

Corporate governance report and declaration

Corporate governance at GRAMMER

GRAMMER is committed to ensuring responsible and transparent corporate governance on the basis of statutory provisions, its articles of incorporation, the rules of procedure of the Executive Board and the Supervisory Board and the German Corporate Governance Code (the Code), which are observed in all decision-making processes.

GRAMMER AG is subject to German stock corporation law and therefore has a dual management system consisting of an Executive Board and a Supervisory Board.

Executive Board

The Executive Board is responsible for the management of GRAMMER AG. As a management body, it is committed to furthering the Company's interests and to increasing its sustained enterprise value. To this end, it develops a suitable strategy, consults with the Supervisory Board and ensures that it is implemented.

The Executive Board is responsible for preparing the Company's quarterly reports and half-yearly financial report as well as the annual and consolidated financial statements and the management report for GRAMMER AG and the Group. Its duties also include implementing effective risk and opportunity management and supervision as well as ensuring compliance with statutory requirements and internal corporate policies throughout the entire Group.

The Supervisory Board has issued rules of procedure for the Executive Board, which include the definition of various areas of responsibility and the rules for cooperation both within the Executive Board and between the Executive Board and the Supervisory Board. The rules of procedure also determine the

matters that are the responsibility of the Executive Board in its entirety and the required majorities for passing resolutions. The allocation of responsibilities was updated to reflect the changes in the Executive Board and adapted in the light of its composition and the new organizational structure.

The Executive Board and the Supervisory Board work closely together in the Company's best interests. In addition to the Supervisory Board meetings, which are attended by the members of the Executive Board, the Chief Executive Officer and the Chairman of the Supervisory Board discuss all relevant matters regularly as well as on an ad-hoc basis at short notice. This also applies to the Chief Financial Officer and the Chairman of the Audit Committee. The report of the Supervisory Board provides additional information on the collaboration between the Executive Board and the Supervisory Board.

The members of the Executive Board are subject to a comprehensive non-competition clause during their activities for GRAMMER AG. They undertake to act in the Company's best interests and may not pursue any personal interests when making decisions; in particular, they may not make use of any business opportunities arising for the Company for their own personal benefit. They may only engage in sideline activities, in particular, supervisory board mandates outside the GRAMMER Group, with the approval of the Supervisory Board. The Supervisory Board is responsible for deciding on how the remuneration received for sideline activities is to be treated. Each member of the Executive Board is under a duty to disclose to the Supervisory Board any conflicts of interest without delay.

As a rule, members of the Executive Board are initially appointed for a period of no more than three years. However, the Supervisory Board assesses each individual case on the basis of its own merits to determine the appropriate initial period of appointment.

In 2020, the Executive Board was composed of the following members:

- Thorsten Seehars, Chief Executive Officer (CEO), Chief Human Resources Officer, member of the Executive Board since August 1, 2019, appointed until July 31, 2022
- Jurate Keblyte, Chief Financial Officer (CFO), member of the Executive Board since August 1, 2019, appointed until July 31, 2022
- Jens Öhlenschläger, Chief Operating Officer (COO), member of the Executive Board since January 1, 2019, appointed until December 31, 2021

The resumes of the members of the Executive Board are available on the Company's website. All information on the remuneration system for the Executive Board can be found in "Principles of the existing remuneration system".

Supervisory Board

The Supervisory Board of GRAMMER AG monitors and advises the Executive Board on the management of the Company. It has 12 members. In accordance with the German Codetermination Act, it has an equal number of six members representing the shareholders and six members representing the employees. The members of the Supervisory Board representing the shareholders are elected at the Annual General Meeting by a simple majority. Elections to the Supervisory Board are regularly held in the form of individual elections. The employee representatives on the Supervisory Board are elected in accordance with the provisions of the German Codetermination Act.

The work of the Supervisory Board is governed by statutory requirements, the articles of association and the rules of

procedure. At regular intervals, the Supervisory Board discusses the Company's business performance and planning as well as strategy and its implementation. It reviews the annual and consolidated financial statements, the management report of GRAMMER AG and the Group as well as the non-financial statement and the dependent company report. It adopts the annual financial statements of GRAMMER AG and approves the consolidated financial statements, based on the results of the preliminary review conducted by the Audit Committee and taking into account the external auditor's reports. The Supervisory Board passes a resolution concerning the Executive Board's proposal for the appropriation of the Company's net retained profits and submits a proposal for the election of the external auditor at the Annual General Meeting.

