

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE

The Former Board was committed to upholding the principles of good governance and complied with the requirements of Luxembourg corporate laws, the Pre-IPO Articles of Association and the Former Board Rules of Procedure. Both the Management Board and Supervisory Board are committed to upholding the principles of good corporate governance following the IPO, in accordance with the recommendations of the Federal German Government Commission on the German Corporate Governance Code, which GFG has voluntarily decided to comply with.

In August 2019, the Supervisory Board and Management Board issued a declaration of compliance for GFG for the first time as part of its reporting on fiscal year 2019. This is published within the Investor Relations section on our website <https://ir.global-fashion-group.com/websites/globalfashion/English/1052/declaration-of-compliance.html>. The few exceptions from the German Corporate Governance Code are described in the declaration.

However, as the Company's shares are listed on the Frankfurt Stock Exchange, the Management Board and Supervisory Board have decided to follow, on a voluntary basis and to the extent consistent with applicable Luxembourg corporate law and Global Fashion Group's corporate structure, the recommendations of the Code regarding the principles of good corporate governance.

25

### 1.4 DECLARATION OF COMPLIANCE

In this statement GFG reports in accordance with Art. 68 of the Law of 19 December 2002 on the business and companies' register as well as the companies' accounting and annual accounts (the "2002 Law"). The Company is a Luxembourg société anonyme (S.A.), which is listed solely on the Frankfurt Stock Exchange in Germany. The Company is not subject to the "Ten Principles of Corporate Governance" applicable to companies listed in Luxembourg. In addition, as a company incorporated and existing under the laws of Luxembourg, the Company is not required to comply with the respective German Corporate Governance Code (the "Code") applicable to German stock corporation.

## Compliance with the Corporate Governance Code

The corporate governance rules of the Company are based on applicable Luxembourg laws, the Company's Articles of Association and its internal regulations, and the rules of procedure of the Management Board and Supervisory Board.

In preparation for and after the IPO, the Management Board and the Supervisory Board diligently addressed compliance with the guidance of the German Corporate Governance Code (the "Code") in fiscal year 2019. They applied the Code as amended on 7 February 2017, and, in August 2019, on a voluntary basis, decided to issue a statement to a certain extent comparable to that required for stock corporations organised in Germany pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz) and commented on the limited number of exceptions. The declaration is published on the Company's website <https://ir.global-fashion-group.com>. The German Government Commission German Corporate Governance Code (Regierungskommission Deutscher Corporate Governance Kodex) adopted a new fully revised version of the Code on 9 May 2019. The new Code is planned to become effective after the implementation of the ("Shareholder Rights Directive II" or "SRD II") in Germany and potentially with amendments in adjustment of such implementation which as of 31 December 2019, has not occurred. The Management Board and Supervisory Board will assess the implementation of new and/or revised recommendations as well as potential deviations in due course.

## DECLARATION OF CONFORMITY

The Management Board and Supervisory Board of the Company issued the following joint declaration of conformity in August 2019:

### Declaration of Compliance with the German Corporate Governance Code

Global Fashion Group S.A. is a Luxembourg société anonyme (S.A.), which is listed solely on the Frankfurt Stock Exchange in Germany. GFG is not subject to the "Ten Principles of Corporate Governance" applicable to companies listed in Luxembourg. Furthermore, as a company incorporated and existing under the laws of Luxembourg, GFG is not required to comply with the respective German Corporate Governance Code (the "Code") applicable to listed German stock corporations.

Nevertheless, as GFG regards the Code to be an important foundation for responsible corporate governance, the Management Board and Supervisory Board of GFG have decided to follow, on a voluntary basis and to the extent consistent with applicable Luxembourg corporate law and GFG's corporate structure, the recommendations of the Code regarding the principles of good corporate governance.

The Management Board and Supervisory Board of the Company declare that GFG has decided to comply with the recommendations of the Code in its version dated 7 February 2017 with the following exceptions:

- No. 3.8 para. 3 of the Code: The directors' and officers' liability ("D&O") policy for the members of the Management Board and the Supervisory Board does not provide for any deductible. The Company takes the view that such deductible itself is generally not suitable to increase the performance and sense of responsibility of the Management Board and the Supervisory Board members.

- No. 4.2.1 sentence 1 of the Code: The current Management Board does not have a Chairman or spokesperson. The Supervisory Board believes that the three members of the Management Board can work together efficiently and collegially without any member performing such a function.
- No. 4.2.3 para. 2 sentences 3, 4, 7 and 8 of the Code: Not all variable components of the Management Board compensation follow the recommendations of the Code. For example, forward-looking performance targets apply to the annual bonuses and vesting of performance stock units ("PSUs") under the Company's new long-term incentive plan (the "2019 LTIP"), but these targets are determined at the beginning of each year for the relevant fiscal year (sentence 3). The Supervisory Board deems the annual assessment adequate, since the Company is still a young enterprise operating in growth markets whose business performance is therefore difficult to predict. Further, the annual bonus scheme, the 2019 LTIP and the Company's current long-term incentive plan (the "Current Plan") do not contain explicit rules requiring the consideration of negative developments (i.e. negative developments are only taken into account in the sense that the relevant targets may not be achieved), and vesting of awards partly occurs based solely upon continuous employment (sentence 4). Additionally, applicable performance targets and comparison parameters may not in all cases be as demanding and relevant as required by the Code (sentence 7), and the number of vesting awards can partly, in exceptional cases, be adjusted when the level of target achievement would not adequately reflect relevant performance (in either a positive or negative sense) due to extraordinary influences (sentence 8). The Supervisory Board believes the overall compensation for the Management Board members to be appropriate and well-balanced, and that further consideration of positive or negative developments is not required. Ex-post amendments in exceptional circumstances seem reasonable to ensure adequate and equitable compensation.
- No. 4.2.3 para. 2 sentence 6 of the Code: While annual bonuses and the size of grants under the 2019 LTIP are capped at certain percentages of base salary, there is no cap with regard to the Company's share price once restricted stock units ("RSUs") or PSUs vest or vested call options (granted under the Current Plan) are exercised. In the opinion of the Supervisory Board, such a cap would not be appropriate as it would interrupt the intended alignment of interests between the Shareholders and the Management Board members. The Supervisory Board believes that the Management Board members should, in this regard, participate in any increase in the value of the Company to the same extent as any other shareholder would participate. There is also no cap for the overall fixed and/or variable compensation.
- No. 4.2.3 para. 4 and 5 of the Code: The employment agreements of the Management Board members (which govern their Compensation) have an indefinite term and can be terminated without cause with a six or nine-month notice period or, with immediate effect, if the respective Management Board member is paid the pro-rata portion of his base salary and contractual benefits (excluding any bonus) for the relevant notice period ("Payment in Lieu of Notice"). In the case of Payment in Lieu of Notice, the payment to the respective Management Board member is limited to the pro-rata portion of his base salary and contractual benefits (excluding any bonus) for the relevant notice period. Given this contractual set-up, the Supervisory Board believes that no further cap is required. The 2019 LTIP provides for accelerated vesting of a portion of granted RSUs and PSUs in the case of early termination without cause or a change of control, the value of which - depending on the Company's share price - can exceed the caps recommended by the Code. The Supervisory Board believes this to be an adequate element of the Management Board members' variable compensation.

- No. 4.2.4, 4.2.5 and 5.4.6 of the Code: We will carry out our annual reporting the first time as a listed company for the fiscal year 2019. Any disclosure on Compensation will be made in full compliance with laws and regulations applicable to the Company at that point in time. Such requirements may deviate from current requirements due to the outstanding implementation of the Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement (the "Shareholder Rights Directive II" or "SRD II") in various member states of the European Union, including Luxembourg. Against this background, we have not yet decided on the details of the disclosure and may in certain parts deviate from the recommendations of the Code.
- No. 5.3.3 of the Code: Due to its relatively small size of six members, the Supervisory Board does not find it necessary to form a nomination committee as decisions that would normally be charged to a nomination committee can be made quickly and efficiently by the entire Supervisory Board.
- No. 7.1.2 sentence 3 of the Code: In order to ensure high-quality financial reporting, the recommended publication periods may not in all cases be complied. However, we are constantly seeking to improve our reporting system and intend to comply with the reporting periods of the Code in the near future.

