

CORPORATE LEADERSHIP ANCHORED IN RESPONSIBILITY

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Our objective

The unceasing advancement of excellence and efficiency in our corporate leadership and our services

Corporate governance

We consider good corporate governance to mean responsible, transparent and values-based management. This definition is explained in greater detail in clear guidelines and regulations that apply throughout the company. We regularly review these principles and adapt them in line with new findings, changed legal provisions, and national and international standards. This is how we succeed in our efforts to achieve excellence and efficiency and earn the trust placed in us and our services by our customers and other stakeholders. Profoundly aware of the value of this trust, we make every effort to preserve the transparency and integrity of our corporate governance.

The Board of Management and Supervisory Board of TÜV SÜD AG take their guidance from the provisions of the German Corporate Governance Code (DCGK) for capital-market-oriented companies, thus laying the foundations for a common understanding of responsible, transparent and value-oriented corporate leadership at all levels of the company.

Our management structure is designed to establish TÜV SÜD as an agile, efficient, transparent, and sustainable organization. The Board of Management of TÜV SÜD AG has three members. Including the functions of Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Chief Operating Officer (COO), the Board of Management is responsible for running the company and manages its business. It is bound to act in the interest of the company and to increase its long-term enterprise value. It discharges its management duties as a collegial body with joint responsibility for managing the company.

The Supervisory Board of TÜV SÜD AG comprises 16 members. In accordance with German law, half of the members are employee representatives and half are shareholder representatives. TÜV SÜD's strategic direction is coordinated closely between the Board of Management and Supervisory Board of TÜV SÜD AG.

Further information on the Corporate Governance of TÜV SÜD and the Board of Management and the Supervisory Board can be found in the 2019 Annual Report.

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MANAGEMENT REPORT,
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Compliance

→ TÜV SÜD, CODE OF ETHICS
TUVSUD.COM

Compliance with all applicable laws and international rules and dealing fairly with our business partners and competitors are among our company's most important principles. Ethical principles are an integral part of our corporate culture. The corresponding principles are set forth in the TÜV SÜD Code of Ethics which is binding for all our employees.

Our customers rely on the integrity of TÜV SÜD. To ensure the services they receive offer the maximum safety, security, and objectivity, TÜV SÜD takes a preventive approach to compliance and endeavors to achieve a corporate culture that proactively excludes potential breaches from the outset by raising employee awareness and educating the workforce.

TÜV SÜD's compliance management system provides the organizational basis for compliance with valid law. It is based on the principles of the IDW PS 980 auditing standard, is continually improved and comprises the following seven elements:

COMPLIANCE CULTURE

→ Our compliance culture is the bedrock of our compliance management system. Its shaping principles are "tone from the top" and our brand message of "Add value. Inspire trust." We are deeply aware that our success is materially dependent on our customers' trust in our impartiality and integrity. Because of this, compliance holds a particularly important status in TÜV SÜD's culture. We follow the precept that compliant conduct generates trust. The Board of Management impresses the topic of compliance on employees from the earliest opportunity, at the Welcome Days for new company members; heads of corporate functions are likewise instructed to address the subject regularly within their sphere of responsibility.

COMPLIANCE OBJECTIVES

→ The objective of our compliance management system is to make compliant conduct universal among TÜV SÜD employees and the third parties we commission to perform our services. The Corporate Compliance function thus focuses on avoidance of corruption and violations of competition law and on adherence to data protection laws and compliance with export control laws.

COMPLIANCE RISKS

→ We regularly perform risk analyses to identify risks that may result in violation of relevant laws and regulations, and thus in failure to meet our compliance objectives. In a globally operating company like TÜV SÜD, all functional areas need to be closely networked. Given this, compliance is also examined in financial and accounting risk assessments.

The Compliance Committee, whose members comprise the heads of the relevant corporate functions, meets regularly to discuss compliance developments in the group and evaluate potential new risks. Risk assessments are taken as a starting-point for drawing up basic principles and actions aimed at reducing compliance risks and avoiding violations.

COMPLIANCE PROGRAM

→ TÜV SÜD, CODE OF ETHICS
TUVSUD.COM

→ TÜV SÜD introduced its Code of Ethics in 2008. The Code is the core of our compliance program and sets out the ground rules for compliance at TÜV SÜD. In addition, TÜV SÜD issues an annual slavery and human trafficking statement based on the British Modern Slavery Act of 2015. TÜV SÜD has established a total of eleven compliance-based guidelines designed to guarantee fair, responsible, transparent, and value-oriented conduct within and outside the company.

