

Declaration by the Executive Board and the Supervisory Board of KPS AG on the German Corporate Governance Code

The Executive Board and the Supervisory Board of KPS AG declare pursuant to Article 161 Stock Corporation Law ("**Compliance Declaration**") compliance with the recommendations of the Government Committee of the German Corporate Governance Code ("**Code**"):

The last Compliance Declaration was made in January 2018. Since this date, KPS AG has complied with the recommendations of the Code in the version dated 7 February 2017 (published in the Federal Gazette (Bundesanzeiger) on 19 May 2017) with the following exceptions and will comply with these in future:

Section 3.8 The D&O insurance for the Supervisory Board does not have a deductible.
Sub-section 3 In the opinion of the Executive Board and the Supervisory Board, the agreement of a voluntary deductible is neither appropriate nor necessary to guarantee that the members of the Supervisory Board fulfill their obligations in accordance with the defined requirements.

Section 4.1.3 The Executive Board should take appropriate measures (Compliance Management System) based on the risk position of the company and make appropriate disclosures on this basis. Employees should be given appropriate scope to provide secure notification of violations of statutory regulations in the company (whistleblowing). Up to now, compliance with the recommendation and the implementation of a comprehensive Compliance Management System was not necessary in the view of the management owing to the lean hierarchy and the manageable number of employees within the company. However, the Executive Board has examined the Compliance Management existing in the company on the basis of this recommendation and is currently working together with external consultants to establish a compliance management system which will take appropriate account of the possible risks in the company. The intention is to implement this system in the course of this business year.

Section 4.1.5 sentence 1 The Executive Board expressly welcomes all efforts which act against discrimination for reasons of gender and on any other grounds and promotes diversity as appropriate. When making appointments to management posi-

tions in the company, the decisions of the Executive Board are governed solely on the basis of the competence and qualifications held by the candidates, and it does not equate gender with any primary relevance for decision-making in this connection. The Executive Board has defined target parameters and deadlines for achieving the target parameters pursuant to the statutory regulations for the proportion of women in the two management tiers below the Executive Board. These are published in the Declaration on Corporate Governance.

Section 4.2.1 Pursuant to Section 4.2.1, the Executive Board is intended to have several persons and a chair or spokesperson. Since Mr. Dietmar Muller stepped down from the Executive Board of the company at the end of the day on 31 May 2017, Mr. Leonardo Musso has held the position of sole Member of the Executive Board. At the present time, the Supervisory Board believes that an Executive Board with just one member is adequate in relation to the current scope of the functions to be performed and taking account of the activity of the first management tier beneath the Executive Board and the close cooperation between the Executive Board and the Supervisory Board. Nevertheless, the possibility of expanding the Executive Board by a further member in the future has not been excluded. The rules of procedure currently valid for the Executive Board continue to apply to the sole Member of the Supervisory Board insofar as rules are included there (e.g. management measures requiring a vote), which do not relate exclusively to an Executive Board with more than one member.

Section 4.2.2 The Supervisory Board does not use the ratio of compensation of the Executive Board to the compensation for the senior management and the workforce overall in relation to the issue of what level of compensation is appropriate for the Executive Board, neither is the development over time taken into account. Accordingly, the Supervisory Board does not lay down how the senior management and the relevant workforce should be defined. However, the power of the Executive Board to determine the two management levels beneath the Executive Board pursuant to Article 76 Sub-section 4 sentence 1 Stock Corporation Law (AktG) is not affected by this. The recommendation in section 4.2.2 sub-section 2 sentence 3 of the Code appears to be impractical on account of the specific personnel structure of

the company as a consulting firm and furthermore inappropriate for guaranteeing that the compensation for the Executive Board is appropriate in every case.

Section 4.2.3 The contract of service with Mr. Musso does not have a severance pay cap
Sub-section to cover the case of premature termination of the contract. Such a rule does
4 not appear necessary in addition to the conditions applicable under statutory regulations in the case of premature termination of the contract of service with a Board Member in order to safeguard the interests of the company and its shareholders.

Section 4.2.3 The Chairman of the Supervisory Board has not informed the Annual General Meeting about the principles of the compensation system, and their
Sub-section amendment because the information provided in the annual financial
6 statements and the compensation report was deemed to be adequate.

Section 4.2.4 On 28 March 2014, the Annual General Meeting of KPS AG resolved with
and 4.2.5 the necessary majority no longer to publish the information pursuant to
Sub-section Article 286 Section 5 German Commercial Code (HGB), Article 285 no. 9
3 and 4 letter a) sentence 5 to 8 German Commercial Code (HGB) and pursuant to Article 314 Section 3 sentence 1 German Commercial Code (HGB), Article 314 Section 1 no. 6 letter a) sentence 5 to 9 German Commercial Code (HGB). Against this background, the compensation system will also not be disclosed and explained using the sample tables in the compensation report. The resolution on non-disclosure passed by the Annual General Meeting expires on 28 March 2019 and the intention is not to renew this for the future. The company will disclose the compensation for the Executive Board on an individual basis in future in accordance with the regulations outlined above.

