

## **Statement of compliance pursuant to Section 161 of the German Stock Corporation Act (AktG)**

Two clarifications have been made due to the new version of the German Corporate Governance Code: Under item 1, the statement for the Code in the version dated February 7, 2017, and under item 2 the declaration for the Code in the version dated December 16, 2019.

### **1. Statement of compliance for the Code in the version dated February 7, 2017**

Statement of the Management Board and Supervisory Board of Allgeier SE on the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG): Since issuing the last statement of compliance in April 2019, Allgeier SE has complied with the recommendations of the "Government Commission German Corporate Governance Code" published by the Federal Ministry of Justice in the version dated February 7, 2017, since their publication until March 20, 2020, with the following exceptions:

#### Code Section 3.8 (3)

*"A similar deductible shall be agreed upon in any D&O policy for the Supervisory Board."*

A deductible in accordance with legal requirements is defined in the D&O insurance for the Management Board. For the Supervisory Board, such a deductible is not prescribed by law. Leeway exists to assess the appropriateness of such a provision, taking into account the differences in the character and scope of the responsibilities of the Management Board and the Supervisory Board. The Company will monitor further developments regarding the appropriateness of the D&O insurance and deductibles going forward and review possible need for changes.

#### Code Section 4.2.3 (4) Clauses 1 and 3

*"When concluding contracts for members of the Management Board, provisions shall be put in place to ensure that payments to a Management Board member when that member's Management Board activities end prematurely, including fringe benefits, do not exceed twice the value of the annual compensation (settlement cap) and do not compensate for more than the remaining term of the employment contract. ... The overall compensation in the past financial year and, if applicable, also the expected overall compensation for the current financial year shall be used for the calculation of the settlement cap."*

The Supervisory Board is of the opinion that appropriate contracts can be drafted without a general settlement cap, depending on the term and other parameters. The premature termination of contracts with members of the Management Board that are concluded for a fixed term with no provision for orderly cancellation is to be evaluated and negotiated based on the circumstances on a case-by-case basis. In evaluating the appropriateness of terms and conditions for terminating a contract prematurely, the question of a settlement cap is merely one of several aspects that need to be dutifully examined by the Supervisory Board. The Supervisory Board reserves the right to examine and structure each aspect individually, as establishing a general cap does not relieve the Supervisory board from this duty to review and evaluate each case.

## Code Section 4.2.4

By way of precaution, the Management and Supervisory boards draw attention to the fact that the Shareholders' Meeting decided not to disclose the compensation of the Management Board on an individual basis and by naming each member of the Management Board. In keeping with the applicable legal regulations, disclosure occurs annually in the annual report for the Management Board as a whole, analyzed into fixed and variable compensation.

## Code Section 4.2.5 (3) Clauses 1 and 2

*"The compensation report is also to show for each member of the Management Board:*

- benefits granted in the year under review including fringe benefits, supplemented in the case of variable compensation components by the maximum and minimum compensation possible,*
- amounts received for the period under review including fixed compensation, short-term variable compensation and long-term variable compensation, differentiated by the respective years of receipt,*
- for retirement and other pension benefits, the cost of benefits in and/or for the period under review.*

*The sample tables in the annex are to be used for this information."*

The Shareholders' General Meeting has decided not to disclose the compensation of the Management Board in individualized form and by name for each member of the Management Board. Disclosure complies with the applicable legal regulations and the recommendations of the Corporate Governance Code for the Management Board as a whole.

## Code Section 5.1.2 (2) Clause 3 and Section 5.4.1 (2) Clause 2

*"An age limit shall be specified for members of the Management Board."*

*"In terms of its composition, ... it should take into appropriate consideration ... in the context of the enterprise's specific situation, an age limit to be defined for members of the Supervisory Board, and a time limit to be defined for length of service on the Supervisory Board."*

In making decisions to fill Management Board positions and for nominations of Supervisory Board members, evaluating the personal and technical suitability of the candidates for the Company is crucial. This evaluation must be performed on a case-by-case basis after an extensive examination of suitability, and taking all relevant individuals into consideration. No justification exists for establishing a general age limit, which merely constitutes one criterion. Rather, a rigid age limit could constitute an unwanted criterion excluding qualified Management Board or Supervisory Board members. Nor does any requirement exist for a standard limit for the duration of membership on the Supervisory Board. Members of the Supervisory Board are appointed in accordance with Article 46 SE-VO and Section 10.2 of the bylaws of Allgeier SE for a term in office lasting until the conclusion of the shareholders meeting that decides whether to formally approve the member's actions for the fourth financial year after commencement of their term in office. The financial year in which the term in office commences is not counted. However the appointment occurs at the longest for 6 years. After expiration of this period, the shareholders' meeting decides on any reappointment.

## Code Section 5.4.6 (3)

*"The compensation for members of the Supervisory Board shall be disclosed individually in the notes to the financial statements or in the management report, analyzed by elements. Compensation paid by the Company to members of the Supervisory Board, or benefits granted for personally provided services, particularly consulting and brokerage services, shall also be disclosed individually."*

In keeping with the manner in which the disclosure of Management Board compensation is handled, the Company also does not consider the individual disclosure of Supervisory Board compensation appropriate and necessary for the size of the Company and the Supervisory Board. The provisions for Supervisory Board compensation in the bylaws and the disclosure of overall compensation and its structure, as well as the compensation for other services in the annual report result in adequate transparency.

