

Competency profile, objectives in relation to the Supervisory Board's composition and diversity concept

The Supervisory Board of KAP AG is to be composed in such a way as to ensure that it can provide the Executive Board of KAP AG with qualified supervision and advice. Its members shall possess the knowledge, skills and professional experience required to properly perform the duties customarily carried out by supervisory boards of medium-sized, capital market-oriented industrial groups, and shall have the necessary independence and diversity.

Taking into account the recommendations of the German Corporate Governance Code¹, the Supervisory Board therefore hereby decides on the following competency profile, the following objectives regarding its composition and the following diversity concept:

1. Competency profile

The members of the Supervisory Board must all possess the knowledge, skills and professional experience required to properly perform their duties. This includes the following in particular:

- experience in managing or supervising medium-sized or listed companies;
- experience with internationally operating industrial companies and in creating value along different value chains;
- that at least one member of the Supervisory Board have accounting or auditing expertise (Section 100 (5) AktG [German Stock Corporation Act]) and that such member ideally also be the Chairman of the Audit Committee and thus also possess specific knowledge and experience in applying accounting principles and internal controlling procedures, and in auditing financial statements; and
- that the members of the Audit Committee all possess adequate knowledge of finance, accounting, financial reporting, accounting processes, internal controlling systems, risk management, auditing, legal matters and compliance.

2. The purpose of having a well-composed Supervisory Board

a. Independence and potential conflicts of interest

On the shareholder side, the Supervisory Board shall be made up of what it considers to be an appropriate number of independent members, taking into account the ownership structure.

To be considered independent, a member of the Supervisory Board cannot have any personal or business relations with the company, its executive bodies or a controlling shareholder where such relations could give rise to material, not merely temporary, conflicts of interest.

When determining the independence of its members, the Supervisory Board shall give particular consideration to whether the Supervisory Board member in question or a person closely related to him/her either

- was a member of the Company's Executive Board in the two years prior to his/her appointment to the Supervisory Board;
- currently has, or in the year prior to his/her appointment had, directly or as a shareholder or senior company executive, a significant business relationship with the company or a company controlled by it (e.g. as a customer, supplier, lender or consultant);
- receives, in addition to his/her remuneration as a member of the Supervisory Board, significant other variable remuneration from the Company or a company controlled by it;
- has close family relations with a member of the Management Board,

¹ As per the draft version of the new German Corporate Governance Code ("DCGK-E") of October 25, 2018)

- is a controlling shareholder or a member of the managing body of the controlling shareholder, or has a personal or business relationship with a controlling shareholder, and
- has been a member of the Supervisory Board for more than 12 years.

If one or more of the above indicators apply and the Supervisory Board member concerned is nonetheless deemed to be independent, then the corresponding circumstances will be explained in the corporate governance statement.

More than half of the shareholder representatives must be independent of both the Company and the Management Board.

At least two shareholder representatives must be independent of the controlling shareholder.

No more than two former members of the Management Board can be members of the Supervisory Board.

Members of the Supervisory Board are permitted neither to assume any directory or advisory roles with companies considered to be major competitors of the Company, nor to have personal relationships with any major competitors.

b. Number of Supervisory Board mandates

Members of the Supervisory Board who do not belong to any company executive bodies shall not hold more than five supervisory board mandates in listed companies or comparable positions. In this context, the position of supervisory board chair counts two-fold.

Members of the Supervisory Board who belong to a company executive body shall not hold more than two supervisory board mandates in non-group listed companies or comparable positions. They shall moreover not hold any supervisory board chairmanships.

c. Chairmanship and Committee chairmanship

The Chairperson of the Supervisory Board shall be independent of the Company and the Management Board and may not serve as Chairperson of the Audit Committee.

The Chairperson of the Audit Committee shall be independent of the Company, the Management Board and the controlling shareholder.

d. Availability and further training

Each member of the Supervisory Board undertakes to ensure that he/she has sufficient time to carry out his/her mandate.

Each member of the Supervisory Board undertakes to ensure that, as a rule, he/she attends meetings of the Supervisory Board and its committees in person, that is, not solely via telephone or video conferences.

In this regard, members must take into account that a minimum of four ordinary Supervisory Board meetings are held each year. For each of these, they must prepare adequately and allow sufficient time for the process of examining the annual and consolidated financial statements. The members should furthermore consider that membership of a Supervisory Board committee will require more time still, and that extraordinary Supervisory Board or committee meetings may need to be convened to deal with special issues. It is especially important that purchase and sale proposals be approved regularly and at short notice.

The members of the Supervisory Board are responsible for arranging any training and further development measures required to carry out their tasks.

e. Age limit for Supervisory Board members

An age limit of 75 years applies to members of the Supervisory Board. Where warranted, individual exceptions can be made.

f. Standard limit for length of service

When appointing Supervisory Board members, the Supervisory Board shall take into account that Supervisory Board members from the shareholders' side may not be appointed for more than five years. It shall moreover take into account that no Supervisory Board term can exceed 12 years.

The Company shall disclose the Supervisory Board members' respective length of service on its website.

3. Diversity concept

When putting together the Supervisory Board, care must be taken to ensure that the members appointed complement each other in terms of their knowledge and abilities. The composition process should therefore first involve assessing which types of professional background, expertise and experience are required by, or need stronger representation on, the Supervisory Board. The next step is to identify candidates with the appropriate specialist knowledge. Where the candidates proposed are equally qualified/suitable, care must be given to promoting diversity.

The Supervisory Board has set itself the target of having women occupy at least 30% of its seats by 31 December 2023.

The Supervisory Board conducts regular assessments on how effectively it and its various committees perform their duties. This self-assessment process is to be supported by external service providers at least every three years, with the first external assessment to take place at the end of the fiscal year ending on December 31, 2021.

Candidate proposals made by the Supervisory Board to the Annual General Meeting are to take both the aforementioned objectives and the competency profile defined for the Supervisory Board into account.

For each candidate proposed, the Supervisory Board shall disclose the respective person's personal and business relationships with the Company, the Company's corporate bodies and any shareholders with substantial shares in the company (i.e. who hold – directly or indirectly – more than 10% of the voting shares in the Company). Said disclosure shall however be limited to the information that, in the opinion of the Supervisory Board, an objective shareholder would require in order to cast his/her vote.