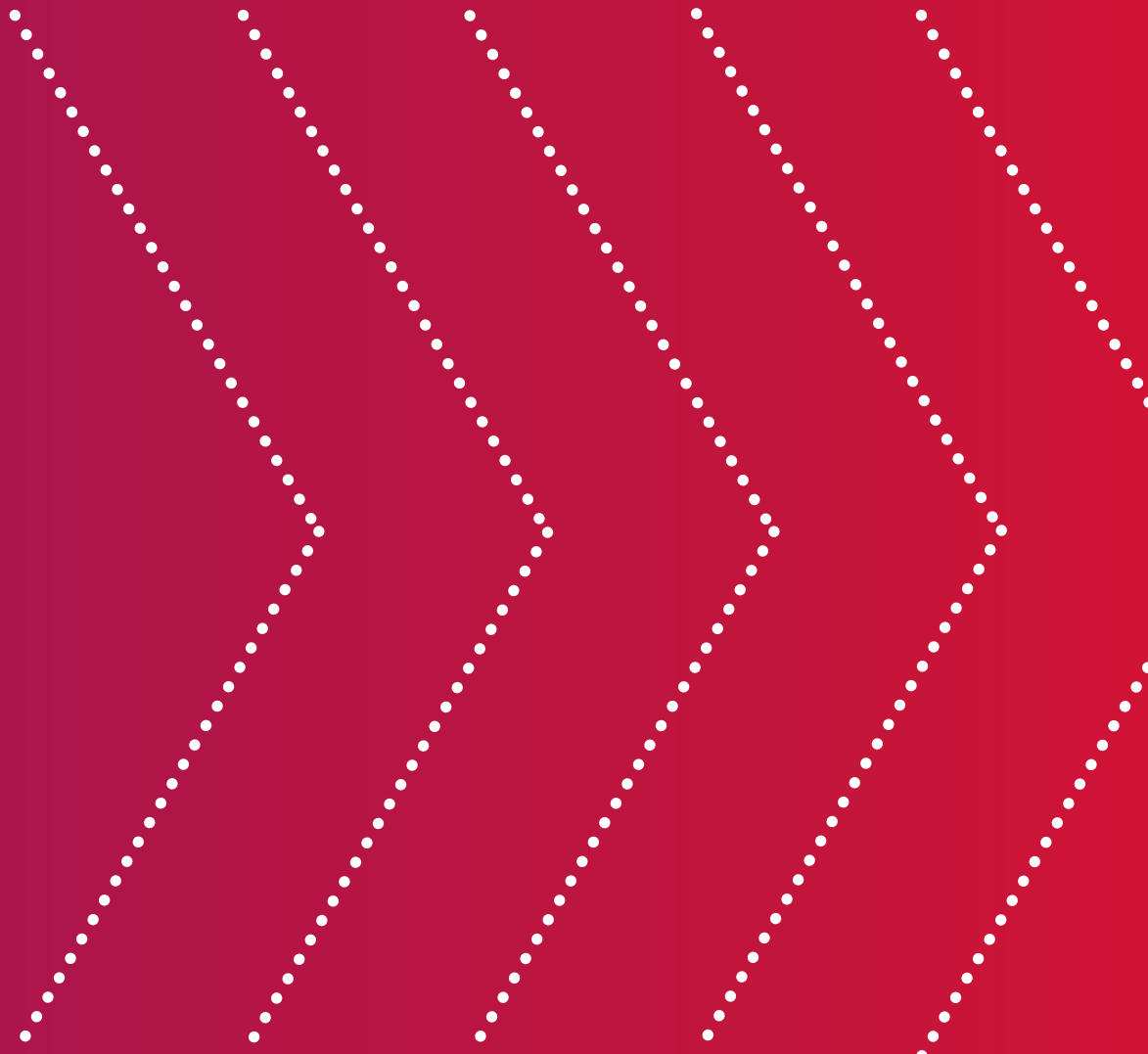


# Engineering Excellence

Convenience translation of the invitation to  
the Annual General Meeting of KAP AG, Fulda,  
held as a virtual Annual General Meeting

ISIN: DE 0006208408 // WKN: 620840



**kap**

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**Dear Sir or Madam**

**We hereby invite our shareholders to the**

**Annual General Meeting**

on Wednesday, August 31, 2022,

at 11:00 hrs (Central European Summer Time – CEST)

subject to the following provision:

The Annual General Meeting will take place as a virtual Annual General Meeting without physical presence of the shareholders or their proxies (with the exception of the company-appointed proxies); there is **no right or opportunity for shareholders to be present at the place of the Annual General Meeting**. A live video and audio transmission will be provided on the Internet. Voting rights may be exercised by the shareholders or their proxies exclusively by way of postal vote or by granting authorization to the company-appointed proxies. The place of the Annual General Meeting for the purposes of the German Stock Corporation Act (*Aktiengesetz*; AktG) is the business address of KAP AG, Edeltzeller Str.44, 36043 Fulda, Germany.

## **I. AGENDA**

### **1. Presentation of documents to the Annual General Meeting pursuant to section 176 (1) sentence 1 AktG**

Pursuant to section 176 (1) sentence 1 AktG, the Management Board makes the following documents available to the Annual General Meeting:

- the adopted annual financial statements of KAP AG as of December 31, 2021,
- the approved consolidated financial statements as of December 31, 2021,
- the combined management report and group management report for the KAP Group and KAP AG, including the Management Board's explanatory report on the disclosures pursuant to sections 289a (1) and 315a (1) of the German Commercial Code (*Handelsgesetzbuch*; HGB),

- the separate non-financial group report,
- the report by the Supervisory Board of KAP AG, and
- the Management Board's proposal for the appropriation of distributable profit.

All of the above documents are available on the following website:

<https://www.kap.de/en/investor-relations/general-meeting>

The documents will also be available during the Annual General Meeting.

The annual financial statements and the consolidated financial statements prepared by the Management Board were approved by the Supervisory Board on April 27, 2022 in accordance with section 172 AktG. The annual financial statements are deemed to have been adopted upon approval by the Supervisory Board. Adoption of the annual financial statements or approval of the consolidated financial statements by the Annual General Meeting pursuant to section 173 (1) AktG is thus not necessary. The other documents mentioned above must also only be made available to the Annual General Meeting and be explained at the Annual General Meeting pursuant to section 176 (1) sentence 2 AktG without a corresponding resolution being required, with the exception of the resolution on the appropriation of distributable profit.

## 2. Resolution on the appropriation of distributable profit for the 2021 financial year

The following proposal for the appropriation of profits is submitted to the Annual General Meeting.

The Management Board and the Supervisory Board propose to resolve as follows:

The retained earnings for the 2021 financial year in the amount of € 61,093,641.21, as shown in the adopted annual financial statements as of December 31, 2021, are to be distributed as follows:

Distribution of a dividend in a total amount of € 7,767,563.00, equaling a dividend of € 1.00 per no-par value share entitled to dividends for the past financial year 2021.

Total amount of dividend	=	€ 7,767,563.00
Transfer to other revenue reserves	=	€ 0.00
<u>Profit carried forward</u>	=	<u>€ 53,326,078.21</u>
Retained earnings	=	€ 61,093,641.21

Pursuant to section 58 (4) sentence 2 AktG, the claim for the dividend will fall due on the third business day after the resolution was adopted by the Annual General Meeting. In line with section 58 (4) sentence 3 AktG, no earlier due date can be fixed. The dividend is thus to be paid out on September 5, 2022.

This proposal for the appropriation of profits is based on share capital with dividend rights in an amount of € 20,195,663.80, as determined on April 27, 2022 (date of the adoption of the annual financial statements), which is divided into 7,767,563 no-par value shares.

## 3. Resolution on approval of the actions (*Entlastung*) of the members of the Supervisory Board

The Management Board and the Supervisory Board propose to resolve as follows:

Formal approval is granted in respect of the actions of the members of the Supervisory Board in office during the 2021 financial year with respect to that period.

#### **4. Resolution on approval of the actions of the members of the Management Board**

The Management Board and the Supervisory Board propose to resolve as follows:

Formal approval is granted in respect of the actions of the members of the Management Board in office during the 2021 financial year with respect to that period.

#### **5. Resolution on appointment of the auditors for the financial statements and the consolidated financial statements for the 2022 financial year**

The Supervisory Board proposes – based on a corresponding recommendation of the audit committee – to resolve as follows:

Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Hamburg, is to be appointed

- a) as auditor for the financial statements and the consolidated financial statements for the 2022 financial year,
- b) as auditor for any review (*prüferische Durchsicht*) of the condensed financial statements and the interim management report pursuant to sections 115 (5) and 117 no. 2 of the German Securities Trading Act (*Wertpapierhandelsgesetz*; WpHG) for the 2023 financial year in the period until the next annual general meeting, and
- c) as auditor for any review of the condensed financial statements and the interim management report pursuant to section 115 (7) WpHG in respect of additional financial information during the 2022 and 2023 financial years until the next annual general meeting.

The audit committee declared that its recommendation is free from any undue influence by third parties and that no clause stipulating restrictions in choice as specified in Article 16 (6) of Regulation (EU) No 537/2014 of the European Parliament and the Council of April 16, 2014 (EU Audit Regulation) has been imposed on it.

#### **6. Resolution on the approval of the remuneration report for 2021**

Pursuant to section 120a (4) AktG, the annual general meeting of a listed company shall resolve annually on the approval of the remuneration report for the previous financial year that has been prepared and audited in accordance with section 162 AktG. The transitional provision of section 26j (2) of the Introductory Act to the German Stock Corporation Act (*Einführungsgesetz zum Aktiengesetz*; EGAktG) provides for this resolution to be adopted for the first time at this year's Annual General Meeting.

Pursuant to section 162 (3) AktG, the auditor shall audit the remuneration report to determine whether the legally required disclosures pursuant to section 162 (1) and (2) AktG have been made. The note on the audit of the remuneration report is attached to the remuneration report.

The remuneration report for the fiscal year 2021 is provided below and available on the following website:

<https://www.kap.de/en/investor-relations/general-meeting>

The Management Board and the Supervisory Board propose to resolve as follows:

The remuneration report for the fiscal year 2021 is approved.

The remuneration report for the fiscal year 2021 is reproduced below:

## **REMUNERATION REPORT PURSUANT TO SECTION 162 OF THE GERMAN STOCK CORPORATION ACT (AKTG) FOR THE 2021 FINANCIAL YEAR**

The remuneration report clearly and comprehensively presents and explains the remuneration individually granted and owed to the members of KAP AG's Management Board and Supervisory Board in the 2021 financial year (1 January 2021 to 31 December 2021). The report meets the requirements of the German Stock Corporation Act (AktG). Detailed information on the remuneration systems for the members of KAP AG's Management Board and Supervisory Board is available on the Company's website on [www.kap.de/en/investor-relations/general-meeting/agenda-documents](http://www.kap.de/en/investor-relations/general-meeting/agenda-documents).

Due to rounding, individual numbers in this report may not add up exactly to the total specified and percentages specified may not accurately reflect the absolute values to which they relate.

## **REVIEW OF THE 2021 FINANCIAL YEAR**

The KAP Group's business performed better overall in the 2021 financial year than in the previous year as a result of the increase in demand in the automotive industry. Despite the gloomy market environment in the second half of the year, which particularly entailed considerable disruptions in global supply chains, KAP's continuing operations generated consolidated revenue of €345.8 million, which was 7.2% more than the previous year.

Normalised EBITDA rose by 12.0% to €35.3 million. The KAP Group thus achieved the full year forecast for consolidated revenue of €320 to 350 million, which was raised in August 2021, within the upper range. The same applies to achievement of the target for normalised EBITDA with a forecast range of €32 to 38 million.

## **REPRESENTATION OF THE CORPORATE STRATEGY IN THE REMUNERATION OF THE MANAGEMENT BOARD**

The current corporate planning is based on the Accelerate strategy programme. In this, KAP Group has bundled the strategic improvement initiatives already introduced, i.e. increasing sales focus, securing future prospects, increasing efficiency, optimising financial leeway, optimising and expanding the portfolio, and expanding overarching risk management.

Management Board members' remuneration is linked to the business strategy and the corporate planning based on it. A considerable proportion of the remuneration is performance-related and geared towards targets that derive from the business strategy or the corporate planning based on it. In addition, a considerable proportion of the performance-related remuneration is granted in the form of virtual shares.

The current business strategy and current corporate planning aim for long-term and profitable growth. The planned growth simultaneously serves KAP AG's long-term development. The granting of virtual shares is intended to allow the Management Board members to participate in the successful implementation of the growth strategy. In this way, the remuneration contributes to promoting the business strategy and the Company's long-term development.

## **Performance in the 2021 financial year**

2021 was a challenging year for the KAP Group. A year full of dynamism and uncertainties, but above all a year full of implementation successes and strategic development. As part of the Accelerate programme, the KAP Group successfully dealt with a large number of matters in the 2021 financial year. These include:

- increasing the stake in packaging specialist NOW Contec to 100%
- the acquisition of AerO Coated Fabrics B.V. (“AerO”) to strengthen the extrusion coating expertise in the flexible films segment
- the start of construction of the world's most efficient and modern passivation plant for light metal components in Jasper, USA
- the sale of the non-core-business companies MEHLER Engineering & Service and it-novum and sale of the commercial property in Fulda
- the start of construction of a new production hall with new state-of-the-art production plant and laboratory in Hessisch Lichtenau, Germany
- the acquisition of Haogenplast, Israel, to strengthen the vinyl expertise in the flexible films segment
- the expansion of the products for the e-bike market

Following the principle embedded in the remuneration system that particular achievements are appropriately rewarded and missed targets should lead to a noticeable reduction in remuneration (pay for performance), the good results of the 2021 financial year – even the increased forecast of August 2021 was achieved in full in a difficult market situation – are reflected in the variable remuneration of the Management Board. The Management Board members' remuneration is thus also aligned with the interests of shareholders and other stakeholders of KAP AG.

## **1. REMUNERATION OF THE MEMBERS OF THE MANAGEMENT BOARD**

### **1.1 OVERVIEW OF THE REMUNERATION SYSTEM**

The current remuneration system for members of KAP AG's Management Board has been applied since the 2021 financial year and was approved by the Annual General Meeting on 30 September 2021.

There are no Management Board employment contracts between KAP AG and the serving members of the Management Board. Instead, both serving Management Board members are simultaneously managing

directors of CSP Diamant Administration GmbH (CSP). Each Management Board member has a managing director employment contract with CSP, the party to which include not only the Management Board member and CSP but also KAP AG. The remuneration to be granted by CSP under the managing director employment contract is simultaneously the Management Board remuneration, and CSP subsequently invoices this remuneration to KAP AG. The remuneration system applies irrespective of whether the Management Board remuneration is granted by CSP or another third party or directly by KAP AG. In the reporting year, the Management Board members received the remuneration presented below in full from CSP.

The Supervisory Board subjects the Management Board members' remuneration and the remuneration system to a review each year at its accounts meeting. In particular, the Supervisory Board reviews the appropriateness of the total remuneration of the individual Management Board members. If necessary, the Supervisory Board changes the remuneration system and submits the amended system to the next Annual General Meeting for approval.

### **(a) Components of the Management Board remuneration**

The remuneration of the Management Board members consists of non-performance-related and performance-related components. The non-performance-related remuneration comprises the basic annual salary and fringe benefits. The performance-related remuneration consists of a short-term variable remuneration component, the annual bonus and a long-term variable remuneration component (the virtual share plan).

