

DECLARATION ON CORPORATE GOVERNANCE PURSUANT TO SECTION  
289D/ 315D OF THE GERMAN COMMERCIAL CODE (January 2025)

The Declaration on Corporate Governance pursuant to Section 289f, 315d of the German Commercial Code (“HGB”) is publicly accessible at: <https://kps.com/de/de/company/investor-relations/corporate-governance.html>

1. DECLARATION PURSUANT TO SECTION 161 OF THE GERMAN STOCK  
CORPORATION ACT (AKTG)

The Executive Board and Supervisory Board of a company listed in Germany must issue an annual declaration pursuant to Section 161 of the German Stock Corporation Act (“AktG”) stating the extent to which they have complied with or are complying with the German Corporate Governance Code (“GCGC”). Furthermore, reasons must be provided as to which recommendations of the GCGC have not been or are not being complied with. Each declaration of compliance is made available to the public for a period of five years on the company’s website at [www.kps.com](http://www.kps.com) under the heading “Investor Relations,” “Corporate Governance.” The most recent Declaration of Compliance of both boards relating to the version of the GCGC dated 28 April 2022 published in the German Federal Gazette on 27 June 2022 was published in January 2025 and states the following:

**Declaration by the Executive Board and the Supervisory Board  
of the “Government Committee 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 Section 161 (1) sentence 1 of the 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 primarily considers special expertise 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 regularly discuss future appointments and long-term succession on the Executive Board. For the

moment, the company does not consider any additional succession planning and its disclosure to be necessary in favour of a flexible personnel expertise of the Supervisory Board.

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 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 of the German Stock Corporation Act (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 reflect the ability of a member of a governing body to perform his or her duties.

C.7 Until the company's Annual General Meeting on May 10, 2024, no more than half of the shareholder representatives on the Supervisory Board were independent of the company. In the opinion of the management, the added value of the specific expertise and the in-depth and long-standing knowledge of the company on the part of the Supervisory Board members Mr. Tsifidaridis and Mr. Grünewald, who are operationally active in the company, outweighed the supposed disadvantages of Supervisory Board with a majority of independent members. The election of Mr. Josef Richter as Mr. Grünewald's successor now complies with the recommendation in C.7 sentence 1 of the Code 2022, as the management believes that Mr. Richter is independent of the company and its Executive Board.

C.10 In the opinion of the management, Mr. Tsifidaridis' 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 of the German Stock Corporation Act (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 have been complied with since the company's Annual General Meeting on May 10, 2024, as Section 100 (5) half-sentence 1 AktG applies to the company from this date and at least one member of the Supervisory Board has expertise in the field of accounting and at least one other member has expertise in the field of auditing due to the new election to the Supervisory Board.
- 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 particular matters for discussion, especially in connection with Executive Board personnel matters, the Supervisory Board meets without the Executive Board in attendance.
- F.2 The Group Annual Reports and Management Reports as of 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 supplementary regulations for the Prime Standard of the Frankfurt Stock Exchange to be sufficient to inform investors regularly and promptly.
- 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 an appropriate 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 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 firm 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, 2022/23 and 2023/24. 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 This recommendation was and is partially deviated from with regard to the time component. The Supervisory Board does not set the performance criteria before a financial year, but only within the first half of the financial year, as it waits for the end of the previous year to be able to define performance criteria in a reliable manner on the basis of the audited figures for the previous year and the associated corporate 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 during the course of a financial year, the long-term variable remuneration for the year of leaving is 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 terms of the 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 its right of termination and also deprive the Executive Board member of financial planning security.