The Supervisory Board is also responsible for appointing the members of the Executive Board and determining their areas of responsibility. The Supervisory Board, acting on a proposal by the Personnel and Mediation Committee, decides on the system for the remuneration of the members of the Executive Board and sets the specific remuneration in accordance with this system. It defines the targets for variable remuneration and the respective total remuneration for the individual members of the Executive Board and reviews the appropriateness of the total remuneration as well as the remuneration system for the Executive Board on a regular basis.

In the absence of any mandatory statutory provisions to the contrary, the resolutions of the Supervisory Board shall be deemed to have been passed with a simple majority of the vote cast. In the event of a parity of votes, voting is repeated, in which case the Chairman of the Supervisory Board holds two votes.

The Supervisory Board usually meets five times a year and also regularly without the presence of the Executive Board. To prepare for the Supervisory Board meetings, the shareholder and employee representatives regularly meet separately. Each member of the Supervisory Board is under a duty to disclose any conflicts of interest to the Supervisory Board.

Supervisory Board self-assessment

The Supervisory Board and its committees regularly review, either internally or with the involvement of external advisors, how effectively the Supervisory Board as a whole and its committees are performing their duties. It discusses scope for improvement on the basis of the results and adopts appropriate measures. Individual suggestions are also taken up and implemented during the year. In December 2020, the Supervisory Board conducted an internal efficiency review and subsequently dealt at length with the findings.

A list of the offices held by all members of the Supervisory Board can be found in the section on the Supervisory Board and the Executive Board.

Supervisory Board committees

In order to increase the efficiency of its work, the Supervisory Board has an Audit Committee, a Personnel and Mediation Committee, a Nominating Committee, a Strategy Committee and an Executive Committee, all of which met regularly in 2020. Their duties, responsibilities and work processes comply with the requirements of the German Stock Corporation Act (AktG) and the German Corporate Governance Code (the Code). The committee chairs regularly report to the Supervisory Board on their activities.

The **Audit Committee** consists of four members elected by the Supervisory Board – two of whom are shareholder representatives and two employee representatives – from whom the Committee appoints one member as its chair. The committee meets at least four times a year. The Chairman of the Audit Committee, Dr. Peter Merten, is independent and not simultaneously the Chairman of the Supervisory Board and, as a financial expert, possesses special knowledge of accounting and auditing. He has not been a member of GRAMMER AG's Executive Board in the last few years. The task of the Audit Committee is to discuss and review in advance the annual financial statements, the consolidated financial statements, the management report and the report of the Executive Board on relations with affiliated companies (dependent company report), as well as the Executive Board's proposal for the appropriation of profits. In addition,

the Audit Committee discusses the half-year and any quarterly reports with the Executive Board. It deals with accounting and compliance issues, risk management, internal auditing and the internal control system, including a review of the effectiveness of the systems and measures in place. The Audit Committee prepares the Supervisory Board's proposal to the Annual General Meeting concerning the election of the auditor and submits a corresponding reasoned recommendation to the Supervisory Board. It also verifies the independence of the external auditor and obtains from him the corresponding declaration of independence. It issues the audit engagement to the external auditor and enters into the corresponding fee agreement, deals with the determination of the main focal points of the external audit and monitors the audit of the financial statements.

The **Personnel and Mediation Committee** is chaired by the Chairman of the Supervisory Board; other members include his first deputy as well as one shareholder representative and one employee representative. It meets at least twice a year. In particular, the Personnel and Mediation Committee prepares the resolution to be passed by the full Supervisory Board on the Executive Board remuneration system, including the implementation of the system in the contracts entered into, with the members of the Executive Board, sets the targets for variable remuneration, determines and reviews the appropriateness of the total remuneration of the individual members of the Executive Board and approves the annual remuneration report. In addition, it submits proposals to the Supervisory Board for the appointment or dismissal of members of the Executive Board.