The following overview sets out the fundamental components of the remuneration system for the Management Board members.

#### **Non-performance-related components**

Basic annual salary	Fringe benefits
---------------------	-----------------

#### **Performance-related components**

Annual bonus	Virtual share plan
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### **(b) Non-performance-related remuneration**

#### **(i) Basic annual salary**

The Management Board member receives a basic annual salary that is paid out monthly in twelve equal instalments.

#### **(ii) Fringe benefits**

The basic annual salary is supplemented by the following contractually guaranteed fringe benefits:

The Management Board member is entitled to a company car, which is also available for private use. The Management Board member can instead opt for the payment of a monthly lump sum of €1,000.00 (gross).

If the Management Board member receives their remuneration under a managing director employment contract with CSP or a third party, the Management Board member is reimbursed for the employee's share of the social



security contributions if these need to be paid due to the employment as a managing director of CSP or a third party and would not be payable if the Management Board member were only a member of the Management Board of KAP AG and only had a Management Board employment contract with KAP AG. The reimbursement is made on a net basis, i.e. income tax that is payable on this reimbursement is also reimbursed.

Accident insurance, which also covers accidents outside the contractual activity, is also taken out for the benefit of the Management Board member. The premiums are paid for the Management Board member.

The value of all fringe benefits granted in a financial year must not exceed 20% of the basic annual salary for the financial year in question.

### (iii) Pension commitments

There are no old-age pension commitments.

## (c) Performance-related remuneration

### (i) Annual bonus

The annual bonus is a short-term, one-year performance-related remuneration component that is granted annually.

#### Annual bonus

$$\text{Target bonus} \times \frac{\text{Total degree of target achievement}}{(\text{max. 200\%})} = \text{Payout amount} \quad (\text{cash or, if applicable, up to 50\% in shares})$$

## Design

The annual bonus is granted at a target amount (**target bonus**) specified in the employment contract, 100% of which is paid out if the target achievement for all the targets, taking into account their respective weighting, amounts to 100% (**total degree of target achievement**) for the financial year in question. The targets are set annually, generally by no later than one month after the approval of the annual financial statements for the previous year, and following discussion with the Management Board member. The targets may be set later in the financial year in question if a person is appointed to the Management Board during the year or else for justified reasons.

Following the end of the financial year in question, the extent to which the Management Board member has achieved the targets agreed for the financial year in question and what bonus amount results from this is reviewed. The bonus determined in this way is payable one month after approval of the annual financial statements for the financial year in question.

Both financial and non-financial targets are set. The financial targets are weighted at up to 75% in total and the non-financial targets at at least 25% in total. The degree of target achievement can be between 0% and 200% in each case. To this end, in addition to the target value, which corresponds to 100% target achievement, a target achievement range is defined for each target. A lower value is defined, below which the degree of target achievement is 0%, and an upper value (cap) is defined, from which the degree of target achievement is set at 200%. The intermediate values are interpolated linearly. The total degree of target achievement results from the appropriately weighted degrees of target achievement for the individual targets.

The normalised consolidated EBITDA, which has been adjusted for special items, and the consolidated cash flow from operating activities are used as performance criteria for the financial targets. The target amounts that correspond to 100% target achievement are derived from the annual planning for the financial year in

question, which is derived from the longer-term planning, which is, in turn, based on the business strategy. The figures from the consolidated financial statements are used to determine the degree of target achievement for the financial year in question.

Qualitative targets are set as non-financial targets, specifically those that involve concrete steps for implementation of the business strategy and are derived from business plans. These are structural measures or significant projects that serve to adapt the KAP Group's structures to the planned growth or to drive growth as planned. These particularly include measures and projects for implementing the strategic improvement initiatives. The Supervisory Board defines milestones (degree of implementation at certain points on the time axis) for the individual non-financial targets – taking account of the corporate planning. The degree of target achievement is determined using these milestones, which are translated into numerical values for this purpose. The specific weighting of the individual targets is determined no later than when the targets are set.

### **Possibility of payment in the form of shares**

It can be agreed that – as far as possible – up to 50% of the gross payout amount from the annual bonus will be granted in KAP shares (**share component**). The Management Board member can freely dispose of the KAP shares granted to them immediately. The number of KAP shares to be granted is determined by dividing the corresponding proportion of the gross payout amount by the unweighted average of the closing prices of the KAP share in XETRA trading (or a comparable successor system) on the Frankfurt Stock Exchange during the last 20 trading days before approval of the annual financial statements for the financial year in question. If taxes or social security contributions are to be retained for the share component, the number of shares to be granted is reduced in accordance with the amount to be retained. If it is not possible to grant KAP shares despite appropriate efforts, the due date is postponed by one month. If the share component also cannot be granted in the form of KAP shares at this point, the share component can also be paid out in cash (in full). The further details on the design of the share component and additional rules are set out in the employment contract and any additional agreements with the Management Board member.

### **Promoting the business strategy and the Company's long-term development**

The performance criteria selected for the financial targets are material key performance indicators for the Group. They represent important indicators for successful implementation of the business strategy. The non-financial targets correspond to important steps in the implementation of the business strategy and thus directly help to promote the business strategy and the Company's long-term development.

Being granted KAP shares gives the Management Board members the opportunity to participate in the successful implementation of the business strategy, which targets long-term and profitable growth. This should also help to promote the business strategy and the Company's long-term development.

#### **(ii) Virtual share plan**

The virtual share plan is a long-term, multi-year performance-related remuneration component that is granted annually and in which a certain number of virtual shares is granted following the end of the financial year in question subject to certain targets for that financial year being met.

## Virtual share plan

Target allotment amount <b>x</b>	Total degree of target achievement (max. 200%)	=	Actual allotment amount
Actual allotment amount <b>x</b>	Initial value	=	Number of virtual shares
Number of virtual shares <b>x</b>	Final value	=	Payout amount (max. 4x target allotment amount)

### Allotment of virtual shares

The virtual share plan is granted with a target allotment amount specified in the employment contract (**target allotment amount**), which is translated 100% into virtual shares if the total degree of target achievement for the financial year in question is 100%. The targets and their weighting and the calculation of the total degree of target achievement, including the cap, are the same as those for the annual bonus.

After the end of the financial year in question, a review is carried out of the extent to which the Management Board member has achieved the targets agreed for the financial year in question and what actual allotment amount results from this. The number of virtual shares is determined by dividing the actual allotment amount by an average share price for the KAP share prior to allotment (**initial value**). The initial value is the unweighted average of the closing prices of the KAP share in XETRA trading (or a comparable successor system) on the Frankfurt Stock Exchange during the whole financial year in question or – where a contract starts during the year – in the period between the start of the contract and the end of the financial year in question. Another average share price or another calculation can also be agreed as the initial value instead, although the relevant period must be at least one month.

The virtual shares are allotted after the approval of the annual financial statements for the financial year in question.

### Design of the virtual shares

The virtual shares have a term of four full years. The period begins with the allotment of the virtual shares, but no later than one month after approval of the annual financial statements for the financial year in question. It can be agreed that the term will begin retroactively, either at the end of the day on which the annual financial statements for the financial year in question were approved or as early as at the start of the financial year that follows the relevant financial year for which the virtual shares were allotted.

Following the end of the four-year term, the Management Board member is paid out an amount for each virtual share determined as follows for the virtual shares in question: The payout amount corresponds to the unweighted average of the closing prices of the KAP share in XETRA trading (or a comparable successor system) on the Frankfurt Stock Exchange during the last 30 trading days of the four-year term plus an amount to account for the dividends and other payments paid by KAP AG on a KAP share during the term and also any subscription rights granted (**final value**). In terms of the size of the additional amount, the Management Board member is placed in the same position as if:

- on the date on which they were payable, the dividends or other payments on a KAP share had each been invested in KAP shares or fractions of KAP shares and

- any subscription rights had each been sold on the first trading day in XETRA trading (or a comparable successor system) on the Frankfurt Stock Exchange after they were granted and the proceeds of the sale had been invested in KAP shares or fractions of KAP shares on that day

and the investments in these KAP shares or fractions of KAP shares had been made at the closing price of the KAP share in XETRA trading (or a comparable successor system) on the Frankfurt Stock Exchange on that day, and these shares had in turn been sold at the final value (whereby the relevant term only begins with the respective investment).

In the event of a capital increase using company funds, a consolidation of shares, a share split, a capital decrease reducing the number of shares or another corporate action or structural measure and in the event of a dividend payment or distribution with an effect comparable to that of one of the above measures, an adjustment is made to prevent such a measure leading to dilution or an increase in profit for the Management Board member.

However, the payout amount from all virtual shares that are granted for a financial year amounts to no more than four times the target allotment amount (cap). In addition, a possibility to limit the payout amount resulting from the virtual shares is agreed in the event of extraordinary developments.

Payouts from the virtual share plan are made within 30 calendar days of the end of the term of the virtual shares in question.

The further details on the design of the virtual shares and additional rules are set out in the employment contract and any additional agreements with the Management Board member.

### **Promoting the business strategy and the Company's long-term development**

The number of virtual shares depends on the achievement of financial and non-financial targets. The performance criteria selected for the financial targets are material key performance indicators for the Group. They represent important indicators for successful implementation of the business strategy. The non-financial targets correspond to important steps in the implementation of the business strategy and thus directly help to promote the business strategy and the Company's long-term development.

The allotment of virtual shares allows the Management Board members to participate in the successful implementation of the business strategy, which targets long-term and profitable growth. In this way, they should also help to promote the business strategy and the Company's long-term development.

#### **(d) Structural framework**

The share of the annual basic salary, the annual bonus and the virtual share plan in the total remuneration (without taking account of fringe benefits) must be in the following ranges, with the annual bonus being set at 100% of the target bonus and the virtual share plan at 100% of the target allotment amount:

- Basic annual salary: 60% to 65%
- Annual bonus: 15% to 20%
- Virtual share plan: 20% to 25%

The maximum size of the fringe benefits is specified as a percentage of the basic annual salary and is therefore dependent on the aforementioned range for the basic annual salary.

## Share of total target remuneration



### (e) Target and maximum remuneration

The target total remuneration is the value a Management Board member receives in total for a financial year if the target achievement is 100% for all performance-related remuneration components. The annual bonus is set at 100% of the target bonus and the virtual share plan at 100% of the target allotment amount. The remuneration system permits target total remuneration of up to €800,000.00 for the individual Management Board members.

The maximum remuneration is the maximum value that a Management Board member may receive in total for a financial year. The maximum remuneration for the individual Management Board members is no more than €1,600,000.00.

### (f) Determining the actual remuneration for the individual Management Board members

The room for manoeuvre that the remuneration system opens up is only exploited to the extent that this is appropriate taking account of the relevant circumstances in each case.

First the specific target total remuneration is set and then the remuneration structure for an individual Management Board member. The starting point is the specific target remuneration and their ranges and remuneration structures, as they exist at the date of the respective determination for the Management Board members of KAP AG in office at that time. On the establishment of this remuneration system, these are as follows (amounts in €):

Target total remuneration (without fringe benefits)	
of which:	500,000.00—575,000.00
1. Basic annual salary	300,000.00—350,000.00
2. Annual bonus (100% target bonus)	100,000.00
3. Virtual share plan (100% target allotment amount)	100,000.00—125,000.00

In the event of future determinations of new specific target total remuneration, it is possible to depart from the values/ranges in the above table in connection with the remuneration system providing that this appears appropriate to give due consideration to the tasks entrusted to the Management Board member, the member's experience and past achievements and the market circumstances. The prerequisite for this is that the remuneration is also appropriate with a view to the Company's situation and does not exceed the customary remuneration without particular reasons. To assess the proportionality within the KAP Group (vertical comparison), the relationship between the remuneration of the Management Board members and the remuneration of managers and also the remuneration of managers and employees as a whole, and how remuneration has developed over time, is taken into account. If an external remuneration expert is consulted, care is taken to ensure the expert's independence from the Management Board and from the Group.

The chairperson or spokesperson of the Management Board receives higher remuneration than the other Management Board members. When setting the remuneration structure, the following guidelines should be

taken into account: The target allotment amount of the virtual share plan should exceed the target bonus of the annual bonus. The target bonus of the annual bonus should not exceed one third of the basic annual salary.

#### **(g) Special contractual arrangements**

##### **(i) Malus and clawback provision**

Payouts from the annual bonus, including of any share component, can be reclaimed and payouts from virtual shares are allotted as part of the virtual share plan can be refused if it later turns out that the payout or allotment was wrongfully made in full or in part because targets were not actually achieved or were not achieved to the extent that was assumed on the basis of false information when calculating the payout amount or the number of virtual shares to be allotted. The Management Board member is in this case, in particular, obliged to repay the net amount by which a payout made from the annual bonus exceeds the payout amount that would have resulted if the actual target values had been used. The size of this clawback claim is determined in accordance with section 818 of the German Civil Code (BGB). The clawback claim becomes time-barred after three years have elapsed since the payment of the annual bonus.

Arrangements can be agreed with the Management Board members under which, if the Management Board member seriously breaches their legal obligations or internal codes of conduct, the variable remuneration paid out for the financial year in which the breach occurred can be reclaimed from the Management Board member in full or in part and payouts not yet made from virtual shares allotted for this period can be refused.

Furthermore, arrangements can be made with Management Board members under which payouts from the annual bonus can be reclaimed in full or in part and payouts from virtual shares that were allotted under the virtual share plan can be refused for cases in which the target achievement determined by the Supervisory Board for the payout or allotment prove to be unsustainable in subsequent years.

Expiry rules also apply to the virtual share plan, including for the event that the employment contract is terminated for cause within the meaning of section 626 (1) BGB for which the Management Board member is responsible and for the event that the appointment as a member of the Management Board is revoked for cause within the meaning of section 84 (4) of the German Stock Corporation Act (AktG).

## **1.2 APPROPRIATENESS OF THE MANAGEMENT BOARD MEMBERS' REMUNERATION IN THE 2021 FINANCIAL YEAR**

The Supervisory Board carried out the annual review of whether the Management Board is appropriate and customary at its accounts meeting.

The review of the appropriateness of the remuneration of the Management Board for the 2021 financial year showed that the Management Board remuneration arising from the target achievement for the 2021 financial year is appropriate.

## **1.3 ACTUAL REMUNERATION FOR THE INDIVIDUAL MANAGEMENT BOARD MEMBERS FOR THE 2021 FINANCIAL YEAR**

The actual remuneration for the members of the Management Board of KAP AG is described below. This section contains information on the total remuneration and on the objective and target achievement for the variable remuneration and individualised disclosures on remuneration of the individual Management Board members for the 2021 financial year.

#### **(a) Non-performance-related components**

(i) Basic annual salary

in €	2021
Eckehard Forberich	350,000.00
Marten Julius	300,000.00

(ii) Fringe benefits

For the 2021 financial year, fringe benefits were provided in the form of the provision of company cars and subsidies for social security benefits (see table entitled Remuneration granted and owed in the 2021 financial year).

