

Chairman's Report Pursuant to Article L. 225 - 37

Pursuant to Article L. 225-37 of the French Commercial Code, the Chairman of the Board of Directors uses this report, which covers the fiscal year ended December 31, 2016, to present the composition of the Board of Directors and the application of the principles of balanced representation between men and women, the conditions of the preparation and organization of the work of the Board of Directors and the internal controlling and control procedures implemented by the company within the Group.

Pursuant to the last paragraph of Article L. 225-235 of the French Commercial Code, the company's independent auditors prepare their own report concerning the report by the Chairman of the Board of Directors on the internal control and risk management procedures relative to the preparation and processing of accounting and financial information.

Corporate Governance Code

Since fiscal 2008, the Sartorius Stedim Biotech S.A. Board of Directors therefore decided to adopt the AFEP-MEDEF recommendations as the reference code for corporate governance (see www.medef.fr).

The AFEP-MEDEF Corporate Governance Code (the "Code") defines a set of regulations for good and responsible corporate governance. It follows the "comply or explain" principle that is implemented in most countries of the European Union. If a listed company does not comply with a recommendation of this Code, it must explain this in its corporate governance report.

In accordance with article 25.1 of the Corporate Governance Code for listed companies in effect from the presented date (the "Code"); listed companies referring to the code are required to precisely identify, in their Reference Document, the application of these recommendations. In case on non-application of one of these provisions, companies are required to provide a comprehensible, relevant and circumstantial explanation according to the rule "apply or explain". It is recommended by the AMF (recommendation n°2014-08 of 22 September 2014) that companies indicate in a specific table each recommendation that are not applied and the related explanations.

SPECIFIC TABLE ON RECOMMENDATIONS OF THE AFEP MEDEF CODE FOR THE GOVERNANCE OF LISTED COMPANIES

ARTICLE	PROVISIONS OF THE CODE REMOVED	EXPLANATIONS
3.2	<p>Disclosure of the option selected</p> <p>In this respect, it is essential for the shareholders and third parties to be fully informed of the choice made between separation of the offices of Chairman and Chief Executive Officer and maintenance of these positions as a single office.</p>	<p>The Board of Directors has opted for the Chairman's functions meeting of the Board Committee and as Chief Executive Officer in order to simplify the company operational management and increase its effectiveness.</p> <p>This organization turned out to be a factor of efficient governance considering the organization of the Sartorius Stedim Biotech Group. Mr Joachim Kreuzburg is Chairman of the Board and CEO of Sartorius AG mother company of the group. He is on one hand bound to the controlling shareholder and on the other hand very involved in the business affairs of the Group which he particularly knows and experienced.</p> <p>In addition, the company which main goal is to keep a balance position between the CEO and the Board of Directors is proceeding to regular updates and amendments of the Board internal rules. Thus, the latter effective process, allocates various relevant competences to the Board of Directors.</p> <p>Therefore, la company has amended the Board of Directors internal ruling in the course of the annual shareholders meeting to allocate certain operations and missions to its prior approval.</p> <p>Also, the Board of Directors is proceeding to an annual evaluation of its functioning to identify the improvements that could be made.</p>
10.4	<p>Non-executive directors meeting</p> <p>It is recommended that the non-executive directors meet periodically without the executive or "in-house" directors. The internal rules of operation of the Board of Directors must provide for such a meeting once a year, at which time the evaluation of the Chairman's, Chief Executive Officer's and Deputy Chief Executive's respective performance shall be carried out, and the participants shall reflect on the future of the company's executive management.</p>	<p>Board meetings are organized in the presence of the executive members to maintain the same degree of information between the members of the Board and strengthen the open and transparent collective character. According to the Code AFEP-MEDEF planning that the non executive members have to meet annually without the presence of the executive or internal members, the internal rules of the Board mentions the possibility for the non executive members to organize this kind of meeting.</p>
16.1	<p>Independent directors within the audit Committee</p> <p>The proportion of independent directors on the audit committee (excluding the directors representing employee shareholders and directors representing employees, who are not taken into account) should be at least equal to two-thirds, and the committee should not include any executive director.</p>	<p>.This measure has not been chosen because the company is controlled by a majority shareholder. Moreover, the Remuneration Committee is composed of 50% of independent members which insures the independence required to achieve a smooth running.</p> <p>Moreover, the Chairman of this committee is an independent member.</p>
16.2.1	<p>Examination deadline of the accounts between the Audit committee and the Board</p> <p>The appointment or extension of the term of office of the audit committee's Chairman is proposed by the appointments/nominations committee, and should be specially reviewed by the Board.</p>	<p>For practical reasons, connected in particular to the presence within the Committee of a majority of non resident members, the meetings of the Audit committee usually take place the same days as those of the Board of Directors. Taking into consideration this obligation, and in order to give to the Audit committee the possibility of achieving completely its missions, the internal rules of the Board mentions that any documents and useful information must be communicated to the Board by the Chairman and Chief Executive Officer upfront and in a sufficient delay. The files are like this transmitted to the members of the Audit Committee with a sufficient upstream delay and at the latest three days before every meeting of the Committee or of the Board allowing them to have a sufficient delay for the examination of the statements before these meetings.</p> <p>Therefore, each member of the said committee is spending the necessary time to examine each topic and is duly enabled to require such information if needed.</p>
18.	THE COMMITTEE IN CHARGE OF COMPENSATION	
18.1	<p>Independent directors within the compensation Committee</p> <p>It should be composed of mainly independent directors</p>	<p>For historical reasons related to the company share options, the composition of the specialized committee was reflecting the research by our shareholder in order to reflect a balance between the directors representing the shareholders and the independent directors.</p> <p>It is composed of 50% independent directors</p> <p>The Chairman of the compensation committee of the Sartorius Stedim Biotech Group, non-independent, is also the Chairman of the compensation committee of the Sartorius Group AG for</p>