## Code Section 7.1.2 Clause 3

*"The consolidated financial statements and the group management report shall be available to the public within 90 days after the end of the financial year, and the obligatory interim reports during the year within 45 days after the end of the reporting period."*

The Company prioritizes the accuracy and integrity of the respective financial statements and reports. The Company endeavors to provide shareholders with the respective financial statements and reports as rapidly as possible. Nevertheless, the Company reserves the right to utilize the statutory time limits for publication in every case, if this is required in order to properly prepare and review the financial statements and reports.

## **2. Statement of compliance for the Code as amended on December 16, 2019**

The new recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated December 16, 2019 were published on March 20, 2020, and these recommendations have been, and continue to be, complied with since their publication in the German Federal Gazette (Bundesanzeiger), with the following exceptions:

## Code Section B 5

*"An age limit shall be specified for members of the Management Board and disclosed in the Corporate Governance Statement", and Code section C2 "An age limit shall be specified for members of the Supervisory Board and disclosed in the Corporate Governance Statement."*

In making decisions to fill Management Board positions and for nominations of Supervisory Board members, evaluating the personal and technical suitability of the candidates for the Company is crucial. This evaluation must be performed on a case-by-case basis after an extensive examination of suitability, and taking all relevant individuals into consideration. No justification exists for establishing a general age limit, which merely constitutes one criterion. Rather, a rigid age limit could constitute an unwanted criterion that excludes qualified Management Board or Supervisory Board members.

## Code Section F 2

*"The consolidated financial statements and the group management report shall be made available to the public within 90 days after the end of the financial year, and the obligatory interim reports during the year within 45 days after the end of the reporting period."*

The Company prioritizes the accuracy and integrity of the respective financial statements and reports. The Company endeavors to provide shareholders with the respective financial statements and reports as rapidly as possible. The Company nevertheless reserves the right to utilize the statutory time limits for publication in every case, if this is required in order to properly prepare and review the financial statements and reports.

## Code Sections G 1 - G 14

G 1 *"The compensation system shall, in particular, specify*

- how the target total compensation is determined for each Management Board member, and the amount that the total compensation must not exceed (maximum compensation),*
- the proportion of (i) fixed compensation and (ii) short-term and long-term variable compensation in the target total compensation,*
- which financial and non-financial performance criteria are decisive for the granting of variable compensation components,*
- what kind of relationship exists between achieving previously agreed performance criteria and variable compensation; and,*
- when and in what form Management Board members have access to variable compensation components, which they have been granted."*

G 2 *"The Supervisory Board shall set the specific target total compensation for each Management Board member on the basis of the compensation system. This shall be appropriate to the Management Board member's own tasks and performance as well as to the enterprises' overall situation and performance, and it shall not exceed the usual level of compensation without specific reasons."*

G 3 *"In order to assess whether the specific total compensation of Management Board members is in line with usual levels compared to other enterprises, the Supervisory Board shall determine an appropriate peer group of other third-party entities, and shall disclose the composition of that group. The peer-group comparison shall be applied with a sense of perspective, in order to prevent an automatic upward trend."*

G 4 *"To ascertain whether compensation is in line with usual levels within the enterprise itself, the Supervisory Board shall take into account the relationship between Management Board compensation and the compensation of senior managers and the workforce as a whole, and how compensation has developed over time."*

G 5 *"If the Supervisory Board calls upon an external compensation expert to develop the compensation system, and to evaluate whether the compensation is appropriate, it shall ensure that the expert is independent from both the Management Board and the enterprise."*

G 6 *"The share of variable compensation achieved as a result of reaching long-term targets shall exceed the share from short-term targets."*

G 7 *"The Supervisory Board shall determine the performance criteria for all variable compensation components for the forthcoming financial year for each member of the Management Board; besides operating targets, such performance criteria shall be geared mainly to strategic goals. The Supervisory Board shall determine the extent to which individual goals of the individual Management Board members or goals for all Management Board members together shall be decisive."*

G 8 *"Subsequent modification of the target values or the comparison parameters should be excluded."*

G 9 *"After the end of the financial year, the Supervisory Board shall determine the amount of the compensation components to be granted individually for that year, depending on the achievement of targets. The achievement of the objectives should be comprehensible in terms of reason and amount."*

G 10 *"The variable compensation amounts granted to the member of the Management Board shall be invested predominantly in shares of the Company or granted on a share basis, taking the respective tax burden into consideration. Granted long-term variable compensation components shall be accessible to Management Board members only after a period of four years."*

G 11 *"The Supervisory Board shall have the possibility to account for extraordinary developments to an appropriate extent. It shall be permitted to retain or reclaim variable compensation, if justified."*

G 12 *"If a Management Board member's contract is terminated, the disbursement of any remaining variable compensation components attributable to the period up until contract termination shall be based on the originally agreed targets and comparison parameters, and on the due dates or holding periods stipulated in the contract."*

G 13 *"Any payments made to a Management Board member due to early termination of their Management Board activity shall not exceed twice the annual compensation (severance cap) and shall not constitute compensation for more than the remaining term of the employment contract. If post-contractual non-compete clauses apply, the severance payments shall be taken into account in the calculation of any compensation payments."*

G 14 *"Change of control clauses that commit to benefits in the case of early termination of a Management Board member's contract due to a change of control should not be agreed upon."*

The provisions of the current compensation largely correspond to the requirements of the Code. The new compensation system will be presented to the Shareholders' General Meeting in accordance with the statutory provisions.