**(b) Performance-related remuneration – short-term variable remuneration (annual bonus)**

The Supervisory Board set the normalised consolidated EBITDA, which has been adjusted for special items, and the consolidated cash flow from operating activities adjusted for special items as the performance criteria for the financial targets for the 2021 financial year. For both key figures, a concrete target has been derived from the annual planning, which was derived from the longer-term planning, which was, in turn, based on the business strategy, and a corresponding performance range with an upper and lower limit has been set. For the non-financial targets, performance measured by qualitative targets was used as the performance criterion. For the 2021 financial year, the non-financial targets set included the equally weighted criteria of the further development of the corporate strategy, the professionalisation of risk management and the development of a sustainability strategy. In addition, the weighting per key figure was set at 40% for the normalised EBITDA, at 35% for the consolidated cash flow from operating activities adjusted for special items and at 25% for the non-financial targets.

(i) Determination of target achievement in 2021

The objective applicable and the target achievement determined for the annual bonus for the 2021 financial year is presented in the following table and applies in the same way to all Management Board members:

<b>Objective and target achievement in the short-term variable remuneration (annual bonus)</b>		
<b>Key figure</b>	<b>Weighting</b>	<b>Target assessment</b>
Normalised consolidated EBITDA	40%	156%
Consolidated cash flow	35%	159%
Non-financial targets	25%	127%
Weighted average target achievement (total target achievement)		150%

(ii) Target amounts and level of the annual bonus in 2021

<b>Target, minimum and maximum amounts for the annual bonus</b>			
		<b>2021</b>	
<b>in €</b>	<b>Min.</b>	<b>Target (100%)</b>	<b>Max. (200%)</b>
Eckehard Forberich	0	100,000.00	200,000.00
Marten Julius	0	100,000.00	200,000.00

The following payout amounts result on the basis of total target achievement of 150%:

<b>Size of the annual bonus</b>	
<b>in €</b>	<b>2021</b>
Eckehard Forberich	150,000.00
Marten Julius	150,000.00

#### **(c) Performance-related remuneration – long-term variable remuneration (virtual share plan)**

For the long-term variable remuneration, both the financial targets and the non-financial targets are the same as those of the short-term variable remuneration. Thus, the normalised consolidated EBITDA, which has been adjusted for special items, and the consolidated cash flow from operating activities adjusted for special items are used as performance criteria for the financial targets, and performance measured by qualitative targets is used as the performance criterion for the non-financial targets.

The following applies to the 2021 Virtual Share Plan:

The contractual target amounts and the notional shares allotted are as follows for the individual members of the Management Board:

The target achievements for the performance criteria on which the long-term variable remuneration is based are determined on an annual basis. The Supervisory Board determined the same target achievements as for the annual bonus for the 2021 financial year.

The relevant price of the KAP share for the translation into virtual shares was €19.95.

<b>in €</b>	<b>Target amount (based on 100% target achievement)</b>	<b>Maximum amount (200%)</b>	<b>Average degree of target achievement in %</b>	<b>Number of notional shares allotted</b>
Eckehard Forberich	125,000.00	250,000.00	150	9,398
Marten Julius	100,000.00	200,000.00	150	7,519

For the tranche issued in the 2021 financial year, the Management Board members were provisionally allotted a total of 16,917 virtual shares.



#### (d) Malus and clawback provisions

In the 2021 financial year, the Supervisory Board did not find any reason to make use of the possibility – to the extent this was available – to reduce, reclaim, or completely refuse to grant variable remuneration components.

### 1.4 REMUNERATION GRANTED AND OWED

The remuneration granted and owed to each individual member of the Management Board in the 2021 financial year is presented individually in the following table. In accordance with the provisions of section 162 of the German Stock Corporation Act (AktG), the amounts fully vested at the end of the reporting period must be disclosed as remuneration granted and owed. A vesting-oriented perspective is generally followed in this respect. In deviation from this, the long-term remuneration only is reported according to the accrual principle, i.e. with the payment amount within the reporting year.

The disclosures on remuneration are in each case divided into fixed and variable remuneration components. The fixed remuneration components comprise the non-performance-related fixed basic annual salaries and fringe benefits. The variable remuneration components can be divided into one-year and multi-year variable remuneration. This remuneration disclosed for the reporting year comprises the fixed remuneration components actually earned and paid out in the reporting year plus the multi-year variable remuneration due and paid out in the financial year and the one-year variable remuneration fully vested in the financial year, which is paid out in the spring of the subsequent year (2022).

<b>Remuneration granted and owed</b>				
	<b>Eckehard Forberich</b>		<b>Marten Julius</b>	
	<b>Spokesman of the Management Board</b>		<b>CFO</b>	
	<b>in € thousands</b>	<b>%</b>	<b>in € thousands</b>	<b>%</b>
Basic annual salary	350.0	67.6	300.0	64.9
Fringe benefits	17.8	3.4	12.6	2.7
<b>Total</b>	<b>367.8</b>	<b>71.0</b>	<b>312.6</b>	<b>67.6</b>
One-year variable remuneration (annual bonus)	150.0	29.0	150.0	32.4
Multi-year variable remuneration (virtual share plan)				
2020 Virtual Share Plan	—	—	—	—
2021 Virtual Share Plan	—	—	—	—
<b>Total variable remuneration</b>	<b>150.0</b>	<b>29.0</b>	<b>150.0</b>	<b>32.4</b>

Remuneration granted and owed				
	Eckehard Forberich		Marten Julius	
	Spokesman of the Management Board		CFO	
	in € thousands	%	in € thousands	%
<b>Total remuneration (within the meaning of section 162 AktG)</b>	<b>517.8</b>	<b>100.0</b>	<b>462.6</b>	<b>100.0</b>
Maximum remuneration	1,600.0	—	1,600.0	—

The Management Board members' remuneration in 2021 did not exceed the maximum remuneration of €1,600,000.00 specified in the remuneration system.

The maximum remuneration can only ever be assessed retrospectively when the payout from the long-term variable remuneration issued for the respective financial year is made. The final audit of compliance with the maximum remuneration for the 2021 financial year will thus be reported in the remuneration report for the 2025 financial year.

## 1.5 BENEFITS ON THE TERMINATION OF THE MANAGEMENT BOARD POSITION

### (a) Benefits in connection with the termination of employment in the Management Board

No Management Board member's employment in the Management Board was terminated in the reporting period.

### (b) Remuneration granted and owed to former members of the Management Board for the 2021 financial year

No remuneration was granted or owed to former members of the Management Board in the 2021 financial year.

## 2. REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD

### 2.1 OVERVIEW OF THE REMUNERATION SYSTEM

KAP's Annual General Meeting on 30 September 2021 confirmed the remuneration system for the Supervisory Board applicable for the 2021 financial year. The remuneration system is set out in article 13 of KAP AG's Articles of Association.

The Supervisory Board must oversee the management by the Management Board. The remuneration of the Supervisory Board members should therefore be structured in such a way that it ensures, in particular, the independence of the Supervisory Board necessary for the supervisory task. The Supervisory Board members' remuneration consists exclusively of fixed remuneration components. The level of each individual Supervisory

Board member's remuneration depends on the tasks they undertake in the Supervisory Board and its committees. The structure of the KAP AG Supervisory Board remuneration thus represents a counterbalance to the largely performance-related remuneration of KAP AG's Management Board members. This strengthens the Supervisory Board's independence and thus promotes KAP AG's long-term development. Even though the Supervisory Board remuneration is not directly linked to the Group's success, the remuneration also contributes to the successful implementation of the business strategy in this way.

The Supervisory Board reviews the appropriateness of the components, level and structure of its remuneration as the need arises. The Supervisory Board evaluates the Supervisory Board remuneration at other comparable companies and compares this with the remuneration of the Supervisory Board of KAP AG both with regard to the components and the level and structure of the remuneration. On the basis of this analysis and taking account of the importance and amount of the work in the Supervisory Board and its committees, the Supervisory Board then decides whether it is necessary to change its remuneration. Due to the particular nature of the Supervisory Board remuneration, which is granted for work that is fundamentally different from the work of the employees of KAP AG and the KAP Group, no vertical comparison with employee remuneration is undertaken when reviewing and setting the remuneration.

In accordance with the provisions set out in the Articles of Association, each member of the Supervisory Board receives fixed annual remuneration of €25,000.00. The chairperson of the Supervisory Board, the deputy chairperson of the Supervisory Board and the chairperson of any committee receive increased remuneration for the higher organisational and administrative effort associated with their work and their particular responsibility for the whole board or committee's successful and efficient collaboration. The chairperson of the Supervisory Board receives €50,000.00, and the deputy chairperson of the Supervisory Board and the chairperson of any committee each receive €37,500.00 as fixed annual remuneration. Membership in Supervisory Board committees is not remunerated separately. The remuneration is paid after the end of the financial year.

In accordance with section 113 (3) of the German Stock Corporation Act (AktG) in the version amended by the Act Implementing the Second Shareholder Rights Directive (ARUG II), in the case of listed companies, a resolution on the remuneration of the Supervisory Board members must be passed by the general meeting at least once every four years. In accordance with section 113 (3) AktG, the Annual General Meeting on 30 September 2021 thus passed a resolution on the remuneration of the Supervisory Board members.

## 2.2 INDIVIDUALISED DISCLOSURE OF THE REMUNERATION OF THE SUPERVISORY BOARD MEMBERS

The remuneration granted and owed to each individual member of the Supervisory Board in the 2021 financial year is individually presented in the following table. It shows remuneration components for the 2021 financial year that will be paid out in the following year (2022). A vesting-oriented perspective is followed in this respect.

Remuneration granted and owed to the members of the Supervisory Board		
	Basic remuneration	
	in € thousands	%
Christian Schmitz <sup>1</sup> (since 7 July 2017, Chairman)	0	—
Uwe Stahmer (since 7 July 2017, Deputy Chairman since 25	37.5	100

<b>Remuneration granted and owed to the members of the Supervisory Board</b>		
	<b>Basic remuneration</b>	
	<b>in € thousands</b>	<b>%</b>
February 2021)		
Roy Bachmann (since 7 July 2017)	25	100
Joachim Coers (since 3 July 2019)	37.5	100
Christoph Schoeller (since 23 December 2020)	25	100
Viktor Rehart <sup>1</sup> (since 13 October 2021)	0	—
<sup>1</sup> The Supervisory Board members have waived their Supervisory Board remuneration.		

### 3. COMPARATIVE PRESENTATION OF THE CHANGE IN EARNINGS AND OF THE ANNUAL CHANGE IN REMUNERATION

The following overview presents the changes in the remuneration granted and owed to the individual Management Board and Supervisory Board members in the respective financial year in accordance with section 162 (1) sentence 2 of the German Stock Corporation Act (AktG). In contrast, the comparative period (starting in 2020, gradually building up in the following years until a five-year period has been reached), the developments of selected key earnings figures of the company and the Group are compared. Furthermore, the change in the average remuneration of employees on a full-time equivalent basis is presented in comparison. The average amounts for employees are calculated from the remuneration components of the financial year that have been paid out. Because KAP AG does not employ any staff itself, the workforce of Mehler AG, a wholly owned subsidiary of KAP AG, is used for the comparison. Mehler AG's employees all work for KAP AG. The Management Board itself and the trainees are not included in the headcount.

<b>Remuneration granted/owed to the Management Board and the Supervisory Board in relation to the development of the rest of the workforce and to the Group's earnings performance</b>			
<b>in € thousands</b>	<b>2020</b>	<b>Change in %</b>	<b>2021</b>
<b>Remuneration of board members</b>			
<b>Current Management Board members</b>			
Eckehard Forberich	376.3 <sup>1</sup>	37.6	517.8
Marten Julius	99.5 <sup>2</sup>	> 100	462.6

<b>Remuneration granted/owed to the Management Board and the Supervisory Board in relation to the development of the rest of the workforce and to the Group's earnings performance</b>			
<b>in € thousands</b>	<b>2020</b>	<b>Change in %</b>	<b>2021</b>
<b>Current Supervisory Board members</b>			
Christian Schmitz (Chairman)	0	0	0
Uwe Stahmer	20.9 <sup>3</sup>	79.4	37.5
Roy Bachmann	25	0	25
Joachim Coers (Chairman of the Audit Committee)	37.5	0	37.5
Christoph Schoeller	2 <sup>4</sup>	> 100	25
Viktor Rehart (since 13 October 2021)	0	0	0
<b>Average employee remuneration <sup>a</sup></b>			
Mehler AG's workforce	48.3	8.7	52.5
<b>Earnings performance of the Company <sup>b</sup></b>			
Consolidated revenue	338.7	2.0	345.6
Normalised consolidated EBITDA	32.5	7.7	35.0
Net profit for the year of KAP AG	—0.9	> 100	59.5
<sup>1</sup> Pro-rata remuneration, as employment commenced on 1 March 2020. <sup>2</sup> Pro-rata remuneration, as employment commenced on 1 October 2020. <sup>3</sup> Pro-rata remuneration, as CEO of KAP AG until 28 February 2020 and subsequently ordinary Supervisory Board member. <sup>4</sup> Pro-rata remuneration, as only Supervisory Board member from 23 December 2020.  <sup>a</sup> Management Board and staff and over time. These include, for example, changes in the composition of the workforce, different salary adjustments for staff covered by collective bargaining agreements and staff not covered by collective bargaining agreements, incorporations and spin-offs of business entities for personnel policy measures. <sup>b</sup> The key earnings figures published for the first time for the financial year in question are used and not, where applicable, figures adjusted in the subsequent year.			

#### 4. MISCELLANEOUS

The Company maintains directors' and officers' liability insurance for board members. The insurance covers the personal liability risk for the event that a claim for pecuniary loss is made against the group of people in the course of their work.

In particular, the Supervisory Board members are also included in the directors' and officers' liability insurance policy for board members and other managers of the Company and its subsidiaries (D&O insurance) in the interests of the Company. The premiums are paid by the Company. The Company reimburses the Supervisory Board members for their expenses and the value added tax payable on their remuneration to the extent they are entitled to invoice the Company separately for the value added tax and exercise this right.

As of 31 December 2021, there were no advance payments or loans to members of the Supervisory Board. Otherwise, the Supervisory Board members, with the exception of Roy Bachmann, did not receive any

remuneration for personally provided services, particularly consultancy and brokerage services, in 2021.

For the Management Board

Eckehard Forberich

Spokesman of the Management Board  
of KAP AG

Marten Julius-Meyer zu Starten

CFO  
of KAP AG

For the Supervisory Board

Christian Schmitz

Chairman of the Supervisory Board  
of KAP AG

## **5. AUDITOR'S REPORT ON THE AUDIT OF THE REMUNERATION REPORT PURSUANT TO § 162 (3) AKTG**

To KAP AG, Fulda

### **AUDIT OPINION**

We have formally audited the remuneration report of KAP AG, Fulda for the financial year from 1 January 2021 to 31 December 2021 to determine whether the disclosures pursuant to § 162 (1) and (2) German Stock Corporation Act (AktG) have been presented in the remuneration report. In accordance with § 162 (3) AktG, we have not verified the content of the remuneration report.

According to our assessment, the enclosed remuneration report provides, in all material respects, the information required by § 162 (1) and (2) AktG. Our audit opinion does not cover the content of the remuneration report.

### **BASIS FOR THE AUDIT OPINION**

We conducted our audit of the remuneration report in accordance with § 162 (3) AktG and in compliance with the IDW auditing standard: The audit of the remuneration report [Die Prüfung des Vergütungsberichts] in accordance with § 162 (3) AktG (IDW PS 870). Our responsibility pursuant to that provision and standard is further described in the section "Responsibility of the auditor" of our report. As an auditing firm, we have applied the requirements of the IDW quality assurance standard: Requirements for quality assurance in auditing practice [Qualitätssicherung in der Wirtschaftsprüferpraxis] (IDW QS 1). We have complied with the professional duties pursuant to the German Auditors' Code [Wirtschaftsprüferordnung] and the professional statutes for auditors/sworn auditors [Berufssatzung für Wirtschaftsprüfer/vereidigte Buchprüfer], including the requirements of independence.

