changes on the other, the corporate governance or compliance management system of every company has to steadily evolve. For SLEEPZ and its subsidiaries, this is all the more true as they have just completed their second full financial year as an e-commerce group in the sleep field in 2017 and the SLEEPZ Group is still being developed. As a result, the development and

establishment of a Group-wide system of standardised and institutionalised measures is currently still in the early stages, and at SLEEPZ subsidiaries direct compliance to good corporate governance is primarily the responsibility of the respective management. However, these are supported by the parent company, be it through a higher-level discussion of specific topics, e.g. as required in the past financial year as a result of the revised version of the Money Laundering Act, or the initiation of Group-wide projects, if they are necessary and appropriate. An example of this is the Group-wide project to implement the new requirements of the EU General Data Protection Regulation, which states that employees are to be trained as part of a Group-wide e-learning process.

In addition, employees throughout the Group who were granted stock options in the 2015/1 Employee Participation Scheme must also be supported and, if necessary, trained, and in this context, are obliged to comply with the compliance guidelines in line with capital market legislation. This also applies to *all* employees of SLEEPZ AG. The Executive Board currently does not consider the expansion of the scope of this directive – which is published on the website at **www.sleepz.com > Investor Relations > Corporate Governance > Compliance** – either necessary or meaningful for all employees of the SLEEPZ Group.