ARTICLE	PROVISIONS OF THE CODE REMOVED	EXPLANATIONS
		management and coherency reasons.
20.	THE DIRECTOR'S ETHICS	
20.	<p>Attendance fees / retained actions</p> <p>The director should be a shareholder personally and hold a fairly significant number of shares to the received attendance fees: by default if he does hold the shares upon assuming his functions, he must use the acquired attendance fees when acquired. It is the responsibility of the Board to complete otherwise this list of directors' basic obligations</p>	<p>Beyond the application of the article L 225-25 of the French Code of Commerce, The Board of Directors has left until now the freedom to each director to invest insignificantly for the company. He has also subscribed these ethic principals in its internal ruling</p> <p>The executive members not perceiving attendance fees, therefore no stock options purchase obligations have been formulated to them.</p>
22.	TERMINATION OF EMPLOYMENT CONTRACT IN CASE OF APPOINTMENT AS EXECUTIVE DIRECTOR	
22.	<p>TERMINATION OF EMPLOYMENT CONTRACT IN CASE OF APPOINTMENT AS A EXECUTIVE DIRECTOR</p> <p>When an employee is appointed as executive director, it is recommended to terminate his or her employment contract with the company or with a company affiliated to the group, whether through contractual termination or resignation²³</p>	<p>This recommendation is only applied to 2 out of 4 of the directors.</p> <p>Mr Volker Niebel has still his employment contract with Sartorius Stedim Biotech GmbH an affiliate company held entirely by Sartorius Stedim Biotech SA, that was put in place when he started to work for Sartorius Group. According to German law it is not necessary to change such employment contract when someone becomes a Managing Director of the company he works for. It should be also considered that Sartorius Stedim Biotech Group is controlled by a German majority shareholder and the biggest group company is a German company, therefore in this respect German rules and regulations are very common in the whole group and have to be observed at the respective group level.</p>
23.	COMPENSATION OF EXECUTIVE DIRECTORS	
23.2.4	<p>Award</p> <p>Awards of options and shares to executive directors must be conditional on the attainment of performance targets.</p>	<p>Not applicable for Mr Oscar Werner Reif and Mr Volker Niebel</p> <p>Mr Joachim Kreuzburg and Mr Reinhard Vogt are representing the Group Sartorius AG, their compensation policy is deliberated and decided at the level of the mother house of Sartorius Stedim Biotech.</p> <p>The performance action elements are detailed in the document reference within the parts of the company's governance Report and the internal control (cf. p96). All particular topics related to these awards are duly detailed in the reference document remuneration report.</p>
	<p>An executive director may not be awarded any stock option or performance share at the time of his or her departure.</p> <p>In accordance with legal provisions, if stock options or performance shares are not awarded to all employees, then it is necessary to provide for another scheme involving them in corporate performance (incentive scheme, profit-sharing scheme other than the mandatory scheme, granting of bonus shares, etc.).</p> <p>The total amount of the stock option plans and performance shares must represent a small fraction of the capital, and the right balance must be struck according to the benefits derived by shareholders from the management. The level of dilution must be taken into account.</p>	<p>The shares Mr Joachim Kreuzburg has received in course of December 2015 are not subject to any performance criteria. Nevertheless he has to give back all of the shares if he leaves the Sartorius AG before 11 November 2017 and half of the shares if he leaves Sartorius AG before 11 November 2019.</p> <p>The stock option policy is run exclusively under the application of German Law provisions and the code of governance that shall apply.</p>
	<p>Furthermore, it is necessary to ensure that:</p>	
	<p>The awarded stock options and performance shares valued in accordance with IFRS standards do not represent a disproportionate percentage of the aggregate of all compensation, options and shares awarded to each executive director. To that end, the Board must systematically review the award of new stock options and performance shares in view of all compensation items awarded to the executive director concerned. The Board shall then be responsible for determining the percentage of the compensation (in accordance with market standards) not to be exceeded by the said award;</p>	
	<p>Awards are not overly concentrated on executive directors. According to the situation of each company (size, industry, broad or narrow scope of the award, number of officers, etc.), the Board must define the maximum percentage of options and performance shares that may be awarded to executive directors, as compared with the aggregate award approved by shareholders. The resolution for authorizing the award plan submitted to a vote at the meeting of shareholders must</p>	