Our compliance program includes guidelines

- _ specifying conduct in response to invitations and gifts,
- _ for relations with business partners,
- _ for avoidance of conflicts of interest and corruption,
- _ for relations with competitors,
- _ concerning trade and export control laws,
- _ for data protection and privacy,
- _ for relations with US subsidiaries,
- _ for secure treatment of information,
- _ for treatment of donations and sponsorships,
- _ for archiving documents, and
- _ for the correct procedure in cases of compliance violation.

These principles are regularly reviewed and aligned to new findings, amendments to laws, and national and international standards where necessary. By taking this action, we strengthen the trust placed in our work by our customers, our employees, and the public, and fulfill the constantly growing need for information on the part of national and international stakeholder groups.

COMPLIANCE ORGANIZATION

→ Our compliance organization is headed by our Chief Compliance Officer (CCO), who reports directly to the Chairman of the Board of Management. The CCO acts autonomously without instructions from above. In addition to the Chief Compliance Officer, there is a Global Compliance Officer (GCO), a Regional Compliance Officer (RCO) for each region, and a Local Compliance Officer (LCO) for each company in which TÜV SÜD has a holding of more than 50%. These actions enable us to maintain compliance at global level throughout all our companies.

COMPLIANCE COMMUNICATION

- TÜV SÜD employees receive information on the compliance program during their induction and later undergo more in-depth training on the topic. E-learning courses and webinars have been a complementary part of our training portfolio since 2014. Employees find out about the basics of compliance in an initial e-learning course and take regular refresher courses to ensure they are always up to date on the subject. In addition, the latest information on compliance-related topics is regularly posted on the Intranet.

Our Code of Ethics training has been taken by a total of 25,780 employees since its introduction, while 20,911 have successfully completed the Compliance Refresher course. The target is for all TÜV SÜD employees to participate in a new compliance e-learning course annually.

COMPLIANCE MONITORING AND IMPROVEMENT

- The TÜV SÜD compliance program is regularly reviewed for appropriateness and effectiveness. As standard procedure, our Corporate Auditing department holds audits in high-risk countries to verify adherence to compliance rules. Suspected violations of the rules are followed by special audits by the corporate auditing department and external auditors. Violations of laws or internal guidelines incur appropriate sanctions and may involve disciplinary actions or even dismissal for employees.

In some countries, employees and external third parties can report indications of violations or suspicious cases anonymously to compliance@tuev-sued.de. Asia also operates The Code, an online whistleblower platform. Launch of a new standardized and group-wide online whistleblower platform is planned for 2020.

Over the reporting period, procedures for processing personal data at TÜV SÜD were aligned to the data protection provisions set forth in the EU General Data Protection Regulation (GDPR); compliance risks in TÜV SÜD Group were subjected to repeated analysis and counter-measures were introduced where necessary. In addition, the compliance guideline for agreements with TÜV SÜD business partners and third parties and the due diligence process for commissioning third parties in high-risk countries were revised.

Risk management

In our day-to-day work, we attach high importance to careful handling of potential risks for the company. Our risk management system is designed to identify risks, evaluate existing risk positions and optimize risks entered into. This is done in the risk committees set up for this purpose, comprising representatives of the divisions and segments.

The internal opportunity and risk management system undergoes continual optimization and alignment to changing framework conditions. We used 2019 to investigate processes and implement improvements. Against this backdrop, we conducted an adequacy assessment of the TÜV SÜD risk management system in accordance with the IDW PS 981 standard. In March 2020 the auditors assigned to conduct the assessment confirmed that our risk management system fully meets the requirements of the standard.

Our revision of the relevant opportunity and risk management guideline incorporated our own considerations as well as findings from external auditing. Among these, greater emphasis was placed on the responsibility of each individual in the TÜV SÜD Group to ensure successful opportunity and risk management outcomes. The Board of Management further established that willful withholding of identified risks and willfully false assessment of risks constitute significant violations of compliance and may incur disciplinary measures.

The objectives and targets of risk management and risk policy principles were likewise revised and incorporated in the guideline, including definitions of TÜV SÜD's risk-bearing capacity, risk tolerance, and risk acceptance. Additional quarterly comparisons of identified risks with risk-bearing capacity were introduced in TÜV SÜD at the end of 2019. To ensure opportunities and risks are identified to the fullest extent possible, regular risk workshops are held at business unit, regional, and corporate function level, and backed by appropriate risk checklists. The results complement the existing quarterly risk reports and are included in reporting to the Board of Management and Supervisory Board. Plans for 2020 provide for a risk training course for executives that will address issues related to practical application as well as examining the systems and processes implemented.

Further information on our risk management and control systems and on TÜV SÜD's current situation with respect to opportunities and risks can be found in the Opportunity and Risk Report in the current Annual Report.

