



Manz AG
Reutlingen

ISIN: DE000A0JQ5U3

Declaration of Compliance November 2021

by the Management Board and the Supervisory Board of Manz AG concerning the recommendations of the "Government Commission German Corporate Governance Code" pursuant to Section 161 German Stock Corporation Act

The Management Board and the Supervisory Board of Manz AG declare pursuant to Section 161 German Stock Corporation Act (*Aktiengesetz*, hereinafter AktG) that the recommendations of the Commission "Regierungskommission Deutscher Corporate Governance Kodex" (hereinafter Code) in the version dated December 16, 2019, published by the Federal Ministry of Justice in the official part of the Federal Gazette has been complied with since the last declaration of compliance dated November 24, 2020, with the following exceptions, and will be complied with in future, with the following exceptions.

Recommendation D.4 sentence 2 – Chair of the Audit Committee

Recommendation D.4 sentence 2 of the Code, pursuant to which the Chair of the Supervisory Board shall not chair the Audit Committee, will not be complied with in future.

In accordance with the new rule in Section 107 subsection 4 AktG, the Supervisory Board of Manz AG forms an Audit Committee. In so doing, it shall comply with Recommendation D.4 sentence 1 of the Code, pursuant to which the Chair of the Audit Committee shall have specific knowledge and experience in applying accounting principles and internal control procedures and shall be familiar with audits. As he meets these requirements, the acting Chair of the Supervisory Board is designated for the post of Chair of the Audit Committee.

Recommendation G.1 – System for Management Board Remuneration

Pursuant to Section 87a subsection 1 sentence 1 AktG and Principle 23 paragraph 1 first half-sentence of the Code, the Supervisory Board decides on a clear and comprehensible system of remuneration for the Management Board members.

Recommendation G.1 of the Code, pursuant to which the remuneration system shall define in particular,

- how the target total remuneration is determined for each Management Board member, and the amount that the total remuneration must not exceed (maximum remuneration),

- the proportion of (i) fixed remuneration and (ii) short-term and long-term variable remuneration in the target total remuneration,
- the financial and non-financial performance criteria relevant for the granting of variable remuneration components,
- what kind of relationship exists between achieving previously agreed performance criteria and variable remuneration, and
- when and in what form the Management Board members have access to variable remuneration components, which they have been granted,

was at times not complied with.

The first resolution of the Supervisory Board concerning a remuneration system pursuant to Section 87a subsection 1 AktG must take place pursuant to Section 26j subsection 1 sentence 1 Introductory Act to the German Stock Corporation Act (*Einführungsgesetz zum Aktiengesetz*, EGAktG) before the end of the first annual general meeting after December 31, 2020. Thus, the Supervisory Board of Manz AG first decided on a remuneration system for the Management Board members that complies with Recommendation G.1 of the Code in May 2021. The remuneration system was approved by resolution of the annual general meeting of July 7, 2021.

Recommendation G.2 – Specific Target Total Remuneration

Recommendation G.2 of the Code, pursuant to which the Supervisory Board shall set the specific target total remuneration for each Management Board member on the basis of the remuneration system, as appropriate to the Management Board member's tasks and performance as well as to the enterprises' overall situation, and which shall not exceed the usual level of remuneration without specific reasons, was at times not complied with.

In May 2021, the Supervisory Board of Manz AG decided a new remuneration system for the Management Board members. On this basis, the Supervisory Board for the first time determined the specific target total remuneration for each member of the Management Board for business year 2021 in May 2021 and confirmed this after the remuneration system for the Management Board members was approved by resolution of the annual general meeting of July 7, 2021.

Recommendation G.3 – Peer-Group-Comparison

Recommendation G.3 of the Code, pursuant to which in order to assess whether the specific total remuneration 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, was at times not complied with.

The Supervisory Board of Manz AG in the course of the resolved remuneration system for Management Board members determined an appropriate peer group of other third-party entities in order to assess whether the specific total remuneration of Management Board members is in line with usual levels compared to other enterprises in accordance with Recommendation G.3 of the Code for the first time in May 2021. The composition of that group was first disclosed in the convening of the annual general meeting of July 7, 2021. To assess whether the Management Board remuneration is appropriate, the Supervisory Board has already compared it to remuneration at other comparable enterprises, which, in its opinion, allowed for a proper assessment.

Recommendation G.11 – Extraordinary Developments

Recommendation G.11 of the Code, pursuant to which the Supervisory Board shall have the possibility to account for extraordinary developments to an appropriate extent, and pursuant to which, if justified, it shall be permitted to retain or reclaim variable remuneration, was at times not complied with.

Recommendation G.11 of the Code was newly introduced in the latest version of the Code of December 16, 2019, and, thus, after the conclusion of the Management Board members' contracts of Manz AG. Through addenda to the Management Board members' contracts concluded in connection with the remuneration system for Management Board members decided by the Supervisory Board of Manz AG and approved by the annual general meeting on July 7, 2021, rules were agreed for the first time facilitating the reduction (malus) or reclaim (clawback) under certain circumstances of variable remuneration that has not yet been or has already been paid.