The German Government Commission German Corporate Governance Code (Regierungskommission Deutscher Corporate Governance Kodex) adopted a new fully revised version of the Code on 9 May 2019. The new Code is planned to become effective in 2020 after the implementation of the SRD II in Germany and potentially with amendments in adjustment of such implementation. The Management Board and Supervisory Board will assess the implementation of new and/or revised recommendations as well as potential deviations in due course.

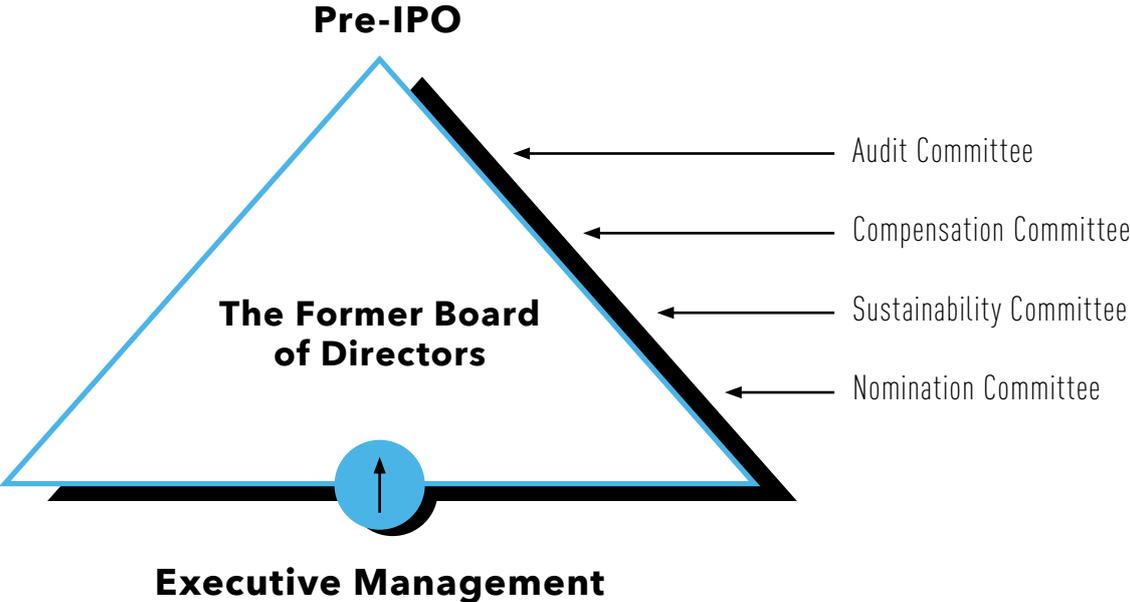
Luxembourg, August 2019

# 1.5 BOARD COMPOSITION

The below diagram illustrates the one-tier structure of the Former Board and its Committees which was in place prior to 17 June 2019:

One-tier structure of the Former Board

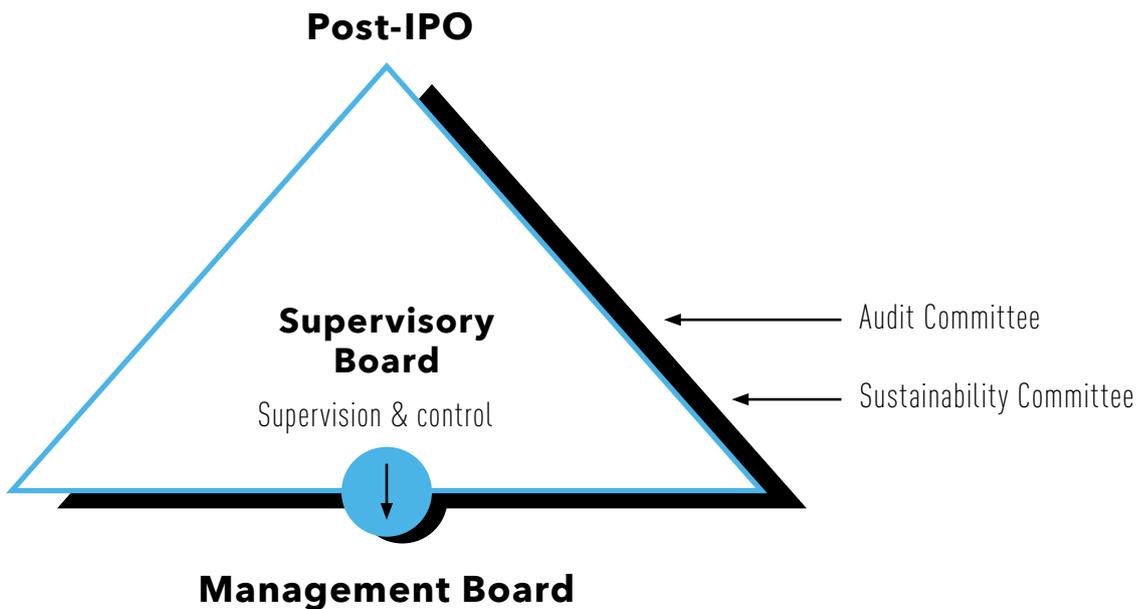
29



The below diagram illustrates the two-tier board structure of the Supervisory Board and its Committees since 17 June 2019.

**Two-tier structure of the Former Board**

---



The corporate governance rules that GfG applied under the Former Board were based on the requirements of Luxembourg corporate laws, the Pre-IPO Articles of Association and the Former Board Rules of Procedure. Since the adoption of the two-tier board structure on 17 June 2019, the corporate governance rules of the Company are based on applicable Luxembourg laws, GfG’s Articles of Association and its internal regulations, in particular the Management Board Rules of Procedure, the Supervisory Board Rules of Procedure and the German Code of Corporate Governance.

The Company’s Business Conduct and Ethics Policy applies to all employees worldwide and contains ethical and legal standards that employees must adhere to. Under the Business Conduct and Ethics Policy, employees are required to comply with all laws and policies including but not limited to, Anti-Corruption and Anti-Bribery Policy, the Gifts & Hospitality Charitable donations and Political donations Policy and the Insider Trading Compliance Policy. The details are set out in internal policies and guidelines.

## Former Board and its Committees

Until 17 June 2019, the Former Board governed the Company pursuant to a one-tier board structure as outlined below. On 31 May 2019, the general Shareholders' meeting of the Company resolved on the replacement of the Former Board with a two-tier governance structure consisting of a Management Board and a Supervisory Board, subject to the condition precedent and effective from the approval of the prospectus by the Commission de Surveillance du Secteur Financier (the "CSSF"). At the same time, Carol Shen and Laura Weil, who had not previously served on the Former Board, were appointed as members of the Supervisory Board and Matthew Price was appointed to the Management Board. As a Luxembourg S.A., the Company is not required to have a two-tier management system, however, as the Company was listed on the Frankfurt Stock Exchange, the Company decided to align to the two-tier management structure which is required for stock companies under the German Stock Corporation Act. The change of governance structure became effective on 17 June 2019.

## Introduction and working practices of the Former Board and its Committees

Under the Former Board one-tier structure, the Former Board was vested with the broadest powers to act in the name of the Company. It had the power to take all business and strategic decisions and was generally in charge of its management. In accordance with Luxembourg law which operates a division of competences, on the one hand, the Former Board was responsible for setting the corporate strategy and the management of a company and, on the other hand, the general Shareholders' meeting controlled the Former Board acts and activities as well as taking certain limited decisions specifically assigned to it by law. As a matter of principle, all powers resided with the Former Board except for those powers reserved by law to the general Shareholders' meeting.

