



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

The corporate governance of LUDWIG BECK AG, a public company listed on the German stock exchange, and of LUDWIG BECK Group (hereinafter collectively referred to as "LUDWIG BECK") is primarily governed by the German Stock Corporation Act (AktG), other legal provisions, and, in addition, the rules set forth in the German Corporate Governance Code in its current version (unless deviations have been explicitly set forth as evident from the declaration pursuant to section 161 Stock Corporation Act (AktG)).

### **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 closely work 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 company's interests. It determines the principles of corporate policy, the company's strategy, sets budgets, and allocates 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 business from established plans and targets are explained and justified in detail.

##### **a) Members of the Executive Board**

The Executive Board of LUDWIG BECK AG consists of the chairman of the Executive Board, Mr Christian Greiner, and Mr Jens Schott.

##### **b) Mode of operation**

The Executive Board performs its duties in compliance with the statutory provisions, the German Corporate Governance Code (unless deviations from its recommendations have been explicitly set forth as evident from the declaration according to section 161 Stock Corporation Act (AktG)), the articles of association, its rules of procedure, and the respective employment contracts.

The principles of cooperation among the members of the Executive Board and 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. As a rule, 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 that are subject to the prior consent of the Supervisory Board.

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

Each member of the Executive Board is generally entitled and, at the request of the Supervisory Board, obliged to attend the meetings of the Supervisory Board, unless personal matters of Executive Board members are dealt with, or the auditor is called in as an expert within the meaning of section 109 (1) sentence 3 Stock Corporation Act (AktG) at the respective meeting. Together with the Executive Board, the Supervisory 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 performance of the candidates are of particular importance. 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 discloses conflicts of interest to the Supervisory Board immediately and informs 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 the company's management and monitors its activities.

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

In accordance with the One-Third Participation Act ("Drittbeteiligungsgesetz"), the Supervisory Board of LUDWIG BECK AG is composed of shareholder and employee representatives, whereby one third of the Supervisory Board members are recruited from the workforce. The Supervisory Board consists of six members and is composed as follows: Dr Bruno Sälzer (Chairman) since May 15, 2018, Sandra Pabst (Vice Chairwoman) since May 15, 2018, Clarissa Käfer since May 13, 2015, and Josef Schmid since July 28, 2020, as shareholder representatives, and Michael Neumaier since April 19, 2013, and Michael Eckhoff since August 8, 2019, 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 performs its duties in compliance with the statutory provisions, the German Corporate Governance Code (unless deviations from its recommendations have been explicitly set forth as evident from the declaration according to section 161 Stock Corporation Act (AktG)), the articles of association, and its rules of procedure.

The articles of association and the rules of procedure of the Supervisory Board regulate the internal organisation and resolutions of the Supervisory Board. The Supervisory Board elects a chairperson and a vice chairperson from among its midst. The chairperson of the Supervisory Board coordinates the Supervisory Board's activities and chairs its meetings. The chairperson keeps in regular contact with the Executive Board and deliberates the company's strategy, business development, and risk management with the Executive Board. The chairperson 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 chairperson of the Supervisory Board with two weeks' notice, which may be shortened in urgent cases. The items on the agenda shall be communicated with the convocation. The Supervisory Board forms 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 stipulate otherwise. If any vote results in a tie, the chairperson's vote, or, in the absence of the chairperson, the vice chairperson's vote is decisive. Resolutions of the Supervisory Board may also be passed outside the meetings by circulation procedure if so determined by the chairperson in the individual case.

The Supervisory Board appoints the Executive Board of the company. It monitors and advises the Executive Board in the conduction of the company's business in compliance with the 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 and transactions require the Supervisory Board's approval. The Supervisory Board members protect the confidentiality of the information disclosed to them in connection with the performance of their duties.

Each member of the Supervisory Board is obliged to disclose any conflicts of interest, particularly conflicts that may arise because of an advisory or executive function 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 (5) Stock Corporation Akt (AktG)<sup>1</sup>. 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. In the 2021 fiscal year, the Supervisory Board did not perform such a self-assessment.