ARTICLE	PROVISIONS OF THE CODE REMOVED	EXPLANATIONS
	mention this maximum percentage in the form of an award sub-ceiling for executive directors;	
	Awards are made at the same calendar periods, e.g. after the disclosure of the financial statements for the previous financial year, and probably each year, in order to limit any windfall effects;	
	Any windfall effects associated with a bear market are prohibited. The value of awarded options and performance shares may not be markedly different from the company's earlier practices, unless a material change in the scope of business justifies a revision of the scheme;	
	In accordance with terms determined by the Board and announced upon the award, the performance shares awarded to executive directors are conditional upon the acquisition of a defined quantity of shares once the awarded shares are available.	
	Price No discount should be applied upon the award of stock options and in particular for stock options awarded to executive directors.	
	Executive directors who are beneficiaries of stock options and/or performance shares must make a formal commitment not to engage in any hedging transactions in respect of their own risks, either on options or on shares resulting from the exercise of options or on performance shares, until the end of the period determined by the Board of Directors for holding shares.	
	Exercise The exercise by executive directors of all of the options and the acquisition of the shares must be related to serious and demanding performance conditions that are to be met over a period of several consecutive years. These conditions may be internal and/or external performance requirements, i.e. related to the performance of other companies, a benchmark sector, etc. Where it is possible and relevant, these internal and external performance requirements are combined.	
	It is necessary to determine periods preceding the disclosure of the annual and interim financial statements, during which the exercise of the stock options is not possible. The Board of Directors or Supervisory Board must determine these periods and where applicable determine the procedure to be implemented by executive directors prior to any exercise of the stock options in order to ensure that they do not hold any information likely to prevent such exercise.	
23.2.5	Termination payments It is not acceptable that executive directors whose company has failed or who have personally failed may receive termination payments upon departure.	Severance payments for Joachim Kreuzburg, Reinhard Vogt and Oscar-Werner Reif are capped at the maximum of a two years annual remuneration. Reference is made in this respect to remuneration that has been agreed in the service contract. As lined out in the remuneration report approximately half of the remuneration is fix remuneration and half of the remuneration is a variable remuneration. The performance targets of the variable remuneration have to be taken into account when calculating the severance payment at the effective date of termination of the service contract.
	The law gives a major role to shareholders by making these predefined benefits, paid on termination of office of the executive director, subject to the procedure for related parties agreement. It imposes total transparency and makes termination payments conditional upon performance requirements. These performance requirements must be assessed over at least two financial years.	
	These performance requirements set by the Board must be demanding and may not allow for the indemnification of an executive director, unless his or her departure is imposed, regardless of the form of this departure, and linked to a change in control or strategy.	
	The payment of any termination benefits to an executive director must be excluded if the said executive director elects to leave the company in order to hold another position or is assigned to another position within the same group or is able to benefit in the near future from pension rights.	

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	The termination payment should not exceed when applicable two years of compensation (fixed and variable). If a NO-competition clause is additionally applied, the aggregate of these two benefits must not exceed this ceiling (see hereafter).	
	Any artificial increase in compensation during the period preceding the departure should be prohibited.	

The group also communicates in the appendix the applied recommendations in order to give an overall idea on practices concerning corporate governance.

Conditions for Preparation and Organization of the Work of the Board of Directors

Internal Rules and Regulations

The procedures governing the organization and functioning of the Board of Directors are defined by the Internal Rules and Regulations of the Board which is published on the website of Sartorius Stedim Biotech S.A. as of the publication of this particular report.

