

## **Declaration on Corporate Governance of Manz AG for the 2021 financial year**

As a listed company, Manz AG hereby issues the following corporate governance statement relating to Manz AG and the Manz Group in accordance with section 289f, section 315d of the German Commercial Code (HGB) for the 2021 financial year. Furthermore, in accordance with Principle 22 and the recommendations of the German Corporate Governance Code (the "Code"), the Managing Board and Supervisory Board of Manz AG hereby report below on corporate governance at Manz AG.

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## **I. Implementation of the German Corporate Governance Code and declaration pursuant to Section 161 of the German Stock Corporation Act (AktG)**

The Code sets out essential statutory regulations for the management and monitoring (governance) of listed German companies and contains internationally and nationally recognized standards for good and responsible governance. The Code aims to increase international and national investors', customers', employees', and the general public's confidence in the management and monitoring of listed German companies.

The Managing Board and Supervisory Board of Manz AG are guided by the recommendations set out in the Code. They view themselves as having an obligation to safeguard the company's continued existence and its sustainable creation of value in harmony with the principles of a social market economy. The Managing Board and Supervisory Board paid close attention to the recommendations set out in the Code during the financial year 2021.

Section 161 of the German Stock Corporation Act (AktG) states that the Managing Board and Supervisory Board of a listed stock company must declare each year 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 and are being complied with, or must declare which recommendations have not or are not being complied with. Furthermore, any deviations from the recommendations must be justified. This statement must be permanently accessible to the public on the company's website.

On November 24, 2021, the Managing Board and Supervisory Board of Manz AG issued the following declaration of conformity with the recommendations of the "Government Commission on the German Corporate Governance Code" in accordance with Section

161 of the German Stock Corporation Act (AktG) at <https://www.manz.com/en/investor-relations/corporate-governance/declaration-of-conformity/>:

### **Declaration of Conformity November 2021**

#### **of the Managing Board and the Supervisory Board of Manz AG on the recommendations of the "Government Commission on the German Corporate Governance Code" pursuant to Section 161 of the German Stock Corporation Act (AktG)**

In accordance with Section 161 of the German Stock Corporation Act, the Managing Board and Supervisory Board of Manz AG declare that the recommendations of the "Government Commission on the German Corporate Governance Code" in the version of December 16, 2019, published by the Federal Ministry of Justice in the official section of the Federal Gazette, have been complied with since the issuance of the last Declaration of Conformity on November 24, 2020, with the following exceptions, and will be complied with in the future, with the following exceptions.

#### **Recommendation D.4, Sentence 2 - Chair of the Audit Committee**

Recommendation D.4 Sentence 2 of the Code, according to which the Chairman of the Supervisory Board should not chair the Audit Committee, will not be complied with in the future.

The Supervisory Board of Manz AG is considered an Audit Committee in accordance with the new provisions of section 107 (4) of the German Stock Corporation Act (AktG). In this context, the recommendation D.4 Sentence 1 of the Code is to be complied with, according to which the Chairman of the Audit Committee should have special knowledge and experience in the application of accounting principles and internal control procedures, and be familiar with the auditing of financial statements. The current Chairman of the Supervisory Board is designated for the office of Chairman of the Audit Committee, as he meets these requirements.

#### **Recommendation G.1 - Remuneration system for members of the Managing Board**

In accordance with section 87a (1) Sentence 1 of the German Stock Corporation Act (AktG) and Principle 23 (1) Half-Sentence 1 of the Code, the Supervisory Board shall adopt a clear and comprehensible system for the remuneration of Managing Board members.

Recommendation G.1 of the Code, according to which the remuneration system should specify, in particular,

- how the target total remuneration is determined for the individual Managing Board members and what amount the total remuneration may not exceed (maximum remuneration),
- the relative share of fixed remuneration, on the one hand, and short-term variable and long-term variable remuneration components, on the other, in the target total remuneration,
- which financial and non-financial performance criteria are decisive for the granting of variable remuneration components,
- what the relationship is between the achievement of the previously agreed performance criteria and the variable remuneration,
- in what form and when the Managing Board member can dispose of the variable remuneration amounts granted,

was not complied with at times.

Pursuant to section 26j (1) Sentence 1 of the Introductory Act to the Stock Corporation Act (EAGAktG), the first resolution of the Supervisory Board on a remuneration system pursuant to Section 87a (1) German Stock Corporation Act (AktG) must be adopted by the end of the first Annual General Meeting after December 31, 2020. Accordingly, the Supervisory Board of Manz AG adopted a remuneration system for the members of the Managing Board for the first time in May 2021, which complies with recommendation G.1 of the Code. The remuneration system was approved by resolution of the Annual General Meeting on July 7, 2021.