In addition to the Chairman of the Supervisory Board, who also chairs it, the **Nominating Committee** includes two further members representing the shareholders. It has the task of proposing to the Supervisory Board suitable shareholder representatives for election to the Supervisory Board at the Annual General Meeting. In doing so, it duly takes into account the required knowledge, skills and professional experience (competence profile) of the proposed candidates, the objectives designated by the Supervisory Board for its composition and the approved diversity policy, in particular, independence and diversity, while attempting to complete the competence profile. Attention must

be paid to ensuring appropriate representation of women and men in accordance with the statutory gender representation requirements and to ensuring that the members of the Supervisory Board as a whole are familiar with the sector in which the Company operates.

The **Strategy Committee** comprises three members elected by the Supervisory Board from the shareholder representatives and three from the employee representatives. It meets at least twice each calendar year and deliberates on the corporate strategy in an advisory and preparatory capacity. Key tasks include advising the Executive Board on the strategic development of the Company and reviewing it, preparing strategy meetings and decisions by the Supervisory Board on acquisitions, divestments, investments, organizational changes or restructuring requiring the Supervisory Board's approval and advising the Executive Board on corporate strategy issues and projects of strategic relevance.

The **Executive Committee** is composed of the Chairman of the Supervisory Board and his first deputy. Its task is to support the Chairman of the Supervisory Board in the performance of his duties, particularly the preparation of the meetings and the coordination of the Supervisory Board's activities as well as the preparation of the resolutions to be passed by the Supervisory Board.

Attendance at the meetings of the Supervisory Board

In the year under review, the Supervisory Board of GRAMMER AG held five ordinary, one constituent meeting and seven extraordinary meetings. Five ordinary meetings are planned for 2021. In addition, extraordinary meetings will be convened if necessary. The committees also meet regularly. The Supervisory Board considers the individualized disclosure of attendance at the meetings of the Supervisory Board and the committees to form an element of good corporate governance:

Attendance at the meetings of the Supervisory Board

Supervisory Board	Attendance at meetings	Percentage attendance
Klaus Bauer (from September 1, 2020)	4/4	100%
Andrea Elsner	13/13	100%
Wolfram Hatz (until July 8, 2020)	8/8	100%
Ping He (from July 8, 2020)	5/5	100%
Martin Heiß	13/13	100%
Ingrid Hunger (until July 8, 2020)	8/8	100%
Harald Jung (until September 1, 2020)	8/9	89%
Peter Kern (from July 8, 2020)	5/5	100%
Jürgen Kostanjevec (from July 8, 2020)	5/5	100%
Dr. Peter Merten	12/13	92%
Horst Ott (Deputy Chairman)	13/13	100%
Dr. Klaus Probst (Chairman until July 8, 2020)	8/8	100%
Lars Roder (until July 8, 2020)	8/8	100%
Gabriele Sons (from July 8, 2020)	5/5	100%
Prof. Dr. Birgit Vogel-Heuser	11/13	85%
Antje Wagner	13/13	100%
Dr. Bernhard Wankerl (until July 8, 2020)	8/8	100%
Alfred Weber (Chairman from July 8, 2020)	5/5	100%
Strategy Committee		
Martin Heiß	1/1	100%
Dr. Peter Merten	1/1	100%
Horst Ott	2/2	100%
Dr. Klaus Probst (Committee Chairman)	1/1	100%

Lars Roder	1/1	100%
Dr. Bernhard Wankerl	1/1	100%
Alfred Weber (Committee Chairman)	1/1	100%

Personnel and Mediation Committee

Martin Heiß	4/4	100%
Horst Ott	5/5	100%
Dr. Klaus Probst (Committee Chairman)	1/1	100%
Lars Roder	1/1	100%
Gabriele Sons	4/4	100%
Dr. Bernhard Wankerl	1/1	100%
Alfred Weber	4/4	100%

Audit Committee

Andrea Elsner	5/5	100%
Wolfram Hatz (Committee Chairman)	3/3	100%
Martin Heiß	3/3	100%
Dr. Peter Merten (Committee Chairman)	2/2	100%
Dr. Klaus Probst	3/3	100%
Antje Wagner	2/2	100%
Alfred Weber	2/2	100%

Executive Committee

Horst Ott (Deputy Chairman)	8/8	100%
Dr. Klaus Probst (Chairman)	3/3	100%
Alfred Weber (Chairman)	5/5	100%

Nominating Committee

Wolfram Hatz	2/2	100%
Dr. Klaus Probst (Chairman)	2/2	100%
Dr. Bernhard Wankerl	2/2	100%

Further details of how the Supervisory Board works, the number of committee meetings and the main matters dealt with in 2020 can be found in the report of the Supervisory Board.

