

# DECLARATION OF COMPLIANCE PURSUANT TO § 161 OF THE CORPORATION ACT:

The Management and Supervisory Boards of PNE AG declare that the recommendations of the Government Commission on the German Corporate Governance Code published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette as amended have been and are being complied with, with the exception of the recommendations listed below. The German Corporate Governance Code as amended on 7 February 2017 ("**2017 Code**") and published in the Federal Gazette on 24 April 2017 was applied for the period since the submission of the last declaration of compliance on 17 September 2019; since its publication in the Federal Gazette on 20 March 2020, the German Corporate Governance Code as amended on 16 December 2019 ("**2020 Code**") has been applied:

## I.

**Since the last declaration of compliance was issued on 17 September 2019, the recommendations of the 2017 Code have been complied with up to the present day, with the following exceptions:**

### **1. Consideration of the relationship between the remuneration of the Management Board and the remuneration of the senior management and the workforce (Section 4.2.2 of the Code of the 2017 Code)**

The 2017 Code recommends that the supervisory board also take into account the relationship between the remuneration of the management board and the remuneration of the senior management and the workforce as a whole over time. When concluding Management Board agreements, the Supervisory Board ensures, in accordance with the provisions of the Corporation Act, that the total remuneration granted to the Management Board members does not exceed the customary remuneration without good reason. In doing so, it generally also takes into account the "vertical" appropriateness of the remuneration of the Management Board and the wage and salary structure within the PNE Group.

Insofar as the 2017 Code specifies the review of the vertical appropriateness of Management Board remuneration already required in accordance with the Corporation Act and defines the relevant peer groups for the comparison as well as the time scale for the comparison in more detail, a deviation is hereby declared in this respect as a precautionary measure. In reviewing the vertical appropriateness, the Supervisory Board did not differentiate between the peer groups of the recommendation in the 2017 Code, nor did it conduct any surveys on the development of the wage and salary structure over time. The Supervisory Board does not see any added value in the collection of data in the form recommended in the 2017 Code that would justify the effort involved.

### **2. Exclusion of subsequent changes to target figures for variable Management Board remuneration (Section 4.2.3 of the 2017 Code)**

With regard to variable remuneration for management boards, the 2017 Code recommends ruling out subsequent changes in performance targets and benchmark parameters. The Company has contracts with members of the Management Board that permit subsequent changes in exceptional circumstances, particularly if it would be unreasonable to adhere to the original goals. In the opinion of the Supervisory Board, this follows from the stipulation also contained in Section 4.2.2 of the 2017 Code, according to which the remuneration system must be reviewed regularly.

Should this nevertheless be seen as a deviation from the recommendation in Section 4.2.3, a deviation is hereby declared in this respect for the past as a precautionary measure. The Supervisory Board considers it necessary to have an adjustment option that can ensure expedient incentivisation of the members of the Management Board at all times in the interests of the Company.

### **3. Specification of concrete objectives for the composition of the Supervisory Board (Section 5.4.1 of 2017 Code)**

Pursuant to Section 5.4.1 of the 2017 Code, the supervisory board is to specify concrete objectives for its composition and develop a competence profile for the entire body and take these into account in its nominations. The status of implementation is to be published in the Corporate Governance Report. The latter is also supposed to provide information on the number of independent shareholder members that the Supervisory Board deems to be appropriate and the names of these members.

The Company deviates from these recommendations. Section 8(2) of the Articles of Association merely stipulates that Supervisory Board members may not be elected for a period longer than until the end of the annual general shareholders' meeting in the year in which the Supervisory Board member reaches the age of 75. Furthermore, the Supervisory Board's rules of procedure stipulate that the Supervisory Board should have a sufficient number of independent members in its opinion and that no more than two former members of the Management Board should be among the Supervisory Board members. In addition, the Supervisory Board has set targets for the proportion of women on the Supervisory Board, which are being met.

Moreover, the composition of the Supervisory Board must be aligned with the interests of the Company and ensure effective monitoring of and advice to the Management Board. Therefore, the qualifications of the individuals is of primary importance. When discussing its nominations to the shareholders in general meeting, the Supervisory Board also takes into account the Company's increasing international activities, potential conflicts of interest, industry and management experience and diversity.

