



Corporate Governance Declaration

Responsible and long-term oriented management and control of the Company is of key significance at PSI. Efficient cooperation between the Board of Directors and the Supervisory Board, clear rules, respect for shareholders' interests, open and transparent corporate communication, customer orientation, fair business practices and the protection of intellectual property are core principles of Company management. The key principles of our dealings with customers, shareholders, employees, partners and competitors of PSI are set forth in the Code of Conduct, which is posted on the Group's website at www.psi.de.

Corporate Governance Report

Declaration of Compliance of PSI AG with the German Corporate Governance Code under Article 161 of the German Stock Corporation Act (Aktiengesetz – AktG) of April 29, 2011.

The Board of Directors and Supervisory Board of PSI Aktiengesellschaft für Produkte und Systeme der Informationstechnologie declare pursuant to Article 161 of the German Stock Corporation Act:

PSI has complied with the recommendations of the government commission for the German Corporate Governance Code in its version of May 26, 2010, with the exceptions listed in the disclosure of November 19, 2010.

On the basis of the resolutions from the Annual General Meeting from April 29, 2011, PSI AG will comply with the recommendations of the government commission for the German Corporate Governance Code in its version of May 26, 2010, with the following exceptions:

- Item 4.2.1: The Company has not yet appointed a speaker or Chairman of the Board of Directors. As the PSI AG Board of Directors comprises two members, a speaker or Chairman is unnecessary.
- Item 5.3.3: The Supervisory Board has not formed a Nomination Committee, as all four shareholders' representatives on the Supervisory Board are involved in nominating candidates for voting at the Annual General Meeting.
- Item 5.4.3: Supervisory Board appointments may be conducted on the basis of nominee lists, as permitted by applicable law. This allows for the bundling of nominees for voting purposes.
- Item 5.4.6: Supervisory Board remuneration does not include performance-related components. It consists of a basic remuneration component and a component linked to meeting attendance. The Supervisory Board feels that performance-related Supervisory Board remuneration would conflict with its supervisory and controlling duties.
- Item 7.1.2: The Supervisory Board or a Board-appointed audit committee does not discuss the half-year or quarterly reports with the Board of Directors prior to their release. This is



not necessary, as the Supervisory Board receives a monthly report and is regularly informed on the future quarterly developments in the Supervisory Board meetings.

Composition of the Supervisory Board

The Supervisory Board already discussed specific objectives for its composition during 2010 and passed a corresponding resolution in its meeting of March 1, 2011. The objectives which the Supervisory Board lists in this resolution take into account the Company-specific situation, as well as potential conflicts of interest, an age cap for Supervisory Board members and diversity.

Each member of the Supervisory Board must have the knowledge, skills and technical experience required to properly carry out his or her tasks. At the time of their appointment, members of the Supervisory Board should not be older than 70 years of age.

It must be ensured that the composition reflects diversity, particularly reflecting the industry environment and the internationality of the PSI Group. Regarding the growing importance of the international activities of the PSI Group, the Supervisory Board has set itself the objective of having at least one member with many years of international experience. For this purpose, the member of the Supervisory Board need not himself be a foreigner. German nationals can also meet this requirement if they have had extended experience with foreign business.

Taking account of the Company's specific situation, an appropriate number of women should also continue to be part of the Supervisory Board. In this context, the Supervisory Board considers it appropriate if at least one long-term member of the Supervisory Board is a woman. The participation of one woman in the Company's six-member Supervisory Committee thus reflects the general proportion of women in the industry environment of the PSI Group, and the fact that around 20 % of employees in the Company are women. Since the Supervisory Board must also reflect the objectives of diversity as an overall body, the woman on the Supervisory Board may be an employee representative.

Persons to be suggested for appointment must not have potential conflicts of interest. In particular, members of the Supervisory Board must not hold positions on the Boards or carry out consultancy work for the main competitors of PSI AG or a Group company.

In accordance with the law demanding a one-third participation of employees on the Supervisory Board of PSI AG, the Supervisory Board is made up of four shareholder representatives and two employee representatives. In 2011, the objectives regarding its composition as determined by the Supervisory Board and set out above were achieved: In 2011, the Supervisory Board consisted of one member with an engineering background in the field of electrical engineering, one capital market expert and two financial experts with many years of experience in accounting, one of them with special and extensive experience in international business. In addition, with Ms. Simon as an employee representative, a woman was also represented on the Supervisory Board. Ms. Simon's term in office will continue until the next Annual General Meeting in 2012.



Cooperation between the Board of Directors and the Supervisory Board

The PSI Board of Directors is comprised of two members, who cooperate very effectively. The Supervisory Board is comprised of two employee representatives and four independent members, who are committed to upholding the interest of the Company and shareholders. The Board of Directors informs the Supervisory Board regularly, promptly and comprehensively regarding all relevant questions pertaining to planning, business development and risk management of the Company. During the year under review, no business transactions took place between closely associated parties and the PSI Group.

