

**STATEMENT ON CORPORATE GOVERNANCE IN ACCORDANCE WITH SEC. 289f  
AND SEC. 315d GERMAN COMMERCIAL CODE (HGB)**

The management of LUDWIG BECK AG, a public Company listed on the German stock exchange, and the LUDWIG BECK Group (hereinafter collectively referred to as “LUDWIG BECK”) is primarily governed by the German Stock Corporation Act (AktG), and, in addition thereto, the rules set forth in the German Corporate Governance Code in its current version.

**I. Executive Board and Supervisory Board procedures**

In accordance with the legal regulations, LUDWIG BECK AG is subject to the so-called "dual management system", which is characterized by a strict separation of personnel and delimitation of competencies between the Executive Board as the management body and the Supervisory Board as the monitoring body. The Executive Board and the Supervisory Board work closely together in the interests of the Company.

**1. Executive Board**

As the management body, the Executive Board of LUDWIG BECK AG is committed to the interests of the Company. It determines the principles of business policy and corporate strategy, sets budgets, and distributes resources. It prepares and publishes the quarterly and semi-annual reports as well as the annual financial statements for the Group and the Company and is responsible for the appointment of the most important positions in the Company. The Executive Board also regularly, promptly, and comprehensively informs the Supervisory Board about all relevant aspects of planning, business development, the risk situation, and risk management. Deviations in the course of business from established plans and goals are explained in detail and justified.

**a) Members of the Executive Board**

The Executive Board of LUDWIG BECK AG consists of the Chairman of the Executive Board Christian Greiner and Jens Schott.

**b) Mode of Operations**

The Executive Board carries out its activities in compliance with statutory provisions, the German Corporate Governance Code (unless deviations from its recommendations have been explicitly set forth as evident from the declaration pursuant to section 161 of the German Stock Corporation Act (AktG)), the Articles of Association, its Rules of Procedure, and the relevant employment contracts.

The principles of cooperation between the members of the Executive Board as well as

with the Supervisory Board are summarized in the Rules of Procedure for the Executive Board. The members of the Executive Board cooperate on a peer basis and keep each other constantly informed about their activities and material business transactions. Generally, the members of the Executive Board conduct the Company's business together and coordinate management measures. Where prior coordination is not possible, the respective other member of the Executive Board is to be notified of the relevant management measure forthwith. Significant management measures require a consenting prior resolution of the Executive Board. Furthermore, the Rules of Procedure specify certain transactions and measures of the Executive Board, which are subject to the prior consent of the Supervisory Board.

The Executive Board informs the Supervisory Board of all relevant aspects of strategy, planning, and business development as well as all transactions which may be of considerable importance for the profitability or liquidity of the Company and the Group in a regular, timely, and comprehensive manner. Regarding certain important measures, the Executive Board is obligated to report to the Supervisory Board's Management and Personnel Committee in advance. The Supervisory Board may at any time request the Executive Board to submit additional reports on the Company's affairs and the Company's legal and business relationships with affiliated companies as well as on business transactions relating to these companies that could have a material effect on the Company's position.

Each member of the Executive Board is entitled and, upon the Supervisory Board's request, obligated to attend meetings of the Supervisory Board, save where personal matters of any of the Executive Board members are dealt with. The Supervisory Board, together with the Executive Board, is to ensure long-term succession planning for the Executive Board. In doing so, the Executive Board advises the Supervisory Board. When appointing the Executive Board, outstanding professional qualifications, many years of management experience, and previous achievements of the candidates are particularly important. The Supervisory Board ensures that the appointment of an Executive Board member does not go beyond the calendar year in which the Executive Board member reaches the age of 65.

Each member of the Executive Board shall disclose conflicts of interest to the Supervisory Board and shall also inform the Executive Board accordingly. In the reporting year, the members of the Executive Board of LUDWIG BECK AG were not involved in any conflicts of interest.

## **2. Supervisory Board**

The Supervisory Board advises the Executive Board in managing the Company and monitors its activities.