### **Recommendation G.2 - Concrete target total remuneration**

Recommendation G.2 of the Code, according to which the Supervisory Board should first determine, on the basis of the remuneration system for each Managing Board member, his or her specific target total remuneration, which should be commensurate with the duties and performance of the Managing Board member and the situation of the Company and not exceed the usual remuneration without special justification, was not complied with at times.

In May 2021, the Supervisory Board of Manz AG resolved a new remuneration system for the members of the Managing Board. On this basis, the Supervisory Board determined the specific target total remuneration for each Managing Board member for the financial year 2021 for the first time in May 2021 and confirmed this determination after the remuneration system for the members of the Managing Board was approved by resolution of the Annual General Meeting on July 7, 2021.

### **Recommendation G.3 - Peer group comparison**

Recommendation G.3 of the Code, according to which the Supervisory Board shall use a suitable peer group of other companies in order to assess the customary nature of the specific total remuneration of the members of the Managing Board in comparison with other companies, the composition of which it shall disclose, was not complied with at times.

The Supervisory Board of Manz AG used a suitable peer group of other companies to assess the customary nature of the specific total remuneration paid to members of the Managing Board compared to other companies in accordance with Recommendation G.3 of the Code as part of the remuneration system for members of the Managing Board resolved in May 2021 for the first time. Its composition was disclosed for the first time in the notice convening the Annual General Meeting on July 7, 2021. In order to assess the appropriateness of the remuneration of the Managing Board, the Supervisory Board has already carried out a comparison with the remuneration paid by other comparable companies, which, in its opinion, enabled an appropriate assessment to be made.

### **Recommendation G.11 – Exceptional developments**

Recommendation G.11 of the Code, according to which the Supervisory Board should have the possibility to take into account extraordinary developments to an appropriate extent and according to which variable remuneration may be withheld or reclaimed in justified cases, was not complied with at times.

Recommendation G.11 of the Code was newly introduced in the current version of the Code dated December 16, 2019, and thus only after the conclusion of the Managing Board contracts of the members of the Managing Board of Manz AG. In connection with the remuneration system for members of the Managing Board resolved by the Supervisory Board of Manz AG and approved by the Annual General Meeting on July 7, 2021, addenda to the Managing Board contracts were agreed for the first time, which allow for the reduction (malus) or clawback of variable remuneration not yet paid out or already paid out under certain conditions.

The agreement on the possibility of reducing (malus) and reclaiming (clawback) variable remuneration components was not in line with best practice at the time the respective contracts were concluded. The Managing Board contracts were each concluded for a term corresponding to the terms of office and can only be amended by mutual agreement between the contracting parties.

### **Recommendation G.13 Sentence 1 Half-sentence 1 – Severance cap**

Recommendation G.13 Sentence 1 Half-sentence 1 of the Code, according to which payments to a member of the Managing Board on premature termination of his or her contract should not exceed the value of two years' remuneration (severance payment cap), has not been complied with and will not be complied with in the future.

In the Managing Board contract of the Chairman of the Managing Board concluded in 2018, it is agreed – in deviation from suggestion G.14 of the Code – that, in the event of a change of control, the Managing Board member is entitled to terminate the Managing Board contract within six months of the occurrence of a change of control with three months' notice to the end of a calendar month and to resign from office as a member of the Managing Board with the same notice period. A change of control within the meaning of this change of control clause shall be deemed to have occurred if the Company receives a notification according to which a party subject to the notification obligation reaches or exceeds at least 25 % of the voting rights from shares in the Company belonging to or attributed to it. If the Managing Board member's contract is terminated on the basis of the change of control clause, the Managing Board member is entitled to a severance payment due upon termination of the employment relationship. However, the severance payment is limited to the value of three years' remuneration (150 % of the severance payment cap). If the remaining term of the employment relationship at the time the termination takes effect is more than two years, the severance payment shall be reduced by 75 % to the extent that it is granted for the exceeding period.