→ ANNUAL REPORT 2019,
MANAGEMENT REPORT,
OPPORTUNITY AND RISK REPORT
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DAM FAILURE IN BRAZIL

On January 25, 2019, a tailings dam at an iron-ore mine in Brazil tragically collapsed, causing a mud slide which left 270 people dead. Some months before this tragic incident, TÜV SÜD's Brazilian subsidiary, TÜV SÜD Brasil Engenharia e Consultoria Ltda. (formerly TÜV SÜD Bureau de Projets e Consultoria Ltda.), which TÜV SÜD had acquired in 2013, had completed some inspections at the dam on behalf of the mine operator. Technical analysis and legal investigations are ongoing. TÜV SÜD is still very much interested in clarifying the facts of the dam breach; we continue to offer our cooperation to the responsible authorities and institutions.

Operational excellence

Our customers' trust is the cornerstone of our success. We aim to earn it anew every day by upholding the highest quality standards and by placing reliability, safety, and certainty at the center of our service offerings. Irrespective of whether we provide services directly on our customers' premises, at one of our test laboratories, or elsewhere in our organization, we are a reliable partner wherever safety, security, and sustainability are paramount. Our solutions deliver tangible added value for our customers.

We have introduced an integrated management system for managing and monitoring our processes, which focuses on added value for our customers and applies the zero defects principle. It takes in our central business processes and services and defines how they are to be efficiently implemented and improved (e.g. by means of process audits). Where necessary, individual processes are defined in more detail in further-reaching provisions.

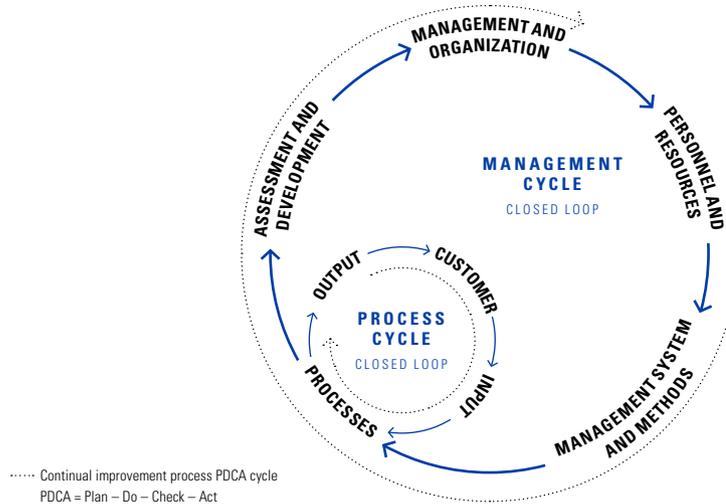
The Integrated Management System is described in detail in the TÜV SÜD Corporate Management Manual. The Manual can be accessed by all employees and is regularly updated. The heads of the TÜV SÜD Group divisions, regions, and legal entities accept the binding nature of the Corporate Management Manual as amended and implement it in their areas of responsibility. This safeguards interoperability in the TÜV SÜD Group and ensures that clear, compatible framework conditions apply throughout the entire group and that the applicable rules and processes are effectively implemented.

The Board of Management oversees implementation of the Integrated Management System and its ongoing development, assessment, and surveillance based on the PDCA (Plan-Do-Check-Act) process defining a continuous cycle of improvement, development, and advancement. By doing so, TÜV SÜD follows the process-focused approach of the ISO 9001 standard and establishes the customer as a direct partner at the center of entrepreneurial actions.

The implementation, suitability, and effectiveness of the Integrated Management System is assessed by internal auditing function, ongoing management reviews, and regular consultation by relevant working groups. These processes take place at both local and international level and drive the continual improvement process.

Integrated Management System - Process Model

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Quality management

Quality management is a core constituent of TÜV SÜD's Integrated Management System and is the mandatory prerequisite for all of TÜV SÜD's national, European, and international authorizations and qualifications that are essential for the company's recognition as a testing, inspection, and certification organization. It is based on regulations including the ISO/IEC 17000 family of international standards.

TÜV SÜD currently holds approx. 650 accreditations and further qualifications worldwide. These accreditations are evidence of the expertise underlying our services in areas including product testing and certification, management system certification, laboratory testing, and inspection and monitoring of technical systems, objects and vehicles.

It further includes occupational health and safety (see Employee Report), safety and security management, data protection and data security, and physical safeguarding of assets.

The company-wide interaction of these management systems under our overarching Integrated Management System is a factor in our ability to provide our services at a consistently high level of quality and ensures long-term continuous improvement of our quality standards.

→ SUSTAINABILITY PUBLICATION 2019,
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