In accordance with Luxembourg law and the Former Board Rules of Procedures, the day-to-day management of the Company was delegated to the Co-Chief Executive Officers and the Chief Financial Officer who were appointed as daily managers with the power to individually engage the Company vis-à-vis third parties, but only within the limits of their power.

The Former Board established the following board committees: (a) an audit committee; (b) a nomination committee (c) a compensation committee; and (d) a sustainability committee. Following the change of governance on 17 June 2019, the compensation committee and nomination committee of the Former Board were discontinued due to the relatively small size of the Supervisory Board. The work previously undertaken by the compensation committee and the nomination committee is now undertaken by the Supervisory Board.

## Composition of the Former Board

Pursuant to the Shareholders Agreement dated 13 July 2018, the Former Board was required to be comprised of eleven directors who were elected by the Shareholders in accordance with the following nominee criteria:

- A. Four nominees (including the Chairman of the Former Board) were nominated by Kinnevik New Ventures AB. Until 17 June 2019, Cynthia Gordon and Georgi Ganey served on the Former Board as the nominees of Kinnevik New Ventures AB. Until 17 June 2019, Alexis Babeau and Victor Herrero were independent Directors nominated by Kinnevik New Ventures AB;
- B. Two nominees were nominated by Rocket Internet SE. Until 17 June 2019, Oliver Samwer and Christian Senitz served on the Former Board as the nominees of Rocket Internet SE; however, during this period, Christian Senitz resigned from the Former Board, effective from 28 February 2019. Following this and up to 17 June 2019, Rocket Internet SE did not use their appointment rights of a second director;
- C. One nominee was nominated by AI European Holdings S.à r.l. Until 17 June 2019, Daniel Shinar served on the Former Board as the nominee of AI European Holdings S.à r. l.;
- D. One nominee nominated jointly by TEV Global Invest II GmbH and Tengelmann Ventures GmbH. Until 17 June 2019, Christian Winter served on the Former Board as the nominee of TEV Global Invest II GmbH and Tengelmann Ventures GmbH;
- E. One nominee nominated by Verlinvest SA. Until 17 June 2019, Raphael Thiolon served on the Former Board as the nominee of Verlinvest SA. Raphael Thiolon replaced the previous Verlinvest SA representative, Nicholas Cator on 1 March 2019; and
- F. Up to two Executive Officers of the Company could be proposed by the Former Board and appointed by the Shareholders' meeting. Until 17 June 2019, Christoph Barchewitz (Co-CEO) and Patrick Schmidt (Co-CEO) served as the executive officers who were appointed to the Former Board.

The Former Board delegated the daily management of the Company to Co-CEOs, Christoph Barchewitz and Patrick Schmidt, and Chief Financial Officer, Nils Chrestin who were not members of the Former Board. However, Nils Chrestin was invited to participate, and regularly reported to the meeting of the Former Board along with the Co-CEOs. Nils Chrestin stepped down as Chief Financial Officer in February 2019. Matthew Price was appointed Chief Financial Officer, effective from 9 April 2019.

#### **Composition of the Former Audit Committee**

The Former Audit Committee of the Former Board was required to consist of at least three members who were appointed by the Former Board, and was responsible for the following: overseeing the accounting and financial reporting processes of the Company; the audits of the financial statements of the Company; the Company's internal control and recommending to the Former Board the choice of the approved independent auditor; and performing such other duties imposed on it under applicable law and as imposed by the Former Board. Prior to 17 June 2019, the members of the Former Audit Committee of the Former Board were Alexis Babeau (Chairman), Christian Winter and Victor Herrero.

#### **Composition of the Former Sustainability Committee**

The Former Sustainability Committee assisted the Former Board with the oversight of its responsibilities in connection with the Company's sustainability policies and practices. In particular, the Former Sustainability Committee made recommendations to the Board regarding the Company's policy and performance in relation to health, safety, environment and compliance with laws concerning environmental and social matters and corporate governance and review their implementation. Prior to 17 June 2019, the members of the Former Sustainability Committee of the Former Board were Victor Herrero (Chairman), Daniel Shinar and Christian Winter.

### Composition of the Former Compensation Committee

The Former Compensation Committee of the Former Board was required to consist of a minimum of three members who were appointed by the Former Board. The Former Compensation Committee's purpose was to discharge or assist the Former Board in discharging its responsibilities relating to the review and approval of the Company's compensation programmes and the compensation of the Company's executive officers (including of the Company's subsidiaries), including by designing (in consultation with management and the Former Board), evaluating and approving the compensation plans, policies and programmes of the Company. Prior to 17 June 2019, the members of the Former Compensation Committee were Cynthia Gordon (Chairman of the Former Board), Daniel Shinar and Oliver Samwer. The Former Compensation Committee was dissolved following the change of governance structure on 17 June 2019.

### Composition of the Former Nomination Committee

The Former Nomination Committee of the Former Board was required to consist of members who were appointed by the Former Board and was required to assist the Former Board in (a) the identification of qualified candidates to become directors, (b) the selection or recommendation to the Former Board regarding the selection of nominees for election as directors at the next annual meeting of Shareholders (or extraordinary meeting of Shareholders at which directors are to be elected), (c) the selection or recommendation of selection to the Former Board regarding the selection of candidates to fill any vacancies on the Former Board and board committees, (d) the assignment and rotation of directors to various board committees, (e) oversight of the evaluation of the Former Board and its various committees, and (f) assistance with the selection of candidates for future executive officers as well as the promotion and changes in the position of incumbent executive officers. Prior to 17 June 2019, the members of the Former Nomination Committee were Cynthia Gordon and Daniel Shinar. The Former Nomination Committee was dissolved following the change of governance on 17 June 2019.

### Two-Tier Governance Structure

The two-tier governance structure was approved by Shareholders on 31 May 2019 and came into effect upon approval of the prospectus by the CSSF on 17 June 2019. The governance structure now consists of the Management Board and the Supervisory Board.

The Management Board is responsible for managing the Company and the Supervisory Board is responsible for carrying out the permanent supervision and control of the Management Board without being authorised to interfere with such management. The Management Board is vested with the broadest powers to act in the name of the Company and to take any actions necessary or desirable to fulfil the Company's corporate purpose with the exception of certain matters set out in the Articles of Association and the Supervisory Board Rules of Procedure which require approval of the Supervisory Board or the Company's Shareholders. The Management Board and Supervisory Board cooperate closely for the benefit of the Company. The Chairman of the Supervisory Board has regular contact with the Management Board and advises it on strategy, planning, business development, and the Management Board informs the Chairman of the Supervisory Board without delay of matters of fundamental importance for the Company.

### Working Practices of the Management Board

The Management Board is responsible for managing the Company in accordance with the applicable legal provisions, the Articles of Association of GfG (the "Articles of Association") and the rules of procedure for the Management Board dated 7 June 2019 ("Management Board RoP"). It is obligated to act in the Company's corporate interest and to increase its long-term business value. The Management Board develops the Company's strategy, discusses and agrees on it with the Supervisory Board and ensures that it is implemented. It is also responsible for appropriate risk management and control. The Management Board provides the Supervisory Board with timely and comprehensive information about all issues of relevance to the Company and must inform the Chairman of the Supervisory Board of any important event or business matter that might have a significant impact on the situation of the Company without undue delay. The age limit for the Management Board is set as 69 years in the Management Board RoP.

