

## KPS AG

### **Declaration by the Executive Board and Supervisory Board on the recommendations of the “Government Commission on the German Corporate Governance Code” in accordance with Section 161 of the German Stock Corporation Act (Declaration of Compliance)**

The Executive Board and Supervisory Board of KPS AG (hereinafter also referred to as the “**company**”) hereby declare in accordance with Article 161 (1) sentence 1 German Stock Corporation Act (AktG) that the recommendations of the version of the German Corporate Governance Code dated 28 April 2022 (“**Code 2022**”) published by the Federal Ministry of Justice in the official section of the Federal Gazette on 27 June 2022 have been and are complied with, with the following exceptions:

- A.2 The Executive Board expressly welcomes all efforts to counteract gender discrimination and any other form of discrimination and to promote diversity as appropriate. When making appointments to management positions in the company, the Executive Board is guided primarily by the competence and qualifications of the persons available.
  
- B.1 In determining the composition of the Executive Board, the Supervisory Board mainly considers special skills and qualifications; other characteristics such as gender, national affiliation or other diversity aspects are only of secondary importance for this decision.
  
- B.2 The members of the Supervisory Board and the Executive Board discuss future appointments and long-term succession on the Executive Board regularly. For the moment, the company does not consider any additional succession planning and its disclosure to be necessary in favour of a flexible personnel competence of the Supervisory Board.
  
- B.3 The recommendation, according to which the initial appointment of Executive Board members should be for a maximum period of three years, was not complied with in the past because, in the opinion of the company, it improperly restricts the Supervisory Board’s freedom of decision. However, the Supervisory Board intends to comply with this recommendation in the future.

- B.5 The Supervisory Board does not define an age limit for members of the Executive Board. Therefore, no corresponding disclosure is made. Defining an age limit for Executive Board members is not in the interests of the company or its shareholders, as there is no compelling link between a specific age of an Executive Board member and his or her performance.
- C.1 sentences 1 to 5 In view of the size of the company's Supervisory Board and the statutory requirements of the German Stock Corporation Act (AktG), which sets out the personal requirements for serving on the Supervisory Board in Section 100 AktG and the duties of the Supervisory Board in Section 111 AktG and thus, like the Code 2022, also defines the targets for the proposals for the re-election of the Supervisory Board, the Supervisory Board refrains from defining specific targets for the composition of the Supervisory Board and from drawing up a competence profile for the entire body and reporting on this in the form of a qualification matrix.
- C.2 No age limit was defined for membership of the Supervisory Board and no corresponding disclosure was made, as the Supervisory Board is of the opinion that age does not impact the ability of a member of a governing body to perform his or her duties.
- C.7 sentences 1 and 2 In the opinion of the management, the added value of the specific expertise and the in-depth knowledge of the company gained over many years by the Supervisory Board members Tsifidaris and Grünewald, who are operationally active in the company, outweigh the potential disadvantages of a Supervisory Board composed of a majority of independent members.
- C.10 In the opinion of the management, Mr. Tsifidaris' extensive knowledge of the company and specific technical expertise outweigh any lack of independence of the Chairman of the Supervisory Board.
- D.1 The Rules of Procedure of the Supervisory Board are not made publicly available, as the company does not consider publication to be of significant added value for shareholders.
- D.2, D.4 Pursuant to Section 107 para. 4 sentence 2 AktG, a Supervisory Board consisting of three members also forms the Audit Committee. Apart from this, no other committees are formed at the company, and thus no Nomination Committee. The formation of further committees is not expedient in the case of a Supervisory Board with three

members and – contrary to the case with a larger plenary body – does not lead to an increase in efficiency. This applies in particular in view of the fact that committees require at least three members.

- D. 3 sentences 1, 2 and 4      The recommendations in D.3 sentences 1, 2 and 4 of the Code 2022 are currently not complied with, as Section 100 para. 5 sentence 1 AktG, according to which at least one member of the Supervisory Board must have expertise in the field of accounting and at least one other member must have expertise in the field of auditing, does not yet have to be applied by KPS AG. Pursuant to Section 12 para. 6 of the Introductory Act to the German Stock Corporation Act (EGAktG), this provision does not have to be applied until a new election of all members of the Supervisory Board takes place, which is expected to take place at the Annual General Meeting in 2024. From this point on, the Supervisory Board will have members with the appropriate expertise, so that the Audit Committee will also have members with the expertise required by the recommendations and thus the recommendations in D.3 sentences 1, 2 and 4 of the Code 2022 will be complied with.
- D.6      The Executive Board also participates regularly in the meetings of the Supervisory Board of the company for reasons of efficiency. However, in the case of special matters for discussion, especially in connection with Executive Board personnel matters, the Supervisory Board meets without the Executive Board.
- F.2      The Group Annual Reports and Management Reports as at 30 September of each financial year are published within four months after the end of the relevant reporting period. Financial information during the course of the year in the form of half-year financial reports and quarterly statements is published within two months of the end of the reporting period. The Executive Board and Supervisory Board consider the statutory publication deadlines and the supplementary regulations for the Prime Standard of the Frankfurt Stock Exchange to be sufficient to inform investors regularly and promptly.
- F.5      The company only publishes the currently applicable Corporate Governance Declaration on the website, as no significant added value for shareholders is seen in publishing outdated declarations.
- G.1 and G.2      The Supervisory Board defines specific targets for the assessment of the performance-related bonus for the members of the Executive Board for each financial year,