## **RESPONSIBILITY OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD**

The management board and the supervisory board are responsible for the preparation of the remuneration report, including the related disclosures, which complies with the requirements of § 162 AktG. Furthermore, they are responsible for the internal controls that they determine are necessary to enable the compilation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

## **RESPONSIBILITY OF THE AUDITOR**

Our objective is to obtain reasonable assurance about whether the disclosures pursuant to § 162 (1) and (2) AktG in the remuneration report have been made in all material respects, and to express an opinion thereon in a report.

We planned and performed our audit to obtain evidence about the formal completeness of the remuneration report by comparing the disclosures made in the remuneration report with the disclosures required by § 162 (1) and (2) AktG. In accordance with § 162 (3) AktG, we have not audited the accuracy of the content of the disclosures, the completeness of the content of the individual disclosures or the adequate presentation of the remuneration report.

Frankfurt am Main, 22 April 2022

Mazars GmbH & Co. KG  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

In the original German version signed by:

Jörg Maas  
Wirtschaftsprüfer  
(German Public Auditor)

Michael Schaub  
Wirtschaftsprüfer  
(German Public Auditor)

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**KAP AG**  
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36043 Fulda  
Germany

## **7. Resolution on the new election of the Supervisory Board members**

Pursuant to section 7 (1) of the Articles of Association, the Supervisory Board of KAP AG consists of up to six members to be elected by the shareholders in accordance with the AktG.

The term of office for the Supervisory Board members will end upon the conclusion of the Annual General Meeting on August 31, 2022, so that a new election is required. The Supervisory Board is to propose candidates to the Annual General Meeting. In particular, the requirements of section 100 AktG must be observed. In particular, the proposals shall also take into account the objectives that the Supervisory Board has resolved for its composition and shall strive to satisfy the competency profile developed by the Supervisory Board for the entire body.

The Supervisory Board proposes that

- a) Mr. Christian Schmitz, London, United Kingdom, Managing Director at The Carlyle Group London, United Kingdom,
- b) Mr. Uwe Stahmer, Bad Zwischenahn, Germany, previous member of the Management Board of DAUN & Cie. AG, Rastede, Germany,
- c) Mr. Roy Bachmann, London, United Kingdom, Managing Director at RB Capital Partners LLP London, United Kingdom,
- d) Mr. Viktor Rehart, London, United Kingdom, Investment Professional at The Carlyle Group, London, United Kingdom,
- e) Mr. Christoph Schoeller, Hamburg, Managing Partner of Schoeller Investor Relations GmbH, Hamburg and Vienna, and
- f) Dr. Markus Adams, Cologne, Chief Executive Officer at Alu Menziken Extrusion AG, Reinach, Switzerland,

each with effect from the conclusion of the Annual General Meeting held on August 31, 2022, be appointed for the period until the conclusion of the Annual General Meeting that resolves on the formal approval of their actions for the fourth fiscal year following the beginning of their term of office, excluding the financial year in which their term of office initiated.

It is envisaged that the Annual General Meeting will vote separately on the individual candidates for the elections to the Supervisory Board.

Further information on the candidates and their memberships in other statutory supervisory boards and memberships in comparable German and foreign supervisory committees of business enterprises pursuant to section 125 (1) sentence 5 AktG is available at the Internet address

<https://www.kap.de/en/investor-relations/general-meeting>

and can be found in the curricula vitae attached as additional information to agenda item 7.

In line with recommendation C.13 of the German Corporate Governance Code (*Deutscher Corporate Governance Kodex*; DCGK), the Supervisory Board is of the opinion that - apart from the fact that, with the exception of Dr. Adams, all members of the Supervisory Board are already currently members of the Supervisory Board of KAP AG and Mr. Christian Schmitz as well as Mr. Viktor Rehart have a business relationship with The Carlyle Group – a shareholder directly holding more than 10% of the voting shares in KAP AG – and Mr. Roy Bachmann has a business relationship with KAP AG, there are no personal or business relationships of the candidates with the companies of the KAP Group, the



executive bodies of KAP AG or any shareholder directly or indirectly holding more than 10% of the voting shares in KAP AG that could be decisive for the election decision of the Annual General Meeting.

Mr. Schmitz has expertise in the field of accounting in accordance with section 100 (5) AktG. Mr. Stahmer has expertise in the field of accounting and statutory audits in accordance with section 100 (5) AktG.

The designated person for the position of Chairman of the Supervisory Board is Mr. Christian Schmitz and the designated person for the position of Chairman of the Audit Committee is Mr. Uwe Stahmer.

**8. Resolution on the amendment of section 13 (1) of the Articles of Association regarding the adjustment of the remuneration of the Supervisory Board members and on the remuneration system for the Supervisory Board members**

The current remuneration of the members of KAP AG's Supervisory Board was last adjusted by means of a resolution of the annual general meeting 2019 in article 13 of the Articles of Association.

In accordance with section 113 (3) AktG, the annual general meeting 2021 confirmed the remuneration of the Supervisory Board members and approved the remuneration system for the Supervisory Board members.

After a thorough review, the Management Board and the Supervisory Board found that the remuneration system for the Supervisory Board members as approved in 2021 serves Company interests and is also reasonable. However, in view of the further increased responsibility and importance of the Supervisory Board's control and advisory activities, which also entails an increased workload, not least due to increasing statutory requirements and KAP AG's business activities becoming continuously more demanding and complex, an increase of the remuneration at fair market value appears appropriate.

The new remuneration system underlying the remuneration of the Supervisory Board members, containing the information pursuant to section 113 (3) sentence 3 and section 87a (1) sentence 2 AktG, is set out below and available on the website

<https://www.kap.de/en/investor-relations/general-meeting>

("Remuneration of Members of the Supervisory Board of KAP AG 2022"). The wording of section 13 (1) of the Articles of Association, taking into account the adjustment proposed hereinafter, is also available there.

The Management Board and the Supervisory Board propose to resolve as follows:

a) Section 13 (1) of the Company's Articles of Association is reworded as follows:

In addition to the reimbursement of their expenses, the members of the Supervisory Board are to be paid a fixed annual remuneration at the end of the financial year. The basic remuneration is EUR 50,000.00 per member. The chair of the Supervisory Board will receive 1.5 times the amount of the basic remuneration. Their deputy will receive 1.1 times the amount of this basic remuneration. The chair of any committee will receive EUR 8,000.00 and any member of a committee will receive EUR 4,000.00 in addition to the basic remuneration. Supervisory Board members who were only in office for part of the financial year will receive a reduced remuneration calculated *pro rata temporis*.

b) The Supervisory Board remuneration for the whole financial year 2022 will already be determined on the basis of section 13 of the Articles of Association as amended above if the above amendment of the Articles of Association is registered with the commercial register during the current financial year.

c) The remuneration of the Supervisory Board members indicated below, including the amendment of section 13 of the Articles of Association as set out below and the remuneration system on which the relevant provision of the Articles of Association is based, is resolved in accordance with section 113 (3) AktG.

## **REMUNERATION OF MEMBERS OF THE SUPERVISORY BOARD OF KAP AG 2022**

### **1. DEFINING THE TARGET FOR THE REMUNERATION OF SUPERVISORY BOARD MEMBERS AND LINK TO BUSINESS STRATEGY**

Pursuant to section 111 (1) AktG, the Supervisory Board is responsible for monitoring how the Management Board manages the business. The remuneration of the Supervisory Board members should thus be structured such that it reflects in particular the degree of independence required of the Supervisory Board in the context of its monitoring activities. The remuneration for members of the Supervisory Board comprises fixed compensation components only. The amount of remuneration granted to individual members of the Supervisory Board depends on the responsibilities assumed within the Supervisory Board and its committees. The structure of the remuneration for members of the Supervisory Board of KAP AG thus represents a counterweight to the remuneration package for the members of the Management Board of KAP AG, which is to a significant extent performance-related. This strengthens the independence of the Supervisory Board and thus promotes the long-term development of KAP AG. While the Supervisory Board remuneration is not directly linked to the Company's success, it thus also contributes to the successful implementation of the business strategy.

### **2. DEFINITION OF AND REVIEW PROCESS FOR SUPERVISORY BOARD REMUNERATION**

The remuneration for Supervisory Board members, which is based on the remuneration system described here, is set out in section 13 of the Articles of Association of KAP AG. This reads as follows:

"Section 13      Remuneration

- (1) In addition to the reimbursement of their expenses, the members of the Supervisory Board are to be paid a fixed annual remuneration at the end of the financial year. The basic remuneration is EUR 50,000.00 per member. The chair of the Supervisory Board will receive 1.5 times the amount of the basic remuneration. Their deputy will receive 1.1 times the amount of this basic remuneration. The chair of any committee will receive EUR 8,000.00 and any member of a committee will receive EUR 4,000.00 in addition to the basic remuneration. Supervisory Board members who were only in office for part of the financial year will receive a reduced remuneration calculated *pro rata temporis*.
- (2) The value added tax will be reimbursed by the Company if the Supervisory Board members are entitled to issue a separate the value added tax invoice to the Company and they exercise this entitlement."

The Supervisory Board will, from time to time, review the reasonableness of the components, amount and structure of its remuneration. The Supervisory Board will evaluate the supervisory board remuneration paid by other similar companies and compare it with the Supervisory Board

remuneration at KAP AG, in terms of its components, its amount and its structure. On the basis of this analysis and in view of the importance of the work of the Supervisory Board and its committees and the effort involved, the Supervisory Board will then decide whether it is necessary to make changes to its remuneration. The adjustment of the Supervisory Board remuneration in 2022 was made on the Supervisory Board's initiative on the basis of this process.

Due to the particular nature of Supervisory Board remuneration, which is granted for a role that is fundamentally distinct from the role of employees of KAP AG and of the KAP Group, a 'vertical' comparison with employee remuneration does not represent an option when reviewing and determining the remuneration. It is thus not necessary to define a group of employees which are to be included in the context of such comparison.

Section 113 (3) sentence 1 AktG requires that the general meeting must adopt a resolution on supervisory board remuneration at least every four years; a resolution confirming the remuneration will suffice in this context. In preparation of this resolution, the Supervisory Board will also in future analyse its remuneration at least once every four years. The Management Board and Supervisory Board will present the Supervisory Board remuneration to the general meeting for resolution at least once every four years. If there is reason to adjust the remuneration for Supervisory Board members, the Management Board and Supervisory Board will also make a proposal to the general meeting for a corresponding amendment to section 13 of the Articles of Association of KAP AG. This may provide for the Supervisory Board remuneration for the whole financial year in which the amendment to the Articles of Association is registered with the commercial register to be determined on the basis of the new provision. If the general meeting fails to secure the necessary majority for adopting the resolution on the Supervisory Board remuneration, a revised proposal for Supervisory Board remuneration must be presented to the next annual general meeting at the latest.

It is automatically the case that the members of the Supervisory Board are involved in defining the remuneration system that applies to them. The resulting conflict of interests is, however, countered by the fact that the decision on the ultimate structure of the remuneration system is attributed to the general meeting by law, which receives a corresponding resolution proposal from both the Supervisory Board and the Management Board.

### **3. REMUNERATION-RELATED LEGAL TRANSACTIONS, TERM OF OFFICE**

The individual Supervisory Board members' respective claims to remuneration derives from the cooperative relationship existing between the Company and the Supervisory Board member as a result of the latter's election to the Supervisory Board and the acceptance of this election and as a result of the Articles of Association and any resolution by the general meeting on Supervisory Board remuneration. No agreements therefore exist between KAP AG and the Supervisory Board members relating to Supervisory Board remuneration.

The term of office for Supervisory Board members is set out in section 7 (2) of the Articles of Association of KAP AG as follows:

"(2) Members of the Supervisory Board cannot be appointed for a term extending beyond the close of the general meeting approving their activities for the fourth financial year after their term of office commenced. The financial year in which their term of office commenced will not be counted in this respect. Any member elected to succeed a member who resigned from the Supervisory Board before the end of their term of office is elected for the remaining term of office of the resigning member."

Supervisory Board members may be removed from office in line with the statutory provisions applicable from time to time. Pursuant to section 7 (3) of the Articles of Association of KAP AG, Supervisory Board members may resign their office by giving four weeks' written notice to the chair of the Supervisory Board. This does not affect their right to resign their office for good cause.

#### **4. COMPONENTS, AMOUNT AND STRUCTURE OF SUPERVISORY BOARD REMUNERATION**

According to the provisions set out in the Articles of Association, each member of the Supervisory Board receives fixed annual remuneration of EUR 50,000.00. The chair of the Supervisory Board, their deputy and the chair of any committee will receive higher remuneration to reflect the greater volume of organisation and administration associated with their position, as well as the particular responsibility they bear for successful and efficient cooperation among the board or committee as a whole. The chair of the Supervisory Board receives EUR 75,000.00, their deputy will receive EUR 55,000.00 and the chair of any committee will receive EUR 58,000.00 as their fixed annual remuneration. Membership of any Supervisory Board committees will trigger separate remuneration of EUR 4,000.00. The remuneration is paid after the end of the financial year.

In the interests of the Company, the Supervisory Board members are included in a D&O insurance policy taken out for the Company and its subsidiaries. The Company will pay the insurance premiums. The Company will reimburse the Supervisory Board members for any expenses and any VAT paid on their remuneration if they are entitled to issue a separate VAT invoice to the Company and exercise this entitlement.

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#### **9. Resolution on the approval of the remuneration system for the Management Board members**

In accordance with section 120a (1) AktG, the general meeting of a listed company must resolve on approving the remuneration system for management board members submitted by the supervisory board at least every four years as well as in the case of any material changes of the remuneration system.

The remuneration system for the Management Board members was first approved by the general meeting on September 30, 2021. Although it is not intended to comprehensively amend the remuneration system, the Supervisory Board nevertheless amended several key aspects of the remuneration system on July 11, 2022. Therefore, in accordance with section 120a (1) AktG, the amended remuneration system is to be submitted to the Annual General Meeting for approval.

The adjustments concern the following aspects:

- The structure of the target total remuneration was slightly adjusted. The ratio of the fixed remuneration (annual basic salary) in proportion to the target total remuneration now amounts to 33-34% (previously: 60-65%). The increased portion of the short-term variable remuneration (annual bonus and transaction-related bonus) in relation to the target total remuneration is 52-56% (previously: 15-20%), while the long-term variable remuneration (virtual share plan) with 11-12% (previously 20-25%) represents the slightly reduced portion in relation to the target total compensation.
- With regard to the short-term variable remuneration, the annual bonus was supplemented by a potential special bonus. This is intended to enable the Company and the major shareholders to agree with the members of the Management Board on the payment of a volume-based and performance-related special bonus in the event of the execution of one or several extraordinary transactions. The target amount of this special bonus is intended to be 100% of the sum of the annual basic salary and annual bonus, and the maximum amount of this special bonus is intended to be 200% of this sum.

- The total remuneration of a Management Board member is intended to be increased to a maximum amount of EUR 2,500,000 per year for the spokesperson and/or the chair of the Management Board and EUR 2,450,000 per year for a regular member of the Management Board.