The change of control clause agreed in 2018 in the Managing Board contract of the Chairman of the Managing Board was in line with the recommendation in Section 4.2.3 Paragraph 5 of the Code as amended on February 7, 2017, according to which a commitment for benefits in the event of premature termination of Managing Board duties due to a change of control should not exceed 150 % of the severance payment cap. Change of control clauses with this maximum amount were, therefore, considered best practice and were common at the time. The Company also considered such a change of control clause to be useful, as it can help to ensure that the behavior of the Managing Board member in the event of a possible change of control is oriented solely to the interests of the Company, and the maximum limit of 150 % of the severance payment cap appears appropriate in this respect. This applies, in particular, in view of the agreed reduction of the severance payment by 75 % insofar as it is granted for the period exceeding a remaining term of two years. The recommendation in Section 4.2.3 Paragraph 5 of the 2017 Code is no longer included in the current version of the Code dated December 16, 2019. It has been replaced by suggestion G.14 of the Code, according to which commitments for benefits in the event of premature termination of the employment contract by the Managing Board member as a result of a change of control should not be agreed. The Managing Board contract of the Chairman of the Managing Board was concluded in

accordance with the term of office for a period of five years and can only be amended by mutual agreement between the contracting parties.

**Recommendation G.13 Sentence 2 – Crediting of severance pay against waiting allowance**

Recommendation G.13 Sentence 2 of the Code, according to which in the event of a subsequent non-competition clause, the severance payment should be offset against the waiting allowance, was not complied with at times.

The Managing Board contract of the Chairman of the Managing Board concluded in 2018 contains a post-contractual non-competition clause under which the Managing Board member is prohibited from competing with the Company for a period of 24 months after termination of the employment relationship. As a result of a supplement to the Managing Board contract concluded in connection with the remuneration system for members of the Managing Board resolved by the Supervisory Board of Manz AG and approved by the Annual General Meeting on July 7, 2021, it was agreed for the first time that a severance payment to be paid as a result of a termination of the Managing Board contract due to a change of control in accordance with the change of control clause is to be offset against the severance payment to be paid for the duration of the post-contractual non-competition clause in such a way that the claim to the severance payment is reduced by the amount of the claim to the severance payment. Furthermore, the remuneration system for members of the Managing Board resolved by the Supervisory Board of Manz AG and approved by the Annual General Meeting on July 7, 2021, provides for the first time that a severance payment agreed in the event of premature termination of the employment relationship will generally be offset against the waiting allowance.

Recommendation G.13 Sentence 2 of the Code was reintroduced in the current version of the Code dated December 16, 2019 and thus only after the conclusion of the Managing Board contract of the Chairman of the Managing Board. The agreement to offset a severance payment against a waiting allowance was not in line with best practice at the time the agreement was concluded. The Managing Board contract of the Chairman of the Managing Board was concluded in accordance with the term of office for a period of five years and can only be amended by mutual agreement between the contracting parties.

Reutlingen, November 24, 2021

**Manz AG**



## II. Remuneration

Manz AG's remuneration report for the 2021 financial year and the auditor's report pursuant to section 162 of the German Stock Corporation Act (AktG), Manz AG's applicable remuneration system pursuant to section 87a (1) and (2) sentence 1 of the German Stock Corporation Act (AktG), and the most recent remuneration resolution adopted by Manz AG's Annual General Meeting regarding the remuneration of Supervisory Board members pursuant to section 113 (3) of the German Stock Corporation Act (AktG) will be made publicly available on the Company's website at <https://www.manz.com/en/investor-relations/corporate-governance/declaration-of-conformity/>.

## III. Corporate Governance Practice

### 1. Disclosures on Corporate Governance Practices Applied Above and Beyond the Legal Requirements

Manz AG aspires to conduct all business operations in an ethical and legally sound manner. The Managing Board has developed a mission statement for this purpose, which is designed to help the employees of Manz AG and its subsidiaries to act responsibly and make the right decisions when carrying out their daily activities. This corporate mission statement describes our principles of sustainable and socially responsible economic activity.

### 2. Description of the Mode of Operation of the Managing Board and Supervisory Board

Manz AG is a company incorporated under German law and is subject, in particular, to the provisions of the German Stock Corporation Act (AktG), on the basis of which the German Corporate Governance Code has also been developed. A basic principle of German stock corporation law is the dual management system by the boards, i.e. the Managing Board and the Supervisory Board.

According to this principle, the Managing Board manages the company, while the Supervisory Board advises and monitors the Managing Board. Simultaneous membership on both boards is not permitted. The Manz AG Managing Board and Supervisory Board work together in a close and trustful relationship, striving to increase the value of the company for its shareholders in the long term.

#### **a) Functioning of the Managing Board**

The Supervisory Board has issued rules of procedure for the Managing Board that assign specific central management areas to members of the Managing Board to manage independently. Notwithstanding this, all members of the Managing Board bear joint responsibility for the overall management of the company. The Managing Board as a whole decides on matters of particular importance. Furthermore, specific measures relating to the management of the company also require Supervisory Board approval. The rules of procedure also contain stipulations on the procedure for meetings and resolutions of the Managing Board, as well as the tasks of the chairman and his deputy.