### **a) Composition of the Supervisory Board**

In accordance with the One-Third Participation Act (“Drittelbeteiligungsgesetz”), the Supervisory Board of LUDWIG BECK is composed of Supervisory Board members representing the shareholders and members representing the employees whereas one third of the members of the Supervisory Board are recruited from the workforce. The Board consists of six members. The term of office of Dr Steffen Stremme as member and Chairman of the Supervisory Board ended at the close of the Annual General Meeting on July 28, 2020. On July 28, 2020, the Annual General Meeting appointed Mr Josef Schmid as a member of the Supervisory Board as a shareholder representative. On the same day, the Supervisory Board elected Dr Bruno Sälzer as Chairman of the Supervisory Board. Since then, the Supervisory Board has been composed as follows: Dr Bruno Sälzer (Chairman), Sandra Pabst (Vice Chairwoman), Clarissa Käfer and Josef Schmid as shareholder representatives and Michael Neumaier and Michael Eckhoff as employee representatives. Dr Moritz Frhr. v. Hutten z. Stolzenberg was elected as a substitute member of the shareholder representatives on the Supervisory Board.

### **b) Mode of Operation**

The Supervisory Board carries out its activities in compliance with statutory provisions, the German Corporate Governance Code (unless deviations from its recommendations have been explicitly set forth as evident from the declaration pursuant to section 161 of the German Stock Corporation Act (AktG)), the Articles of Association, and its Rules of Procedure.

The Articles of Association and the Rules of Procedure for the Supervisory Board govern the internal organization and the resolution procedure to be followed by the Supervisory Board. The Supervisory Board elects a Chairman and a Vice Chairman from among its midst. The Chairman of the Supervisory Board coordinates the Supervisory Board’s activities and chairs its meetings. The Chairman keeps in contact with the Executive Board on a regular basis and deliberates the Company’s strategy, business development, and risk management with the Executive Board. The Chairman is responsible for representing the Supervisory Board vis-à-vis third parties.

The Supervisory Board is to meet at least twice every half calendar year. The meetings of the Supervisory Board are convened by the Chairman of the Supervisory Board observing

a notice period of two weeks, which may be shortened in urgent cases. The items on the agenda shall be communicated simultaneously with the invitation to the meeting. The Supervisory Board has a quorum if all members have been duly invited and at least two thirds of the members participate in the passing of resolutions. Resolutions of the Supervisory Board are passed with a simple majority of the votes cast unless mandatory provisions of law or the Articles of Association provide otherwise. If any vote results in a tie, the Chairman's vote, or, in absence of the Chairman, the Vice Chairwoman's vote shall be decisive. Resolutions of the Supervisory Board may also be passed outside the meetings by circulation procedure if so proposed by the Chairman.

The Supervisory Board appoints the members of the Company's Executive Board. It monitors and advises the Executive Board in conducting the Company's business in compliance with statutory provisions and the Articles of Association. The Supervisory Board is involved in all decisions of fundamental importance to LUDWIG BECK AG and the Group. According to the Executive Board's Rules of Procedure, significant management measures require the Supervisory Board's consent. The members of the Supervisory Board protect the confidentiality of the information disclosed to them in connection with the performance of their duties.

Each member of the Supervisory Board is obligated to disclose conflicts of interest to the Supervisory Board, in particular, conflicts arising in connection with consultations or executive functions with customers, suppliers, creditors, or other business partners. In case of major conflicts of interest of a not only temporary nature, the member of the Supervisory Board concerned has to resign from the Board. In the reporting year, the members of the Supervisory Board of LUDWIG BECK AG were not involved in any conflicts of interest.

Ms Clarissa Käfer has the required expertise in the areas of financial reporting and auditing and, therefore, qualifies as financial expert within the meaning of section 100 para. 5 of the German Stock Corporation Act (AktG). All members of the Supervisory Board are familiar with the sector the Company operates in.

The Supervisory Board regularly assesses how effectively the Supervisory Board as a whole and its committees perform their duties. The Supervisory Board did not carry out such a self-assessment in the 2020 fiscal year.

### **c) Supervisory Board Committees**

The principles of cooperation of the members of the Supervisory Board are set forth in the Rules of Procedure for the Supervisory Board in particular. Among others, they provide

for the formation of committees. The Supervisory Board has two committees at present, the Audit Committee and the Personnel and Management Committee:

**aa) The Audit Committee**

Tasks of the Audit Committee primarily concern financial reporting and audit issues as well as the monitoring of accounting, the financial reporting process, the efficiency of the internal control system, risk management, and the internal revision and audit system.

Until July 28, 2020, the Audit Committee consisted of Clarissa Käfer (Chairwoman), Dr Steffen Stremme and Dr Bruno Sälzer. In the Supervisory Board meeting following the Annual General Meeting on 28 July 2020, Mr Josef Schmid was elected as a member of the Audit Committee replacing Dr Stremme, who had resigned. Clarissa Käfer remained Chairwoman of the Audit Committee. The Audit Committee held two virtual meetings in the 2020 fiscal year, on March 26, 2020, and December 2, 2020, both of which were attended by all committee members in office. The Audit Committee includes a financial expert within the meaning of section 100 para. 5 of the German Stock Corporation Act (AktG) and all of its members are familiar with the sector in which the Company operates.