The internal rule has been modified by the Board of Directors of 5 April 2016 in order to bring it into line with the new provisions of the AFRP MEDEF governance code for listed companies.

The Board of Directors deals with all matters concerning the proper operation of the company and takes decisions on subjects that concern it.

Its Missions

The main missions of the Board of Directors are as follows:

- The Board of Directors shall define the company's strategic goals and assess them from an overall perspective at least once a year, as proposed by the CEO, and ensure that these goals are implemented. It shall also appoint the corporate officers responsible for managing the company in pursuit of this strategy and review all delegations of authority;
- The Board of Directors shall review the management of the Group and monitor the quality of information provided to shareholders and to the market through the financial statements or when material events occur, especially about the company's shareholdings;
- The Board of Directors is responsible for approving all strategic investment projects and any transaction, in particular acquisitions or disposals, likely to materially affect the company's results, the structure of its balance sheet or risk profile;
- The Board of Directors will beforehand decide for each significant transaction outside the scope of the announced strategy;

- The Board of Directors shall deliberate prior to making any changes to the management structure of the company, and shall be informed of the principal organizational changes;

- The Board of Directors shall examine the corporate and consolidated accounts and approve the management report and the sections of the annual report dealing with corporate governance and those setting out the company's policies with respect to remuneration and stock options;

- Although it is not a modification with a social purpose, the Board of Directors must seize the Shareholders' Meeting if the transaction concerns a preponderant share of the assets or the activities of the group;

- The Board of Directors shall convene annual shareholders' meetings and propose changes to the articles of association.

The missions mentioned above summarize the internal bylaws of the Board of Directors.

Activity Report of the Board of Directors for Fiscal 2016

The Board of Directors met eight times during the fiscal year. The average attendance was 98.75%.

The Board reviewed and approved the corporate and consolidated accounts for 2015.

The Board of Directors considered and debated on the following at its meetings:

1. Strategic direction and major Group projects.
2. The annual, half-year and quarterly financial statements.
3. Budgets presented by executive management.
4. Information on the financial structure and cash flow items.
5. Significant off-balance sheet commitments.
6. Risk indicators for the Group.
7. Internal organization projects.
8. Stock market performance.
9. Self-assessment of the Board members.
10. Elements of remuneration due or attributed.
11. Modification of the bylaws.
12. Internal rules modifications of the Board of Directors.
13. Renewal of the mandate of Board Member of the CEO, two Executive Vice Presidents and four Members of the Board of Directors.

14. Renewal of the mandates of four members of the Audit Committee.
15. Renewal of the mandates of four members of the Remuneration Committee.
16. Operations on the share capital.
17. Financial authorizations given to the Board of Directors.
18. Merger with VL Finance.
19. Split by six the par value of the Company's share
20. Increase of the share capital of the Company in order to have the individual par value of the share up to €0.20.
21. Proposition of dissolution without liquidation of Sartorius Stedim Financière SAS.
22. Projects on acquisition and follow up of recent acquisitions.
23. Gender quota.

In 2016, the Board members carried out a formal assessment of the work of the Board of Directors. A questionnaire was sent to each Board member. A summary of the results shows a very positive overall assessment of board performance. The self-assessment shows that the Directors consider to be well informed by the executive management of the company and believes that the CEO is moderating properly the discussions during Board of Directors.

This evaluation has three objectives:

- Take stock on the modalities of the performance of the Board.
- Verify that important questions have properly been prepared and debated.
- Measure the effective contribution of each Administrator at the Board's work due to its competency and involvement in the debate.

The committee chairmen submitted their work reports to the Board for discussion.

The independent auditors were invited to two Board meetings.

Information to be Provided to Directors

Before each Board Meeting, Directors receive a report on the agenda items that require prior consideration, in due time and following notification.

Preliminary figures of the annual and interim statements are generally sent to all Directors at least one week before the meeting of the Audit Committee, which is always held on the day of or on the day before the Board meeting.

In addition to Board meetings, the Chairman regularly informs the Directors of any event or development that may have a material impact on Group operations or on any information previously communicated to the Board.

The members of the Board of Directors receive a copy of each press release published by the Company. The Directors may, at any time, request further information from the Chairman of the Board, who shall assess the relevance of the request.

Board Committees

The Audit Committee and the Remuneration Committee are responsible for studying and making preparations for the Board's main deliberations in order to improve the Board's efficiency.