According to the rules of procedure, the Managing Board is responsible for preparing a report on future business policy and corporate planning for the respective following year and two subsequent financial years, and for presenting it to the Supervisory Board for approval. Furthermore, the reporting obligations of the Managing Board vis-à-vis the Supervisory Board are specified in more detail in the rules of procedure. The rules of procedure stipulate that the Managing Board must regularly, promptly, and fully inform the Supervisory Board of all relevant issues relating to the company and the Manz Group regarding planning and business development, the risk situation and risk management, as well as compliance with legal regulations and internal guidelines. In particular, it must report annually on the profitability of the company and at regular intervals on the company's overall situation.

According to the rules of procedure, members of the Managing Board must disclose any conflicts of interest to the Supervisory Board and must inform other Managing Board members of such conflicts as well. Managing Board members may only accept secondary employment, in particular positions on Supervisory Boards outside of the Manz Group, with the approval of the Supervisory Board.

## **b) Functioning of the Supervisory Board**

In addition to monitoring and advising the Managing Board, the Supervisory Board's duties include appointing and dismissing members of the Managing Board, as well as defining the remuneration system for the Managing Board and the level of remuneration for individual members of the Managing Board. It also reviews the annual and group financial statements issued by the Managing Board and management reports for Manz AG and the Group, along with suggestions on using net profits, special non-financial reports, and reports to the Annual General Meeting on the results of its review.

The Supervisory Board established rules of procedure for itself that regulate the internal organization of the Supervisory Board. The rules of procedure contain stipulations on the selection and tasks of the chairman of the Supervisory Board and his deputy. It also governs, in particular, the convening and chairing of meetings, the attendance of Managing Board members and other persons at meetings, the adoption of resolutions by the Supervisory Board, and the formation of committees. As a rule, the Supervisory Board of Manz AG convenes five times a year, but at least once per quarter for its regular meetings, and for further special meetings as required. In urgent cases, it can also pass resolutions by means of written correspondence or conference calls.

The rules of procedure stipulate that members of the Supervisory Board must disclose conflicts of interest and that significant conflicts of interest that are not simply temporary shall lead to termination of office.

The Supervisory Board, which consists of four members, has again formed an economic committee consisting of two members in financial year 2021. Professor Dr. Heiko Aurenz and Dieter Manz were appointed as members of the committee for the duration of their terms as Supervisory Board members. The economic committee has been assigned tasks in the areas of (a) accounting, risk management and auditing, (b) finance and management measures requiring approval, (c) Managing Board matters, (d) corporate governance, and (e) compliance. It is to prepare deliberations and resolutions for the Supervisory Board in these areas. Furthermore, the committee has been assigned specific

monitoring obligations, in particular in the areas of the invoicing process, the effectiveness of the internal control system, risk management, the internal auditing system, auditing, and compliance. It provides the Supervisory Board with relevant suggestions and recommendations within this framework. However, the economic committee has not been granted any of the Supervisory Board's power to make decisions. The members of the committee regularly report to the Supervisory Board on their deliberations and resolutions. The committee holds at least four meetings per year.

The Chair of the Supervisory Board is also in regular contact with the Managing Board, particularly the Chairman, in addition to the meetings of the Supervisory Board and the economic committee, and these individuals inform one another about current corporate developments and important transactions.

The Supervisory Board regularly consults a list of questions and holds discussions to review the efficiency of its own activities. According to the rules of procedure, this review encompasses, in particular, the procedures within the Supervisory Board and the supply of information to the Supervisory Board, in addition to qualitative criteria. No significant deficits have been identified as of yet, although work processes and regular reporting by the Managing Board, based on the results of the self-assessment, are being developed on an ongoing basis.

## **IV. Composition and diversity of the Managing Board and Supervisory Board**

### **1. Managing Board**

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

The Managing Board of Manz AG had three members for the financial year 2021. Members of the Managing Board are Martin Drasch (Chairman), Manfred Hochleitner (CFO) and Jürgen Knie (COO). Information on the members of the Managing Board is available on Manz AG's website at <https://www.manz.com/en/company/management/>.

Long-term succession planning for the Managing Board within the meaning of recommendation B.2 of the Code is carried out through regular discussions between the Chairmen of the Managing Board and the Supervisory Board. The contractual terms and renewal options for current members of the Managing Board, as well as possible successors, are reviewed as part of these discussions.