However, in order not to further restrict the selection of suitable candidates in the interests of the Company, the Supervisory Board confines itself to this general declaration of intent. On the other hand, it does not set specific objectives or competence profiles and therefore does not report on the status of their implementation or on the number and names of independent members of the shareholders, unless this is already required by law.

## **II.**

**The recommendations of the 2020 Code have been complied with since its publication in the Federal Gazette on 20 March 2020 and will be complied with in future, with the following exceptions:**

### **1. Long-term succession planning (Recommendation B.2 of the 2020 Code)**

Pursuant to Recommendation B.2 of the 2020 Code, the supervisory board together with the management board is to ensure long-term succession planning; the procedure is supposed to be described in the corporate governance statement.

Due to the current composition of the Management Board and the current terms of office, there is currently no reason for concrete succession planning. The Supervisory Board, together with the Management Board, has therefore not yet drawn up a concept for long-term succession planning. Irrespective of this, the issue of succession planning is regularly addressed by the Supervisory Board and in discussions with the Management Board. Deliberations are made on terms of contract and renewal options for current members of the Management Board and possible candidates. Furthermore, the management level below the Management Board has been strengthened to ensure a continuous exchange of knowledge.

As a precautionary measure, a deviation from Recommendation B.2 of the 2020 Code is hereby declared.

## **2. Specification of concrete objectives for the composition of the Supervisory Board (Recommendation C.1 of the 2020 Code)**

Pursuant to Recommendation C.1 of the 2020 Code, the supervisory board is to specify concrete objectives for its composition and draw up a competence profile for the entire body. When doing so, the supervisory board is to pay attention to diversity. Proposals of the supervisory board to the shareholders in general meeting are supposed to take these objectives into account and at the same time aim to fill out the competence profile for the entire board. The status of implementation is supposed to be published in the corporate governance statement. This statement is also to provide information on the number of independent shareholder representatives deemed appropriate by the shareholder representatives on the supervisory board and the names of these members.

The Company deviates from these recommendations. Section 8(2) of the Articles of Association merely stipulates that Supervisory Board members may not be elected for a period longer than until the end of the annual general shareholders' meeting in the year in which the Supervisory Board member reaches the age of 75. Furthermore, the Supervisory Board's rules of procedure stipulate that the Supervisory Board should have a sufficient number of independent members in its opinion and that no more than two former members of the Management Board should be among the Supervisory Board members. In addition, the Supervisory Board has set targets for the proportion of women on the Supervisory Board, which are being met.

Moreover, the composition of the Supervisory Board must be aligned with the interests of the Company and ensure effective monitoring of and advice to the Management Board. Therefore, the qualifications of the individuals is of primary importance. When discussing its nominations to the shareholders in general meeting, the Supervisory Board also takes into account the Company's increasing international activities, potential conflicts of interest, industry and management experience and diversity.

However, in order not to further restrict the selection of suitable candidates in the interests of the Company, the Supervisory Board confines itself to this general declaration of intent. On the other hand, the Supervisory Board does not set specific objectives or competence profiles and therefore does not report on the status of their implementation or on the number and names of independent members of the shareholders, unless this is already required by law, nor does it intend to do so in the future.

## **3. Publication of the Supervisory Board's rules of procedure (Recommendation D.1 of the 2020 Code)**

Pursuant to Recommendation D.1 of the 2020 Code, the supervisory board is to adopt rules of procedure for itself and make them available on the company's website.

In the past, the rules of procedure were not made available on the Company's website. A deviation from Recommendation D.1 of the 2020 Code is hereby declared for the past.

Since September 16, 2020, the rules of procedure of the Supervisory Board have been made available on the Company's website.

## **4. Training and further training measures for members of the Supervisory Board (Recommendation D.12 of the 2020 Code)**

Pursuant to Recommendation D.12 of the 2020 Code, a company is to provide appropriate support to supervisory board members during their inauguration and training and further training measures and to report on the implemented measures in the supervisory board's report.