Section 5.1.2 The Supervisory Board expressly welcomes all efforts which act against
Sub-section discrimination for reasons of gender and on any other grounds, and promotes diversity as appropriate. When making appointments to the Executive Board, the decisions of the Supervisory Board are governed solely by the specific individual competence and qualification, and other characteristics such as gender or nationality have not been relevant to such decisions and will not be applicable in the future. Target parameters in accordance

with the statutory regulations for the proportion of women on the Executive Board have been defined along with deadlines relating to attainment of the target parameters. These are published in the Declaration of Corporate Governance.

Section 5.1.2
Sub-section
2 sentence 3

The Supervisory Board has not defined any age limit for the Members of the Executive Board. The definition of an age limit for the Members of the Executive Board is not in the interests of the company and its shareholders since there is no compelling connection between a specific age of a Member of the Executive Board and their performance.

Section 5.3

No committees are formed in light of the number of Members of the Supervisory Board (three) in accordance with the statutes of the company and the actual number of members (three). In the view of the Supervisory Board, the formation of committees is not effective and — contrary to the situation with a bigger supervisory body — does not result in an increase in efficiency. This is particularly true against the background that committees taking decisions require at least three members. All relevant matters are therefore dealt with by all the members of the Supervisory Board.

Section 5.4.1
Sub-section
2 and 4 sentence 1,
sentence 2

The Code includes specific recommendations for targets in relation to the composition of the Supervisory Board and for working out a competence profile for the Supervisory Board as a whole, as well as for taking account of the circumstances and definitions for the composition of the Supervisory Board.

In the view of the Supervisory Board, the composition of the Supervisory Board is presently such that the principles of diversity, potential conflicts of interest, the number of independent Members of the Supervisory Board, and the international activity of the KPS Group are appropriately taken into account. In future, the company reserves the right to propose three candidates for selection as Members of the Supervisory Board at elections for the Supervisory Board. The added value of specific expertise and the in-depth knowledge about the company for example of an employee may outweigh the supposed disadvantages of a lacking independent Member of the Supervisory Board in the view of the Supervisory Board.

In view of the size of the Supervisory Board of the company and the statutory regulations defined in the Stock Corporation Law, which describes in

Article § 100 Stock Corporation Law (AktG) the personal requirements for the activity as a Member of the Supervisory Board and in Article 111 Stock Corporation Law (AktG) the functions of the Members of the Supervisory Board and therefore also simultaneously defines, in the same way as the Code, the targets for nominations for the re-election of the Supervisory Board, the Supervisory Board has refrained from designating concrete targets for the composition when the Supervisory Board is re-elected or defining a competence profile for the board as a whole. This also applies with a view to Article 100 Sub-section 5 Stock Corporation Law (AktG), according to which the Members of the Supervisory Board as a whole must be familiar with the sector in which the company is operating.

Corresponding reporting on the status of implementation in the corporate governance report is inapplicable for this reason. An age limit for membership of the Supervisory Board has not been defined, since in the view of the Supervisory Board there is no compelling connection between a specific age of a Member of the Supervisory Board and their performance. A control limit for the length of membership of the Supervisory Board has not been defined because the company would be unnecessarily cut off from the consulting expertise of individual persons as a result of such a restriction. Pursuant to the statutory regulations, the Supervisory Board has defined target parameters in relation to the proportion of women on the Supervisory Board and for the attainment of the target parameters which are published in the Declaration on Corporate Governance.

Section 5.4.1
Sub-section
6

In the past, the Supervisory Board has not disclosed the personal and business relationships of each candidate for the company, the governance bodies of the company and a shareholder with a major interest in the company when it submits proposals for election to the Annual General Meeting. However, this recommendation should be complied with in future.

Section 5.4.6
Sub-section
3

Disclosure of the compensation of the Members of the Supervisory Board and their guaranteed compensation or benefits granted for personally rendered services, in particular consulting and mediation services, is not provided on an individualized basis. We prefer to provide information about the summarized Supervisory Board remuneration payments because we do not perceive any additional material benefits for the shareholders if information

is presented with a breakdown on an individualized basis and with individual components. Furthermore, the individual payments to Members of the Supervisory Board are sufficiently transparent on the basis of the minutes of the Annual General Meeting that are available in the public domain.

Section 7.1.2 The consolidated financial statements and management reports as at 30 September of each business year are published within four months after the end of the relevant reporting period. The financial information during the course of the year in the form of half-year financial reports and quarterly reports is published within two months of the end of the reporting period. The Executive Board and the Supervisory Board believe that the statutory publication deadlines and the supplementary regulations for the Prime Standard of the Frankfurt Stock Exchange are adequate in order to provide investors with regular and up-to-date information.

Unterföhring, January 2019

For the Supervisory Board
Michael Tsifidaris
Chairman

For the Executive Board
Leonardo Musso