Unterföhring, January 2025

On behalf of the Supervisory Board  
Michael Tsifidaris

On behalf of the Executive Board  
Leonardo Musso

## 2. REMUNERATION REPORT/REMUNERATION SYSTEM

At the Annual General Meeting on 21 May 2021, the remuneration system for the remuneration of members of the Executive Board was approved pursuant to Section 87a para. 1 and 2 sentence 1 of the German Stock Corporation Act (AktG) and the remuneration for members of the Supervisory Board was determined pursuant to Section 113 para. 3 AktG of the German Stock Corporation Act (AktG). The remuneration system for the Executive Board and the resolution on the remuneration of the Supervisory Board are publicly available on the company's website at [www.kps.com](http://www.kps.com) under the heading "Investor Relations," "Corporate Governance." On the same website, the remuneration report and the respective auditor's report pursuant to Section 162 of the German Stock Corporation Act (AktG) for the financial years 2022/2023 and following are made publicly available. At the Annual General Meeting for the 2023/24 financial year, the remuneration system for the members of the Executive Board and the remuneration of the Supervisory Board will again be up for resolution as scheduled.

## 3. RELEVANT CORPORATE GOVERNANCE PRACTICES

KPS Group aligns its actions with the legal systems of the countries in which the company operates. In addition to responsible corporate governance in accordance with the law, the company has established internal Group regulations that reflect the guiding principles and management principles within the Group. The guiding principles of KPS Group are the best possible customer orientation, a pronounced commitment to performance, safeguarding and improving its quality standards, and creating a positive working environment for our employees (the "Code of Conduct" is publicly available on the company's website at [www.kps.com](http://www.kps.com) under the heading "Investor Relations," "Corporate Governance").

## 4. ACCOUNTING PRINCIPLES AND AUDITING OF FINANCIAL STATEMENTS

The financial statements of KPS Group are prepared in accordance with International Financial Reporting Standards (IFRS). The individual financial statements of KPS AG are prepared in accordance with the German Commercial Code (HGB). The auditor is elected by the Annual General Meeting in accordance with the statutory provisions. The auditor is independent. He is responsible for auditing both the Group financial statements and the individual financial statements of KPS AG.

## 5. WORKING PROCEDURE OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

If the Executive Board is composed of several persons, it usually meets once a month and on an ad hoc basis as required, while the Supervisory board usually meets four times a year and when necessary. The Executive Board informs the Supervisory Board regularly, promptly and comprehensively about all issues of relevance to the company related to company strategy,

planning, business development and the risk situation. It also presents the Group's project and revenue planning for the coming financial year to the Supervisory Board. The Executive Board informs the Supervisory Board without delay of important events that are of particular significance for assessing the situation and development of the company. Significant measures by the Executive Board are only taken after consultation with and approval by the Supervisory Board. Neither the Executive Board nor the Supervisory Board has formed any committees due to the small number of members, except for the statutory Audit Committee.

## **6. SELF-ASSESSMENT AND INDEPENDENCE OF THE SUPERVISORY BOARD**

The Supervisory Board regularly reviews how effectively it performs its duties. The self-assessment focuses in particular on the procedures on the Supervisory Board and the flow of information between the Supervisory Board and the Executive Board, as well as the timely and sufficient provision of information to the Supervisory Board. In view of the company's size and the uncomplicated flow of information between the Supervisory Board and the Executive Board, the self-assessment was carried out without an external consultant. As in the previous year, the result of the examination was positive.

With Hans-Werner Hartmann and Josef Richter, the Supervisory Board has an appropriate number of independent members. In the opinion of the Supervisory Board, Mr. Hartmann can fully and impartially perform his monitoring and advisory duties in the exclusive interests of the company despite his many years in office. Mr. Hartmann has no personal or other business relationship with the KPS Group and no conflicts of interest have arisen in the past. Despite this necessary distance from the company, Mr. Hartmann is very familiar with the core business of the KPS Group thanks to his many years of experience and in-depth knowledge of the company and can contribute valuable suggestions and advice. Mr. Hartmann is therefore regarded as an independent member despite his membership of the Supervisory Board of KPS AG for more than 12 years. In the opinion of the Supervisory Board, Mr. Josef Richter is also independent. He worked as Vice President in the KPS Group until December 31, 2023. The Supervisory Board took this circumstance into account in its assessment, but did not identify any conflicts of interest. Since taking office as a member of the Supervisory Board, Mr. Richter has had no further business relationships with KPS, no longer has any direct operational function in the company and, in the opinion of the Supervisory Board, will perform his monitoring and advisory function in the best interests of the company.