#### **b) Objectives for the composition of the Managing Board**

In order to implement Recommendation B.1 of the Code, the Supervisory Board has adopted a resolution according to which the Supervisory Board will also pay attention to diversity in the composition of the Managing Board. The Supervisory Board accordingly aims, in particular, to take women properly into consideration by ensuring that appropriately qualified women will also be included as members during future selection processes for Managing Board members. Furthermore, the term diversity also encompasses aspects such as age, educational and professional background and international composition.

This policy expresses the will of the Supervisory Board to take diversity aspects into consideration in making its decisions regarding personnel and is also the diversity concept of Manz AG in the sense of section 289f (2)6 HGB, which is being pursued with respect to the composition of the Managing Board. The aim of this concept is to facilitate a good understanding of organizational and business-related circumstances at the Manz Group through a wide range of expertise and viewpoints among its Managing Board members. Diversity should generally allow the members to make decisions by objectively considering all relevant circumstances and to be more open to innovative ideas. This should contribute to successful corporate management.

In the 2017 financial year, the Supervisory Board of Manz AG set a target of 0 % for the proportion of women on the Managing Board as the target for the equal participation of women and men in management positions in accordance with section 111 (5) of the German Stock Corporation Act (AktG). In this context, it was determined that the target should be reached or exceeded by June 30, 2022. Based on the current composition of

the Supervisory Board and Managing Board and in the interests of continuity, in the opinion of the Supervisory Board, the group does not expect to be able to increase its proportion of women within the reference time period.

The Rules of Procedure for the Supervisory Board stipulate as an age limit for members of the Managing Board that, as a rule, only persons who have not yet reached the age of 65 should be appointed as members of the Managing Board.

### **c) Implementation of the diversity concept and achievement of the targets for the composition of the Managing Board**

Diversity is being taken into consideration within the Managing Board, with the exception that it has no female members. The Managing Board has an appropriate experience and age structure and its members have international experience. The Board has an adequate spectrum of specialist and general education, as well as professional knowledge and experience. Corresponding to the Manz Group profile as an internationally operating high-tech equipment manufacturer, the members of the Managing Board are characterized by sound academic education, as well as a technically and economically oriented professional background with a focus on the mechanical engineering industry and the production of technically complex products. The changes in the composition of the Managing Board in the financial year 2018 also led to a rejuvenation in view of the aspired longer-term activity of its members.

## **2. Supervisory Board**

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

In accordance with the company's Articles of Incorporation, the Supervisory Board of Manz AG consists of four members, who are elected by the shareholders at the Annual General Meeting.

The members of the Supervisory Board are Professor Dr. Heiko Aurenz (Chairman), Dieter Manz (Vice Chairman), Professor Dr. Michael Powalla and Dr. Zhiming Xu, who were re-elected for a new term of office at the Annual General Meeting on July 7, 2021.

Information on the members of the Supervisory Board is available on Manz AG's website at <https://www.manz.com/en/company/management/>.

#### **b) Goals Pertaining to the Composition of the Supervisory Board**

The Supervisory Board has specified targets for its composition and a competence profile for the Supervisory Board in its rules of procedure. The Supervisory Board should always be composed of members who collectively provide it with the required special knowledge and experience of various specialist fields that are essential to the company.

In accordance with Recommendation C.1 Sentence 1 of the Code, the Supervisory Board has specified the following concrete objectives for its composition and its competence profile for the entire body and included them in the Rules of Procedure for the Supervisory Board. These take into account the international activities of the company, potential conflicts of interest, the number of independent Supervisory Board members within the meaning of Recommendation C.7 of the Code, an age limit to be specified and length of membership for Supervisory Board members, as well as diversity, and, in particular, also provide for the appropriate participation of women, taking into account the company-specific situation.

The objectives for the composition and the targeted competence profile of the Supervisory Board also represent Manz AG's diversity concept within the meaning of section 289f (2) No. 6 of the German Commercial Code (HGB), which is pursued with regard to the composition of the Supervisory Board. This concept aims to facilitate a good understanding of the organizational and business affairs of the Manz Group through diversity in the expertise and views of the members of the Supervisory Board. Diversity should generally enable members to ask constructive questions regarding the Managing Board's decisions, allowing it to be open to innovative ideas, since this counteracts so-called "groupthink." By doing so, diversity is intended to lead to effective control and attentive advisement of the company's general management.

- » The Supervisory Board generally strives to ensure that its composition is always such that members collectively have the knowledge, skills and specialist experience required to undertake their duties properly.

