

## **Declaration of Compliance with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG)**

Section 161 AktG, requires the Management Board and the Supervisory Board of KAP AG to annually declare that the recommendations of the Government Commission on the German Corporate Governance Code (GCGC), published by the German Federal Ministry of Justice in the official section of the German Federal Gazette (*Bundesanzeiger*), have been and are being complied with or which of the Code's recommendations are not being applied and why. The declaration is to be made permanently available to the public on the Company's website.

In accordance with Section 161 AktG, the Management Board and Supervisory Board of KAP AG (hereinafter the **Company**) declare as follows:

Since issuing the last declaration of compliance on 21 April 2022, the Company complied with the recommendations of the German Corporate Governance Code (GCGC) as amended on 16 December 2019, and published in the Federal Gazette (*Bundesanzeiger*) on 20 March 2020, until the new version of the Code as amended on 28 April 2022 came into force on 27 June 2022, with the following exceptions:

- Pursuant to Recommendation D.5 GCGC, the Supervisory Board should form a nomination committee composed exclusively of shareholder representatives, which names suitable candidates to the Supervisory Board for its proposals to the Annual General Meeting for the election of members to the Supervisory Board. Due to the number of members of the Supervisory Board (six members) and in view of the fact that the Company's Supervisory Board consists exclusively of shareholder representatives, the Supervisory Board decided against forming a nomination committee. In the Supervisory Board's opinion, the formation of such a nomination committee does not make any contribution towards further increasing the efficiency of the Supervisory Board's work given the Company's specific situation. The Supervisory Board therefore retains this function within the full Supervisory Board.
- Pursuant to Recommendation F.2 GCGC, the consolidated financial statements and group management report should be made publicly accessible within 90 days from the end of the financial year, while mandatory interim financial information should be made publicly accessible within 45 days from the end of the respective reporting period. The consolidated financial statements are not published within 90 days of the end of the financial year, but within four months in accordance with current legal requirements. The interim reports are not published after 45 days, but are published within the legal requirements and the requirements of the Stock Exchange Rules and Regulations of the Frankfurt Stock Exchange. The Company is of the opinion that these requirements are sufficient to provide detailed information to shareholders.
- Pursuant to Recommendation G.3 GCGC, the Supervisory Board should use a suitable peer group of third-party entities, the composition of which it should disclose, to assess whether the specific total remuneration of the members of the Management Board is in line with usual levels compared to other enterprises. The Supervisory Board assesses whether the remuneration of the members of the Management Board is appropriate also taking into account the remuneration of the management boards of comparable companies. The Supervisory Board has deliberately refrained from a fixed and static definition of a peer group, as the Supervisory Board is of the opinion that tying remuneration to such a firmly defined peer group may well lead to inappropriate results.
- Pursuant to Recommendation G.6 GCGC, the share of variable remuneration achieved as a result of reaching long-term targets should exceed the share from short-term targets. In deviation from the recommendation, the contract with one member of the Management Board provides for equal weighting of short-term and long-term variable remuneration in the event of 100% target achievement in each case. The Supervisory Board also considers equal weighting of the variable remuneration components in the case of a member of the Management Board who is not simultaneously the spokesperson of the

Management Board to be a reasonable arrangement that has proven expedient. In the Supervisory Board's view, this current very minor deviation from the recommendation does not lead to misguided incentives and does not justify any intervention in existing contracts. Corresponding provisions can be taken into account in future contracts with members of the Management Board.

- Pursuant to Recommendation G.10 sentence 1 GCGC, the variable remuneration of members of the Management Board should be predominantly invested in Company shares by the respective member of the Management Board or granted predominantly as share-based remuneration. The Company deviated from this recommendation in the case of one contract with a member of the Management Board and will continue to deviate from it. All members of the Management Board receive share-based remuneration. Only in one case, the variable remuneration is not predominantly share-based, but is granted in equal parts in cash and share-based. In the Supervisory Board's view, this current very minor deviation from the recommendation does not lead to misguided incentives and does not justify any intervention in existing contracts. Corresponding provisions can be taken into account in future contracts with members of the Management Board.
- Pursuant to Recommendation G.11 GCGC, the Supervisory Board should be permitted to retain or reclaim variable remuneration of the Management Board, if justified. The current contracts do not include any provision under which variable remuneration components can be retained or reclaimed if justified (referred to as "disincentive and clawback clauses"). The Supervisory Board is of the opinion that regulations on retaining or reclaiming variable remuneration components are not necessary in the Company to encourage the members of the Management Board to act diligently, in the long term and sustainably in the interests of the Company. Indeed, the Supervisory Board is not precluded from asserting claims for damages in accordance with section 93 AktG in the event of culpable breach of duty. Corresponding provisions can be taken into account in future contracts with members of the Management Board.

