

1.1. DECLARATION ON CORPORATE GOVERNANCE PURSUANT TO ARTICLES 315d, 289f OF THE GERMAN COMMERCIAL CODE (HGB)

The Declaration on Corporate Governance pursuant to Articles 315d, 289f German Commercial Code (HGB) is publicly accessible under: www.kps.com/de/investor-relations/corporate-governance.html.

1.1.1. RELEVANT CORPORATE GOVERNANCE PRACTICES

KPS aligns its corporate activities with the national legal systems of the countries in which the company is running its operations. The company has established internal regulations within the company extending beyond the statutory framework relating to the responsible corporate governance that reflect the guiding framework and governance principles within the Group. The guiding principles of the KPS Group are optimum customer orientation, highly developed dedication, and motivation, safeguarding and improving our quality standards, and creation of a positive working environment for our employees.

1.1.2. ACCOUNTING PRINCIPLES AND AUDITING OF FINANCIAL STATEMENTS

The accounts of the KPS Group are prepared in accordance with the International Financial Reporting Standards (IFRS). The individual financial statements of KPS AG are drawn up in accordance with the German Commercial Code (HGB). The auditor for the financial statements is therefore selected by the Annual General Meeting in accordance with the statutory regulations. The auditor is independent. The auditor carries out the audit of the consolidated and individual financial statements of KPS AG.

1.1.3. WORKING PROCEDURE OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

If the Executive Board is made up of more than one person, the Board will generally meet on a monthly basis and as necessary also comes together on an ad-hoc basis. The Supervisory Board generally meets four times a year and otherwise convenes as necessary. The Executive Board regularly informs the Supervisory Board in a timely manner and with comprehensive information about all the issues relating to corporate strategy relevant for the company, the planning, the development of business and the risks position. The Executive Board also presents to the Supervisory Board project and income planning relating to the Group for the coming business year. The Executive Board immediately informs the Supervisory Board about important events that are relevant for the assessment of the position and development of the company. No committees have been formed by the Executive Board or the Supervisory Board in view of the low number of members.

1.1.4. EFFICIENCY AUDIT

The Supervisory Board regularly reviews the efficiency of its activity. The focuses of the efficiency audit are in particular the procedural processes in the Supervisory Board and the information flow between the Supervisory Board and the Executive Board, and the prompt delivery of information with appropriate content to the Supervisory Board. In view of the size of the company and the smooth information flows between the Supervisory Board and the Executive Board, the efficiency audit was carried out without any external advisers. The review arrived at a positive result as was also the case in the previous year.

1.1.5. DEFINITION OF TARGET PARAMETERS FOR THE PROPORTION OF WOMEN ON THE SUPERVISORY BOARD, EXECUTIVE BOARD, AND IN THE TWO SUBORDINATE MANAGEMENT TIERS BELOW THE EXECUTIVE BOARD

On 1 May 2015, the "Law on Equal Participation for Women and Men in Management Positions in the Private Sector and in Public Service" (Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst) came into force. This legislation imposed new obligations on the Supervisory Board, the Executive Board and the two management tiers below the Executive

Board, requiring expansion of the proportion of women in the management tiers. The Supervisory Board and the Executive Board defined target parameters up to 30 June 2017 for KPS AG, and a report on the attainment of those parameters is provided below. At the same time, new target parameters were defined for attainment by 30 June 2022:

KPSAG	Initial position in 2015*	Target by 30 June 2017	Target attainment by 30 June 2017	New target by 30 June 2022
Supervisory Board	0%	0%	0%	0%
Executive Board	0%	0%	0%	0%
1st management tier	0%	0%	0%	0%
2nd management tier	9.5%	9.5%	6.4%	20%

* 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.

The Supervisory Board defined the target parameter for the proportion of women on the Executive Board and the Supervisory Board as 0% when targets were first established in 2015. These target parameters were determined by the fact that the officers appointed to the Managing and Supervisory Boards at the time were incumbent until 30 June 2017. On 30 June 2017, there were no female members of the Supervisory Board and the Executive Board. Furthermore, the Executive Board defined targets for the proportion of women in the first and second management tiers below the Executive Board, the attainment of which was envisaged by 30 June 2017. The target parameter of 0% was defined for the proportion of women in the first management level on the basis of the status quo at the time for KPS AG and the deterioration prohibition that was in place, and 9.5% was defined for the second management tier. On the reference date of 30 June 2017, a proportion of 0% was attained for women in the first management tier of KPS AG and 6.4% in the second tier. The relevant target parameters were therefore attained. The targets for the composition of the second management tier were therefore not attained, which is essentially due to the reasons referenced below.

KPS AG is striving to achieve an increase in the proportion of women both within the company and also within the relevant governance bodies. However, it is important to take into account that the search for suitable applicants and most importantly for suitable female applications is tends to be typically difficult for the sector in which KPS AG is operating such that the proportion of women within KPS AG overall and in particular in management positions is very low. When searching for suitable male and female candidates for the Supervisory Board, the Executive Board and the first and second management tiers, KPS AG makes its decisions solely on the basis of the knowledge, skills and specialist experience of the relevant individuals that is necessary for carrying out the relevant functions. Characteristics such as gender were and are of secondary importance in the selection of personnel. These circumstances were ultimately the reason that the targets defined for the proportion of women in the second management tier below the Executive Board could not be attained by 30 June 2017. Since the targets were first defined in 2015, the business operations of the KPS Group have developed gratifyingly and this expansion was accompanied by a corresponding increase in the number of employees. However, on the basis of the qualitative selection criteria referred to, it was only possible to appoint male candidates. This resulted in an overall arithmetic reduction in the proportion of women present in this group. Nevertheless, KPS AG intends to increase the number of suitably qualified women in management positions. The Group has therefore defined a target parameter of 20 % for the second management tier and attainment of this target is planned by 30 June 2022.

Owing to the reasons outlined above, as a precautionary measure the Supervisory Board has passed a resolution to implement a target parameter of 0 % in relation to the proportion of women on the Supervisory Board and the Executive Board by 30 June 2022. Similarly, the Executive Board has defined a target parameter of 0 % for the proportion of women in the first management tier by 30 June 2022.