The Management Board performs its management function as a collective body. Notwithstanding their overall responsibility for management, the individual members of the Management Board manage the areas assigned to them on their own responsibility within the framework of the Management Board's resolutions. For fiscal year 2019, the allocation of responsibilities among the members of the Management Board is defined in the Management Board RoP, as amended on 20 August 2019, according to which the members of the Company's Management Board are responsible for the following areas:

#### Co-CEO: Christoph Barchewitz

- Commonwealth of Independent States - Lamoda
- Corporate Communications
- International Brand Partnerships
- Latin America - Dafiti
- Legal & Governance, Risk & Compliance ("GRC")
- People & Culture

#### Co-CEO: Patrick Schmidt

- Asia Pacific
- Sustainability
- Technology

#### CFO: Matthew Price

- Accounting
- Financial Reporting
- Financial Planning & Analysis
- Internal Audit
- Investor Relations
- Tax & Treasury

The Management Board takes joint responsibility for the overall management of the Company irrespective of the split of business areas. Its members work collaboratively and inform each other regularly about any significant measures and events within their areas of responsibility. The Management Board meets in person at least once per calendar quarter, and additional meetings are convened, if required.

#### Composition of the Management Board

According to the Articles of Association of GFG, the Management Board shall be composed of at least two members. The Supervisory Board acknowledges and appreciates the importance of diversity. A diverse composition of management and supervisory bodies can promote new perspectives in decision-making processes and discussions and help to further improve performance. The Supervisory Board and Management Board did not apply a specific diversity concept with respect to the Management Board and executive management team for financial year 2019. The Supervisory Board and Management Board considers that the executive management team and employee base globally is highly diverse, however, the Supervisory Board and Management Board are expected to define appropriate targets in the future. The Management Board must consist of at least two members in accordance with the Articles of Association. The Supervisory Board determines the number of Management Board members and appoints the members of the Management Board for a maximum term of office of five years. The Management Board currently consists of the two Co-CEO's and the CFO. The Management Board does not currently have a chairman.

In addition, as the members of the Management Board were appointed on 17 June 2019 and considering the Co-CEO structure and talent pool within the Group, the Supervisory Board has not yet concluded a succession plan for the replacement of the Management Board during financial year 2019. The Supervisory Board and Management Board will work together on finalising a succession plan during the financial year 2020.

#### Working practices of the Supervisory Board

The Supervisory Board advises and supervises the Management Board in its management of the Company. It is responsible for the permanent supervision and control of the Management Board. It works closely with the Management Board for the benefit of the Company and is involved in all decisions of fundamental importance to the Company.

The rights and duties of the Supervisory Board are governed by legal requirements, the Articles of Association, the rules of procedure for the Supervisory Board dated 7 June 2019 (the "Supervisory Board RoP") and the Management Board RoP. It appoints and removes the members of the Management Board and is responsible for ensuring that long-term succession planning is undertaken by the Management Board.

The work of the Supervisory Board takes place in meetings as well as separate committee meetings whose chairs provide the entire Supervisory Board with regular updates on the committee activities. Pursuant to the Supervisory Board RoP, the Supervisory Board shall hold at least one meeting in each calendar quarter and additional meetings should be convened as necessary.

#### Composition of the Supervisory Board

The Supervisory Board must consist of at least three members in accordance with the Articles of Association. The members of the Supervisory Board are appointed and removed at the general meeting of Shareholders which determine the term and compensation. Members of the Supervisory Board can only be appointed for a term that doesn't exceed five years but can be reappointed for successive terms.

The Supervisory Board RoP sets targets for its composition and sets a profile of skills that are required for members of the Supervisory Board. According to this profile, members of the Supervisory Board shall have the required knowledge, abilities and expert experience to fulfil his/her duties properly and they must be familiar with the sector in which the Company operates. At least one member must have knowledge in the field of auditing and accounting. Each member shall ensure that they have enough time to perform their mandate. At least three members of the Supervisory

Board must have reasonable international experience and diversity shall be considered - an appropriate number of women shall be considered.

At least three members must not have a board position, consulting or representation duties with main suppliers, lenders or other business partners of the Company and Supervisory Board members shall not exercise directorships or similar positions or advisory tasks for material competitors of the Company. In addition, no fewer than two members shall be independent, and no more than two former members of the Management Board shall be members of the Supervisory Board. In addition to their Supervisory Board mandate with the Company, members of the Supervisory Board who are members of the Management Board of a listed company should not hold any more than three further Supervisory Board mandates in listed non-group entities that make similar requirements. The age limit for members of the Supervisory Board is set as 69 years.

At the extraordinary meeting of the Shareholders held on 31 May 2019, Shareholders appointed the following six members to the Supervisory Board subject to approval of the prospectus by the CSSF, which took place on 17 June 2019:

- Cynthia Gordon - Chairman of the Supervisory Board and member of the Sustainability Committee;
- Georgi Ganev - Member of the Supervisory Board;
- Alexis Babeau - Member of the Supervisory Board and Chairman of the Audit Committee;
- Victor Herrero - Member of the Supervisory Board, Chairman of the Sustainability Committee and Member of the Audit Committee;
- Carol Shen - Member of the Supervisory Board and the Sustainability Committee; and
- Laura Weil - Member of the Supervisory Board and the Audit Committee.

During financial year 2019, two committees of the Supervisory Board were established following the change of governance – The Audit Committee and the Sustainability Committee. The Company deviates from the recommendations of the Code as the Supervisory Board due to its relatively small size of six members did not find it necessary to form a nominations committee.

#### **Working practices of the Audit Committee**

The Chairman of the Audit Committee has specific knowledge and experience in applying accounting principles and internal control procedures. Neither the Chairman of the Supervisory Board nor former members of the Company's Management Board whose term ended less than two years ago are eligible to be appointed as Chairman of the Audit Committee. All members of the Audit Committee are financially literate and at least two members have in-depth knowledge of accounting and the financial reporting principles required. All the members of the Audit Committee are independent.

The Audit Committee oversees the accounting and financial reporting processes of the Company and the integrity of the financial statements and publicly reported results, the adequacy and effectiveness of the risk management and internal control frameworks and the choice, effectiveness, performance and independence of the internal and external auditors.

The Audit Committee also monitors the process of preparing financial information, reviews and discusses the audited financial statements with the Management Board members and the independent auditor, provides a recommendation to the Supervisory Board regarding whether audited financial statements should be included in the annual report. In addition, the Audit Committee reviews the half yearly and quarterly financial statements and prepares a recommendation for the appointment of the Independent Auditor to the Supervisory Board. The Audit Committee also reviews the performance of the Independent Auditor.

#### Composition of the Audit Committee

Since 17 June 2019 the members of the Audit Committee have been:

- Alexis Babeau (Chairman);
- Victor Herrero; and
- Laura Weil.

#### Working practices of the Sustainability Committee

The Sustainability Committee assists the Supervisory Board with oversight of its responsibilities in connection with the Company's sustainability policies and practices, in particular, it makes recommendations to the Supervisory Board regarding the Company's policy and performance in relation to health, safety, environment and compliance with laws concerning environmental and social matters and review their implementation. In addition, the Sustainability Committee reviews and approves the Company's sustainability strategy, objectives, key results and policies and approves for submission to the Supervisory Board the Company's annual sustainability report submitted to it by the Management Board.

#### Composition of the Sustainability Committee

Since 17 June 2019 the members of the Sustainability Committee are:

- Victor Herrero (Chairman);
- Carol Chen; and
- Cynthia Gordon.

## 1.6 ANNUAL GENERAL MEETING AND SHAREHOLDERS

The Shareholders of GFG exercise their rights, including their right to vote, at the AGM. Each share in the Company grants one vote.

The ordinary AGM is held within the first six months of the fiscal year, and the agenda along with the reports and documents required for the AGM will be published on the Company's website <http://ir.global-fashion-group.com>.