Under no circumstances do these committees relieve the Board which has the only legal power of decision nor are allowed to cause division within its college which is and stays responsible of the accomplishment of its missions. The committees don't replace but are an emanation of the Board of Directors facilitating its work.

The Committees of the Board may consult, in the performance of their functions, any of the main company's executive members after having informed the Chairman of the Board of Directors and subject to reporting back to the Board.

The Committee of the Board may request external technical studies relating to matters within their competence, at the expense of the Company, after having informed the Chairman of the Board of Directors or the Board of Directors itself and subject to reporting back to the Board.

In case of making use of external consultancy services (for example a remuneration advice in order to obtain information concerning systems and levels of remuneration in force in the main markets), the Committees should ensure the objectivity of the concerned services.

Each Board meeting is preceded by a meeting of at least one of the two Committees, depending on the items on the agenda. The Committees report to the Board on their work and observations and submit their opinions, proposals and recommendations.

The procedures of each Committee are also defined by Internal Rules and Regulations.

Members of the Committees of the Board are chosen by the Board of Directors. The appointment or renewal of the president of the Audit Committee's mandate, proposed by the Remuneration Committee, is subject to a specific review by the Board of Directors.

Duties of the Audit Committee:

The Audit Committee assists the Board of Directors with the company's accounting policy, reporting, treasury and hedging instruments, internal and external controlling, financial communication and risk management.

Members of the Audit Committee therefore have either a financial or accountant expertise.

The proportion of independent administrators in the audit committee is lower than two thirds.

The Committee does not include any executive director.

In this respect, the Audit Committee shall consult the statutory auditors, as well as the financial, accounting and financial investment directors. It shall be possible for such interviews to take place when the Committee requires them, without the presence of the Management of the Company.

The Committee can ask external experts if needed ensuring their expertise and independence.

The Audit Committee's duties in the field of accounting policy and internal controlling consist mainly of:

- Review the annual corporate and consolidated accounts: reviewing half-yearly and annual corporation and consolidated accounts, including the notes to the financial statements and the management report presented by the Board of Directors to the Annual General Shareholders' Meeting convened to approve the statements for fiscal 2016, and presenting its observations and recommendations to the Board of Directors. During the review of the accounts, the Committee consider important operations through which a conflict of interest could have occurred;
- Ensuring the suitability and consistent application of the accounting methods and procedures chosen by the company, and guaranteeing their correct application;
- Review the accounting treatment of any significant transactions carried out by the company;
- Review the scope of the consolidated companies, and if necessary, the reasons why certain companies are not included.

The Audit Committee's duties in the area of external controlling consist of:

- Submitting recommendations to the Board of Directors concerning the statutory auditors and their appointment or reappointment by the Annual Shareholders' Meeting. To that end, the Committee steers the statutory auditor's selection procedure and submits a recommendation to the Board of Directors proposed to the Shareholders' Meeting. The Committee proposes to the Board of Directors the selection procedure and particularly if a tender might be necessary. It supervises the tender and validates the tender specifications and also approves the choice of the consulted firms, while ensuring that the "highest" and not the "lowest" bidder is selected.
- Analyzing and issuing an opinion on the definition, scope and timetable of their assignment and fees.
- Analyzing the independence of the legal auditors.

To that end, the committee is informed each year by the statutory auditors:

- Their declaration of independence;
- The amount of the fees paid to the network of the statutory auditors by the companies controlled by the firm or entity which it holds, on accrued benefit that is not directly linked to the mission of the auditors;
- Information concerning benefits accomplished under the audit directly linked to the auditors' mission.

The committee examines with the statutory auditors risks threatening their independence and protective measures made to reduce these risks. It should also ensure that the amount of the fees paid by the Company and its group, or the portion that it represents in the revenue of these offices and networks, are not likely to impair the statutory auditors' independence.

The Audit Committee's duties in the field of risk analysis and prevention consist of:

- Defining the internal audit plan for the Group companies, obtaining a report on the audits carried out and defining, if necessary, action plans for implementing new procedures in the respective companies;
- Examining the company's exposure to significant risks (risk mapping). The Committee reviews risks and off balance sheet commitments, appreciates the importance of the weaknesses received and informs the Board when appropriate.
- Verifying appropriate application of internal controls and accounting and financial reporting procedures.

The Audit Committee's duties in the area of financial communication consists of reviewing the company's proposed financial communication with respect to publication of the parent's company and consolidated half-yearly and annual corporate accounts and its quarterly results.

The Committee may also perform any other activities deemed necessary or appropriate by the Committee and the Board of Directors.