Collaboration between the Executive Board and the Supervisory Board

The Executive Board and the Supervisory Board of GRAMMER AG worked closely and in mutual trust for the benefit of the Company again in the year under review. The Executive Board's information and reporting duties were defined in its rules of procedure. During the meetings of the Supervisory Board, the Executive Board and Supervisory Board discussed all key strategic decisions as well as transactions requiring consent openly, in detail and subject to strict confidentiality. The Executive Board kept the Supervisory Board comprehensively informed on a regular and up-to-date basis on all key matters as well as planning, business performance, the risk situation and compliance measures. In addition to the regular Supervisory Board meetings attended by the Executive Board, the Chief Executive Officer and the Chairman of the Supervisory Board discussed all relevant matters on a regular basis. The report of the Supervisory Board provides additional information on the collaboration between the Executive Board and the Supervisory Board. In the year under review, the members of the Executive Board and the Supervisory Board were covered by D&O insurance with a deductible of at least 10% per claim and capped at one-and-a-half-times the fixed annual remuneration of the individual member.

Directors' dealings

All members of the Executive Board and Supervisory Board and persons closely associated with them are required, subject to certain conditions, to disclose all share transactions without delay in accordance with Art. 19 of the European Market Abuse Directive (EU 596/2014). A process has been established to duly publish these transactions in the event of such notification. All share transactions are published in accordance with article 19 of the European Market Abuse Directive as soon as they are disclosed to GRAMMER AG. No transactions were reported in 2020.

Shareholders and Annual General Meeting

The shareholders exercise their rights at the Annual General Meeting. At the Annual General Meeting, the shareholders pass resolutions on the appropriation of profits, the ratification of the actions of the members of the Executive Board and the Supervisory Board and the election of the auditors, among other things. The shareholders pass resolutions on amendments to the articles of association and capital measures, which are duly implemented by the Executive Board. To assist absent shareholders in exercising their rights, two voting proxies attended the annual general meeting to exercise voting rights in accordance with the instructions issued. Shareholders were able to authorize and instruct these proxies, who could be reached throughout the meeting, at any time. Shareholders may also cast their votes in writing or electronically (postal vote). They can submit motions on resolutions proposed by the Executive Board and Supervisory Board and contest resolutions passed at the Annual General Meeting.

The reports, documents and information required by law for the Annual General Meeting, including the annual report, are available on the Internet, as are the agenda for the Annual General Meeting and any countermotions or election proposals from shareholders that are required to be disclosed. When shareholder representatives are to be elected to the Supervisory Board, a detailed resume is published for each candidate.

The Annual General Meeting on July 8, 2020

was organized as an online format without the physical presence of the shareholders and their proxies in view of the special circumstances arising from the COVID-19 pandemic in accordance with section 1 (2) of the Act Governing Measures In Company Law, Laws On Cooperatives, Association Law, Foundation Law And Residential Property Law To Combat The Effects Of The COVID-19 Pandemic of March 27, 2020 (Bundesgesetzblatt I No. 14 2020, page 570) ["COVID-19 Act"].

As part of our investor relations work, we provide comprehensive information on developments at the Company. Among other things, quarterly statements, half-yearly financial and annual reports, earnings reports, ad hoc announcements, analyst

presentations, press releases and the financial calendar for the current year, which includes the publication dates that are important for financial communications and the date of the Annual General Meeting, are published on www.grammer.com.