The remuneration system for the Management Board members ("Remuneration System for the Management Board Members 2022") is indicated below and available on the website

<https://www.kap.de/en/investor-relations/general-meeting>

including a mark-up version reflecting the changes made.

The Supervisory Board proposes to resolve as follows:

The remuneration system for the members of the Management Board as resolved by the Supervisory Board on July 11, 2022 is approved.

The Remuneration System for the Management Board Members 2022 is reproduced below:

## **REMUNERATION SYSTEM FOR THE MEMBERS OF THE MANAGEMENT BOARD OF KAP AG**

### **1. GENERAL**

The present remuneration system aims to:

- promote the business strategy and contribute to KAP AG's long-term development,
- allow the Management Board to participate in the economic successes but also in any negative performance of KAP AG (pay for performance),
- guarantee reasonable but at the same time competitive remuneration for the Management Board.

KAP AG is a medium-sized industrial holding company. Its strategic focus lies in profitable segments in attractive markets with long-term growth potential. These include mid-sized production companies in attractive niche markets. The KAP group companies develop products, technical solutions and services generating substantial added value for customers and thus justifying attractive margins. KAP AG operates in several industrial segments with various technologies, thereby distinguishing itself through its high quality standards and its engineering competence.

Its overriding aim is to grow profitably in the long term. In this context, KAP AG has built up a diversified portfolio of medium-sized companies. With its long-term segment strategy, the Company continually drives the establishment and development of high-margin industrial sectors to market leaders. In doing so it offers an optimum mix combining the flexibility of a mid-sized company with the economies of scale generated by an international listed corporate. This in turn benefits the segment companies, customers and shareholders.

The KAP Group successfully met the challenges in the pandemic years 2020 and 2021 and took the opportunity to bundle the following strategic improvement initiatives, which had already been launched, into a coordinated strategy programme called "Accelerate":

- increasing sales focus,

- securing future prospects,
- increasing efficiency,
- optimising financial flexibility,
- optimising and expanding the portfolio,
- expanding overarching risk management.

This strategy programme forms the basis for current corporate planning.

The remuneration of the members of the Management Board should be linked to the business strategy and the corporate planning developed on this basis. A large proportion of the remuneration should thus be performance-based. On the one hand, it should be linked to targets derived from the business strategy or the corporate planning developed on this basis, and on the other hand, a significant proportion of the performance-based remuneration should be granted in the form of virtual shares. The current business strategy and the current corporate planning aim to generate long-term profitable growth. At the same time, the planned growth will serve KAP AG's long-term development. In being granted virtual shares, the members of the Management Board are to be given the opportunity to participate in the successful implementation of the growth strategy. The remuneration system thus makes a contribution to promoting the business strategy and to the Company's long-term development.

## **2. PROCEDURE FOR DEFINING AND IMPLEMENTING AS WELL AS REVIEWING THE REMUNERATION SYSTEM**

The Supervisory Board is responsible for defining, implementing and reviewing both the remuneration and the remuneration system for members of the Management Board. No service agreements for Management Board members are in place between KAP AG and the current Management Board members at the time the Supervisory Board resolution on this remuneration system is adopted. Rather, the two current members of the Management Board are at the same time managing directors of CSP Diamant Administration GmbH (CSP). They each have a managing director service agreement in place with CSP, and KAP AG is party to these agreements, together with the respective Management Board member and CSP. The remuneration to be paid by CSP under the managing director service agreement is at the same time the Management Board remuneration and will subsequently be invoiced to KAP AG by CSP. This remuneration system applies irrespective of whether the Management Board remuneration is paid by CSP or any other third party or directly by KAP AG.

This system for remunerating the members of the Management Board was developed on the basis of the existing managing director service agreements signed by the current Management Board members. A comprehensive remuneration system was then developed on this basis. This will be applied in relation to the members of the Management Board newly or re-elected at the Annual General Meeting on 31 August 2022 or amendments to agreements in place with current Management Board members. The existing managing director service agreements are essentially in line with the remuneration system described herein. Any such amendments would require a corresponding amendment agreement to be concluded between the respective member of the Management Board, CSP and KAP AG.

When defining the remuneration system, the remuneration of managers within the KAP Group (the first and second management levels under the Management Board) were taken into account in order to ensure an objective and reasonable distinction between the target remuneration for members of the Management Board and the subsequent management levels. The group-wide terms of employment were taken into consideration in this context. An assessment of how the managers' average annual remuneration relates to the Management Board remuneration was conducted.

The Supervisory Board developed the current remuneration system for members of the Management Board in consultation with external legal advisers and adopted the relevant resolution on 11 July 2022.

The Supervisory Board will review the Management Board members' remuneration and the corresponding remuneration system at least once a year at its accounts meeting. In this context, it will in particular review the reasonableness of the overall remuneration awarded to the individual members of the Management Board. If necessary, the Supervisory Board will adjust the remuneration system and present the new system to the next Annual General Meeting for approval. If the Annual General Meeting does not approve the remuneration system, a revised remuneration system will be presented to the next Annual General Meeting. Where an external remuneration expert is consulted, their independence of the Management Board and the Company must be ensured.

It is almost impossible for conflicts of interest to arise in this context due to the fact that the law awards responsibility for determining, reviewing and implementing the remuneration system for members of the Management Board to the Supervisory Board. No conflicts of interest faced by individual members of the Supervisory Board in the context of decisions passed by the Supervisory Board on issues relating to the compensation system for Management Board members have arisen in the past. Should such conflicts of interest arise in the future, they are to be disclosed by the Supervisory Board member. Depending on the type of conflict, the respective Supervisory Board member will abstain from voting and if necessary will not participate in discussions on the relevant agenda item. Where such conflicts of interest relating to the identity of the Supervisory Board member are material and not merely temporary, the respective member will resign their position on the Supervisory Board.

### 3. COMPONENTS OF MANAGEMENT BOARD REMUNERATION

The Management Board remuneration comprises non-performance-based and performance-based components. These are summarised below:

<b>Non-performance-based remuneration</b>
<b>Annual basic salary</b>
<b>Fringe benefits</b>
<b>Performance-based remuneration</b>
<b>Annual bonus</b>
<b>Transaction-related bonus</b>
<b>Virtual share plan</b>

The non-performance-based remuneration comprises the annual basic salary and fringe benefits. The performance-based remuneration comprises a short-term variable remuneration component, the annual bonus and a potential transaction-related bonus, and a long-term variable remuneration component, namely the virtual share plan.

### **3.1 Non-performance-based remuneration**

(a) Annual basic salary

The Management Board member receives an annual basic salary paid out in twelve equal monthly instalments.

(b) Fringe benefits

The annual basic salary is complemented by the following contractually guaranteed fringe benefits:

The Management Board member is entitled to a company car which may also be used for private purposes. The Management Board member may instead opt to receive a monthly lump-sum payment of EUR 1,000.00 (gross).

Where the Management Board member receives their remuneration under a managing director service agreement with CSP or a third party, their employee contribution to social security will be reimbursed if it is payable on the grounds of their employment as managing director of CSP or a third party and would not be payable if the Management Board member was only a member of the Management Board of KAP AG and only had a management board member service agreement with KAP AG. Such reimbursement will be made on a net basis, i.e. income tax payable on such reimbursement will also be reimbursed.

Accident insurance will be taken out for the Management Board member and will also cover accidents that occur outside of their contractual activities. The insurance contributions will be assumed on behalf of the Management Board member.

Should a Management Board member relocate their place of residence at the Company's request, they may be granted additional payments to cover removal costs, accommodation costs, language courses for the Management Board member and their family, international school costs, etc.

The value of all fringe benefits granted in a single financial year must not exceed 20% of the annual basic salary for that financial year.

(c) Pension commitments

No old-age pension commitments have been made.

(d) Compensation for the expiry of rights

Where, prior to a member's move to the Management Board of KAP AG, any remuneration payments already accrued expire due to this move, compensation may be granted. Any such compensation will not be taken into account when calculating the target remuneration. The value of such compensation must not exceed 100% of the annual basic salary (for a full financial year). The compensation is to be paid in cash. It may take the form of a one-off payment or be paid in several instalments.



### 3.2 Performance-based remuneration

#### (a) Annual bonus and transaction-related bonus

The annual bonus together with the transaction-related bonus constitute the performance-based short-term variable remuneration.

##### (i) Annual bonus

The annual bonus is a short-term, performance-based remuneration component for a single year which is granted annually.

#### Annual bonus

$$\text{Target bonus} \quad \times \quad \text{Total target achievement level (max. 200\%)} \quad = \quad \text{Payment amount (cash or up to 50\% in shares)}$$

#### Structure

The annual bonus is granted in the form of a target amount agreed in the service agreement (**target bonus**), which is paid out at 100% if target achievement for all targets for the respective financial year, taking their respective weighting into account (**total target achievement level**) is 100% in total. As a rule, the targets are defined on an annual basis at the latest one month after the annual financial statements for the previous year were approved and after being discussed with the Management Board member. Targets may be defined at a later point in the financial year if a member is appointed to the Management Board during the course of a financial year or for other justified reasons.

After the close of the respective financial year, the extent to which the Management Board member has achieved the targets agreed for the financial year is reviewed and the resulting bonus amount defined. The bonus thus defined is payable one month after the annual financial statements for the respective financial year have been approved.

Both financial and non-financial targets are to be defined. The financial targets will be attributed a total weighting of up to 75% and the non-financial targets a weighting of at least 25%. The target achievement level may be anything between 0% and 200%. In this context, a target achievement corridor will be defined for each target in addition to the target value representing 100% target achievement. The lower value for the corridor will be defined as the value below which the target achievement level is 0% and the upper value is the value as of which the target achievement ratio is 200% (cap). The interim values will be calculated by way of linear interpolation. The total target achievement level is calculated in line with the correspondingly weighted target achievement levels for the individual targets.

For the financial targets, the "normalised" group EBITDA, adjusted to account for special items, and the group cash flows from operating activities are taken as performance criteria. The target values that represent 100% target achievement are derived from the annual planning for the relevant financial year which in turn is derived from the longer-term planning, which itself is based on the business strategy. The values from the annual financial statements for the relevant financial year are taken as a basis in order to determine the target achievement level.

Qualitative targets which constitute specific steps towards implementing the business strategy and are derived from the business plans are defined as non-financial targets. These are, specifically, structural measures or significant projects which serve to align the KAP Group's structures with the planned growth or to drive the growth as planned. They include measures and projects for implementing the strategic improvement initiatives in particular. For individual non-financial targets, the Supervisory Board, taking the corporate planning into account, will define milestones (degree of implementation at particular points over time). The level of target achievement will be determined on the basis of these milestones, which will be translated into numeric values for this purpose.

The specific weighting of the individual targets will be determined at the latest when the targets are defined.

#### *Possibility of payment in the form of shares*

An agreement may be reached to the effect that, where possible, up to 50% of the gross payment amount for the annual bonus is paid in the form of KAP shares (**share portion**). The Management Board member can dispose of the KAP shares with immediate effect. The number of KAP shares to be granted in this context is determined by dividing the corresponding portion of the gross payment amount by the unweighted average of closing prices for KAP shares in Xetra trading (or an equivalent successor system) on the Frankfurt Stock Exchange over the past 20 trading days prior to adoption of the annual financial statements for the respective financial year. Insofar as taxes or social security contributions are to be retained on the share portion, the number of shares to be granted will be reduced in line with the amount to be retained. Should it prove impossible to grant KAP shares despite reasonable efforts, the due date will be postponed by one month. Where the share portion cannot be granted in the form of KAP shares, the (full) share portion may also be paid out in cash. The further details relating to the structure of the share portion and further provisions are set out in the service agreement and any other agreements concluded with the Management Board member.

#### *Promoting the business strategy and the Company's long-term development*

The performance criteria selected for the financial targets are key control parameters for the Company. They represent significant indicators of successful implementation of the business strategy. The non-financial targets represent important steps towards implementing the business strategy and thus contribute directly to promoting the business strategy and the Company's long-term development.

In being granted KAP shares, Management Board members can participate in the successful implementation of a business strategy designed to generate long-term profitable growth. Here, too, the intention is that they thus contribute to promoting the business strategy and the Company's long-term development.

#### (ii) Transaction-related bonus

The transaction-related bonus is a short-term performance-based remuneration component.

#### Transaction-related bonus

$$\begin{array}{lcl} \text{Annual basic} & + & \text{Annual bonus in case of 100\%} \\ \text{salary} & & \text{target achievement level} \\ & = & \text{Payment amount (max. 200\%)} \end{array}$$

#### Structure

The target amount in case of a target achievement level of 100% for the transaction-related bonus is intended to be 100% of the sum of the annual basic salary and the annual bonus (in case of a target achievement level of 100%), and the maximum amount of this special bonus is intended to be 200% of this sum.

The transaction-related bonus is intended to enable the Company and the major shareholders to agree with the members of the Management Board on the payment of a volume-based and performance-related special bonus in the event of the execution of one or several extraordinary transactions. Upon completion of such a transaction, it will be established to what extent the member of the Management Board has reached the targets set for the relevant transaction and what the resulting *de facto* bonus amount is.

#### (b) Virtual share plan

The virtual share plan is a long-term, performance-based remuneration component spanning several years which is granted on an annual basis whereby a certain number of virtual shares is allocated after the end of a financial year depending on whether certain targets for that financial year were achieved.

### Virtual share plan

$$\text{Target allocation amount} \times \text{Total target achievement level (max. 200\%)} = \text{De facto allocation amount}$$

$$\text{De facto allocation amount} \times \text{Initial value} = \text{No. of virtual shares}$$

$$\text{No. of virtual shares} \times \text{Final value} = \text{Payment amount (max. 4x target allocation amount)}$$

### *Allocating virtual shares*

The virtual share plan is granted in the form of a target allocation amount specified in the service agreement (**target allocation amount**) which is converted 100% into virtual shares if the total target achievement level for the respective financial year is 100%. The targets and their weighting, as well as determination of the total target achievement level, including the cap, correspond to those of the annual bonus (see section 3.2(a)(i) above).

After the close of the respective financial year, the extent to which the Management Board member has achieved the targets agreed for that financial year is reviewed and the resulting actual allocation amount calculated. The number of virtual shares is determined by dividing the actual allocation amount by an average price of the KAP share prior to allocation (**initial value**). The initial value is the unweighted average of the closing prices of the KAP share in XETRA trading (or an equivalent successor system) on the Frankfurt Stock Exchange over the entire financial year in question or, where the agreement commenced during the course of the year, in the period from the agreement start date to the end of the respective financial year. It may be agreed that the initial value is to be replaced by another average price or another calculation, although the relevant period must be at least one month.

The virtual shares will be allocated once the annual financial statements for the relevant financial year have been approved.

### *Structure of virtual shares*

The virtual shares have a term of four full years. The term begins upon allocation of the virtual shares, and at the latest one month after the annual financial statements for the respective financial year were approved. It may be agreed that the term is to begin with retroactive effect, specifically either at the end of the day on which the annual financial statements for the respective year were approved or from the beginning of the financial year following the respective financial year for which the virtual shares were allocated.