Certain matters set out in the Articles of Association require the approval of Shareholders. Resolutions on matters that require shareholder approval are adopted at the AGM, including, increasing/reducing the Company's share capital or authorised capital, appointment and removal of members of the Supervisory Board and the independent auditors, resolutions on allocation of the remainder of any annual net profit.

To facilitate the personal exercise of their rights, GFG makes available a proxy who is bound by instructions and who may also be contacted during the AGM. The invitation to the AGM explains how instructions may be given ahead of the meeting. In addition, Shareholders may arrange to be represented at the AGM by a proxy of their choice.

## 1.7 TAKEOVER LAW

### Composition of subscribed capital

As of 31 December 2019, the share capital of the Company amounts to €2,147,655.17, and is divided into 214,765,517 common shares with a nominal value of €0.01 each. The common shares are fully paid-up. The Company holds common shares in registered form and in dematerialised form. All future common shares to be issued by the Company will be issued in dematerialised form.

### Restrictions on voting rights or the transfer of shares

Save as set out below, the common shares in dematerialised form are freely transferable through book entry transfers in accordance with the legal requirements for dematerialised shares. The Management Board may, however, impose transfer restrictions for the Company's common shares that are in registered form.

Each common share carries identical rights and obligations, save for the common shares held by the Company in treasury, from which the Company derives no rights. As of 31 December 2019, the Company held 20,236,939 common shares in treasury, 20,054,561 of which are being held for cancellation as a result of the Share Redistribution.

As part of the Company's IPO, the Company's pre-IPO Shareholders entered into lock-up agreements with the underwriters that supported the IPO. In these lock-up agreements, the pre-IPO Shareholders agreed they will not, either directly or indirectly, offer, pledge, allot, distribute, sell, contract to sell, sell any option or contract to purchase, purchase any option to sell, grant any option, right or warrant to purchase, transfer or otherwise dispose of, directly or indirectly, any common shares of the Company for a period of 12 months after the first day on which the Company's shares traded on the Frankfurt Stock Exchange without the prior consent of the Company and the underwriters. However, during the period starting on the 180<sup>th</sup> day following the first day of trading of the Company's Shares on the Frankfurt Stock Exchange and ending twelve months after the first day of trading of the Company's Shares on the Frankfurt Stock Exchange, the pre-IPO Shareholders are permitted to sell in aggregate up to 20% of their pre-IPO shareholding. This restriction is subject to limited exceptions. The same lock-up requirement applies to common shares purchased by certain members of the Supervisory Board as part of the IPO. Members of the Management Board have agreed to substantially similar lock-up provisions in respect of their stock options over common shares in the Company and similar instruments.



## Equity Interests in the Company That Exceed 5% of Voting Rights

On the basis of the voting rights notifications received by the Company on or before 31 December 2019 in accordance with Article 11, Section 6 of the Luxembourg Transparency Law and Section 40, Paragraph 1 of the German Securities Trading Act (WpHG), the following direct or indirect Shareholders in the capital of the Company reach or exceed 5% of the voting rights:

Name of Shareholder	Details	Percentage of holding	Date of declaration
Kinnevik AB	Indirectly holds 37.20% through Kinnevik Internet Lux S.à r.l.	37.20%	5 July 2019
Rocket Internet SE	Directly holds 16.76% of the voting rights of the Company and a further 0.30% through the holdings of MKC Brilliant Services GmbH, Bambino 53 .V.V GmbH and Rocket Middle East GmbH.	17.06%	8 July 2019
Crestbridge Management Company S.A.	Indirectly holds 9.44% of the voting rights of the Company, through Rocket Internet Capital Partners SCS who directly holds 6.00% of the voting rights of the Company, and Rocket Internet Capital Partners (Euro) SCS who directly holds 3.45% of the voting rights of the Company	9.44%	4 July 2019

The Company has not been notified of any other direct or indirect capital investments that reach or exceed 5% of the voting rights of the Company. Further, the distribution of voting rights included above may have changed within the reportable thresholds.

### Legal Requirements and Provisions of the Articles of Association Governing the Appointment and Dismissal of Members of the Management Board, and Amendments to the Articles of Association

The Management Board must consist of at least two persons in accordance with Article 13.1 of the Articles of Association. In all other respects, the Supervisory Board determines the number of Management Board members. The Supervisory Board appoints the members of the Management Board on the basis of Luxembourg Company Law and Article 15 of the Articles of Association for a term of office lasting no longer than five years. Reappointments for successive years are permitted. The Supervisory Board is entitled to revoke the appointment of a Management Board member for cause (pursuant to Article 15.3 of the Articles of Association).

Changes to the Articles of Association must be agreed at a general meeting of Shareholders. Unless a higher majority is required by binding legal requirements or the Articles of Association, resolutions proposed at the AGM are passed by a simple majority of votes cast in accordance with Article 11.2 of the Articles of Association. According to Article 11.5 of the Articles of Association, a vote passed by a majority of at least two thirds of the votes validly cast at a general meeting at which a quorum of more than half of the Company's capital is represented is required in order to amend the Articles of Association. Abstentions and nil votes shall not be taken into account.

The Company is authorised to amend the wording of the Articles of Association after carrying out capital increases from authorised capital or after the expiry of the corresponding authorisation, option, or conversion period.



## Authority of the Management Board to Issue and Buy Back Shares

### Authorised Capital

As at 31 December 2019, pursuant to Article 6.1 of the Articles of the Association, the Company's authorised capital, excluding the issued share capital, is €1,839,944.61, represented by 183,994,461 common shares with a nominal value of €0.01 each. Pursuant to Article 6.2 of the Articles of Association, during a period of five years from the date of any resolutions to create, renew or increase the authorised capital pursuant to Article 6.2, the Management Board, with the consent of the Supervisory Board, is authorised to issue shares, to grant options to subscribe for shares and to issue any other instruments giving access to shares within the limits of the authorised capital to such persons and on such terms and subject to the limitations set out in the Special Board Report. The issue of such instruments will reduce the available authorised capital accordingly.

The Special Board Report also sets out circumstances in which the powers under the authorised capital could be used if convening a general Shareholders' meeting would be undesirable or not appropriate. For example, such circumstances could arise when there is a financing need or if the convening of a Shareholders' meeting would lead to an untimely announcement of a transaction, which could be disadvantageous to the Company.

Prior to the Company's IPO, the share capital of the Company amounted to €1,526,899.89 and was divided into 67,861,754 common shares with a nominal value of €0.01 each and 84,828,235 Convertible Preference Shares ("CPS"). The shares were previously held in registered form.

At an extraordinary Shareholders' meeting of the Company held on 31 May 2019, it was resolved to convert the Company's common shares in dematerialised form pursuant to the laws of Luxembourg. The Company's CPS continued to be held in registered form, pending the Conversion. The CPS converted 1:1 into common shares in dematerialised form on 28 June 2019, immediately following pricing of the Company's IPO.

On 1 July 2019, the Company issued:

- 19,939,285 new common shares to pre-IPO Shareholders and repurchased 20,054,561 common shares from pre-IPO Shareholders in connection with the Share Redistribution; and
- 40,000,000 new common shares for the purposes of the IPO.

On 5 August 2019, the Company issued:

- 2,000,000 new common shares in connection with the IPO greenshoe option; and
- 136,243 new common shares to pre-IPO Shareholders in connection with the Share Redistribution<sup>1</sup>.

As at 31 December 2019, the share capital of the Company amounts to €2,147,655.17, and is divided into 214,765,517 common shares with a nominal value of €0.01 each, with 193,288,579 common shares being held in dematerialised form and 21,476,938 common shares being held in registered form. Only common shares in dematerialised form are admitted to trading on the Frankfurt Stock Exchange.