Accounting and statutory audit

The GRAMMER Group's consolidated financial statements for 2020, as well as the report on the first half of the year and the quarterly reviews, were prepared in accordance with the International Financial Reporting Standards (IFRS). At the annual general meeting held on July 8, 2020, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, ("EY") was elected external auditor of the annual financial statements and the consolidated financial statements for the reporting year. The proposal had been preceded by an independence check. This ruled out any business, financial, personal and other relations between the auditors, their corporate bodies as well as chief auditors, on the one hand, and GRAMMER AG, as well as the members of its corporate bodies, on the other hand, liable to call into question the independence of the auditors. EY submitted a binding declaration of independence. The Supervisory Board also agreed with the external auditors that it was to be notified without delay of any findings and occurrences material to the duties of the Supervisory Board arising during the audit. Accordingly, the auditors undertake to advise the Supervisory Board, or make a corresponding note in their audit report, if any evidence is found indicating the presence of any misrepresentation in the Code declaration issued by the Executive Board and the Supervisory Board.

Compliance management system

"Integrity forms the basis of our success." This is the initial statement in GRAMMER's Code of Conduct, which was first published in May 2006, laying the foundations for its present compliance management system. Business success can only be sustained if statutory provisions and the Company's internal policies are observed. This corporate culture helps to encourage a sense of responsibility in each individual, enhance skills and particularly highlight integrity as a basis for working together in a spirit of mutual trust. The Code of Conduct is binding on all employees of the GRAMMER Group. It summarizes the

main internal and external rules and principles and contains binding rules governing fair competition as well as requirements concerning safety, health and environment. The Code of Conduct additionally contains provisions concerning the treatment of confidential information and also governing the avoidance of corruption and insider trading.

During the year under review, the Executive Board regularly dealt with the further development of the compliance management system and ensured that the necessary measures were taken. The Executive Board as a whole is jointly responsible for compliance. Together with the entire management, it ensures that each individual in the Company abides by the principles of compliance. In addition, a Compliance Committee consisting of the members of the Executive Board and internal technical experts has been set up and regularly deals with compliance issues and the further development of the compliance management system. The management of the GRAMMER Group is responsible for encouraging conduct that conforms to the requirements of compliance and for acting as a role model. In addition to the extensive information available on the GRAMMER Group's Intranet, special web-based training modules on compliance-related issues are available for employees, who are awarded a certificate upon successfully completing the training. All new employees attend a face-to-face training course on the Code of Conduct.

If employees become aware of any breach of statutory provisions or internal Company policies, they may report this to defined internal officers. Information on the internal whistleblower system is currently available to GRAMMER employees in 14 languages.

There is a high degree of familiarity across the Group as a whole with the basic values enshrined in GRAMMER's Code of Conduct. Compliance audits conducted by Internal Auditing as well as audits of the specialist departments are further elements of the compliance management system at GRAMMER.

Corporate governance statement pursuant to sections 289f and 315d HGB

The corporate governance statement pursuant to sections 289f and 315 HGB forms an integral part of the management report. Under section 317 (2) sentence 6 HGB, the external auditor's review of the disclosures pursuant to sections 289f and 315 HGB is limited to determining whether the disclosures have been made.

Declaration of conformity with the German Corporate Governance Code

On December 10, 2020, the Executive Board and the Supervisory Board of GRAMMER AG issued the following declaration in accordance with section 161 of the German Stock Corporation Act (AktG) concerning conformity to the German Corporate Governance Code (the Code).

Declaration of conformity of GRAMMER AG dated December 10, 2020

Since the last declaration of conformity dated December 11, 2019, GRAMMER AG ("Company") has conformed to all of the recommendations of the Government Commission on the German Corporate Governance Code in the version dated February 7, 2017, ("2017 Code") announced by the Federal Ministry of Justice and Consumer Protection in the official section of Bundesanzeiger with the following exceptions:

1. Article 4.2.5 (3) and (4)

Under Article 4.2.5 (3) and (4) of the 2017 Code, the remuneration report must present certain remuneration components separately for each member of the Executive Board on the basis of model tables attached to the 2017 Code.

The remuneration paid to the members of GRAMMER AG's Executive Board has hitherto been disclosed in accordance with the applicable statutory provisions and already sets out detailed information on each member's remuneration. The Executive Board and the Supervisory

Board consider the previous method for presenting this information to be sufficiently transparent. Accordingly, the model tables do not provide any additional information.