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

The principles of cooperation of the members of the Supervisory Board are outlined in the rules of procedure of the Supervisory Board in particular. Among others, these provide for the formation of committees. The Supervisory Board has two committees at present, the

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<sup>1</sup> Applicable is the version of the law valid until June 30, 2021, as all members of the Supervisory Board were appointed before July 1, 2021, cf. section 12 (6) Introductory Act of the Stock Corporation Act (EGAktG).

Audit Committee, and the Personnel and Management Committee:

**aa) The Audit Committee**

The tasks of the Audit Committee primarily concern issues of financial reporting and auditing, as well as the monitoring of accounting, the financial reporting process, the effectiveness of the internal control system, risk management, the internal audit system, and the audit of the financial statements.

In the 2022 fiscal year, the Audit Committee was composed of Clarissa Käfer (Chairwoman), Dr Bruno Sälzer, and Josef Schmid. The Audit Committee held three meetings in the 2022 fiscal year, on March 31, 2022, on December 05, 2022, and on December 7, 2022. All members of the Audit Committee attended the meetings, and both Executive Board members attended the meetings on December 5 and 7, 2022. Furthermore, the committee chair consulted with the auditor's representatives on the annual audit at four additional meetings.

With Ms Käfer, the Audit Committee includes a financial expert within the meaning of section 100 (5) Stock Corporation Act AktG<sup>2</sup>, and all its members are familiar with the sector the company operates in.

**bb) The Personnel and Management Committee**

In the 2021 fiscal year, the Personnel and Management Committee consisted of Dr Bruno Sälzer (Chairman), Sandra Pabst, and Clarissa Käfer. In 2022, no meeting of the Executive and Personnel Committee took place, as no relevant topics were pending. Nevertheless, the members of the Executive and Personnel Committee were in regular contact.

**d) Further details**

Committee chairpersons regularly report to the Supervisory Board on the committees' work. Most committee members are independent. More detailed information on committee members and the specific work of the Supervisory Board and its committees can be found in the latest Supervisory Board report on page 9 et seq. of the Annual Report.

Given 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 competence

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<sup>2</sup> Applicable is the version of the law valid until June 30, 2021, as all members of the Supervisory Board were appointed before July 1, 2021, cf. section 12 (6) Introductory Act of the Stock Corporation Act (EGAktG).

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 to two independent shareholder representatives. The Supervisory Board currently includes at least three independent shareholder representatives, Dr Bruno Sälzer, Ms Clarissa Käfer, and Mr Josef Schmid.

The status of the implementation of the defined objectives and the competence profile is shown in the following qualification matrix:

|  | <b>Dr Bruno Sälzer</b> | <b>Sandra Pabst</b> | <b>Clarissa Käfer</b> | <b>Josef Schmid</b> | <b>Michael Neumaier</b> | <b>Michael Eckhoff</b> |
|--|------------------------|---------------------|-----------------------|---------------------|-------------------------|------------------------|
| <b>At least one to two members of the Supervisory Board independent of the company and the Executive Board</b>   | X                      | X                   | X                     | X                   |                         |                        |
| <b>At least one member with expertise in of the area of business economics</b>                                   | X                      | X                   | X                     | X                   | X                       | X                      |
| <b>At least one member with expertise in the area of national retail trade</b>                                   | X                      | X                   | X                     |                     | X                       | X                      |
| <b>At least one member with expertise in the areas of financial reporting and accounting (sec. 100 (5) AktG)</b> | X                      |                     | X                     |                     |                         |                        |

|   | Dr Bruno<br>Sälzer | Sandra<br>Pabst | Clarissa<br>Käfer | Josef<br>Schmid | Michael<br>Neumaier | Michael<br>Eckhoff |
|---|--------------------|-----------------|-------------------|-----------------|---------------------|--------------------|
| At least one member with expertise in sustainability issues relevant to the company.  | X                  |                 | X                 | X               |                     |                    |
| At least one member with expertise in the area of auditing (sec. 100 (5) AktG)  |                    |                 | X                 |                 |                     |                    |
| No member older than 70 years   | X                  | X               | X                 | X               | X                   | X                  |
| No member of the Supervisory Board should be subject to a conflict of interest that is likely to occur frequently or permanently. | X                  | X               | X                 | X               | X                   | X                  |

Concerning 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 Supervisory Board member's 70th birthday. Deviations from the provisions above 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 determination of target figures for the proportion of women in Supervisory Board, Executive Board, and leadership positions

### Gender quota

With the "Act on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sectors" of April 24, 2015, listed or co-determined companies were obliged to set targets for the proportion of women on the Executive Board, in the two management levels below the Executive Board, and on the Supervisory Board.