Pursuant to Article 6.3 of the Articles of Association, the Company's authorised capital may be increased or reduced by a resolution of a general meeting of Shareholders adopted in the manner required for an amendment to the Articles of Association. The authorisations in Articles 6.2 and 6.3 of the Articles of Association may be renewed through a resolution of a general meeting of Shareholders adopted in the manner required for an amendment of the Articles of Association and subject to the provisions of the Luxembourg Company Law, each time for a period not exceeding five years.

<sup>1</sup> Issued to those pre-IPO Shareholders that were not capable of holding common shares in dematerialised form on 1 July 2019.

### Treasury Shares

According to Article 7.1 of the Articles of Association, the Company may, to the extent and under the terms permitted by law, repurchase its own shares and hold them in treasury. Prior to the IPO, the Company held 182,378 common shares in treasury. At an extraordinary Shareholders' meeting of the Company held on 31 May 2019, it was resolved to authorise the Company to purchase up to 27,600,000 common shares for the sole purpose of cancellation. On 1 July 2019, the Company repurchased 20,054,561 in connection with the Share Redistribution pursuant to this authority. As at 31 December 2019, the Company held 20,236,939 common shares in treasury, 20,054,561 of which are being held for cancellation. In line with Luxembourg Company Law, the voting rights attached to the common shares held in treasury by the Company are suspended.

Without prejudice to the principle of equal treatment of Shareholders in the same situation and the provisions of the Luxembourg Market Abuse Law, pursuant to Article 430-15 of the Luxembourg Company Law, the Company may acquire its own shares either itself or through a person acting in its own name but on the Company's behalf subject to the following statutory conditions:

- The authorisation to acquire shares is to be given by a general Shareholders' meeting, which determines the terms and conditions of the proposed acquisition and in particular the maximum number of shares to be acquired, the duration of the period for which the authorisation is given, which may not exceed five years, and in the case of acquisition for value, the maximum and minimum consideration;
- The acquisitions must not have the effect of reducing the net assets of the Company below the aggregate of the subscribed capital and the reserves, which may not be distributed under the law or the Articles of Association; and
- Only fully paid-up shares may be included in the transaction.

At the time each authorised acquisition is carried out, the Management Board must ensure that the statutory conditions set out above are complied with.

Where the acquisition of the Company's own shares is necessary in order to prevent serious and imminent harm to the Company, no authorisation will be required from a general Shareholders' meeting. In such a case, the next general Shareholders' meeting must be informed by the Management Board of the reasons for and the purpose of the acquisitions made, the number and nominal values, or in the absence thereof, the accounting par value of the shares acquired, the proportion of the subscribed capital which they represent and the consideration paid for them.

No authorisation will likewise be required from a general Shareholders' meeting in the case of shares acquired either by the Company itself or by a person acting in his/her own name but on behalf of the Company for the distribution thereof to employees. The distribution of any such shares must take place within twelve months from the date of their acquisition.

Pursuant to Article 430-16 of the Luxembourg Company Law, the acquisition of shares is also permitted in the following circumstances if such an acquisition would not have the effect of reducing the net assets of the Company below the aggregate of the subscribed capital and the Company's non-distributable reserves:

- Shares acquired pursuant to a decision to reduce the capital or in connection with the issue of redeemable shares;
- Shares acquired as a result of a universal transfer of assets;
- Fully paid-up shares acquired free of charge or acquired by banks and other financial institutions pursuant to a purchase commission contract;

- Shares acquired by reason of a legal obligation or a court order for the protection of minority Shareholders, in particular, in the event of a merger, the division of the Company, a change in the Company's object or form, the transfer abroad of its registered office or the introduction of restrictions on the transfer of shares;
- Shares acquired from a shareholder in the event of failure to pay them up; and
- Fully paid-up shares acquired pursuant to an allotment by court order for the payment of a debt owed to the Company by the owner of the shares.

Generally, such acquired shares must be disposed of within a maximum period of three years after their acquisition or they must be cancelled. There are some statutory exceptions to this.

#### **Material Agreements Entered into by the Company Providing for a Change of Control upon a Takeover Bid**

The Company has not entered into any agreements of this kind.

#### **Compensation Arrangements Agreed by the Company with the Members of the Management Board or Employees in the Event of a Takeover Bid**

The Company has not entered into any agreements of this kind.

## 1.8 REMUNERATION REPORT AND OTHER DISCLOSURES

### 1.8.1 Remuneration of the Management Board

#### General Introduction

The Company is not subject to the “Ten Principles of Corporate Governance” applicable to companies listed in Luxembourg. In addition, as a company incorporated and existing under the laws of Luxembourg, the Company is not required to comply with the respective German Corporate Governance Code (the “Code”) applicable to German stock corporation. However, as the Company’s shares are listed on the Frankfurt Stock Exchange, the Management Board and Supervisory Board have decided to follow, on a voluntary basis and to the extent consistent with applicable Luxembourg corporate law and Global Fashion Group’s corporate structure, the recommendations of the Code regarding the principles of good corporate governance. Consequently, the appropriateness of the Company’s remuneration for its directors follows the recommendation of the Code, except where the Company has declared a deviation in its declaration of conformity published jointly by the Supervisory Board and Management Board in August 2019. The Company has not adopted a remuneration policy during the 2019 financial year. The Company will adopt such a policy during the 2020 financial year.

#### Basic Features of the Remuneration System for the Members of the Management Board

The Management Board’s remuneration comprises of annual fixed base salary, a short-term, performance-related incentive in the form of an annual variable cash bonus, long-term incentive component in the form of shares and options, and additional fringe benefits. The total remuneration is aligned to each Management Board member’s tasks and performance. The criteria used for the decision on remuneration is based on each Management Board member’s responsibilities, their personal performance, the remuneration in peer organisations and the remuneration structure in place elsewhere in GFG and GFG’s economic situation as well as the expected Company development.

#### Fixed Remuneration

All members of the Management Board receive a non-performance-based remuneration consisting of an annual fixed base salary and additional fringe benefits. The annual fixed base salary is payable in twelve equal instalments, in arrears.

In the 2019 financial year, Management Board members received a cumulative total of € 1.6 million in fixed base salary.

Management Board members also received customary fringe benefits totalling €0.2 million in aggregate during the 2019 financial year. These fringe benefits include contributions towards health insurance, insurance in case of disability or death and monthly gross amounts representing the employer’s contribution to statutory pension and unemployment insurance and relocation costs. Other standard benefits include the reimbursement of travel expenses and D&O insurance with reasonable coverage. The D&O insurance policies cover financial losses arising from a breach of duty on the part of the members of the Management Board in the course of their duties.

## Performance-Related Remuneration (Short-Term Incentive)

In addition to the fixed remuneration, Management Board members are entitled to a performance-related variable bonus for the 2019 financial year totalling €0.8 million. The key performance indicators for the performance-related variable bonus consist of the achievement of both, individual performance objectives, which are pre-defined at the beginning of the financial year, and company development targets such as the achievement of planned business growth and profitability.

## Share-Based Compensation (Long-Term Incentive)

### 2019 GFG Share Plan

The implementation of the 2019 GFG Share Plan ("2019 LTIP") was approved by the Supervisory Board on 20 August 2019. Under the 2019 LTIP, awards are granted to eligible participants, which includes selected employees of the Company and its subsidiaries, including the Management Board.

The 2019 LTIP provides for the granting of RSUs and PSUs. Upon vesting of these awards, participants will acquire either shares in the Company (one unit representing one share) which may be freely traded, subject to any required closed periods and holding periods, or a cash payment of equivalent value (at the election of the Supervisory Board which administers the 2019 LTIP in regards to Management Board members).

PSU awards granted to eligible participants will vest if and to the extent the predefined Performance Conditions have been met, and will thereafter vest upon the Vesting Date. RSU awards granted to eligible participants vest immediately upon the Vesting Date. PSUs and RSUs awards to the Management Board members are subject to a holding period of four years from grant. They are also subject to malus and clawback. There is currently no policy or intention to settle in cash.