- » Fundamental requirements for the members of the Supervisory Board are personal integrity, sufficient professional and life experience, independence, and solid communication skills. Furthermore, members must have basic knowledge of business, corporate law and industry-specific technology, as well as knowledge of the Manz Group, or they must be willing to acquire such knowledge at the beginning of their term of office. In addition, members of the Supervisory Board must clearly demonstrate that, taking account of their other professional responsibilities and seats on other supervisory boards, they have sufficient time to devote to their duties as a member of the company's Supervisory Board.
  
- » The Supervisory Board should always be composed of members who collectively provide it with the required special knowledge and experience of various specialist fields that are essential to the company. The Supervisory Board considers its composition goals when making election nominations at the annual general meeting and attempts to fulfill the following competence profile for the overall board:
  - Experience as a member of senior management at a medium-sized company
  - Knowledge and experience in the application of accounting principles and internal controlling procedures
  - Knowledge and experience in the mechanical engineering industry or in other industries in which the Manz Group is active
  - Experience in management at companies with global operations
  
- » As a rule, only the following categories of people should be nominated as Supervisory Board members:
  - have not yet reached the age of 70, and
  - have not already served on the Supervisory Board for five full terms of office within the meaning of section 102 (1) of the German Stock Corporation Act (AktG) or 25 years, unless special circumstances in individual cases justify an exception.



- » As part of the selection process, the Supervisory Board will endeavor to submit nominations at the Annual General Meeting to ensure that female members are included if they have appropriate qualifications.
  
- » The Supervisory Board should include at least two independent members as defined in the German Corporate Governance Code regarding ownership structure.

In the 2017 financial year, the Supervisory Board of Manz AG set a target of 0 % for the proportion of women on the Supervisory Board as the target for the equal participation of women and men in management positions in accordance with section 111 (5) of the German Stock Corporation Act (AktG). In this context, it was determined that the target should be reached or exceeded by June 30, 2022. In view of the current composition of the Supervisory Board and the fundamental objective of continuity of office, the Supervisory Board is of the opinion that it is not expected that the proportion of women can be increased within the reference period.

#### **c) Implementation of the diversity concept and achievement of the targets for the composition of the Supervisory Board**

Apart from having not yet achieved the desired percentage of women, the Manz AG Supervisory Board is currently fulfilling all of the aforementioned goals for composition and the competence profile. The Supervisory Board members have the professional and personal qualifications seen as necessary based on their professional experience and expert knowledge, as well as their personal characteristics. Overall, they are familiar with the Manz Group and with the sector in which the company works.

Professor Dr. Heiko Aurenz (born 1961, member of the Supervisory Board since 2001) was appointed as an independent member of the Supervisory Board with expertise in the fields of accounting and auditing (section 100 (5) of the German Stock Corporation Act (AktG)) on the basis of his knowledge and experience from his work in management consulting and auditing. Professor Dr. Aurenz was active in financial auditing for several years. Accounting issues are a major component of his work as a business consultant.

Dieter Manz (born 1961, member of the Supervisory Board since July 2017), as the company's founder and longstanding CEO of Manz AG, has particularly good knowledge of the Manz Group, as well as its sales markets and the respective competitive environment. In addition, as a result of his previous work, he fulfills the competence profile goals with respect to management experience at a mid-sized international company and with respect to expertise and experience in the mechanical engineering industry and in other industries in which the Manz Group operates. Dieter Manz was also appointed as an independent member of the Supervisory Board with expertise in the field of accounting (section 100 (5) AktG). He acquired the necessary knowledge in the field of accounting as a long-standing Chairman of the Managing Board and as a member of the Supervisory Board of Manz AG.

Professor Dr. Michael Powalla (born 1963, member of the Supervisory Board since June 2011) has, in particular, extensive knowledge and experience in the photovoltaics sector as Head of the Photovoltaics Division and member of the Managing Board of the Center for Solar Energy and Hydrogen Research Baden-Württemberg (ZSW) and as Professor of Thin-Film Photovoltaics at the Karlsruhe Institute of Technology (KIT).

Dr. Zhiming Xu (born 1973, member of the Supervisory Board since October 2017) brings to the work of the Supervisory Board not only his technical expertise in the fields of mechanical engineering and machine control and his knowledge of the Chinese markets, but also his experience from his senior management activities as Chief Technology Officer of the Shanghai Electric Automation Group at Shanghai Electric Group Co., Ltd.