**bb) The Personnel and Management Committee**

Until July 28, 2020, the Personnel and Management Committee consisted of Dr Steffen Stremme (Chairman), Sandra Pabst and Clarissa Käfer.

Since the departure of Dr Stremme from the Supervisory Board and the election of Dr Sälzer as chairman of the Supervisory Board on July 28, 2020, Dr Bruno Sälzer has also been chairman of the Executive and Personnel Committee by virtue of his office as chairman of the Supervisory Board. Sandra Pabst and Clarissa Käfer continue to be members of the Executive and Personnel Committee. The Executive and Personnel Committee met on August 20, 2020, with the participation of all committee members via video conference.

**d) Further details**

Committee Chairmen regularly report to the Supervisory Board on the committees' work. The majority of committee members are independent. More detailed information on committee members and the specifics of the work performed by the Supervisory Board and its committees can be found in the latest Supervisory Board Report on page 7 et seq. of the Annual Report.

With a view to the recommendation in C.1 sentence 1 of the German Corporate Governance Code, the Supervisory Board has decided on specific goals for its composition and has developed a competence profile for the entire committee. The goals and the

competency profile are available at the following link: <https://kaufhaus.ludwigbeck.de/en/company/investor-relations/corporate-governance/further-information>.

The goals set by the Supervisory Board for its composition and the requirements of the competence profile are currently fulfilled. The Supervisory Board believes that the Supervisory Board should include at least one or two independent, the shareholders' interests representing Supervisory Board members. At present, the Supervisory Board includes at least three independent shareholder representatives, Dr Bruno Sälzer, Clarissa Käfer and Josef Schmid.

With regard to an age limit for members of the Supervisory Board, section 10 (3) sentence 4 of the Articles of Association stipulates that members of the Supervisory Board should not be older than 70 years. The term of office of a member of the Supervisory Board ends at the latest at the end of the general meeting following the member's 70th birthday. Deviations from the aforementioned regulations are possible if the general meeting decides otherwise with a majority of two-thirds of the votes cast in the election of one or more of the members to be elected by it.

## **II. Gender quota and determination of target figures for the proportion of women in Supervisory Board, Executive Board, and leadership positions**

### **Gender quota**

The "Law for the Equal Participation of Women and Men in Management Positions in the Private and Public Sectors" of April 24, 2015, has obligated listed and co-determined companies to specify certain targets for the proportion of women in the two executive tiers below the Executive Board level and on the Supervisory Board.

In order to meet these legal requirements, the Supervisory Board and the Executive Board of LUDWIG BECK AG made the following decisions:

### **a) Target figure for the Supervisory Board**

For the period from July 1, 2017, the Supervisory Board has set a target of 25% for the proportion of women on the part of the shareholder representatives in view of the fact that it has no influence on the election of employee representatives. A deadline was set by June 30, 2022, to achieve the target. At the time the target was set, the proportion of women on the entire Supervisory Board was 33.33% and that of the shareholder representatives was 50%.

**b) Target figure for the Executive Board**

For the period from July 1, 2017, the Supervisory Board set a target of 0% for the proportion of women on the Executive Board and a deadline for achieving it by June 30, 2022. When the target size was set, the proportion of women on the Board was 0%. The Supervisory Board continues to believe that it is not necessary to expand the Executive Board. The Supervisory Board currently sees no reason for the Executive Board to be reorganized. Against this background, the Supervisory Board does not consider the definition of a higher quota for women on the Executive Board to be expedient and attaches importance to the fact that in the future only the professional qualifications and expertise will be decisive for the selection as a member of the Executive Board of the Company.

**c) Target figure for the first and second executive level below the Executive Board**

At its meeting on May 24, 2017, the Executive Board set a target of 28% for the proportion of women in the first management level below the Executive Board and a period of five years for achieving it. When the target size was set, the proportion of women in the first management level below the Executive Board was 38%.

For the proportion of women on the second management level below the Executive Board, the Executive Board set a target of 50% in its meeting on May 24, 2017 and a period of five years to achieve it. When the target size was set, the proportion of women in the second management level below the Executive Board was 67%.