Once the four-year term has expired, the Management Board member will receive payment of an amount per virtual share for the relevant virtual shares, with the amount being calculated as follows: The payment amount is equal to the unweighted average of the closing prices for the KAP share in XETRA trading (or an equivalent successor system) on the Frankfurt Stock Exchange over the last 30 trading days of the four-year term plus an amount taking into account the dividends paid by KAP AG on KAP shares over the term and other payments, as well as any subscription rights granted (**final value**). In respect of the value of the additional amount, the Management Board member will be placed in a position as if:

- the dividends or other payments on a KAP share, in each case on their due date,
- the subscription rights had been disposed of in each case on the first trading day in XETRA trading (or an equivalent successor system) on the Frankfurt Stock Exchange after being granted and, on the same day, the proceeds of such disposal

had been invested on the same day in KAP shares or fractions thereof at the closing price of the KAP share in XETRA trading (or an equivalent successor system) on the Frankfurt Stock Exchange on this day and these shares in turn were disposed of at their final value (with the relevant term only beginning upon the respective investment being made).

In the event of a capital increase from Company funds, a reverse stock split, a stock split, a capital reduction with the number of shares being reduced or any other corporate action or structural measure and in the event of a dividend payment or distribution with an effect similar to any of the above measures, an adjustment will be performed in order to ensure that such measure does not lead to a dilution or increase in profits for the Management Board member.

The payment amount for all virtual shares granted for a financial year must not exceed four times the target allocation amount (cap), however. Moreover, a possibility for limiting the payment amount resulting from the virtual shares in case of exceptional developments may be agreed.

Payments on the basis of the virtual share plan will be made within 30 calendar days after the end of the term of the relevant virtual shares.

If, during the term of the virtual shares, the service agreement is terminated for good cause (*aus wichtigem Grund*) in line with section 626 (1) of the German Civil Code (*Bürgerliches Gesetzbuch*; **BGB**) which falls within the Management Board member's sphere of responsibility or if the Management Board member's appointment is revoked for good cause in line with section 84 (4) AktG or if the Management Board member illegitimately declares termination of the service agreement for good cause, the respective virtual shares will expire in full and the Management Board member will have no claim to payment or compensation in this regard.

The virtual shares cannot be transferred. In deviation from this, it may, however, be agreed that the virtual shares or claims hereunder may be bequeathed.

The further details relating to the structure of the virtual shares and further provisions are set out in the service agreement and any other agreements concluded with the Management Board member.

#### *Promoting the business strategy and the Company's long-term development*

The number of virtual shares depends on the degree to which financial and non-financial targets are achieved. In this context, the performance criteria selected for the financial targets are key control parameters for the Company as a whole. They represent significant indicators

of successful implementation of the business strategy. The non-financial targets represent important steps towards implementing the business strategy and thus contribute directly to promoting the business strategy and the Company's long-term development.

In being allocated virtual shares, Management Board members can participate in the successful implementation of the business strategy designed to generate long-term profitable growth. The intention is that they thus contribute to promoting the business strategy and the Company's long-term development.

### **3.3 Commencement and end of contractual term during the course of a calendar year**

Where an agreement commences or ends during the course of a financial year, the annual basic salary and regular fringe benefits will be paid or granted *pro rata temporis*, the annual bonus will be granted with a *pro rata* target bonus or paid on a *pro rata* basis and the virtual share plan will be granted with a *pro rata* target allocation amount or the number of virtual shares will be determined *pro rata temporis*. The transaction-related bonus, if any, will not be paid *pro rata temporis*, but will be paid [in the full amount] irrespective of whether an agreement commences or ends during the course of a financial year.

### **3.4 Revocation of appointment while guaranteeing reappointment**

In the event that the Management Board member's appointment is revoked pursuant to section 84 (3) AktG with a guarantee of reappointment being given, provision may be made for the service agreement to end upon such revocation and to resume until the originally agreed end date after reappointment. The provisions on commencement and end of a contractual term during the course of a financial year will thus apply *mutatis mutandis* for the financial years in which the agreement does not run for the full twelve months. Instead of this, it may be agreed that the service agreement will be suspended for the period between revocation of the appointment and reappointment and the Management Board member will not receive any remuneration for this period or will only receive all or some of the fringe benefits; the provisions on commencement and end of a contractual term during the course of a financial year will apply *mutatis mutandis* in this context.

## **4. STRUCTURE AND AMOUNT OF MANAGEMENT BOARD REMUNERATION**

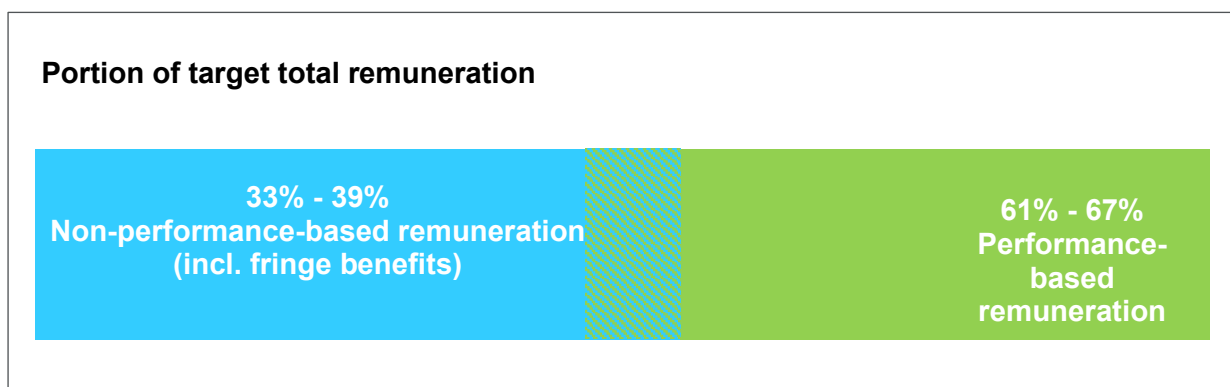
This remuneration system is designed to offer KAP AG the necessary degree of flexibility in order to be able to continue to offer competitive remuneration packages in the future. The remuneration system thus supports the Company in competing for highly skilled executives. This flexibility is only utilised to the extent that in fact appears appropriate in view of the respective prevailing circumstances.

### **4.1 Structural framework**

The portion of the entire remuneration package (excluding fringe benefits and any compensation pursuant to section 3.1(d)) represented by the annual basic salary, the annual bonus, the transaction-related bonus and the virtual share plan must fall within the following boundaries, with the annual bonus and the transaction-related bonus each being applied at 100% of the target bonus and the virtual share plan at 100% of the target allocation amount:

- annual basic salary: 33% to 34%
- annual bonus: 9% to 11%
- transaction-related bonus 43% to 45%
- virtual share plan: 11% to 12%

The maximum scope of fringe benefits is specified as a percentage of the annual basic salary in section 3.1(b) and is thus dependent on the boundaries defined above for the annual basic salary.



## 4.2 Target and maximum remuneration

The target total remuneration is the value paid to a Management Board member for an entire financial year if target achievement for all performance-based remuneration components is 100%. In this context, the annual bonus is applied at 100% of the target bonus, the transaction-related bonus is applied at 100% of the sum of the annual basic salary and the annual bonus, and the virtual share plan is applied at 100% of the target allocation amount. The remuneration system permits a target total remuneration of up to EUR 1,025,000.00 for the individual Management Board members.

The maximum remuneration is the maximum value that may be paid to a Management Board member in total for a financial year. The maximum remuneration for the individual Management Board members is EUR 2,500,000.00 for the spokesperson and/or the chair of the Management Board and EUR 2,450,000.00 for a regular member of the Management Board.

If compensation pursuant to section 3.1(d) is granted, the above maximum remuneration is increased by the amount paid in the relevant financial year pursuant to section 3.1(d), i.e. a maximum of EUR 520,000.00.

## 4.3 Defining the specific remuneration for individual Management Board members

The flexibility generated by this remuneration system is only utilised to the extent that is appropriate in view of the respective prevailing circumstances.

First, the specific target total remuneration is defined and then the remuneration structure for the individual Management Board member. The calculation is based on the specific target remuneration amounts, or their boundaries (excluding fringe benefits and any compensation pursuant to section 3.1(d)) and remuneration structures existing at the time the relevant amount is defined for the respective Management Board members of KAP AG in office at this time. Upon definition of this remuneration system, these amounts are as follows (in each case in EUR):

Target total remuneration (excl. fringe benefits)	900,000.00 – 1,025,000.00
of which:	
1. annual basic salary	300,000.00 – 350,000.00
2. annual bonus (100% target bonus)	100,000.00
3. transaction-related bonus (100% target bonus)	400,000.00 – 450,000.00
4. virtual share plan (100% target allocation amount)	100,000.00 – 125,000.00

When determining new specific target total remuneration amounts in the future it is possible to deviate from the initial values or corridors specified in the table above in the context of this remuneration system if this appears necessary in order to take reasonable account of the duties conferred on the Management Board member, their experience and past performance, as well as prevailing market conditions. This is conditional upon the remuneration also being reasonable in the context of the Company's current situation and not exceeding the standard remuneration amount without a specific reason. In order to identify the standards prevailing in other companies (horizontal comparison), reference will be made to suitable comparison groups comprising domestic and foreign companies, with the composition of these groups being disclosed. In order to ascertain whether the compensation may be deemed reasonable within the KAP Group (vertical comparison), the remuneration awarded to Management Board members will be compared with the pay awarded to executives and with the pay awarded to executives and non-executive employees as a whole, including how these comparisons develop over time. Where an external remuneration expert is consulted, their independence of the Management Board and the Company must be ensured.

The chair or spokesperson of the Management Board will receive higher remuneration than the other Management Board members. When defining the remuneration structure, the following principles should be observed: The target allocation amount for the virtual share plan should exceed the target bonus for the annual bonus. The target bonus for the annual bonus should not exceed one third of the annual basic salary. The target bonus for the transaction-related bonus is not to exceed the sum of the target bonus for the annual bonus and the annual basic salary.

## **5. SPECIFIC CONTRACTUAL PROVISIONS**

### **5.1 Malus and clawback**

Any amounts paid out under the annual bonus, including any share portion, and amounts paid out under the transaction-related bonus may be recovered and payments from virtual shares allocated in the context of the virtual share plan may be refused if it subsequently emerges that all or part of the payment or allocation was made erroneously because targets were in fact not achieved or not achieved to the extent assumed, on the basis of false information, when the payment amount or the number of virtual shares to be allocated was calculated. In such case, the Management Board member is, in particular, obliged to pay back the net amount by which the payment made under the annual bonus exceeds the payment amount which would have been determined if the actual target values had been taken into account. The scope of this clawback claim is defined in section 818 BGB. The clawback claim will become time-barred once three years have elapsed since the annual bonus was paid out. The same applies to the transaction-related bonus.

Provisions may be agreed with the Management Board members specifying that in the event that the Management Board member commits a serious breach of their statutory duties or the Company's internal code of conduct, the variable remuneration paid for the financial year in which such breach was committed may be reclaimed in whole or in part from the Management Board member and any payments for this period under allocated virtual shares that have not yet been made may be refused.



Moreover, provisions may be agreed with the Management Board members specifying that payments under the annual bonus or the transaction-related bonus may be reclaimed in whole or in part and payments of virtual shares allocated under the virtual share plan may be refused in the event that the target achievement defined by the Supervisory Board for payment or allocation proves not sustainable for subsequent years.

Moreover, forfeiture provisions apply in respect of the virtual share plan (see section 3.2(b)), including in the event that the service agreement is terminated for good cause in the sense of section 626 (1) BGB for which the Management Board member is responsible and in the event that the member's appointment to the Management Board is revoked for good cause in the sense of section 84 (4) AktG.

## **5.2 Set-off of remuneration received for offices assumed within and outside the Group**

Under their service agreements, Management Board members are obliged to assume positions on corporate bodies in subordinate affiliates of KAP AG upon request; such offices are generally covered by their remuneration as Management Board members. If a Management Board member assumes an office on a supervisory board within the KAP Group and remuneration for such office cannot be ruled out, such remuneration will be offset against their remuneration as a Management Board member.

Management Board members may only assume offices on supervisory boards of companies outside the KAP Group if prior approval has been granted. If a Management Board member wishes to assume an office on a supervisory board outside the KAP Group, the Company's Supervisory Board will decide whether any remuneration received for such office is to be offset against their remuneration as a Management Board member.

## **5.3 Adjusting the remuneration**

In exceptional cases, reasonable additional remuneration components in the form of one-off or multiple cash payments may be approved for a Management Board member, with Company interests being taken into account. This possibility will only be utilised if and insofar as it is necessary in order to ensure reasonable remuneration for the Management Board members in exceptional situations, in particular during a period of serious economic crisis. In the event that such payment is approved, it constitutes a one-off benefit to which no legal claim may be asserted in future. It must be ensured, if necessary by cancelling or reducing other remuneration components, that the remuneration amount is in line with the provisions governing the target and maximum remuneration set out in section 4.2 and that the supplementary remuneration components do not exceed 100% of the annual basic salary in total.

## **5.4 Sickness**

Should the Management Board member be rendered temporarily unable to perform their duties due to sickness, they will receive their annual basic salary for a period of three months, with such payment being ceased at the latest when the service agreement ends. All amounts received by the Management Board member from mutual funds or insurance policies in the form of sick pay or daily sickness allowance (*Krankentagegeld*) will be offset against such payments unless these benefits are based exclusively on contributions made by the Management Board member themselves.

## **5.5 Permanent inability to work**

Should the Management Board member be rendered permanently unable to work, the service agreement will end upon confirmation of such permanent inability to work. Details of when a permanent inability to work applies or how such inability may be confirmed are set out in the service agreement. Permanent inability to work shall be deemed confirmed if such inability to work has applied for one year.

## **5.6 Post-contractual non-compete clause**

Once their service agreement has ended, the Management Board member is subject to a post-contractual non-compete obligation for a period of twelve months, with further details set out in their service agreement. For the duration of the post-contractual non-compete obligation, the Company will pay the Management Board member half of the last remuneration package received by the Management Board member as compensation. The Management Board member must have any other payments received offset against this compensation, insofar as, when added to the compensation, they exceed 100% of the last contractual annual basic salary received. The Company may declare a waiver of the non-compete obligation to the Management Board member either prior to or after the service agreement ends. The duty to pay compensation will end in such case six months after the waiver was declared to the Management Board member.

Where the Company owes payment of compensation under a post-contractual non-compete obligation, any severance payment is to be offset against such compensation payment.

## **6. REMUNERATION-RELATED LEGAL TRANSACTIONS**

### **6.1 Service agreements**

The basic provisions governing Management Board remuneration are agreed with the Management Board members in their service agreement. The service agreement will run for the respective member's term of office, except in the case of any mutually agreed amendment and the case set out in section 3.4. In the case of re-appointment, it may, subject to a corresponding agreement, be extended for the duration of such re-appointment. The following principles apply for the period of the appointment or re-appointment: The first appointment as a member of the Management Board of KAP AG is generally for a term of three years; re-appointment, except in the case set out in section 3.4, is generally for a period of three to five years. The parties should reach agreement on any extension of the service agreement or any re-appointment at the latest six months before the service agreement or term of office is due to end, except in the case of section 3.4.

### **6.2 Agreements on the annual bonus and virtual share plan**

Separate agreements may be concluded in each case in the context of the annual definition of targets for the annual bonus and the virtual share plan. An agreement will be concluded governing the allocation of the virtual shares for each financial year. A separate agreement may also be concluded for purposes of defining the targets for a transaction-related bonus.

