Corporate Governance

Declaration of conformity, March 2013

With only a few exceptions, Gigaset AG corresponds to the recommendations of the German Corporate Governance Code, which was issued in 2002 and recently expanded on May 15, 2012. Gigaset AG understands corporate governance to be a process that is continuously developed and improved.

The Statement of Compliance with the German Corporate Governance Code pursuant to section 161 of the German Stock Corporation Act (Aktiengesetz, AktG) has been made permanently available to the shareholders: “The Executive Board and Supervisory Board of Gigaset AG thereby declare that, with few exceptions, they have complied and will comply in the future with the Code Commission's recommendations regarding the management and supervision of the enterprise published in the electronic Federal Gazette in the current version dated May 15, 2012. The deviations are explained in the following statement.

Section 3.8 of the German Corporate Governance Code specifies that a deductible of at least 10% of the loss is to be agreed if the Company takes out a D&O insurance policy for the members of the Supervisory Board. Contrary to this, a deductible of at least 10% of the loss was not agreed with the members of the Company's Supervisory Board when the D&O insurance policy was purchased. The company is of the opinion that the members of the Supervisory Board of Gigaset AG exercise their duties with the requisite level of care even without such a deductible.

Section 4.2.3 of the German Corporate Governance Code specifies that the remuneration structure is to be oriented on the Company's sustainable growth. The monetary compensation elements are to comprise both fixed and variable elements. The Supervisory Board must ensure that the variable elements are in general based on a multi-year assessment. In addition, section 4.2.3 specifies that retroactive changes to the performance targets or comparison parameters are to be ruled out and that in general a limitation (cap) is to be agreed by the Supervisory Board for extraordinary developments. Furthermore, care should be taken when Executive Board member contracts are formed to ensure that payments to an Executive Board member on premature termination of their contract, including fringe benefits, do not exceed two years' remuneration (severance pay cap) and compensate no more than the remaining term of the employment contract. If the employment contract is terminated for a serious cause for which the Executive Board member is responsible, no payments are to be made to the Executive Board member.

Contrary to **Section 4.2.3 of the German Corporate Governance Code**, the variable elements of remuneration paid to board members Charles Fränkl, Dr. Alexander Blum and Maik Brockmann are not based on a multi-year assessment. Mr. Brockmann's and Mr. Fränkl’s Executive Board member contracts and Dr. Blum's managing director contract both have terms of only two years; as a result, stipulating a multi-year assessment basis would not offer any additional protection or other advantages in the opinion of the Company.

In addition, contrary to **Section 4.2.3 of the German Corporate Governance Code**, retroactive changes to the performance targets or comparison parameters are not ruled out. Dr. Blum’s and Mr. Fränkl’s variable remuneration is tied to the degree of achievement of the target established for Gigaset AG’s respectively Gigaset Communications GmbH's business success. Setting the target at the beginning of every fiscal year enables Gigaset AG respectively Gigaset Communications GmbH to respond flexibly to changing parameters. With regard to the payment of a bonus to Mr. Brockmann for months January till March 2012, it has been contractually agreed that the Supervisory Board decides both on whether such a payment will be made as well as the amount and timing of such a payment. In the opinion of the Company, such an arrangement enables it to respond to any positive or negative developments in an optimal and flexible manner.

The variable remuneration for Mr. Brockman that has been paid from April 2012 is also tied to the degree of achievement of the Gigaset AG. Consequently, also at this point Gigaset AG is enabled to respond flexibly to changing parameters by setting the target at the beginning of every fiscal year.

Furthermore, contrary to **Section 4.2.3 of the German Corporate Governance Code**, the variable remuneration elements of Executive Board member Maik Brockmann do not provide for any possibility of limitation (cap) until March, 31, 2013. For Executive Board member Dr. Alexander Blum the variable remuneration elements do not provide for any possibility of limitation (cap). In the case of the variable remuneration that was paid to Mr. Brockmann until March, 31, 2012 respectively September, 30, 2012 the Supervisory Board decided both whether a bonus will be paid as well as the amount and timing of such a payment. In setting the amount of such a payment, appropriate consideration must also be given to any payment made on the basis of the capital appreciation of a virtual stock portfolio. The Company is of the opinion that the interplay between bonus payments and payments based on the capital appreciation of a virtual stock portfolio (the Supervisory Board is entitled to pay a smaller bonus or no bonus at all to account for any large payment resulting from the higher share price) and the brief terms of the corresponding employment contracts already offered adequate protection against any inappropriately high variable remuneration paid to Executive Board member Mr. Brockmann. From April, 1, 2012 respecitvely October, 1, 2012 a possibility of limitation regarding variable elements is agreed with Executive Board member Brockmann. In the case of Executive Board member Dr. Blum, the variable remuneration payable upon 100% achievement of the target is only EUR 30,000.00 before taxes. In the opinion of the Company, the brief two year contract term also offers adequate protection against any inappropriately high variable remuneration paid to Executive Board member Dr. Blum.