Apart from the fact that it is composed only of men, all other aspects of diversity have been considered as far as the Supervisory Board is concerned. It has an appropriate structure of experience and age. The Supervisory Board has two members with long-term international experience. Furthermore, the Board represents appropriate levels of diversity with respect to educational and professional backgrounds. The members all have academic training. Their range of technical and economic administration expertise and experience matches the Manz Group's requirements as a global high-tech equipment manufacturer.

The standard limits for the age of the members of the Supervisory Board and the length of service on the Supervisory Board of five full terms of office within the meaning of section 102 (1) of the German Stock Corporation Act (AktG) or 25 years at the time of the election proposal are also complied with by all members.

The Supervisory Board also has an appropriate number of independent members, in its own estimation. In the opinion of the Managing Board and the Supervisory Board, the members of the Supervisory Board Professor Dr. Heiko Aurenz, Dieter Manz and Professor Dr. Michael Powalla are currently to be regarded as independent within the meaning of recommendation C.7 of the Code, in that they are independent of the Company and its Managing Board and independent of a controlling shareholder. With regard to the Chairman, Professor Dr. Aurenz, one indicator mentioned in recommendation C.7, Subparagraph 2 of the Code is fulfilled in that he has been a member of the Supervisory Board of Manz AG for more than twelve years. However, in the opinion of the Managing Board and the Supervisory Board, Professor Dr. Aurenz continues to have the necessary critical distance to the Managing Board of the Company, to which his financial independence also contributes. The term of office of Vice Chairman Dieter Manz as Chairman of the Managing Board already ended in 2017 and thus more than two years before his re-election to the Supervisory Board in 2021, so that the relevant indicator pursuant to recommendation C.7 Subparagraph 2 of the Code is not fulfilled. In the case of the member Professor Dr. Michael Powalla, an indicator mentioned in recommendation C.7 Subparagraph 2 of the Code is also fulfilled, in that he is the head of the photovoltaics division at the Center for Solar Energy and Hydrogen Research Baden-Württemberg (ZSW), which maintains business relations with Manz AG. However, the orders placed by Manz AG with ZSW are of minor economic importance, so that they are not material and, in the opinion of the Managing Board and Supervisory Board, therefore do not conflict with independence. In this respect, no conflict of interest has arisen in any case to date. This means that more than half of the members of the Supervisory Board can be regarded as independent of the Company and the Managing Board.

In the composition of the Supervisory Board, the ownership structure is also taken into account in accordance with recommendation C.6, Half-sentence 2 of the Code. The Company has no controlling shareholder. The member Dieter Manz holds a significant

interest in Manz AG within the meaning of recommendation C.13 of the Code. The member, Dr. Zhiming Xu is employed by Shanghai Electric Group Co., Ltd., whose German subsidiary Shanghai Electric Germany Holding GmbH holds a significant interest in Manz AG within the meaning of recommendation C.13 of the Code. The members, Professor Dr. Heiko Aurenz and Professor Dr. Michael Powalla, are also independent of shareholders with a significant stake in the Company.

### **3. Diversity in management positions**

The Managing Board also pays attention to diversity when filling management positions in the Manz Group, and, in particular, strives to give appropriate consideration to women. These goals should be pursued in addition to a well-balanced level of technical qualifications.

In the 2017 financial year, the Managing Board of Manz AG set a target of 5 % for the proportion of women in the first management level below the Managing Board (these are the division heads) and a target of 0 % for the proportion of women in the second management level below the Managing Board (these are the department heads) as the target for the equal participation of women and men in management positions in accordance with section 76 (4) of the German Stock Corporation Act (AktG). The Group determined that the numerical targets should each be achieved or exceeded by June 30, 2022.

In financial year 2021, no women belonged to the first management level below the Managing Board. Since women are still significantly under-represented in technical fields, it is a challenge for Manz AG to attract female employees and support them in their development to become managers.

As a global company, the Manz Group has a large number of foreign employees and managers, particularly in Asia. Employees and managers from 31 countries (previous year: 26 countries) work at the Group's various subsidiaries, and employees from 25 countries (previous year: 25 countries) work at Manz AG. The Managing Board has taken further measures to promote a greater degree of international diversity at the senior management level. For example, in addition to biannual international strategy meetings, a

wide range of tools for managing staff and fostering their development have been developed and implemented at an international level.

The proportion of women among the Manz Group's employees at the end of the 2021 financial year was just under 18 %, analogous to the previous year. However, women are not yet sufficiently represented in managerial positions. The company offers flexible working hours, which make both part-time and flex-time schedules possible.