Activity Report of the Audit Committee on Fiscal 2016:

The Audit Committee met five times during the fiscal year. The average attendance was 100%.

The activity reports of the Audit Committee at the Board of Directors help the Board to be fully informed, facilitating its deliberations.

The main subjects the Audit Committee reviews are the following:

1. Examining the corporate and consolidated annual accounts: reviewing all financial statements, quarterly, half-yearly and annual corporate and consolidated accounts, including the implementation of specific actions related to IFRS standards;
2. Working on hedging instruments.
3. Review of the internal audit work.
4. Review of the quarterly risk management report.
5. Approval of the auditors' fees.
6. On 30 June and 31 December 2016 audits of accounts, the auditors have presented the essential results of the audits and the options decided.
7. Merger of VL Finance S.A.S. with / Sartorius Stedim Biotech S.A.
8. Split of the par value of the actions of the Company.

Duties of the Remuneration Committee:

The purpose of the Remuneration Committee is to help the company's Board of Directors to establish the remuneration policy for corporate officers and, in particular, the incentive mechanisms (granting of share subscription options, share purchase options or free allotment of shares) that the company may introduce.

The Remuneration Committee must put the Board of Directors in the best conditions to determine the overall remunerations and benefits of the executive directors, the Board of Directors being responsible of this decision. Otherwise, the Committee must be informed of the remuneration policy of the non-executive directors. On this occasion, the Committee associates with the executive directors.

The Remuneration Committee has also the responsibility to give recommendations with regards to the new potential Directors and Committees members after having circumstantially considered each element that needs to be taken into account in its deliberation: desirable balance in the membership of the Board with regard to the composition and the evolution of the shareholding of the Company, balance between men and women within the Board, identification and evaluation of potential candidates, desirability of

extensions of terms. It needs in particular to organize a procedure in order to select future independent administrators and achieve its own studies on potential candidates before taking any measure regarding these others.

Activity Report of the Remuneration Committee for 2016:

The Remuneration Committee met once during the fiscal year. The average attendance was 100%.

Its activity reports to the Board of Director help the Board to be fully informed, facilitating its deliberations. During the presentation of these reports made by the Remuneration Committee, it is necessary that the Board deliberate on remunerations of the executive directors, without their presence.

The Remuneration Committee deliberated on the main following topics:

1. Targets achievement.
2. Reviewing the remuneration of the executive members of the Board of Directors.
3. Reviewing payment of directors' fees.

Remunerations of Mr Joachim Kreuzburg and Mr Reinhard Vogt are not discussed within the Remuneration Committee of Sartorius Stedim Biotech. They are determined by the Remuneration Committee of Sartorius AG.

Within this scope, the Remuneration Committee is consulted by the Board of Directors on any proposal concerning:

- The total budget allocated to directors' fees and the terms of allocation thereof, taking into account the actual presence of the Directors at Board meetings and possibly at Committees meetings.
- The fixed remuneration for corporate officers and the terms of variable remuneration.
- The general policy on the granting of share subscription options, share purchase options or free allotment of company shares.
- Its policy of Directors' nomination or renewal.

Limitations on the Powers of the Chairman and Chief Executive Officer

On June 29, 2007, the Board of Directors voted to combine the functions of Chairman and Chief Executive Officer without any limitations on powers other than those included in the internal regulations of the Board of Directors, which are mainly strategic investment projects and any transactions, especially acquisitions or disposals, which may lead to a material profit and loss impact. This procedure concerns operations above one million euros. This corporate governance structure, adopted by an overwhelming majority of French companies that have a Board of Directors, allows simplifying the operational management of the company in order to further increase its efficiency, while taking into account the presence of controlling shareholders of the company's capital as well as the continued application by the company of the best principles of corporate governance.

Remuneration of Senior Executive and Senior Non-Executive Board Members ("Mandataires sociaux")

The total remuneration, including all benefits paid during the year to each senior executive (Chairman of the Board of Directors, Chief Executive Officer, Directors) including share-based payments, is disclosed in the Corporate Governance Report of the Sartorius Stedim Biotech Group.

A Remuneration Committee has been set up to review the remuneration of Board of Directors' executive members. Furthermore, the Remuneration Committee is also responsible for checking the annual directors' fees paid to directors.