## 2016 Long-Term Incentive Plan

On 30 January 2015 the Company adopted its initial share incentive plan under which eligible employees of the Company and its subsidiaries were granted call options over shares in the Company ("Initial Plan"). The Initial Plan was amended in May 2017 and subsequently thereafter allowing the Company to grant eligible employees synthetic regional stock options over shares or their cash equivalent value (the Initial Plan and its subsequent amendments are collectively referred to as "2016 LTIP"). In certain countries the 2016 LTIP was implemented in the form of regional cash awards rather than share-based awards. All synthetic regional stock options were converted into stock options at the level of GFG S.A. upon the IPO on the 2 July 2019.

Prior to the 2019 financial year, stock options were granted or are expected to be granted to members of the Management Board. Some of these options continue to vest during the 2019 reporting period. Each option entitles the holder to acquire one share in the Company upon payment of the corresponding exercise price. Options vest in equal instalments on a quarterly basis and are only exercisable once vested.

All stock option awards made or to be made to Management Board members under the 2016 LTIP plan will conclude vesting upon the 31 December 2020. All vested stock options are subject to the IPO lock-up until July 2020. As for regional cash awards, it is intended that a Management Board member will be entitled to fully vested regional cash awards under the 2016 LTIP.

The synthetic options and cash awards are subject to forfeiture in case of termination for serious grounds or serious fault.



## Individual Call Options

In the time between 2011 and 2014, prior to the creation of GFG, certain managers, employees, officers, supporters or their respective investment vehicles as trustors have entered into certain trust agreements on non-standardized terms relating to the trust participations in various entities, that are now subsidiaries of GFG, through certain entities acting as trustees (the "Subsidiary Trust Arrangements"). Following the IPO of 2 July 2019, these Subsidiary Trust Arrangements with GFG subsidiaries are being exchanged for participations on the level of GFG. Consequently, eligible participants, including a Management Board member, will enter into an individual call option agreement pursuant to which each call option allows the holder to acquire one share in GFG upon payment of the nominal value.

Call options which are expected to be granted to a Management Board member will be fully vested at grant and are subject to the IPO lock-up until July 2020 should they be granted before such date.

The call options are subject to forfeiture in case of termination of the Management Board member for serious grounds.

## Management Board Remuneration for the Financial Year 2019

Each component of the total individual remuneration of the Management Board is reported below, presenting both benefits granted, and benefits received at the minimum and maximum remuneration achievable during the 2019 financial year, as well as the relative proportion of fixed and variable remuneration.

## Christoph Barchewitz (Co-Chief Executive Officer) Year of Appointment to the Management Board: 2019

In € <sup>1</sup>	Benefits Granted		Benefits Received
	2019 (Min.)	2019 (Max.)	2019
Fixed Re-remuneration	666,000	666,000	666,000
Fringe Benefits	25,848	25,848	25,848
<b>Total (fixed components)</b>	<b>691,848</b>	<b>691,848</b>	<b>691,848</b>
Short-Term Incentive	-	333,000	318,348
Long-Term Incentive (Total)	652,680	1,118,185	-
2019 LTIP <sup>2</sup>	652,680	1,118,185	- <sup>3</sup>
2016 LTIP	-	-	-
Individual Call Options	-	-	-
<b>Total (variable components)</b>	<b>652,680</b>	<b>1,451,185</b>	<b>318,348</b>
Pension Expense	66,600	66,600	66,600
<b>Total Remuneration</b>	<b>1,411,128</b>	<b>2,209,633</b>	<b>1,076,796</b>

<sup>1</sup> As the remuneration for Mr. Barchewitz is denominated in British pounds, an exchange rate of 1 £ = 1.2 € has been used for comparability.

<sup>2</sup> The value of RSUs and PSUs are based on the fair value determined at the grant date. This comprises of all RSUs and PSUs granted in the 2019 Financial Year under the 2019 LTIP, to be vested over a 3-year period, dependent on continued service of the employee.

<sup>3</sup> The grant under the 2019 LTIP which was made during the reporting period will vest on 30 April 2020 and remains subject to the holding period.

**Patrick Schmidt**  
(Co-Chief Executive Officer) Year of  
Appointment to the Management Board: 2019

In €	Benefits Granted		Benefits Received
	2019 (Min.)	2019 (Max.)	2019
Fixed Re- muneration	575,000	575,000	575,000
Fringe Benefits <sup>1</sup>	60,620	60,620	60,620
<b>Total (fixed components)</b>	<b>635,620</b>	<b>635,620</b>	<b>635,620</b>
Short-Term Incentive	-	287,500	275,281
Long-Term Incentive (Total)	652,680	1,118,185	-
2019 LTIP <sup>2</sup>	652,680	1,118,185	- <sup>3</sup>
2016 LTIP	-	-	-
Individual Call Options	-	-	-
<b>Total (variable components)</b>	<b>652,680</b>	<b>1,405,685</b>	<b>275,281</b>
Pension Expense	-	-	-
<b>Total Remuneration</b>	<b>1,288,300</b>	<b>2,041,305</b>	<b>910,901</b>

- <sup>1</sup> The Fringe Benefits for Mr. Schmidt include one-off relocation costs for his transition from Australia to Malaysia.
- <sup>2</sup> The value of RSUs and PSUs are based on the fair value determined at the grant date. This comprises of all RSUs and PSUs granted in the 2019 Financial Year under the 2019 LTIP, to be vested over a 3-year period, dependent on continued service of the employee.
- <sup>3</sup> The grant under the 2019 LTIP which was made during the reporting period will vest on 30 April 2020 and remains subject to the holding period.

**Matthew Price**  
(Chief Financial Officer) Year of Appointment  
to the Management Board: 2019

In € <sup>1</sup>	Benefits Granted		Benefits Received
	2019 (Min.)	2019 (Max.)	2019
Fixed Re- muneration <sup>2</sup>	339,879	339,879	339,879
Fringe Benefits	33,988	33,988	33,988
<b>Total (fixed components)</b>	<b>373,867</b>	<b>373,867</b>	<b>373,867</b>
Short-Term Incentive	-	169,940	158,476
Long-Term Incentive (Total)	395,136	606,502	-
2019 LTIP <sup>3</sup>	395,136	606,502	- <sup>4</sup>
2016 LTIP	-	-	-
Individual Call Options	-	-	-
<b>Total (variable components)</b>	<b>395,136</b>	<b>776,442</b>	<b>158,476</b>
Pension Expense	-	-	-
<b>Total Remuneration</b>	<b>769,003</b>	<b>1,150,310</b>	<b>532,343</b>

- <sup>1</sup> As the remuneration for Mr. Price is denominated in British pounds, an exchange rate of 1 £ = 1.2€ has been used for comparability.
- <sup>2</sup> Mr. Price was appointed as the Group Chief Financial Officer effective the 9 April 2019. Thereafter, along with his appointment to the Management Board effective 2 July 2019, his remuneration was consequently reviewed. Mr. Price received an increase to his base salary of 16.7% effective the 1 September 2019. His Fixed Remuneration has been pro-rated accordingly.
- <sup>3</sup> The value of RSUs and PSUs are based on the fair value determined at the grant date. This comprises of all RSUs and PSUs granted in the 2019 Financial Year under the 2019 LTIP, to be vested over a 3-year period, dependent on continued service of the employee.
- <sup>4</sup> The grant under the 2019 LTIP which was made during the reporting period will vest on 30 April 2020 and remains subject to the holding period.