2. Article 5.4.1 (2) Sentence 2

The Supervisory Board has not defined any maximum period of membership for the Supervisory Board. The Supervisory Board takes the view that a general cap on the length of membership fails to take account of individual factors that justify longer membership by individual persons on the Supervisory Board. Consequently, it wishes to retain the flexibility of proposing candidates for nomination to the Supervisory Board, who are able to contribute to GRAMMER AG on account of their long-standing experience and who have proven themselves in their activities on the Supervisory Board.

The Company conforms to all of the recommendations of the Government Commission on the German Corporate Governance Code in the version dated December 16, 2019, ("2020 Code") announced on March 20, 2020, by the Federal Ministry of Justice and Consumer Protection in the official section of Bundesanzeiger and will continue to do so in the future, with the following exceptions:

1. Recommendation D.1 "Publication of the rules of procedure of the Supervisory Board"

Publication of the rules of procedure of the Supervisory Board was recommended in the 2020 Code for the first time. The rules of procedure of the Company's Supervisory Board have so far not been published on the Company's website. At GRAMMER AG's Annual General Meeting on July 8, 2020, new shareholder representatives were elected to the Supervisory Board as the previous terms of office had duly expired. As four of the six previous shareholder representatives did not stand for re-election, there was a substantial change in the composition of the Supervisory Board. The newly composed Supervisory Board addressed issues relating

to the future governance of the Company as a whole at its meetings in Q3 2020, Q4 2020 and Q1 2021. For this reason, the rules of procedure of the Supervisory Board were initially not reviewed or revised. The Supervisory Board will be adopting new rules of procedure in Q1 2021 and publishing them on the Company's website to ensure compliance with the recommendation in the future.

2. Recommendation G.I. "Remuneration system for the Executive Board and Executive Board remuneration"

Section G.I. of the 2020 Code includes new recommendations concerning the remuneration of the Executive Board compared with the previous version. Between the date on which the 2020 Code took effect on March 20, 2020 and the date of this declaration of conformity, no new remuneration system was adopted and submitted to the Annual General Meeting for approval within the meaning of section 120a AktG as amended by the Act on the Transposition of the Second Shareholder Rights Directive ("ARUG II") of December 12, 2019. In accordance with the statutory transition period, the remuneration system for the Executive Board must be approved at the Annual General Meeting for 2021 at the latest.

The last such resolution was passed at the Company's Annual General Meeting on June 13, 2018. The basic elements of the existing remuneration system for the members of the Executive Board are described in the section entitled "Principles of the remuneration system" in the 2019 remuneration report in the Group management report, meaning that the system does not comply in full with the recommendations of the 2020 Code.

The extent to which the new recommendations under section G.I. on remuneration are to be complied with in the future will be considered and determined by the Supervisory Board when the remuneration system is reviewed and revised, if necessary, on the basis of the relevant statutory requirements in the version amended

by ARUG II (particularly section 87a AktG).

The Supervisory Board will pass a resolution on a revised remuneration system in good time before the invitation to the Annual General Meeting for 2021 and present it to the shareholders for approval at the Annual General Meeting in 2021 in accordance with the transitional provisions of section 26j of the Act to Introduce the German Stock Corporation Act (EGAktG).

Ursensollen, December 10, 2020

The Executive Board and the Supervisory Board of GRAMMER AG

GRAMMER AG voluntarily conforms to the non-obligatory Code recommendations with the following exception: The second half of the sentence in Article A.2 recommends installing a whistleblower system for third parties to report any breach of statutory provisions and internal corporate policies. Such a whistleblower system is currently only available for employees of the Company.

This declaration and all declarations of conformity issued in previous years are available on GRAMMER AG's website

Objectives for the composition, competence profile and diversity policy for the Supervisory Board

The Supervisory Board of GRAMMER AG should be composed in such a way as to ensure that the Executive Board receives qualified supervision and advice from it. In this context, the complementary interaction of members with different personal and professional backgrounds as well as diversity in terms of internationality, age and gender is considered helpful.