The agreement of the possibility for reduction (malus) and reclaim (clawback) of variable remuneration did not correspond to Best Practice at the time of the conclusion of the contract in each case. The Management Board members' contracts were in each case concluded for the same duration as the term of office and can be amended only by mutual agreement of the contracting parties.

Recommendation G.13 sentence 1 first half-sentence – Severance Cap

Recommendation G.13 sentence 1 first half-sentence of the Code, pursuant to which payments made to a Management Board member due to early termination of their Management Board activity shall not exceed twice the annual remuneration (severance cap), was not complied with, nor will it be complied with in future.

In the employment contract of the Chair of the Management Board, concluded in 2018, it is agreed – in derogation from the Recommendation in G.14 of the Code – that in the event of a

change-of-control, the Management Board member has the right to terminate their employment contract within six months of the occurrence of a change-of-control with a notice period of three months to the end of a calendar month and to stand down from their post as Management Board member with the same notice period. For the purposes of this Change of Control Clause, a change-of-control exists if the company receives notice pursuant to which a party subject to a notification duty attains or exceeds at least 25 % of the voting rights pertaining to shares in the company owned or attributable to them. In the event of the termination of the Management Board members' contract, based on the change-of-control clause, the Management Board member has a claim to severance payable when the employment ends. The severance is, however, capped at three times the annual remuneration (150 % of the severance cap). If, at the time the termination enters into effect, the residual term of the Management Board members' contract is more than two years, the severance is reduced by 75 %, in so far as it is granted for the remaining period.

The change-of-control clause agreed in 2018 in the Management Board member's contract of the Chair of the Management Board complied with the Recommendation in Section 4.2.3 paragraph 5 of the Code in the version of February 7, 2017, pursuant to which the commitment of remuneration relating to the premature termination of the activity as a Management Board member as a result of a change-of-control shall not exceed 150 % of the severance cap. Accordingly, change-of-control clauses with this maximum amount were considered to be Best Practice and were common at that time. The company also deemed such a change-of-control clause reasonable, since it is intended to help ensure that, in the event of a potential change-of-control, the conduct of the Management Board members is based solely on the interests of the company, and the maximum amount of 150 % of the severance cap to this extent appears appropriate. This applies in particular in view of the agreed reduction of the severance payment by 75 % insofar as it is granted for a period exceeding a residual term of two years. The Recommendation in Section 4.2.3 paragraph 5 of the Code 2017 is no longer included in the current version of the Code dated December 16, 2019. It has been replaced with Recommendation G.14 of the Code, pursuant to which commitments 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 Management Board members' contract of the Chair of the Management Board was concluded for five years corresponding to the term in office and can be amended only with the mutual agreement of the contracting parties.

Recommendation G.13 sentence 2 – Taking account of severance payments in the calculation of compensation payments

Recommendation G.13 sentence 2 of the Code, pursuant to which if post-contractual non-compete clauses apply, the severance payments shall be taken into account in the calculation of any compensation payments, was at times not complied with.

The Management Board member contract of the Chair of the Management Board concluded in 2018 contains a post-contractual non-compete clause, pursuant to which the Board member

is prohibited from entering into competition with the company for a period of 24 months from termination of the employment. As a result of an addendum to the contract with the Management Board member concluded in connection with the remuneration system for Management Board members decided by the Supervisory Board of Manz AG and approved by the annual general meeting of July 7, 2021, it was agreed for the first time that in accordance with the change-of-control clause, any severance payable as a result of a termination of the Management Board members' contract due to a change-of-control is to be taken into account when calculating the compensation payment payable for the duration of the post-contractual non-compete obligation, such that the claim to compensation is reduced by the amount of the claim to a severance payment. Further, the remuneration system for Management Board members decided by the Supervisory Board of Manz AG and approved by the annual general meeting of July 7, 2021, provides that the agreed severance due in the event of the early termination of the employment is, as a rule, to be taken into account in the calculation of the compensation payment.

Recommendation G.13 sentence 2 of the Code was newly introduced in the current version of the Code of December 16, 2019, and, thus, after the conclusion of the Management Board members' contract with the Chair of the Management Board. At the time the contract was concluded, the agreement on the deduction of a severance payment from the compensation payment was not Best Practice. Corresponding to the term of office, the Management Board members' contract of the Chair of the Management Board was concluded for five years and can be amended only with the mutual agreement of the contracting parties.

Reutlingen, November 24, 2021

Manz AG

On behalf of the Management:

On behalf of the Supervisory Board:

Martin Drasch
Chair of the Board of Management

Professor Dr. Heiko Aurenz
Chair of the Supervisory Board