which is based on a multi-year assessment. Taking the fixed remuneration of the Executive Board and additional benefits into account, this results in a specific target remuneration. However, any higher total target remuneration for this financial year was subject to the Supervisory Board issuing stock options to a member of the Executive Board in the further course of the financial year and/or granting the members of the Executive Board a bonus for special performance in a past financial year. The remuneration system for the Executive Board also provides the option of defining non-financial performance criteria as well as financial performance criteria for performance-related remuneration in form of bonus payments based on a multi-year assessment basis as performance parameters. The selection of these performance criteria and their concrete determination is at the discretion of the Supervisory Board on the basis of the Executive Board remuneration system approved by the Annual General Meeting on 21 May 2021. This scope gives the Supervisory Board the necessary flexibility to make individual remuneration decisions in response to operational changes and the associated incentive aspects.

G.3 For the purposes of the horizontal peer group comparison, the Supervisory Board selects a suitable peer group of companies whose market position is comparable to that of the company. The focus is on those companies that are comparable to the company in terms of market capitalisation, revenue and industry. However, the Supervisory Board refrains from disclosing the composition of the peer group. For reasons of flexibility, the Supervisory Board rather reserves the right to determine an appropriate peer group only in preparation for a concrete remuneration decision, taking the above criteria into account. The early disclosure of a comparative group would not do justice the fact that up to this point in time certain companies could be added to or excluded from the peer group.

G.4 In determining the appropriate remuneration of the Executive Board, the Supervisory Board considers the remuneration structure of the upper management of KPS Group as part of a vertical (internal) comparison but does not consider the ratio of Executive Board remuneration to the remuneration of the workforce as a whole, including the development over time. The recommendation in G.4 of the Code 2022 does not appear to be very practicable due to the particular personnel structure of the company as a consulting company and, moreover, is not suited for ensuring that the remuneration of the Executive Board is appropriate in every case.

- G.6 The variable Executive Board remuneration for a financial year, which results from the achievement of long-term targets, does not exceed the share from short-term targets for financial years 2021/22 and 2022/23. The amount of the special bonus granted to the Executive Board for special performance in a specific financial year can be equal to or higher than the Executive Board bonus based on a multi-year assessment basis. This means that the company's Executive Board can also be granted a bonus in cases in which it has performed exceptionally well in a particular financial year, but a bonus will not be paid for this financial year due to unexpected and unforeseeable reasons, in particular due to economic and geopolitical developments, because the targets have not been achieved. The possibility of also granting a variable remuneration component in these cases means that special performance that promotes the sustainable and long-term development of KPS Group can be rewarded in particular. This ensures appropriate overall remuneration. Account is also taken of the fact that the Executive Board was and is only able to counteract the global economic and political uncertainties and the resulting negative effects on KPS Group to a limited extent.
- G.7 According to the recommendation in G.7 of the Code 2022, the Supervisory Board is to define the performance criteria for all variable remuneration components for each Executive Board member for the upcoming financial year, which, in addition to operational objectives, are to be primarily based on strategic objectives. There have been and will be deviations from this recommendation with regard to the time component. The Supervisory Board does not make this definition prior to a financial year, but only within the first half of the financial year, as it waits for the end of the previous year in order to be able to define performance criteria in a reliable manner on the basis of the audited figures for the previous year and the related company planning.
- G.10 The long-term variable remuneration components are not primarily granted by the company based on shares or invested in shares of the company. In the view of the Supervisory Board, such a share-based remuneration component does not offer any significant increase in the incentive effect for a member of the Executive Board, who, as one of the founders of the company, already holds a significant stake as a shareholder. Members of the Executive Board can already dispose of their long-term variable remuneration components before the end of four years, as the Supervisory Board considers a multi-year assessment basis to be sufficient for the purpose of sustainability.

- G.12 If a member of the Executive Board leaves the company during the course of a financial year, the long-term variable remuneration for the year of departure is to be paid on a pro rata temporis basis, assuming 100% target achievement. After leaving the company, a member of the Executive Board is no longer responsible for the success or failure of the operating business and, above all, for the bonus parameters linked to key financial indicators.
- G.13 Severance payments to an Executive Board member on premature termination of his or her contract due to a change of control are not limited in amount to the remaining term of the contract. In the opinion of the Supervisory Board, such a limit could restrict the free decision of the Executive Board member to exercise his or her right of termination and also deprive the Executive Board member of financial planning security.

Unterföhring, January 2024

On behalf of the Supervisory Board  
Michael Tsifidaris

On behalf of the Executive Board  
Leonardo Musso