Competence profile

Based on their knowledge, skills and experience, the candidates proposed for election to the Supervisory Board should be able to perform the duties of a Supervisory Board member in an internationally active and capital market-oriented company and appropriately represent it externally. The criteria are based on the current Code recommendations with regard to diversity and an appropriate proportion of women as well as the characteristics of independence, experience, international profile and expertise. Moreover, the members should possess the integrity, personality and commitment necessary for the duties of the Supervisory Board.

These criteria have been defined in a profile of competence and summarized in a corresponding questionnaire that forms a key basis of the examination to determine the suitability of a nominee.

The aim is to ensure that the Supervisory Board as a whole has all the knowledge and experience required to perform its duties – this applies in particular with regard to knowledge and experience of importance to GRAMMER concerning

- general corporate governance
- industries, markets, regions and business segments
- new technologies
- production and sales
- purchasing, logistics and finance
- legal (including compliance)
- human resources
- leadership in an internationally active company

The members of the Supervisory Board as a whole should be familiar with the sector in which the Company operates. At least one independent member of the Supervisory Board should have expertise in the fields of accounting or auditing as well as special knowledge and experience in the application of accounting principles and internal control procedures. Which of the desirable skills on the Supervisory Board is to be strengthened should be determined whenever a new candidate is to be elected to the Supervisory Board.

Diversity

Sufficient diversity should be ensured in the composition of the Supervisory Board. In addition to the appropriate representation of women, this also includes diversity with regard to cultural origins as well as the diversity of educational and professional backgrounds, experience and ways of thinking. When considering potential candidates for by-election or replacement for positions on the Supervisory Board that become vacant, the aspect of diversity should be given appropriate consideration at an early stage of the selection process. In accordance with the German Stock Corporation Act (AktG), the Supervisory Board must be composed of at least 30% women and 30% men.

Age limit

In accordance with the age limit specified by the Supervisory Board in its rules of procedure, only persons who are no older than 70 years of age are as a rule proposed for election as members of the Supervisory Board.

Independence

The Supervisory Board should have an appropriate number of independent members as determined by the shareholder representatives on the Supervisory Board. More than half of the shareholder representatives should be independent of the Company and the Executive Board. Significant conflicts of interest that are not merely temporary should be avoided. No more than two former members of GRAMMER AG's Executive Board are permitted to hold seats on the Supervisory Board. The members of the Supervisory Board should have sufficient time to exercise their mandate with the requisite regularity and diligence.

Implementation of the objectives for the composition, competence profile and diversity policy for the Supervisory Board; independent members of the Supervisory Board

The Supervisory Board as well as its Nominating Committee, take into account the objectives for the composition of the Supervisory Board and the requirements set out in the diversity

policy during the selection process and the nomination of candidates for the Supervisory Board. Most recently, the Supervisory Board and the Nominating Committee took due account of the objectives, including the competence profile and the diversity policy, in the proposals for the shareholder representatives to be elected at the 2020 Annual General Meeting. The Supervisory Board believes that its current composition meets the targets with respect to composition and fulfills the competence profile and diversity policy. The members of the Supervisory Board have the professional and personal qualifications deemed necessary. The members of the Supervisory Board as a whole are familiar with the sector in which the Company operates and possess the knowledge, skills, capabilities, experience and international profile considered necessary for GRAMMER. In addition, the diversity of the professional and educational backgrounds of the individual members of the Supervisory Board can be seen in the resumes of its members, which are published on the GRAMMER AG website and updated annually.

Diversity is duly taken into account in the composition of the Supervisory Board. In 2020, the Supervisory Board had four female members, including two shareholder representatives and two employee representatives. In accordance with section 96 (2) sentence 1 AktG, the Company must have a Supervisory Board comprised of at least 30% women and 30% men. This quota must be fulfilled separately by the shareholder representatives and the employee representatives, respectively, as joint fulfilment has been rejected (separate fulfilment). The minimum representation requirement required under section 96 (2) sentence 1 AktG is therefore satisfied.

The Supervisory Board also includes an appropriate number of independent members. The Supervisory Board believes that all shareholder representatives are independent within the meaning of the Code. The defined age limit is also observed. No cap on the length of membership on the Supervisory Board has been defined.