**III. Declaration regarding the Corporate Governance Codex according to section 161 German Stock Corporation Act (AktG)**

The term corporate governance stands for responsible corporate management and control, the aim of which is sustainable value creation. LUDWIG BECK feels committed to these values and has been fulfilling the recommendations of the German Corporate Governance Code, which was first adopted in 2002, without significant restrictions since April 2003. The Executive Board and the Supervisory Board of LUDWIG BECK, therefore, after due diligence, last issued the following declaration of conformity according to section 161 German Stock Corporation Act (AktG) on September 15, 2020:

**Declaration of compliance 2020 for the German Corporate Governance Code in accordance with section 161 of the German Stock Corporation Act**

For the period from the submission of the Declaration of Conformity 2019 on September 10, 2019, to March 19, 2020, the following declaration refers to the recommendations of the German Corporate Governance Code in its version dated February 7, 2017 ("Code 2017"). For the period from March 20, 2020, the declaration refers to the recommendations of the Code in its version of December 16, 2019, which was published in the Federal Gazette on March 20, 2020 ("Code 2020").

The Executive Board and Supervisory Board of LUDWIG BECK am Rathauseck - Textilhaus Feldmeier Aktiengesellschaft declare in accordance with section 161 German Stock Corporation Act (AktG) that the recommendations of the "Government Commission on the German Corporate Governance Code" published by the Federal Ministry of Justice and Consumer Protection in the official part of the Federal Gazette have been complied with and will continue to be complied with in the future with the following exceptions:

1. The recommendation in section 4.1.3, sentence 3 of the Code 2017, A.2, sentence 2 of the Code 2020, according to which employees should be given the opportunity to provide protected information about legal violations in the Company (establishment of a whistleblower hotline), is not complied with. The Executive Board and Supervisory Board are of the opinion that the Company has a functioning compliance management system even without the establishment of a whistleblower hotline. Moreover, it cannot be ruled out that the establishment of a whistleblower hotline would have a negative impact on the excellent working atmosphere and would encourage an informer culture.
2. The recommendation in section 4.2.3 (2) sentence 2 of the Code 2017, according to which the monetary components of Executive Board remuneration should comprise fixed and variable components, was not complied with in part with regard to Executive Board member Jens Schott. Mr Schott received only fixed remuneration in the period from September 1, 2019 to December 31, 2019. As the variable remuneration of the Executive Board is calculated based on criteria that relate to full financial years, the Supervisory Board considered it appropriate and reasonable to



grant Mr Schott a purely fixed remuneration for the 2019 fiscal year in progress at the time of his appointment to the Executive Board. Since January 1, 2020, the recommendation in section 4.2.3 (2) sentence 2 of the Code 2017 has again been fully complied with.

3. Contrary to the recommendation in section 4.2.3 (2) sentence 3 of Code 2017, the multi-year assessment basis that has been used for years to determine the variable remuneration components to be granted to members of the Executive Board is not essentially future-related. In the opinion of the Supervisory Board, the remuneration system that has been in place for many years has proved its worth.
4. Within the statutory period (probably in spring 2021 due to the complexity of the legal requirements), the Supervisory Board will adopt a system of remuneration for members of the Executive Board in accordance with the new section 87a German Stock Corporation Act (AktG), which was added by ARUG II. As the employment contract of the Chairman of the Executive Board, Christian Greiner, will expire on December 31, 2020, the Supervisory Board resolved at its meeting on September 15, 2020 to extend the employment contract with effect from January 1, 2021. For the reasons stated above, the new employment contract of Mr Greiner is still essentially based on the previous remuneration system and therefore does not fully comply with the recommendations of the Code 2020. Recommendations G.2 (setting a concrete target total remuneration) and G.3 (disclosure of a peer group of other companies for the purpose of assessing the customary nature of the concrete total remuneration) of the Code 2020 are not complied with; likewise, it is not planned that the performance criteria for the variable remuneration components, which are to be based primarily on strategic objectives, will be determined for the upcoming fiscal year (G.7 sentence 1 of the Code 2020). With regard to a part of the variable remuneration, the recommendation in G.9 of the Code 2020 is not fully complied with. Furthermore, the variable remuneration amounts granted do not comply with the recommendation in G.10 of the Code 2020 (share-based grant or investment in shares of the Company).
5. The Supervisory Board has not formed a nomination committee (section 5.3.3 of the Code 2017, D.5 of the Code 2020). The Supervisory Board is of the opinion that the preparation of nominations for Supervisory Board members to the Annual

General Meeting should take place in the plenary session, which has a manageable number of six members.

