

2020 - DECLARATION OF COMPLIANCE

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

For the period from the submission of the Declaration of Conformity 2019 on 10th September 2019 to 19th March 2020, the following declaration refers to the recommendations of the German Corporate Governance Code in its version dated 7th February 2017 ("Code 2017"). For the period from 20th March 2020, the declaration refers to the recommendations of the Code in its version dated 16th December 2019, which was published in the Federal Gazette on 20th March 2020 ("Code 2020").

The Executive Board and Supervisory Board of LUDWIG BECK am Rathauseck - Textilhaus Feldmeier Aktiengesellschaft declare in accordance with Section 161 AktG that the recommendations of the "Government Commission German Corporate Governance Code" published by the Federal Ministry of Justice and Consumer Protection in the official part of the Federal Gazette have been complied with and will continue to be complied with in the future with the following exceptions:

1. The recommendation in section 4.1.3, sentence 3 of the Code 2017, A.2, sentence 2 of the Code 2020, according to which employees should be given the opportunity to provide protected information about legal violations in the company (establishment of a whistleblower hotline), is not complied with. The Executive Board and Supervisory Board are of the opinion that the company has a functioning compliance management system even without the establishment of a whistleblower hotline. Moreover, it cannot be ruled out that the establishment of a whistleblower hotline would have a negative impact on the excellent working atmosphere and would encourage denunciation.
2. The recommendation in section 4.2.3 (2) sentence 2 of the Code 2017, according to which the monetary components of Executive Board remuneration should comprise fixed and variable components, was not complied with in part with regard to Executive Board member Jens Schott. Mr Schott received only fixed remuneration in the period from 1st September 2019 to 31st December 2019. As the variable remuneration of the Executive Board is calculated based on criteria that relate to full financial years, the Supervisory Board considered it appropriate and reasonable to grant Mr Schott a purely fixed remuneration for the 2019 financial year in progress at the time of his appointment to the Executive Board. Since 1 January 2020, the recommendation in section 4.2.3 (2) sentence 2 of the Code 2017 has again been fully complied with.
3. Contrary to the recommendation in section 4.2.3 (2) sentence 3 of Code 2017, the multiyear assessment basis that has been used for years to determine the variable remuneration components to be granted to members of the Executive Board is not essentially future-related. In the opinion of the Supervisory Board, the remuneration system that has been in place for many years has proved its worth.
4. Within the statutory period (probably in spring 2021 due to the complexity of the legal requirements), the Supervisory Board will adopt a system of remuneration for members of the Executive Board in accordance with the new section 87a German Stock Corporation Act (AktG), which was added by ARUG II. As the employment contract of the Chairman of the Executive Board, Christian Greiner, will expire on 31st December 2020, the Supervisory Board resolved at its meeting on 15th September 2020 to extend the employment contract with effect from 1st January 2021. For the reasons stated above, the new employment contract of Mr Greiner is still essentially based on the previous remuneration system and therefore does not fully comply with the recommendations of the

Code 2020. Recommendations G.2 (setting a concrete target total remuneration) and G.3 (disclosure of a peer group of other companies for the purpose of assessing the customary nature of the concrete total remuneration) of the Code 2020 are not complied with; likewise, it is not planned that the performance criteria for the variable remuneration components, which are to be based primarily on strategic objectives, will be determined for the coming financial year (G.7 sentence 1 of the Code 2020). With regard to a part of the variable remuneration, the recommendation in G.9 of the Code 2020 is not fully complied with. Furthermore, the variable remuneration amounts granted do not comply with the recommendation in G.10 of the Code 2020 (sharebased grant or investment in shares of the company).

5. The Supervisory Board has not formed a nomination committee (section 5.3.3 of the Code 2017, D.5 of the Code 2020). The Supervisory Board is of the opinion that the preparation of nominations for Supervisory Board members to the Annual General Meeting should take place in the plenary session, which has a manageable number of six members.

6. The recommendation in section 5.4.1 (2) sentence 1, and sentence 2 of the Code 2017, according to which the supervisory board should, among other things, take appropriate account of a regular limit to Supervisory Board members' term in office when determining concrete objectives for its composition, is not complied with. The Supervisory Board does not consider the definition of such a regular limit to be appropriate. It is precisely the members of the Supervisory Board who are affected by a regular limit that have indepth knowledge of the company and many years of experience, from which the company benefits. A decision on a possible further term of office should therefore always be made on a case-by-case basis.

7. "Interim financial information" is not discussed by the Executive Board with the Supervisory Board or its audit committee before publication (section 7.1.2 sentence 2 of the Code 2017). The Supervisory Board and Executive Board are in constant close contact on the basis of monthly reports. Separate discussion on the half-yearly financial reports or other financial information during the year before publication is therefore unnecessary.

8. The rules of procedure of the Supervisory Board were not previously available on the company's website (recommendation D.1 of the Code 2020). At its meeting on 15 September 2020, the Supervisory Board resolved a new version of the rules of procedure for the Supervisory Board, which will be available on the company's website in future. Recommendation D.1 of the Code 2020 will thus be fully complied with in future.

Munich, 15 September 2020

The Executive Board:
Christian Greiner
Jens Schott

The Supervisory Board:
Dr. Bruno Sälzer
Sandra Papst
Clarissa Käfer
Josef Schmid
Michael Neumaier
Michael Eckhoff