In addition, contrary to **Section 4.2.3 of the German Corporate Governance Code**, no severance pay caps were agreed with

Executive Board member Maik Brockmann until March, 31, 2012. For Dr. Alexander Blum no severance pay caps were agreed. The Company is of the opinion that the brief two year contract term already offers adequate protection against any inappropriately high severance payments. Furthermore a severance pay cap is agreed with Executive Board member Brockmann with effect from April, 1, 2012.

Contrary to **Section 5.1.2 of the German Corporate Governance Code**, no age limit has been specified for the members of the Executive Board. No succession planning has yet been conducted. The Company is of the opinion that an age limit in itself is not a sensible or appropriate criterion for excluding someone from holding the office of an Executive Board member, particularly in consideration of the fact that such an age limit could be interpreted as a kind of discrimination. The primary qualifications for appointment to the Company's Executive Board are the respective candidate's knowledge, ability, and professional experience. Given the term of Executive Board member contracts and the number of members serving on the Executive Board, succession planning does not seem to be necessary at the present time.

Contrary to **Section 5.1.3 of the German Corporate Governance Code**, the Supervisory Board did not enact any by-laws in the current period of office. Given the positive cooperation and close coordination among Supervisory Board members in the past, Gigaset AG does not perceive a compelling necessity to establish by-laws at the present time.

Contrary to **Section 5.3.2 of the German Corporate Governance Code**, the Audit Committee that was established by the Supervisory Board does not deal with issues related to Complicance. Due to its importance this issue is rather considered in plenary meetings.

Contrary to **Sections 5.3.1 and 5.3.3 of the German Corporate Governance Code**, the Supervisory Board has not formed any committees, with the exception of an Audit Committee and a Capital Market Committee. Section 5.3.1 of the Code recommends the establishment of professionally qualified committees with the goal of enhancing the efficiency of the Supervisory Board's work. The current composition of the Supervisory Board with its manageable size of only six members and the practice of holding meetings almost every month ensure that the Supervisory Board's work is carried out efficiently and that strategic issues and detailed questions are discussed intensively. In addition, given the size of the Supervisory Board, the establishment of committees is not expected to enhance the board's efficiency any further. A Nominating Committee has not been established because only shareholder representatives serve on the Supervisory Board.

Contrary to **Section 5.4.1 of the German Corporate Governance Code**, according to which the Supervisory Board is to set an age limit for its members, no age limit has been established for the members of the Supervisory Board. The Company is of the opinion that an age limit in itself is not a sensible or appropriate criterion for excluding someone from holding the office of a Supervisory Board member, particularly in consideration of the fact that such an age limit could be interpreted as a kind of discrimination. The election proposals submitted to the annual shareholders' meeting are based primarily on the respective candidate's knowledge, ability and professional experience.

Contrary to **Section 5.4.1 of the German Corporate Governance Code**, the Supervisory Board has not specified any concrete objectives regarding its composition. The Supervisory Board is elected by the annual shareholders' meeting. Gigaset AG is of the opinion that the suitability of candidates is decided solely by the Company's shareholders.

Contrary to **Section 5.4.6 of the German Corporate Governance Code**, the members of the Supervisory Board are paid a fixed salary. The remuneration does not include a performance-based element. The Company is of the opinion that payment of a fixed salary reinforces the independence of Supervisory Board members and prevents potential conflicts of interest, while ensuring that the Supervisory Board performs its duties to the full extent.

Contrary to **Section 5.4.7 of the German Corporate Governance Code**, Supervisory Board member Dr. Dr. Löw participated in less than half of the Supervisory Board's meetings in fiscal year 2012.

Munich, March 2013