### **6.3 Notice of termination and other premature termination of the service agreement**

No ordinary notice of termination may be served on the service agreement. Termination is only possible in the following circumstances:

The service agreement may be terminated with immediate effect by either party for good cause in the sense of section 626 (1) BGB. Termination issued to the Management Board member must have been approved or resolved by the Supervisory Board, with such approval or resolution only being adopted subject to section 84 (4) AktG.

See section 3.4 for details on a temporary termination of the service agreement. See section 5.5 for details on termination of the service agreement due to a permanent inability to work.

The statutory provisions governing termination also apply, as set out in section 87 (2) sentence 4 AktG.

#### **6.4 Severance payments**

If the employment is terminated in circumstances other than those described in sections 3.4 and 5.5 without good cause for which the Management Board member is responsible, any severance payments agreed with the Management Board member must not exceed the value of two annual remuneration packages and must not remunerate more than the remaining term of the service agreement (**severance cap**). The severance cap is calculated on the basis of the total remuneration for the last full financial year and, if appropriate, the anticipated total remuneration for the current financial year.

#### **6.5 Main features of pension and pre-pension provisions**

No pension or pre-pension provisions have been agreed.

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### **10. Resolution on the amendment of the object of the Company and a corresponding amendment of the Articles of Association**

The object of the Company as defined in section 2 (1) and (3) of the Articles of Association is as follows:

"(1) The object of the Company is the acquisition and management of enterprises and participations in enterprises of any kind in Germany and abroad, the acquisition and administration of real property as well as the provision of services for affiliated enterprises. The Company also provides financial services to affiliated enterprises, to the extent that such provision does not require a permission under the German Banking Act (*Kreditwesengesetz*; KWG)."

"(3) The Company may establish, acquire and hold participations in other enterprises. It may concentrate enterprises in which it holds participations under its common management or confine its activities to the management of the participations. It may outsource the operation of its business to affiliated enterprises in whole or in part or allow affiliated enterprises to operate its business in whole or in part."

KAP AG continuously strives to further develop and/or optimize its business. Accordingly, the scope of the object of the Company is to be extended.

The Management Board and the Supervisory Board propose to resolve as follows:

Section 2 (1) and (3) of the Company's Articles of Association are reworded as follows:

"(1) The object of the Company is the acquisition, sale and management of enterprises and participations in enterprises of any kind in Germany and abroad, the acquisition, sale and administration of real property as well as the provision of services for affiliated enterprises. The Company also provides financial services to affiliated enterprises, to the extent that such provision does not require a permission under the German Banking Act (*Kreditwesengesetz*; KWG)."

"(3) The Company may establish, acquire and hold participations in other enterprises. It may concentrate enterprises in which it holds participations under its common management, confine its activities to the management of the participations or sell them. It may outsource the operation of its business to affiliated enterprises in whole or in part or allow affiliated enterprises to operate its business in whole or in part."

## Information on the candidates proposed for election to the Supervisory Board under agenda item 7



### **Christian Schmitz**

Managing Director of The Carlyle Group

Chairman of the Supervisory Board of KAP AG since 07/2017; appointed until 2022

#### **Personal details:**

Year of birth	1975
Place of birth	Wipperfürth
Nationality	German

#### **Professional experience:**

Since 2016	Managing Director The Carlyle Group, London, UK
2011 - 2015	Senior Analyst Och-Ziff, London, UK
2008 - 2011	Analyst Gruss Asset Management, London, UK
2002 - 2008	Vice President Goldman Sachs, London, UK
2001 - 2002	Analyst CSFB, London, UK

#### **Education:**

1996 - 2001	<i>Diplom-Kaufmann</i> (graduate in business administration) University of Cologne
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#### **Membership in domestic supervisory boards of business organizations required by law**

None

#### **Membership in comparable domestic and foreign control bodies of business organizations**

Chairman of the Supervisory Board, Trans Maldivian Airways (PVT) LTD

**Uwe Stahmer**

Former Member of the Management Board of DAUN & Cie. AG

Member of the Supervisory Board of KAP AG most recently since 05/2017; appointed until 2022

Deputy Chairman and Member of the Audit Committee

**Personal details:**

Year of birth	1964
Place of birth	Oldenburg
Nationality	German

**Professional experience:**

2004 - 2016	Member of the Management Board DAUN & Cie. AG, Rastede, Germany
1986 - 2004	Key Account Manager Commerzbank AG, Frankfurt, Germany

**Education:**

1981 - 1984	<i>Allgemeine Hochschulreife</i> (general qualification for university entrance) Fachgymnasium Wirtschaft, Oldenburg, Germany
1984 - 1986	<i>Bankkaufmann</i> (banker) Commerzbank AG, Oldenburg, Germany

**Membership in domestic supervisory boards of business organizations required by law**

None

**Membership in comparable domestic and foreign control bodies of business organizations**

None



**Roy Bachmann**

*Dipl.-Kaufmann* (graduate in business administration), Managing Director at RB Capital Partners LLP  
Member of the Supervisory Board of KAP AG since 7/2017 appointed until 2022

**Personal details:**

Year of birth	1977
Place of birth	Hong Kong
Nationality	German and British

**Professional experience:**

Since 2015	Managing Partner RB Capital Partners LLP, London, UK
2013 - 2014	Credit Investment Professional, Partner Praesidian Capital Europe LLP, London, UK
2002 - 2012	Investment Banking: M&A, Leveraged Finance and Distressed Products Group; Analyst, Associate, Vice President Deutsche Bank AG, London, UK

**Education:**

2001 - 2002	Master of Business Administration (MBA) Joseph M. Katz Graduate School of Business, Pittsburgh, USA
1997 - 2001	<i>Diplom-Kaufmann</i> (graduate in business administration) European Business School (ebs), Oestrich-Winkel, Germany

**Membership in domestic supervisory boards of business organizations required by law**

None

**Membership in comparable domestic and foreign control bodies of business organizations**

None

**Viktor Rehart**

Investment Professional, Senior Associate of Carlyle Group

Member of the Supervisory Board of KAP AG since 10/2021; appointed until 2022

**Personal details:**

Year of birth	1994
Place of birth	Frankfurt
Nationality	German

**Professional experience:**

Since 2021	Investment Professional, Senior Associate Carlyle Group, London, UK
2018 - 2020	Investment Professional, Associate The Carlyle Group, London, UK
2016 - 2018	Analyst, Investment Banking. Leveraged Finance and Diversified Industries M&A J.P. Morgan, London, UK

**Education:**

2014 - 2016	Msc Econometrics and Mathematical Economics London School of Economics, London, UK
2011 - 2014	BA Politics, Philosophy & Economics University of York, York, UK

**Membership in domestic supervisory boards of business organizations required by law**

None

**Membership in comparable domestic and foreign control bodies of business organizations**

Member of the Supervisory Board, Trans Maldivian Airways (PVT) LTD



**Christoph Schoeller**

Managing Partner of Schoeller Investor Relations GmbH

Member of the Supervisory Board of KAP AG since 12/2020; appointed until 2022

**Personal details:**

Year of birth	1961
Place of birth	Hamburg
Nationality	Austrian

**Professional experience:**

Since 1999	Managing Partner Schoeller Investor Relations GmbH, Vienna, Austria
Since 1993	Managing Partner Schoeller Investor Relations GmbH, Hamburg, Germany
1993	Senior Advisor CAT GmbH, Hamburg, Germany At the time, leading consulting firm in the preparation and optimization of annual reports.
1991 - 1993	Head of Department, Forbes, Munich, Germany
1989 - 1991	Freelance research Forbes Magazine, New York, USA
1988 - 1989	Wealth management advisor Bear Stearns, New York, USA
1985 - 1987	Stock market trader / wealth management advisor Georg Hauck & Sohn Bankiers KGaA, Frankfurt, Germany

**Education:**

1981 - 1985	Business studies, Kiel/Munich, combined with training as a banker at Georg Hauck & Sohn Bankiers KGaA, Frankfurt, Germany
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**Membership in domestic supervisory boards of business organizations required by law**

None

**Membership in comparable domestic and foreign control bodies of business organizations**

None





**Dr. Markus Adams**

Chief Executive Officer of Alu Menziken Extrusion AG, Reinach, Switzerland

**Personal details**

Year of birth	1963
Place of birth	Cologne
Nationality	German

**Professional experience:**

Since 2021	CEO Alu Menziken Extrusion AG, Reinach, Switzerland
2019 - 2021	CFO, Managing Director Radiologie Holding GmbH, Munich, Germany
2014 - 2018	CEO / CFO / Chairman of the Management Board Klenk Holz AG, Oberrot, Germany
2011 - 2013	CEO & CFO Druckguss Heidenau GmbH, Dresden, Germany
2009 - 2010	Project manager global restructuring of the business segment Harsco Infrastructure Harsco Cooperation, Harrisburg, USA
	CFO / Managing Director Harsco Infrastructure GmbH, Ratingen, Germany
2001 - 2008	Business Unit Castings
- 2008	Finance Manager Europe and Asia Nemak Europe GmbH, Frankfurt, Germany (takeover of BU Castings from Hydro Aluminium)
- 2007	CFO Business Unit Castings Hydro Aluminium Deutschland GmbH, Cologne, Germany (takeover of VAW AG)
- 2002	Director Business Unit Controlling VAW AG, Bonn, Germany
1998 - 2001	Head of Finance, Controlling and Industrial Engineering Zapp USA Inc., Dartmouth, MA, USA
1996 - 1998	Managing Partner

Ingenieurkontor Produktionstechnik GmbH, Ratingen, Germany

1991 - 1995

Scientific assistant and doctorate  
Fraunhofer Institut für Produktionstechnik, Aachen, Germany

**Education:**

1996

*Doktor der Ingenieurwissenschaften* (PhD in Engineering), RWTH Aachen

1992

*Diplom-Kaufmann* (graduate in business administration), RWTH Aachen

1991

*Diplom-Ingenieur* (graduate engineer), RWTH Aachen

**Membership in domestic supervisory boards of business organizations required by law**

Tropper Data Service AG, Chairman of the Supervisory Board

**Membership in comparable domestic and foreign control bodies of business organizations**

None

## II. ADDITIONAL INFORMATION ON THE CONVOCATION

### 1. Total number of shares and voting rights

As of the date of the notice convening the Annual General Meeting, the Company's share capital amounts to € 20,195,663.80 and is divided into 7,767,563 no-par value bearer shares, each representing a pro-rata amount of the share capital of € 2.60 and granting in principle one vote. Accordingly, the total number of voting rights as of the date of the notice convening the Annual General Meeting is thus 7,767,563 (information in accordance with section 49 (1) sentence 1 no. 1 WpHG). As of the date of the convening notice, the Company does not hold any treasury shares.

### 2. Annual General Meeting without physical presence of the shareholders or their proxies

Pursuant to section 1 (1) and (2) of the German Act on Measures in Corporate, Cooperative, Association, Foundation and Home Ownership Law to Combat the Effects of the COVID-19 Pandemic (*Gesetz über Maßnahmen im Gesellschafts-, Genossenschafts-, Vereins-, Stiftungs- und Wohnungseigentumsrecht zur Bekämpfung der Auswirkungen der COVID-19-Pandemie*; COVMG) (Federal Law Gazette (*Bundesgesetzblatt*; BGBl.) I 2020, p. 570) as amended by the Act to Further Shorten the Proceedings for Discharging Residual Debt and Adjust Pandemic-Related Provisions of Corporate, Cooperative, Association, Foundation as well as Tenancy and Lease Law (*Gesetz zur weiteren Verkürzung des Restschuldbefreiungsverfahrens und zur Anpassung pandemiebedingter Vorschriften im Gesellschafts-, Genossenschafts-, Vereins- und Stiftungsrecht sowie im Miet- und Pachtrecht*) (BGBl. I 2020, pp. 3328 et seqq.), extended by the 2021 Reconstruction Aid Act (*Aufbauhilfegesetz 2021*) (BGBl. I 2021, p. 4153) until August 31, 2022, the Management Board has decided, with the approval of the Supervisory Board, that the Annual General Meeting will be held as a virtual general meeting without physical presence of shareholders or their proxies (with the exception of the company-appointed proxies) and that the shareholders will cast their votes at the Annual General Meeting in particular by way of electronic communication. The Annual General Meeting will be held with physical presence of the chair of the meeting and the members of the Management Board, the company-appointed proxies as well as a notary instructed to keep the minutes of the Annual General Meeting, at the offices of KAP AG, Edeltzeller Str. 44, 36043 Fulda. It is intended that any members of the Supervisory Board who are not physically present will participate in the Annual General Meeting via video and audio transmission.

Holding the 2022 Annual General Meeting in the form of a virtual general meeting in accordance with the COVMG results in certain modifications to procedures at the Annual General Meeting and shareholders' rights. A live video and audio transmission of the entire Annual General Meeting will be provided to all duly registered shareholders via our password-protected online portal (**AGM portal**) on the Company's website at

<https://www.kap.de/en/investor-relations/general-meeting>

The live transmission of the Annual General Meeting does not allow for participation in the Annual General Meeting within the meaning of section 118 (1) sentence 2 AktG.

Shareholders will be able to exercise their voting rights by means of electronic communication (postal vote) or by issuing proxy authorization. Shareholders will be given the right to ask questions by means of electronic communication and shareholders who have exercised their voting rights by means of electronic communication (postal vote) or by issuing proxy authorization can raise objections to resolutions of the Annual General Meeting by means of electronic communication.

**We ask that our shareholders this year again pay particular attention to the following information on registering for the Annual General Meeting and exercising their voting rights as well as on other shareholders' rights.**

### **3. Requirements for exercising voting rights; relevance of the record date**

Pursuant to section 15 (1) of the Company's Articles of Association, only shareholders who have registered in text form (section 126b German Civil Code (*Bürgerliches Gesetzbuch*; BGB)) either in German or in English and have proven their entitlement to exercise voting rights by submitting evidence of their shareholding in text form (section 126b BGB) in German or English that was issued by the final intermediary (*Letztintermediär*) in accordance with the requirements of section 67c (3) AktG (duly registered shareholders) are entitled to exercise voting rights. The evidence must relate to Wednesday, August 10, 2022, 00:00 hrs (CEST) (record date). The registration and the evidence of the shareholding must be received by the Company no later than by Wednesday, August 24, 2022, 24:00 hrs (CEST), at the following address:

KAP AG

c/o Link Market Services GmbH

Landshuter Allee 10

80637 Munich

Fax: +49 (0)89 21027-289

Email: [inhaberaktien@linkmarketservices.de](mailto:inhaberaktien@linkmarketservices.de)

In relations with the Company, a person is deemed to be a shareholder for the purpose of exercising voting rights only if evidence of their shareholding has been furnished as described above. In this context, the number of voting rights is calculated exclusively according to a shareholder's shareholding on the record date. The record date is not associated with any block on the ability to sell the shareholding. Even in the event of a full or partial sale of the shareholding after the record date, only the shareholder's shareholding on the record date is relevant for the number of voting rights, i.e. share sales after the record date have no impact on the number of voting rights. The same applies to the acquisition of shares and additional shares after the record date. Persons who do not yet own any shares on the record date and only become shareholders thereafter, are only entitled to vote on account of the shares held by them if and to the extent that they have had themselves authorized as proxy or to exercise such rights by the person who is eligible on the record date.