Mr. Hans-Werner Hartmann and Mr. Michael Tsifidaris are two financial experts on the Supervisory Board who meet the requirements of Section 100 (5) AktG. Mr. Hans-Werner Hartmann has expertise in the areas of accounting and auditing in accordance with Section 100 (5) AktG. He studied business administration at the University of Augsburg and the University of Applied Sciences Fulda with a focus on auditing, tax law and finance and accounting as well as law (2nd state examination) at the University of Augsburg. He has held positions including Head of Finance and Accounting and is admitted to the bar. Due to his special knowledge in the field of accounting, Mr. Michael Tsifidaris meets the requirements for a financial expert as defined by Section 100 (5) AktG. He holds a degree in business administration and has decades of management experience with international and national responsibility. Mr. Tsifidaris also has extensive knowledge in the field of accounting due to his long-standing function as Chairman of the Supervisory Board of KPS AG.

## **7. DEFINITION OF TARGET PARAMETERS FOR THE SHARE OF WOMEN ON THE SUPERVISORY BOARD, EXECUTIVE BOARD, AND IN ITS TWO SUBORDINATE MANAGEMENT TIERS**

The Supervisory Board and Executive Board have defined targets for the share of women on the Supervisory Board, Executive Board and in the two management tiers below the Executive Board for KPS AG by 30 June 2027, the achievement of which is reported on below.

	Initial position in 2015*	Target by 30 June 2017	Target attainment by 30 June 2017	Target by 30 June 2022	Target attainment by 30 June 2022	New target by 30 June 2027
<b>Supervisory Board</b>	0%	0%	0%	0%	0%	25%
<b>Executive Board</b>	0%	0%	0%	0%	0%	0%
<b>First management tier</b>	0%	0%	0%	0%	0%	15%
<b>Second management tier</b>	9.50%	9.50%	6.40%	20%	16.70%	25%

\* Target parameters as at the latest possible reference date of 30 June 2017 had to be defined for the first time by 30 September 2015.

When defining the target in 2022, the Supervisory Board defined the target for the share of women on the Executive Board as 0% and Supervisory Board as 25%. The target for the first management tier was defined as 10% and for the second management tier as 25%. As of 30 June 2022, there were no women on either the Supervisory Board or the Executive Board. A share of 0% women was achieved in the first management tier of KPS AG and 16.7% in the second management tier. The targets for the composition of the second management tier were thus not met, which is essentially due to the reasons outlined below.

In principle, KPS AG aims to increase the share of women within the company and also within the relevant management bodies. However, it must be taken into account that, as is typical for the industry, the search for qualified applicants, and especially for qualified female applicants, is rather difficult for KPS AG, with the result that the share of women within KPS AG as a whole, and especially in management positions, is low. In the search for appropriate female and male candidates for the Supervisory Board, the Executive Board and the first and second management tiers, KPS AG is guided exclusively by the knowledge, skills and professional experience of the respective person required to perform the respective tasks. Characteristics such as gender were and are of secondary importance in selecting personnel. These circumstances are ultimately the reason the targets defined as of 30 June 2022 for the share of women in the second management tier below the Executive Board could not be achieved. KPS AG nevertheless intends to strengthen management positions by filling them with qualified women and has therefore defined a target of 25% for the second management tier, which is to be achieved by 30 June 2027.

For the above reasons, the Supervisory Board has determined a target of 25% for the share of women on the Supervisory Board and 0% on the Executive Board by 30 June 2027. Similarly, the Executive Board has set a target of 15% for the share of women in the first management tier and a target of 25% in the second management tier by 30 June 2027.

## 8. DIVERSITY CONCEPT

The company also pays attention to diversity in the composition of the Executive Board and the Supervisory Board. However, this is not done by pursuing a rigid diversity concept defined in terms of diversity aspects such as age, gender, educational and professional background. The composition of the administrative bodies must ensure effective and sustainable management of the company in the interests of the company. In order to ensure that these tasks are performed in a dutiful manner, the company will continue to be guided primarily by the professional knowledge, skills and experience of the candidates under consideration when appointing members to the Executive Board and Supervisory Board.