Targets for the representation of women on the Executive Board and in the two management levels below the Executive Board; disclosure on compliance with minimum quota requirements in the composition of the Supervisory Board

At its meeting in March 2017, the Supervisory Board reviewed the target for the Executive Board and set a figure of 33%. This target was to be reached by December 31, 2020. Achievement of the target quota is to be reviewed no later than at the last ordinary meeting of the Supervisory Board held in 2020. The Supervisory Board has confirmed the target of 33% for the proportion of women on GRAMMER AG's Executive Board as of December 31, 2023, which GRAMMER met in 2020.

When filling management positions within the Company, the Executive Board pays attention to diversity and strives, in particular, to give appropriate consideration to women and an international background. The Executive Board of GRAMMER AG has defined a quota of 15% for the first management level below the Executive Board and 20% for the second level below the Executive Board. Achievement of this target is reviewed annually.

In the period under review, the composition of the Supervisory Board in terms of the representation of women and men complied with the statutory minimum representation requirements.

Diversity policy for the Executive Board and long-term succession planning

When selecting members of the Executive Board, the Supervisory Board looks at their personal suitability, integrity, the presence of convincing leadership qualities, international experience, professional qualifications for the area of responsibility to be taken on, past performance, knowledge of the Company and ability to adapt business models and processes in a changing world.

Diversity is an important selection criterion when Executive Board positions are filled and also includes aspects such as age, gender and educational and professional background. When selecting members of the Executive Board, the Supervisory Board also considers the following aspects in particular:

In addition to the specific technical knowledge and management and leadership experience required for the task in question, the members of the Executive Board should possess as broad a range of knowledge and experience as possible as well as educational and professional backgrounds.

With a view to the Company's international orientation, the composition of the Executive Board should take into account international profiles in the sense of different cultural backgrounds or international experience.

The Executive Board as a whole should have experience in the business segments that are important for GRAMMER, particularly the industrial and automotive sectors.

The Executive Board as a whole should have many years of experience in research and development, technology, purchasing, production and sales, finance, as well as legal matters (including compliance) and human resources.

When Executive Board positions are filled, the target set by the Supervisory Board for the representation of women on the Executive Board must be taken into account. The Supervisory Board has set a target of 33% for the representation of women on the Executive Board.

It is considered helpful to have different age groups represented on the Executive Board. In accordance with the recommendations of the German Corporate Governance Code, the Supervisory Board has set an age limit for the members of the Executive Board. Consequently, members of the Executive Board should generally not be any older than 63 at the time of their initial or reappointment.

A decision on filling a specific position on the Executive Board is always based on the interests of the Company, taking into account all the circumstances of the individual case.

Implementation of the diversity policy for the Executive Board

The diversity policy for the Executive Board is implemented as part of the appointment process. The Supervisory Board and/or the Personnel and Mediation Committee observe the requirements set out in the diversity policy for the Executive Board when selecting candidates or proposing candidates for appointment to the Executive Board.

The members of the Executive Board possess a broad range of knowledge and experience, as well as educational and professional backgrounds and have international experience. The Executive Board as a whole possesses all the knowledge and experience considered essential in view of GRAMMER's activities. The Executive Board as a whole has experience in the business segments that are important for GRAMMER. The appropriate consideration of women is an essential component of long-term succession planning for the Executive Board. No member of the Executive Board is currently older than 63.

Long-term succession planning for the Executive Board

Together with the Personnel and Mediation Committee and with the support of the Executive Board, the Supervisory Board ensures long-term succession planning for the Executive Board. In addition to the requirements of the German Stock Corporation Act and the Code, long-term succession planning takes into account the target set by the Supervisory Board for the representation of women on the Executive Board as well as the criteria defined in the diversity policy adopted by the Supervisory Board for the composition of the Executive Board. Taking into account the specific qualification requirements and the aforementioned criteria, the Personnel and Mediation Committee prepares an ideal profile, on the basis of which it draws up a shortlist of available candidates. Structured interviews are conducted with these candidates. A recommendation is then submitted to the Supervisory Board. If required, the Supervisory Board and/or the Personnel and Mediation Committee are supported by external consultants in the definition of job profiles and the selection of candidates.