The duly registered shareholders will be sent a voting card. The voting card contains *inter alia* the individual access data enabling shareholders to use the password-protected AGM portal accessible at

<https://www.kap.de/en/investor-relations/general-meeting>

To ensure that the voting cards are received in time, shareholders are requested to register and to send evidence of their shareholding to the Company as early as possible.

### **4. Procedure for voting by post**

Duly registered shareholders have the option to vote by means of electronic communication (postal vote) by using the AGM Portal.

Before and during the Annual General Meeting, the Company's password-protected AGM portal accessible at

<https://www.kap.de/en/investor-relations/general-meeting>

is available for shareholders to exercise their voting rights by means of postal vote. Exercising voting rights by means of postal vote via the AGM portal is possible from Wednesday, August 10, 2022 until immediately before the chair of the meeting expressly closes voting on the day of the Annual General Meeting; the chair of the meeting will announce this in good time. The "Briefwahl" (postal vote) button is provided in the AGM portal for this purpose. During the Annual General Meeting until immediately before the chair of the meeting expressly closes voting, shareholders can also use the AGM portal to change or revoke any votes previously cast by means of postal vote.

## **5. Procedure for voting by authorizing and instructing the company-appointed proxies**

The Company offers duly registered shareholders the option of authorizing, before the Annual General Meeting, a company-appointed proxy who will vote only as instructed.

The proxy authorization and instruction form sent with the voting card is available to the shareholders for this purpose prior to the Annual General Meeting. In addition, the proxy authorization and instruction form can also be downloaded from the Company's website at

<https://www.kap.de/en/investor-relations/general-meeting>

If the proxy authorization and instruction form is used, it must be sent in text form (section 126b BGB) only to the following address, fax number or email address and must be received there on or before Tuesday, August 30, 2022, 24:00 hrs (CEST):

KAP AG

c/o Link Market Services GmbH

Landshuter Allee 10

80637 Munich

Fax: +49 (0)89 21027-289

Email: [inhaberaktien@linkmarketservices.de](mailto:inhaberaktien@linkmarketservices.de)

Before and during the Annual General Meeting, the Company's password-protected AGM portal accessible at

<https://www.kap.de/en/investor-relations/general-meeting>

is available to shareholders for exercising their voting rights by authorizing and instructing the company-appointed proxies. Authorization and instruction of the company-appointed proxies via the AGM portal is possible from Wednesday, August 10, 2022 until immediately before the chair of the meeting expressly closes voting on the day of the Annual General Meeting; the chair of the meeting will announce this in good time. The "Vollmacht und Weisungen" (authorization and instructions) button is provided in the AGM portal for this purpose. During the Annual General Meeting until immediately before the chair of the meeting expressly closes voting, shareholders can also use the AGM portal to change or revoke any previous authorization granted and instructions issued. This also applies to any previous authorization granted and instruction issued to a company-appointed proxy by post, fax or email.

If authorization is granted to the company-appointed proxies, they will only exercise the corresponding voting right if express instructions have been issued. Instructions may only be issued with regard to

resolution proposals made by the management and announced by the Company prior to the Annual General Meeting, including any proposal for a resolution on the appropriation of profits as amended at the Annual General Meeting according to the announcement and with regard to resolutions proposed by shareholders that were announced by the Company prior to the Annual General Meeting on the basis of a request by a minority of shareholders pursuant to section 122 (2) AktG or as a counter-motion pursuant to section 126 (1) AktG or proposals by shareholders for elections pursuant to section 127 AktG. The company-appointed proxies do not accept instructions to raise objections to resolutions of the Annual General Meeting.

If the proxies receive several authorizations and instructions for one and the same shareholding or if the company-appointed proxies receive these via different means of communication, the most recent formally valid authorization and corresponding instructions will be deemed binding. If declarations that differ from each other are received via different means of communication and the one that was most recently received cannot be identified, these declarations are taken into account in the following order: 1. via the AGM portal, 2. by email, 3. by fax and 4. by post in paper form. In the case of formally invalid authorizations and instructions, the proxies will not act as proxy for the votes at the Annual General Meeting. If postal votes exist in addition to any authorization and instructions of the company-appointed proxies, the postal votes are always deemed to have priority; the proxies will in this respect not make any use of their authorization and will not act as proxy for the shares in question.

## **6. Procedure for voting via an authorized third party**

Shareholders may also have their voting rights exercised by a proxy, e.g. by an intermediary, a shareholders' association, a voting rights advisor or another person offering their services to shareholders to exercise voting rights at general meetings on a commercial basis ("**commercial agent**") after corresponding authorization has been granted. In the event that a shareholder is represented, the shareholder must still be duly registered and the evidence of the shareholding must be provided on time (see above).

Proxies may not be physically present at the Annual General Meeting either, but are limited to exercising the voting right by postal vote or authorizing the company-appointed proxies. Thus, they must exercise their votes as described above in respect of the shareholders by postal vote or by granting sub-proxy and issuing instructions to the company-appointed proxies. With respect to the exercise of the right to ask questions and to object, section II.7.c) and section II.8 of this convocation apply respectively to shareholder proxies.

The granting and revocation of an authorization and the evidence to the Company that such authorization has been granted must be in text form (section 126b BGB) if neither an intermediary nor, under section 135 (8) AktG, a shareholders' association, a voting rights advisor or a commercial agent is authorized to exercise the voting right.

If an intermediary, shareholders' association, voting rights advisor or commercial agent is authorized to exercise the voting right, the text form requirement does not apply; however, a verifiable record of the authorization issued must be kept by the proxy. Shareholders wishing to authorize an intermediary, shareholders' association, voting rights advisor or commercial agent are requested to agree on the form of the authorization with the person to be authorized. These persons may also exercise the voting right, in compliance with the specified deadlines, by postal vote or by sub-proxy.

If a shareholder authorizes more than one person, the Company may reject one or more of the proxies under section 134 (3) sentence 2 AktG.

Shareholders wishing to authorize a proxy are requested to use the form for granting authorization which is provided by the Company for this purpose. A proxy form is also included on the voting card which will be sent to the shareholder after successful registration. In addition, a form for granting authorization can be downloaded from the website of the Company at

<https://www.kap.de/en/investor-relations/general-meeting>

The granting and revocation of an authorization and the evidence to the Company of an authorization having been granted must be received by the Company in text form (section 126b BGB) in German or English no later than by Tuesday, August 30, 2022, 24:00 hrs (CEST), by post, by fax or by email at the following address:

KAP AG

c/o Link Market Services GmbH

Landshuter Allee 10

80637 Munich

Fax: +49 (0)89 21027-289

Email: [inhaberaktien@linkmarketservices.de](mailto:inhaberaktien@linkmarketservices.de)

A proxy can follow the Annual General Meeting via the password-protected AGM portal only if they receive the access data sent with the voting card from the party authorizing them. Intermediaries, shareholders' associations, voting rights advisors or commercial agents who represent a majority of shareholders are recommended to contact the Company at the aforementioned address in advance of the Annual General Meeting with regard to the exercise of voting rights.

Additional information on authorizing third parties is included on the voting card that is sent to duly registered shareholders. Corresponding information and a more detailed description of the authorization of third parties are also available on the Internet at

<https://www.kap.de/en/investor-relations/general-meeting>

## **7. Information on shareholders' rights pursuant to sections 122 (2), 126 (1), 127 and 131 (1) AktG**

### **a. Requests for additional agenda items pursuant to section 122 (2) AktG**

Pursuant to section 122 (2) AktG, one or several shareholders whose shares in aggregate are at least equivalent to one twentieth of the share capital or to a pro-rata amount of € 500,000.00 may request that additional items be added to the agenda and made public. Each new item must be accompanied by the reasons for this or a resolution proposal. The request must be made in writing to the Company's Management Board and must be received by the Company on Sunday, July 31, 2022, 24.00 hrs (CEST), at the latest (receipt by the Company). The request can in any event be sent to the following address:

KAP AG

– The Management Board –

Edelzeller Straße 44

36043 Fulda

Pursuant to section 122 (2) sentence 1, (1) sentence 3 AktG, persons submitting a request must prove that they held the shares for at least 90 days prior to the date on which the request is received and that they will hold the shares until the Management Board decides on the request; section 121 (7) AktG must be applied *mutatis mutandis*. Certain third-party shareholding periods will be taken into account pursuant to section 70 AktG.

The date of receipt of the request shall not be included in the count. Rescheduling from a Sunday, Saturday or public holiday to a preceding or subsequent business day is not possible. Sections 187 to 193 BGB are not to be applied *mutatis mutandis*.

Any additions to the agenda that must be announced and were not announced with the convening notice will be announced in the German Federal Gazette (*Bundesanzeiger*) immediately after receipt of the request by the Company and will be forwarded for publication to media which can be expected to disseminate the information throughout the European Union. They will also be announced on the Company's website at

<https://www.kap.de/en/investor-relations/general-meeting>

and communicated to the shareholders pursuant to section 125 (1) sentence 3 AktG.

- b. Countermotions and nominations by shareholders pursuant to section 126 (1) AktG and section 127 AktG

Countermotions within the meaning of section 126 AktG and nominations within the meaning of section 127 AktG, including the name of the shareholder, the reasons (which, however, are at least not required for nominations) and any comments by the management, will be made available at

<https://www.kap.de/en/investor-relations/general-meeting>

provided they are received by the Company no later than by Tuesday, August 16, 2022, 24:00 hrs (CEST), at the following address:

KAP AG

Link Market Services GmbH

Landshuter Allee 10

80637 Munich

or alternatively via the fax number +49 (0)89 21027-298 or

at the email address [antraege@linkmarketservices.de](mailto:antraege@linkmarketservices.de)

and all other conditions requiring the Company to make such information available under section 126 AktG or section 127 AktG have been met. Countermotions or nominations by shareholders to be made available pursuant to section 126 AktG or section 127 AktG are deemed to have been submitted to the Annual General Meeting if the shareholder submitting the motion or nomination has been duly legitimated and has duly registered for the Annual General Meeting, section 1 (2) sentence 3 COVMG.

- c. Right to ask questions by means of electronic communication

The shareholders' right to request information under section 131 AktG is significantly restricted in the event of a virtual general meeting. Pursuant to section 1 (2) COVMG, shareholders have the right to ask questions by means of electronic communication. The Management Board has stipulated that questions must be submitted by means of electronic communication no later than one day prior to the meeting. The Management Board will decide at its due and free discretion how questions are to be answered. Questions must be submitted in German. Questions submitted in other languages will not be accepted.



Duly registered shareholders may submit their questions no later than by Monday, August 29, 2022, 24:00 hrs (CEST), via the Company's AGM portal accessible at

<https://www.kap.de/en/investor-relations/general-meeting>

The "Frage einreichen" (submit question) button is provided in the AGM portal for this purpose. It is not possible to submit questions by any other means of communication.

The Company intends to name the party who asked the question when providing the answer, unless such party expressly objects to the disclosure of their name when submitting their questions. Please also note the additional explanations on shareholders' rights and on data protection at the end of this invitation notice.

d. Additional explanations

Additional explanations on shareholders' rights, in particular information relating to additional requirements above and beyond compliance with the relevant deadlines, is available on the Company's website at

<https://www.kap.de/en/investor-relations/general-meeting>

**8. Raising objections for the record**

Duly registered shareholders who have exercised their voting rights by means of electronic communication (i.e. by postal vote) or by granting an authorization have the opportunity to declare any objection to resolutions to be passed at the Annual General Meeting from the start until the end of the meeting without having to be physically present at the meeting, for the notary's record on the Company's AGM portal accessible on the website

<https://www.kap.de/en/investor-relations/general-meeting>

The "Widerspruch einlegen" (raise objection) button is provided in the AGM portal for this purpose. Any objections will be sent to the notary via the password-protected AGM portal.

**9. Documents relating to the Annual General Meeting, website offering information pursuant to section 124a AktG**

The content of the convening notice, together with an explanation of why no resolution is to be passed in respect of agenda item 1, the documents to be made available to the Annual General Meeting, the total number of shares and voting rights existing at the time the convening notice was issued, a form for granting proxy and issuing instructions, as necessary, and any requests for additional agenda items within the meaning of section 122 (2) AktG are available on the website

<https://www.kap.de/en/investor-relations/general-meeting>

The convening notice with the full agenda and the resolution proposals by the Management Board and the Supervisory Board were announced in the German Federal Gazette on Monday, July 18, 2022 and were additionally forwarded for publication to media which can be expected to disseminate the information throughout the European Union.

The voting results will be published after the Annual General Meeting on the aforementioned website together with information regarding the issuance of a confirmation of the vote count pursuant to section 129 (5) AktG, which may be requested by voting shareholders within one month from the date of the Annual General Meeting.

## **10. Audiovisual transmission of the entire Annual General Meeting**

Duly registered shareholders can follow the video and audio transmission of the entire Annual General Meeting live on Wednesday, August 31, 2022, from 11:00 hrs. (CEST), via the password-protected AGM portal on the website

<https://www.kap.de/en/investor-relations/general-meeting>

According to the current state of technology, the video and audio transmission of the virtual Annual General Meeting and the availability of the AGM portal may be subject to fluctuations over which the Company has no control due to restrictions of the availability of the telecommunications network and the restriction of Internet services from third-party providers.

The Company therefore cannot provide any warranty or accept any liability for the functionality and continuous availability of the Internet services used, the third-party network elements used, the video and audio transmission or the access to the AGM portal and its general availability. Unless mandatory data protection regulations so require, the Company also accepts no responsibility for errors or defects of the hardware and software used for the AGM portal, including that of the service provider companies used, except in the case of intent or gross negligence. For this reason, the Company recommends making use of the aforementioned options for exercising rights, particularly exercising voting rights, at an early stage.

Where data protection or security considerations make it imperative, the chair of the Annual General Meeting must reserve the right to interrupt or discontinue the Annual General Meeting entirely.

## **11. Technical information regarding the virtual General Meeting**

Duly registered shareholders will require an Internet connection and an Internet-enabled device in order to follow the virtual Annual General Meeting and to use the AGM portal and exercise shareholders' rights. A stable Internet connection with sufficient transmission speed is recommended in order to allow the video and audio transmission of the Annual General Meeting to be displayed optimally.

If shareholders use a computer to receive the video and audio transmission of the virtual Annual General Meeting, they need a browser and loudspeaker or headphones.

For access to the Company's password-protected AGM portal, duly registered shareholders need their individual access data that they will receive with the voting card, which will be sent to shareholders automatically following due registration. Duly registered shareholders can use this access data to log in to the AGM portal on the login page.

It is recommended that shareholders' rights (particularly voting rights) are – as far as possible – exercised before the start of the Annual General Meeting in order to avoid the risk of possible issues regarding the exercise of shareholders' rights as a result of technical problems occurring during the virtual Annual General Meeting. It is possible to exercise voting rights on the AGM portal from Wednesday, August 10, 2022.

## **12. Data protection information**

We collect personal data relating to the shareholders and/or their proxies in the context of them following the video and audio transmission of the Annual General Meeting, their registration for the Annual General Meeting or their exercise of further meeting-related rights. We do this in order to enable shareholders to exercise their rights in the context of the Annual General Meeting. Further information on the handling of personal data and rights under the General Data Protection Regulation (GDPR) can be found online on the website for the Annual General Meeting

<https://www.kap.de/en/investor-relations/general-meeting>

Fulda, July 2022

KAP AG

The Management Board

[www.kap.de](http://www.kap.de)

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