The table below provides a breakdown of the pay-mix for the Management Board for actual total remuneration received in the 2019 Financial Year as a relative proportion of fixed and variable remuneration displayed as comparison over the minimum and maximum granted benefit and the actual benefits received during the reporting period:

### Management Board Remuneration Mix

	Benefits Granted		Benefits Received
	2019 (Min.)	2019 (Max.)	2019
<b>Christoph Barchewitz</b>			
Fixed Remuneration	51%	32%	68%
Variable Remuneration	49%	68%	32%
<b>Patrick Schmidt</b>			
Fixed Remuneration	49%	31%	70%
Variable Remuneration	51%	69%	30%
<b>Matthew Price</b>			
Fixed Remuneration	49%	33%	70%
Variable Remuneration	51%	67%	30%

The remuneration of the Management Board members did not change during the reporting period, with the exception of Matthew Price whose fixed remuneration increased from €0.4 million to €0.5 million, prorated from the effective date.

The diversified footprint where GFG operates, combined with the large number of employees (12,828) and its decentralised approach to defining appropriate remuneration, makes it difficult for the Company to establish an average remuneration for GFG for the purpose of comparing the remuneration of the Management Board. GFG targets to provide remuneration packages that are both competitive externally and proportionate internally. For comparison externally against peers that are comparable and representative of the common market in which GFG operates, the remuneration of the Management Board is in line with market median total cash levels.

The remuneration of the Management Board for the financial year 2019 deviates from the Code in the following respects:

- The forward-looking performance targets apply to the annual bonuses and vesting of PSUs under the 2019 LTIP but these targets are determined at the beginning of each year for the relevant financial year. However, the Supervisory Board deems the annual assessment adequate, since the Company is still a young enterprise operating in growth markets whose business performance is therefore difficult to predict.
- The annual bonus scheme, the 2019 LTIP and the 2016 LTIP do not contain explicit rules requiring the consideration of negative developments (i.e. negative developments are only taken into account in the sense that the relevant targets may not be achieved), and under the 2019 LTIP and 2016 LTIP vesting of awards partly occurs based solely upon continuous employment. The Supervisory Board believes the overall compensation for the Management Board members to be appropriate and well-balanced, and that further consideration of positive or negative developments is not required. Ex-post amendments in exceptional circumstances seem reasonable to ensure adequate and equitable compensation.
- The applicable performance targets and comparison parameters may not in all cases be as demanding and relevant as required by the Code, and the number of vesting awards can partly, in exceptional cases, be adjusted when the level of target achievement would

not adequately reflect relevant performance (in either a positive or negative sense) due to extraordinary influences. In the opinion of the Supervisory Board, such a cap would not be appropriate as it would interrupt the intended alignment of interests between the Shareholders and the Management Board members.

- While annual bonuses and the size of grants under the 2019 LTIP are capped at certain percentages of base salary, there is no cap with regard to the Company's share price once RSUs or PSUs vest or vested Call Options or stock options under the 2016 LTIP are exercised. The Supervisory Board believes that the Management Board members should, in this regard, participate in any increase in the value of the Company to the same extent as any other shareholder would participate.
- Given this contractual set-up, the Supervisory Board believes that no further cap is required. The 2019 LTIP provides for accelerated vesting of a portion of granted RSUs and PSUs in the case of early termination without cause or a change of control, the value of which - depending on the Company's share price - can exceed the caps recommended by the Code in case of early termination. There is also no cap for the overall fixed and/or variable compensation. The Supervisory Board believes the accelerated vesting in case of early termination without cause or change of control is an adequate element of the Management Board members' variable compensation.

Overall, the remuneration of the Management Board contributes to long-term sustainable growth of the company as it aligns the interest of the Management Board with those of its Stakeholders, including the Shareholders. GFG's remuneration seeks to ensure that we are able to attract, retain and motivate the Management Board in order to keep them focused on the achievement of objectives culminating to sustainable value creation and delivery of long-term returns for our Shareholders and multiple Stakeholders; along with a pay-out structure devised to align fixed remuneration and performance-related remuneration with short and long-term focuses of the company through deferred compensation and clawback and malus arrangements. Ultimately, our stance on remuneration should progress and encourage behaviour that is consistent with the Group's purpose, values and vision.

## 1.8.2 Remuneration of the Supervisory Board

The Former Board changed to a two-tier board structure on 17 June 2019. Prior to the change, the compensation of the Former Board was approved at the AGM held on 6 April 2018, in accordance with the Articles of Association.

Only independent directors were entitled to an annual remuneration, in particular €35,000 for the board directorship and €35,000 for the chairing a Committee. Consequently, the following remuneration was paid to directors of the Former Board from January – June 2019:

### Former Board

Name	Remuneration	Role	Comments
Cynthia Gordon	-	Director Chairman of the Compensation Committee	-
Georgi Ganev	-	Director	-
Raphael Thiolon	-	Director	-
Christian Winter	-	Director Member of the Sustainability Committee	-
Christian Senitz	-	Director	-
Oliver Samwer	-	Director Member of the Compensation Committee	-
Daniel Shinar	-	Director Member of the Compensation Committee Member of the Sustainability Committee	-
Alexis Babeau	€70,000	Independent Director Chairman of Audit Committee	-
Victor Herrero	€23,333	Independent Director Chairman of Sustainability Committee	Appointed 28 February 2019, hence remuneration during the reporting period is prorated
Won Suck Song	€11,667	Independent Director Chairman of Sustainability Committee	Resigned 28 February 2019, hence remuneration during the reporting period is prorated
Christoph Barchewitz	-	Executive director	Executive compensation for the reporting period is included in section 1.8.1. Management Board
Patrick Schmidt	-	Executive Director	Executive compensation for the reporting period is included in section 1.8.1. Management Board

Following the change of the governance structure on 17 June 2019, the Management Board and Supervisory Board replaced the Former Board's one tier structure. The pro-rated remuneration of the Management Board is set out in section 1.8.1 above. The annual remuneration of the Supervisory Board was approved on 31 May 2019 at an Extraordinary Meeting of Shareholders in accordance with the Articles of Associations. The Shareholders approved that each member of the Supervisory Board shall receive an annual fixed payment of €35,000.

In addition, the Shareholders approved the following additional components of remuneration for the members of the Supervisory Board:

- the Chairman of the Supervisory Board shall receive an annual fixed payment of €45,000;
- the Vice Chairman of the Supervisory Board shall receive an annual fixed payment of €25,000;

- the Chairman of the Audit Committee shall receive an additional compensation of €40,000;
- the members of the Audit Committee shall receive an annual fixed payment of €10,000;
- the Chairman of the Sustainability Committee shall receive an additional compensation of €35,000; and
- the members of the Sustainability Committee shall receive an annual fixed payment of €10,000.

The table below sets out the pro-rated remuneration paid to each Supervisory Board member individually from July - December 2019.

Board Member	Supervisory Board	Audit Committee	Sustainability Committee	Total Remuneration
Cynthia Gordon	Chairman	-	Member	€45,000 However, Cynthia Gordon has waived her entitlement to remuneration for the reporting period. However, this waiver can be removed for future reporting periods.
Georgi Ganev	Vice Chairman	-	-	€30,000 However, Georgi Ganev has waived his entitlement to remuneration for the reporting period. However, this waiver can be removed for future reporting periods
Alexis Babeau	Member	Chairman	-	€37,500
Victor Herrero	Member	Member	Chairman	€40,000
Laura Weil	Member	Member	-	€22,500
Carol Shen	Member	-	Member	€22,500

## 1.9 FINANCIAL REPORTING

In 2019, at the AGM on 31 May 2019, Ernst & Young ("EY") were re-elected as the independent auditor of the separate and consolidated financial statements. In preparation, Ernst & Young presented a statement of compliance with the relevant ethical requirements on independence and disclosed that there are no business, financial, personal or other relationships between the auditor, its governing bodies and audit managers, on the one hand, and the Company and its directors, on the other, which could give cause to doubt the auditor's independence.