Description and composition of the committees

The Supervisory Board has established committees to enhance the efficiency of its decision-making processes. These committees consist of at least three Supervisory Board members each. The committee members' term of office corresponds to their term of office as member of the Supervisory Board, unless a shorter term has been stipulated upon their election to the Supervisory Board. The Supervisory Board has formed a Personnel Committee and a Balance Sheet Committee.

The Personnel Committee prepares the personnel decisions of the Supervisory Board. This applies in particular to coordination of the Board of Directors employment agreements. Members of the Personnel Committee currently are Supervisory Board members Prof. Dr. Rolf Windmüller as Chairman, Wilfried Götze and Barbara Simon.

The Audit Committee is concerned with issues in accounting, risk management and the related recommendations by the Corporate Governance Code. It ensures the independence of the auditor, determines the audit focus and prepares the audit mandate. Further, it prepares the decision of the Supervisory Board regarding approval of the annual financial statements and Consolidated Financial Statements. To this end, it reviews the preliminary balance sheet, the Consolidated Financial Statements, the management report and the proposal for the appropriation of profits. The Audit Committee is currently made up of the Supervisory Board members Bernd Haus (Chairman), Wilfried Götze, Barbara Simon as employee representative and Prof. Dr. Rolf Windmüller.

Board member remuneration and shareholdings

By resolution of the Annual General Meeting of April 29, 2011, the current remuneration of the Supervisory Board members comprises a basic remuneration component and a component linked to meeting attendance. Basic remuneration is EUR 40,000 a year plus value-added tax for the Supervisory Board Chairman, EUR 30,000 for the Deputy Chairman and EUR 20,000 for each additional Supervisory Board member. There is also compensation of EUR 5,000 for each activity on a Supervisory Board committee for each committee chairman and EUR 3,000 for each other committee member.



The component linked to attendance at meetings is EUR 500 per meeting for each Supervisory Board member. Supervisory Board members received remuneration totalling EUR 185,000 in fiscal year 2011, which breaks down as follows:

	2011 EUR K	2010 EUR K
Dr. Ralf Becherer	27	16
Wilfried Götze	34	23
Bernd Haus	29	18
Barbara Simon	28	16
Karsten Trippel	23	13
Prof. Dr. Rolf Windmüller	44	33
	185	119

The members of the Board of Directors received the following remuneration in 2011:

	2011 EUR K	2010 EUR K
Fixed remuneration		
Dr. Harald Schrimpf	222	222
Armin Stein	222	222
Variable remuneration		
Dr. Harald Schrimpf	210	269
Armin Stein	210	269
Long-term fee component		
Dr. Harald Schrimpf	250*	250*
Armin Stein	250*	250*
	1,364	1,482

The remuneration of the two Board of Directors members comprises a) non-performance related, fixed remuneration (fixed salary component includes a cash value benefit from the private use of a company car), b) a variable component consisting of an achievement bonus, a short-term and long-term performance-related component, and c) an annual lump sum for a defined contribution pension fund.

Each board member has an employment agreement that provides for non-performance related remuneration in the amount of EUR 222,000 a year. It is paid in twelve equal monthly installments. Additionally, each board member is provided a leased vehicle for business and personal use for the actual term of office.

In addition to the non-performance related fixed component, the Company can pay each board member a voluntary annual achievement bonus up to a set maximum amount. The members have no legal claim to repeat payments. The payment and amount of the achievement bonus is



determined by the Supervisory Board after proper assessment, to the extent warranted by PSI AG's financial success.

Apart from the achievement bonus, the employment agreements provide for performance-related components, the amount of which is set by the Supervisory Board based on the PSI Group's performance. Accordingly, each board member is entitled to a variable short-term performance bonus, the amount of which depends on the targets reached in each fiscal year with regard to earnings before tax, certain balance sheet ratios and certain strategic goals. The goals are agreed in an annual target agreement made between the Supervisory Board and each member of the Board of Directors.

In January 2011 a variable, long-term remuneration plan was agreed with the members of the Board of Directors, which, under certain circumstances, also pays out in the case of change of control. The amount of remuneration is linked to a long-term increase in PSI AG's market capitalization above a set amount and the development of the PSI Group's EBITA in the period from January 1, 2011, to June 30, 2013. The payment of this remuneration component will partially take place in the fiscal year 2013 at the earliest, the final payment will occur in 2014.

On December 31, 2011, the members of the Board of Directors and Supervisory Board held the following shares in PSI:

	2011 Shares	2010 Shares
Board of Directors		
Dr. Harald Schrimpf	64,000	71,000
Armin Stein	23,300	23,300
Supervisory Board		
Dr. Ralf Becherer	1,268	2,268
Wilfried Götze	54,683	54,683
Bernd Haus	1,000	1,000
Barbara Simon	7,890	7,890
Karsten Trippel	109,750	124,450
Prof. Dr. Rolf Windmüller	6,305	6,305

At this time, PSI has no stock option program or comparable incentive systems in place. In 2011, 19 board member share transactions were reported and published on the PSI website under Directors' Dealings.