Mr Joachim Kreuzburg's and Mr Reinhard Vogt's remuneration are determined annually by the Sartorius AG's Supervisory Board. Their remuneration consists of fixed and variable components and is in line with their respective areas of responsibility. The variable portion contains short-, mid- and long-term components. The short-term components are paid out every year. The mid term component is paid out every three years based on the average of the achieved target for the three-year term. The long term component is comprised of a phantom stock plan that is subject to risk. This remuneration component depends on the development of the Sartorius AG share price over a period of at least four (formerly three years) years and is payable only if this price exceeds at least 7.5% (formerly 10%) per year relative to the time the phantom stock was assigned or if the share price

outperformed the TecDAX® as a comparative index. The amount to be paid is capped at a maximum of 2.5 times the share price at the time the phantom stock was assigned, based in each case on the actual annual tranche concerned. The use of a component that is designed to have a long-term incentive effect and entails risk is a recommendation adopted from the German and French Corporate Governance Codes. To date, no payment has been made to Mr Joachim Kreuzburg or Mr Reinhard Vogt according to this phantom stock plan.

A part of this remuneration is cross charged annually to the Sartorius Stedim Biotech Group.

The remuneration for Mr Oscar-Werner Reif and Mr Volker Niebel is discussed within the Remuneration Committee and subsequently voted on by the Annual Shareholders' Meeting of Sartorius Stedim Biotech GmbH, with which Mr Oscar-Werner Reif and Mr Volker Niebel have employment contracts. Their remuneration consists of fixed and variable components and is in line with their respective degrees of responsibility.

Internal Control Procedures

Introduction

The objectives defined by the Chairman for the internal control system of Sartorius Stedim Biotech are as follows:

- Prevent risks that would endanger the quality of the assets of Sartorius Stedim Biotech or even its existence;
- Ensure that the executive management activities, the transactions completed and the conduct of employees comply with the guidelines defined by executive management, applicable laws and regulations, the fundamental values, standards and internal rules of the business and the ethical codes and conventions of the healthcare industry;
- Ensure that accounting and financial information and management data provided to the executive management of the company accurately reflect the operations of Sartorius Stedim Biotech;
- Prevent risks arising from operations, errors or fraud, especially in the accounting and financial area.

Scope of Internal Control

The internal control system described covers the parent company and its affiliates.

Components of Internal Control

Environment for Internal Control

The core of any business is its people (their individual attributes, including integrity, ethical values and expertise) and the environment in which they operate. They are the engine that drives the organization and the foundation that supports the company.

Risk Assessment Process – Risk Mapping

The company must be aware of, and deal with, the risks it faces. It must set itself objectives and integrate them into its sales, production, marketing, financial and other activities so that the organization operates in concert. It must also establish mechanisms to identify, analyze and manage the related risks.

Control Activities

These control activities are undertaken at every level of the Group to ensure that internal control is efficient: checking the accuracy, completeness, authorization, validation and recording of transactions and ensuring that different people discharge different duties so as to reduce the risk of errors or fraud.

Information and Communication

The availability of accurate, reliable and complete information is essential both to achieve business objectives and to enable proper reporting to all parties concerned in compliance with the applicable laws and regulations.

Monitoring, Control and Management

Responsibilities and authorities must be defined and understood at all levels of a company for internal control to function effectively. Duties must be assigned in such a way that a person's work is always checked and approved by a different person. Where the size of the local unit concerned permits, responsibility for initiating, authorizing, recording and processing transactions must always be assigned to different individuals.

Unit management is responsible for maintaining internal checks and internal control at all times.

Internal Controlling Roles

Executive Management

The Chairman and Chief Executive Officer is responsible for the internal control system and management at all levels. He is also responsible for the development, operation, monitoring and management of the internal control and controlling systems and for providing the necessary assurances that these steps have been implemented.

Audit Committee

The Audit Committee is responsible for carrying out any necessary reviews and evaluations of the internal controlling procedures, including those relating to financial information, and also assists with the preparation of the Group's consolidated financial statements. For further information about the Audit Committee.

Risk Management

The Sartorius Stedim Biotech Group is inevitably exposed to a wide variety of risks by the nature of its operations around the world. Accordingly, an internal risk management system has been set up to help identify, assess and manage these risks efficiently. Within this risk management system, an ad hoc committee comprised of representatives of different departments regularly studies current issues of risk management. This enables the committee to provide executive management with an overview of the risk to which the company is exposed, enabling it to take appropriate action when required.

Internal Auditing Department

The Internal Auditing Department is in charge of monitoring the effectiveness and suitability of risk management and the internal control system in Sartorius Stedim Biotech Group companies, as well as compliance of all activities and processes with internal and external rules and standards. It provides independent auditing and consulting services that focus primarily on compliance with all relevant legal provisions and the improvement of business processes at the company. To ensure the independence of the internal auditors, the Audit Committee receives at least once a year a report from the Internal Auditing Department on the work they have done (according to the audit plan established by this committee) and their findings with regard to Group affiliates.