The Supervisory Board refrains from reporting in the Supervisory Board's report about training and further training measures for individual members as well as measures to support them during their

inauguration. Upon taking office, new members of the Supervisory Board are internally instructed and supported in the work of the Supervisory Board commensurate to their previous knowledge. In addition, the Supervisory Board members are responsible for their own training and further training measures. They are supported in this by the Company if necessary.

A deviation from recommendation D.12 of the 2020 Code is hereby declared in this respect.

## **5. Definition of performance criteria for all variable components of the remuneration of the Management Board members (Recommendation G.7 of the 2020 Code)**

Pursuant to Recommendation G.7 of the 2020 Code, the supervisory board is to determine the performance criteria for all variable remuneration components for each member of the management board for the coming financial year, which in addition to operational objectives, are to be based above all on strategic objectives. The supervisory board is to determine the extent to which individual goals for the individual management board members or goals for all management board members together are to be decisive.

In addition to the development of the share price and personal goals, the performance criterion for variable remuneration is based on the development of operating results.

Strategic objectives as such are currently not defined. However, the Supervisory Board assumes that the performance criterion of the development of the share price and the long-term Group EBIT or Group EBITDA is significantly influenced by the strategic success of the Company.

However, as a precautionary measure, a deviation from Recommendation G.7 of the 2020 Code is hereby declared.

## **6. Long-term variable remuneration amounts (Recommendation G.10 of the 2020 Code)**

Pursuant to Recommendation G.10 of the 2020 Code, the variable remuneration amounts granted to a management board member are to be invested predominantly in shares of the company or granted on a share basis, taking into account the respective tax liability. A management board member is first to be able to dispose over the granted long-term variable amounts after four years.

The current employment agreements do not provide for the variable remuneration amounts granted to the Management Board members to be invested predominantly in shares of the Company or granted on a share basis, taking into account the respective tax liability.

Variable remuneration is granted in cash. However, the Supervisory Board is of the opinion that the current regulation, according to which the long-term variable remuneration amounts depend to a certain extent on the share price development, provides a sufficient incentive for favourable share price development among the Management Board members.

A deviation from Recommendation G.10 of the 2020 Code is hereby declared.

## **7. Claim to restitution of variable remuneration (Recommendation G.11 of the 2020 Code)**

Pursuant to Recommendation G.11 of the 2020 Code, the supervisory board is to have the possibility to take account of extraordinary developments to an appropriate extent. In justified cases, it is to be possible to withhold or reclaim variable remuneration.

The employment agreements with the Management Board members do not currently contain any provision according to which variable remuneration can be withheld or reclaimed. In the opinion of the Supervisory Board, extraordinary developments are taken into account to an appropriate extent by linking the variable remuneration to, among other things, the consolidated EBIT or the consolidated EBITDA. In addition, the Supervisory Board considers the liability regulations stipulated by law to be sufficient to assert any restitution claims.

A deviation from Recommendation G.11 of the 2020 Code is hereby declared.

## **8. Variable remuneration upon cessation of employment agreement (Recommendation G.12 of the 2020 Code)**

Pursuant to Recommendation G.12 of the 2020 Code, in the event of the cessation of an employment agreement with a management board member, the payment of outstanding variable remuneration components attributable to the period up to the cessation of the contract is to be made in accordance with the originally agreed targets and benchmark parameters and in accordance with the due dates or holding periods specified in the contract.

The employment agreements of the Management Board members do not provide for the payment of outstanding variable remuneration components attributable to the period up to the cessation of the contract to be made in accordance with the originally agreed targets and benchmark parameters and in accordance with the due dates or holding periods specified in the contract.

The employment agreements of the Management Board members stipulate that in the event of cessation of the contract, the variable remuneration is to be determined ahead of time on a lump-sum basis. The Supervisory Board considers the complete cessation with immediate compensation of all outstanding remuneration benefits to be a proper and appropriate procedure in order to ensure the clear and speedy settlement of contracts.

A deviation from Recommendation G.12 of the 2020 Code is hereby declared.

Cuxhaven, September 15, 2020