In order to comply with these legal requirements, the Supervisory Board and 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 33.33% for the proportion of women on the Supervisory Board. A deadline was set by June 30, 2027, 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, 2022, 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, 2027. When the target was set, the proportion of women on the Executive 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, too, only professional qualifications and expertise should be decisive for selection as a member of the Executive Board of the company.

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

At its meeting on May 24, 2022, the Executive Board set a target of 30% for the proportion of women in the first management level below the Executive Board and a deadline of five years for achieving it. When the target was set, the proportion of women in the first management level below the Executive Board was 40%.

At its meeting on May 24, 2022, the Executive Board set a target of 50% for the proportion of women in the second management level below the Executive Board and a deadline of



five years for achieving it. When the target was set, the proportion of women in the second management level below the Executive Board was 70%.

### **III. Declaration of conformity pursuant to section 161 Stock Corporation Akt (AktG)**

The term corporate governance stands for responsible corporate management and control, the aim of which is sustainable value creation. LUDWIG BECK is committed to these values and has complied with the recommendations of the German Corporate Governance Code, first adopted in 2002, without significant restrictions since April 2003. The Executive Board and the Supervisory Board of LUDWIG BECK, therefore, issued the following declaration of conformity in accordance with section 161 Stock Corporation Act (AktG) after due examination on September 14, 2021:

#### **Declaration of conformity 2021 to the German Corporate Governance Code in accordance with section 161 Stock Corporation Act (AktG)**

For the period from the submission of the Declaration of Conformity 2021 on 14 September 2021 to 26 June 2022, the following declaration refers to the recommendations of the German Corporate Governance Code in its version of 16 December 2019, which was published in the Federal Gazette on 20 March 2020 ("Code 2020"). For the period from 27 June 2022, the declaration refers to the recommendations of the Code in its version of 28 April 2022, which was published in the Federal Gazette on 27 June 2022 ("Code 2022").

The Executive Board and the Supervisory Board of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft declare pursuant to section 161 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 section of the Federal Gazette have been complied with and will be complied with in the future with the following exceptions:

1. Recommendation A.2 sentence 2 of the Code, according to which employees should be given the opportunity to provide protected information on legal violations in the company (establishment of a whistleblower hotline), is not complied with. The Executive Board and the Supervisory Board are of the opinion that the company has a functioning compliance management system even without setting up a whistleblower hotline. Moreover, it cannot be ruled out that establishing a whistleblower hotline would strain the excellent working atmosphere and encourage an informer culture.

2. Recommendation C.1 sentence 3 Code 2022, according to which the competence profile of the Supervisory Board should also include expertise on sustainability issues of importance to the company, was not complied with until September 14, 2022, as the Supervisory Board had no opportunity to adjust the competence profile after the Code 2022 came into force and before September 14, 2022. Since September 14, 2022, recommendation C.1 sentence 3 of the Code 2022 has been complied with.
3. The Supervisory Board has not formed a Nomination Committee (recommendation D.5 of the Code 2020 = D.4 of the Code 2022). The Supervisory Board is of the opinion that the preparation of election proposals for Supervisory Board members to the Annual General Meeting should take place in the plenum, which has a manageable number of six members.
4. On March 24, 2021, the Supervisory Board adopted a system for the remuneration of Executive Board members in accordance with the new section 87a Stock Corporation Act (AktG) introduced by the ARUG II, which does not fully comply with the recommendations of the Code. Recommendation G.3 sentence 1 of the Code 2020 (= G.3 sentence 1 of the Code 2022), according to which the Supervisory Board shall use an appropriate peer group of other enterprises, the composition of which it discloses, to assess whether the specific total remuneration of the Executive Board members is in line with usual levels compared to other enterprises, is not complied with. The remuneration system resolved by the Supervisory Board on March 24, 2021, does not provide for such a peer group comparison. At present, there is not a sufficient number of listed companies in Germany that are comparable with LUDWIG BECK in terms of size and sector. Therefore, the Supervisory Board is of the opinion that the determination and disclosure of a representative peer group is currently not feasible. Nevertheless, the Supervisory Board controls by comparison with unlisted companies in the fashion industry in a broader sense that the Executive Board remuneration is appropriate and customary.
5. According to recommendations G.10 sentences 1 and 2 of the Code 2020 (= G.10 sentences 1 and 2 of the Code 2022), the variable remuneration components granted to a member of the Executive Board shall be invested by him predominantly in shares of the company or granted accordingly as share-based remuneration. The Executive Board member shall only be able to dispose of the long-term variable remuneration amounts after four years. The remuneration system deviates from these recommendations. The Supervisory Board does not consider the