The Management Board and Supervisory Board of KAP AG further declare pursuant to section 161 AktG that the recommendations of the Government Commission on the German Corporate Governance Code as amended on 28 April 2022, published in the official section of the German Federal Gazette on 27 June 2022, have been and are being complied with, with the following exceptions:

- Pursuant to Recommendation D.4 GCGC, the Supervisory Board should form a nomination committee composed exclusively of shareholder representatives, which names suitable candidates to the Supervisory Board for its proposals to the Annual General Meeting for the election of members to the Supervisory Board. Due to the number of members of the Supervisory Board (six members) and in view of the fact that the Company's Supervisory Board consists exclusively of shareholder representatives, the Supervisory Board decided against forming a nomination committee. In the Supervisory Board's opinion, the formation of such a nomination committee does not make any contribution towards further increasing the efficiency of the Supervisory Board's work given the Company's specific situation. The Supervisory Board therefore retains this function within the full Supervisory Board.
- Pursuant to Recommendation F.2 GCGC, the consolidated financial statements and group management report should be made publicly accessible within 90 days from the end of the financial year, while mandatory interim financial information should be made publicly accessible within 45 days from the end of the respective reporting period. The consolidated financial statements are not published within 90 days of the end of the financial year, but within four months in accordance with current legal requirements. The interim reports are not published after 45 days, but are published within the legal requirements and the requirements of the Stock Exchange Rules and Regulations of the Frankfurt Stock Exchange. The Company is of the opinion that these requirements are sufficient to provide detailed information to shareholders.
- Pursuant to Recommendation G.3 GCGC, the Supervisory Board should use a suitable peer group of third-party entities, the composition of which it should disclose, to assess whether the specific total

remuneration of the members of the Management Board is in line with usual levels compared to other enterprises. The Supervisory Board assesses whether the remuneration of the members of the Management Board is appropriate also taking into account the remuneration of the management boards of comparable companies. The Supervisory Board has deliberately refrained from a fixed and static definition of a peer group, as the Supervisory Board is of the opinion that tying remuneration to such a firmly defined peer group may well lead to inappropriate results.

- Pursuant to Recommendation G.6 GCGC, the share of variable remuneration achieved as a result of reaching long-term targets should exceed the share from short-term targets. In deviation from the recommendation, the contract with one member of the Management Board provides for an increased weighting of short-term variable remuneration in the event of 100% target achievement. The Supervisory Board also considers an increased weighting of the short-term variable compensation components for the Management Board to be a reasonable arrangement that has proven expedient. In the Supervisory Board's view, this current very minor deviation from the recommendation does not lead to misguided incentives and does not justify any intervention in existing contracts. Corresponding provisions can be taken into account in future contracts with members of the Management Board.
- Pursuant to Recommendation G.10 sentence 1 GCGC, the variable remuneration of members of the Management Board should be predominantly invested in Company shares by the respective member of the Management Board or granted predominantly as share-based remuneration. The Company deviated from this recommendation with respect to the service contracts of the Management Board and will continue to deviate from it. All members of the Management Board receive share-based remuneration. However, the variable compensation is not predominantly share-based, but rather cash-based for the most part. In the Supervisory Board's view, this current very minor deviation from the recommendation does not lead to misguided incentives and does not justify any intervention in existing contracts. Corresponding provisions can be taken into account in future contracts with members of the Management Board.
- Pursuant to Recommendation G.11 GCGC, the Supervisory Board should be permitted to retain or reclaim variable remuneration of the Management Board, if justified. One current contract still running until the end of September 2023 for a member of the Management Board does not include any provision under which variable remuneration components can be retained or reclaimed if justified (referred to as "disincentive and clawback clauses"). The Supervisory Board is not precluded from asserting claims for damages in accordance with section 93 AktG in the event of culpable breach of duty. As of 1 October 2023, KAP AG will observe recommendation G.11 GCGC.

Fulda 20. April 2023

The Management Board

The Supervisory Board