6. The recommendation in section 5.4.1 (2) sentence 1, and sentence 2 of the Code 2017, according to which the Supervisory Board should, among other things, take appropriate account of a regular limit to Supervisory Board members' term in office when determining concrete objectives for its composition, is not complied with. The Supervisory Board does not consider the definition of such a regular limit to be appropriate. It is precisely the members of the Supervisory Board who are affected by a regular limit that have in-depth knowledge of the Company and many years of experience, from which the Company benefits. A decision on a possible further term of office should therefore always be made on a case-by-case basis.
7. "Interim financial information" is not discussed by the Executive Board with the Supervisory Board or its Audit Committee before publication (section 7.1.2 sentence 2 of the Code 2017). The Supervisory Board and Executive Board are in constant close contact on the basis of monthly reports. Separate discussion on the half-yearly financial reports or other financial information during the year before publication is therefore unnecessary.
8. The rules of procedure of the Supervisory Board were not previously available on the company's website (recommendation D.1 of the Code 2020). At its meeting on September 15, 2020, the Supervisory Board resolved a new version of the rules of procedure for the Supervisory Board, which will be available on the company's website in future. Recommendation D.1 of the Code 2020 will thus be fully complied with in future.

Munich, September 15, 2020

Previous, no longer up-to-date declarations of conformity from LUDWIG BECK can be found here: (<https://kaufhaus.ludwigbeck.de/en/company/investor-relations/corporate-governance/declaration-of-compliance>)

#### **IV. Information on Corporate Governance practices**

As part of its activities in the sales markets, LUDWIG BECK is exposed to a wide variety of risks associated with entrepreneurial activity. These can affect the net assets, financial position, and results of operations. The Company has established modern controlling instruments for risk detection, risk monitoring, and risk communication. Their use ensures that decision-makers are regularly and promptly informed about their development in order to initiate suitable countermeasures with the aim of steadily and sustainably increasing the value of the Company. The respective responsibilities are defined within the organization. The instruments are constantly being optimized to take sufficient account of structural changes.

More information on risk management at LUDWIG BECK can be found here:  
<https://kaufhaus.ludwigbeck.de/en/company/investor-relations/corporate-governance/further-information>

#### **V. Diversity concept**

LUDWIG BECK does not pursue a diversity concept within the meaning of section 289 para. 2 No. 6 German Commercial Code (HGB) and section 315d German Commercial Code (HGB). In the composition of the Supervisory Board, diversity aspects are already taken into account through the competency profile for the entire body developed by the Supervisory Board, the specific goals for the composition of the Supervisory Board, and the defined targets for the proportion of women on the Supervisory Board. The Supervisory Board believes that there is, therefore, no need for a diversity concept for the composition of the Supervisory Board.

The same applies to the composition of the Executive Board and the management of the subsidiaries. From the point of view of the Supervisory Board, the composition of the Executive Board has proven to be extremely effective. Therefore, neither an expansion of the Executive Board nor personnel changes are planned. Against this background, LUDWIG BECK is currently not pursuing a diversity concept for the composition of the Executive Board of LUDWIG BECK AG and the management of the subsidiaries.

Active, committed action is the basis of business success and at the same time the aspiration of employees in the context of an efficient organization that reacts quickly and flexibly to changes in the market. The Company should be a sustainably attractive investment for the shareholders. Trust in the reliability and performance of LUDWIG BECK is an



essential prerequisite for business success and long-term competitiveness.

LUDWIG BECK customers are the focus of long-term, trust-based work. A high degree of initiative and the willingness for changes as well as commitment and competence of the employees are essential prerequisites for the success of the Company. Managers are role models. They pay attention to the employees, make high demands, give impulses, and convey trust. In the cooperation, individuality is respected, and diversity of opinion is encouraged. Decisions are implemented consistently and goal oriented.

This is done in an atmosphere of mutual acceptance and appreciation. The best proof of this lived mission statement culture is the extraordinary loyalty of the employees. The long service record of most of the employees supports LUDWIG BECK in its efforts to pursue its culture that combines both expectations of, and support for, employees. Because without satisfied and loyal employees, there are no satisfied and loyal customers.

Munich, March 2021

**LUDWIG BECK AG**

**The Executive Board**

sgd. Christian Greiner (Chairman)

sgd. Jens Schott

**The Supervisory Board**

sgd. Dr Bruno Sälzer (Chairman)

sgd. Sandra Pabst (Vice Chairwoman)

sgd. Clarissa Käfer

sgd. Josef Schmid

sgd. Michael Neumaier

sgd. Michael Eckhoff