share price to be the relevant yardstick for a remuneration system to promote the company's business strategy and long-term development. Instead, the Supervisory Board believes that the financial and non-financial performance criteria set out in the remuneration system for assessing the variable remuneration and a cash payment of all variable remuneration components are more appropriate. The Executive Board members are paid the amounts of the long-term variable remuneration (LTI) at their free disposal after the expiry of three years. The Supervisory Board considers this period to be customary and appropriate.

6. The current employment contract of CEO Christian Greiner was already concluded on September 15, 2020, with effect from January 1, 2021, and is therefore essentially still based on the previous remuneration system that has since been replaced by the remuneration system adopted by the Supervisory Board on March 24, 2021. Therefore, the employment contract does not fully comply with the recommendations of the Codes 2020 and 2022. Thus, in addition to recommendations G.3, sentence 1, and G.10, sentences 1 and 2 (see above sections 3. and 4.), recommendation G.2 of the Codes 2020 and 2022 (determination of a specific target total remuneration) is not complied with. Similarly, there is no provision for the performance criteria for the variable remuneration components, which are to be based primarily on strategic objectives, to be established in each case for the forthcoming financial year (G.7 sentence 1 of the Code 2020 = G.7 sentence 1 of the Code 2022). With regard to part of the variable remuneration, the recommendation in G.9 of the Code 2020 (= G.0 of the Code 2022) is not fully complied with.

Munich, September 14, 2022

Previous, no longer up-to-date declarations of conformity by 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 asset, financial, and earnings situation. The company has established modern controlling instruments for risk identification, risk monitoring, and risk communication. Their use ensures that decision-makers are regularly and promptly informed about their development to initiate suitable countermeasures to steadily and sustainably increase the company's value. The

respective responsibilities are defined within the organisation. The instruments are constantly being optimised 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 meanings of sections 289f (2) No. 6, 315d 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 further 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. In the view of the Supervisory Board, the composition of the Executive Board has proven highly successful. 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 within the framework of an efficient organisation that reacts quickly and flexibly to changes in the market is the basis of business success and, at the same time, the aspiration of the employees. The company should be a sustainably attractive investment for 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, and the commitment and competence of the employees are essential prerequisites for the company's success. 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 takes place in an atmosphere of mutual acceptance and appreciation. The best proof

of this lived culture is the extraordinary loyalty of the employees. The long service record of most employees supports LUDWIG BECK in its efforts to continue to pursue a policy that combines both expectations of, and support for, employees. Because without satisfied and loyal employees, there are no satisfied and loyal customers.

## **VI. Remuneration report and remuneration system**

At <https://kaufhaus.ludwigbeck.de/en/company/investor-relations/corporate-governance/further-information>, the system for the remuneration of the members of the Executive Board pursuant to section 87a (1) Stock Corporation Act (AktG), which was resolved by the Supervisory Board on March 24, 2021, and approved by the Annual General Meeting on May 17, 2021, under agenda item 5, as well as the remuneration system with the information pursuant to sections 113 (3) sentence 3, 87a (1) sentence 2 Stock Corporation Act (AktG), and the remuneration of the members of the Supervisory Board pursuant to section 12a of the articles of association of the company, which was approved by the Annual General Meeting on May 17, 2021, under agenda item 6, have been made available. At the same internet address, the remuneration report 2022 and the auditor's attached report are made publicly accessible pursuant to section 162 (3) sentence 3 Stock Corporation Act (AktG).

Munich, March 2023

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