Finance and Controlling Departments

The Finance and Controlling Departments track and monitor operations and projects to optimize the Group's profitability and cash flow, providing both internal and external stakeholders with reliable information.

These two departments define the Group's accounting rules and methods and its principle financial processes (five-year business plan, budget, etc.) as well as reporting tools, in order to monitor the day-to-day business.

Procedures for Preparing the Group Financial Statements and Other Accounting and Financial Information

The accounts of affiliates are prepared in accordance with the Group's accounting policies. The data is then adjusted, where necessary, to produce company accounts that comply with the applicable local legal and tax provisions. Integrated consolidation software is used both for management reporting purposes and to produce the Group financial statements.

Since 2013, the Group has decided to implement a hard close process as of 30 November in order to anticipate and improve the annual audit.

Accounting Standards

The consolidated financial statements are prepared in accordance with IFRS accounting standards as currently adopted by the European Union. The consolidated financial statements comply with accounting rules and methods as detailed in the Notes to the Consolidated Financial Statements.

Roles of the Group's Finance and Controlling Departments

The Finance and Controlling Departments check the quality of the reporting packages submitted by affiliates, focusing primarily on the following elements: checking corporate data and consolidated adjustments entered locally, inter-company eliminations, the accounting treatment of non-recurring transactions for the reporting period, and verifying principal movements between the opening and closing balance sheets to prepare the cash flow statement.

The Finance Department also verifies the results of procedures, including currency translation, intercompany eliminations, etc.

Key points of review include the preparation and validation of the statement of changes in shareholders' equity and the cash flow statement.

Financial Information and Reporting

The Group's rules and procedures in relation to financial reporting and accounting are set out in the Accounting and Reporting Manual. Application of and compliance with these principles, rules and procedures are the direct responsibility of the finance director of each affiliate. They must ensure that information provided via the Management Information System complies fully with all applicable disclosure requirements.

Executive Management reviews the effectiveness of the internal controlling of financial reporting regularly. In particular, it verifies that transactions have been recorded consistently, in accordance with IFRS international accounting standards as applied by the Group and as set out in the Accounting and Reporting Manual, in order to ensure the pertinence of transactions and assets recognized within the times set.

Internal Control in 2016

From an internal control perspective, the Group focused on the following this year:

Code of Conduct and Anti-Corruption Code

The collaborators can consult the Sartorius Code of Conduct and the Sartorius Anti-Corruption Code, the initial training process has been closed and transferred to controlled operation.

These codes are subject to reviews and revisions depending on the evolution of the Law. In addition, all employees of the Company and of the Group are aware of these codes and have to ensure compliance with them on a daily basis.

Corporate transactions

The Company complies with the recommendation of the Autorité des Marchés Financiers of 3 November 2010 and with the AFET-MEDEF Code. Thus, transactions involving the purchase or sale of the company's securities or financial instruments are prohibited during the periods between, the date on which the managers, persons treated as managers, and any person who has regular or occasional access to privileged information is aware of precise information on the course of business or prospects which, if made public, could have a significant influence on the price; and the date on which the information is made public.

In addition they are also prohibited for a period of:

- fifteen calendar days prior to the date of publication of the annual and semi-annual financial statements of the Company,
- fifteen calendar days, preceding the date of publication of the quarterly information, this day included.

The Company prepares and distributes at the beginning of each calendar year a schedule setting out the periods during which trading in the Company's securities is prohibited, specifying that the days indicated don't prejudge the existence of other closed periods resulting from the knowledge of specific information which directly or indirectly concerns the Company, which, if it were made public, could have a significant influence on the share price of the Company's shares.

In accordance with the recommendations of the AFEP-MEDEF Code (paragraph 23.2.4) and the Autorité des Marchés Financiers recommendation n° 2010-07 of 3 November 2010, hedging transactions of any kind, on the Company's shares, with regards to stock options are prohibited.

Mid-term Prospects

The Group will continue to work on Internal Control issues by strengthening its approach to risk mapping and risk management. This process will be based on elements of the AMF Internal Control Reference Framework.

In addition the process of defining mandatory minimum standards of internal controls applying to all Group companies has been followed by publishing the Group Internal Controls Handbook and will be pursued further in 2016.

Aubagne, 16 February 2017

The Chairman

Mr Joachim Kreuzburg