## V. Compliance Management System

In our own estimation, the Manz Group has an appropriate compliance management system geared towards the risk exposure of the company. The following section will describe the basic principles of this system in accordance with recommendation A.2 of the Code.

### 1. Importance of Compliance at Manz

As a global, publicly listed company, the topic of compliance is especially important to the Manz Group and is correspondingly complex. National legal systems, as well as political, social and cultural conditions must be taken into consideration.

We have defined measures to minimize this risk based on an internal risk analysis and initiated a process to install a group-wide compliance management system. To ensure it is effective, our compliance management system must adapt to business-specific risks and several local legal requirements.

### 2. Recognition of Our Compliance Responsibilities

The management and employees of the Manz Group expressly commit to comply with all applicable legal regulations and the principles of ethical and moral integrity. The "Manz AG Code of Conduct" prepared by the Managing Board and binding for all members and managers within the Manz Group establishes how we will fulfill our compliance duties. The Code includes the following specific aspects:

## **a) Conduct in the Professional and Corporate Environment**

### **(1) Legal compliance**

We, meaning all employees and managers (jointly referred to as "employees") of the Manz Group ("Manz") will comply with applicable legal regulations and company guidelines. We will observe applicable legal prohibitions and obligations, even if these result in temporary financial disadvantages or difficulties for the company or for individuals. Managers must endeavor to fulfill these requirements as much as possible as part of their duty to act as role models. If national laws establish more restrictive regulations than the provisions applicable at Manz, the national laws will take precedence.

### **(2) Avoiding conflicts of interest**

Business decisions are made exclusively in the company's best interests at Manz. Conflicts of interest involving private concerns, ulterior economic activities or activities of any other nature, including those of family members or other related party disclosures, should be avoided from the outset. If such conflicts of interest do occur, they must be resolved in accordance with the law and applicable guidelines. The conflict must be described in a transparent manner for this to occur.

In general, employees must disclose secondary employment and receive approval within the framework of their applicable employment agreements. As a general rule, secondary employment at competitors of the Manz Group cannot be approved.

### **(3) Fair competitive behavior**

Manz asserts itself in competition through quality, strength of innovation and global presence. In order to gain the trust of our customers and business partners, we reject all forms of corruption. This means that each employee

complies with regulations on competition in their specific area of responsibility. Agreements with competitors that violate antitrust law, e.g. regarding prices or other conditions, are prohibited.

Suppliers are commissioned based on objective and clear criteria. Improper grounds may not play a role in their selection.

We ensure that invitations, gifts, and financial benefits cannot be construed as having had any influence on our business activities.

When commissioning individuals to broker business transactions, Manz ensures that commission payments and other remuneration are reasonable in relation to the services performed.

Manz is a global company. It observes relevant trade controls and regulations on import and export controlling and embargoes.

Manz takes all necessary measures to prevent money laundering within its sphere of influence.

#### (4) Workplace health and safety

In addition to our economic success, the safety and health of our employees is a key corporate goal. Each of our employees promotes safety and health protection within their work area by complying with regulations.

#### (5) Careful use of resources

Both while developing new products and services and when operating production equipment, we ensure that negative impacts on the climate and environment are kept to a minimum through the responsible use of resources.

Each employee is responsible for treating natural resources carefully and helping to protect the environment and the climate through their individual behavior.

## **b) Handling of information**

### **(1) Protection of operating and trade secrets**

We ensure that other companies do not obtain Manz's operating and trade secrets. Manz employees are strictly prohibited from trying to ascertain the operating and trade secrets of other companies.

Manz employees are aware of the importance of confidentiality agreements. Therefore, they must always comply with contractual confidentiality obligations, even if they extend beyond legal requirements.

Employees who obtain concrete information on circumstances that have not been publicly disclosed and that, if publicized, would significantly influence the stock market price of Manz shares or derivative financial instruments, may not trade in shares or other financial instruments of Manz AG based on this insider information and may not transmit this information to third parties, no matter whether such insider information is transmitted deliberately or simply through gross disregard of the duty to exercise due diligence.

### **(2) Data protection and data security**

Manz places great value on the security of its employees' and business partners' data. No personal information may be collected or processed without the consent of the affected party, unless required by law.

When using personal information in the course of business transactions, all Manz employees must ensure protection of the private sphere and treat personal information as confidential.



Data on the identity of business partners and the object of business relationships are protected against unauthorized access by third parties using suitable technical measures.

### (3) Reporting

Transparent and truthful communication in both internal and external reporting is of great importance to Manz. Each employee ensures that external reports, records and other documents are in accordance with applicable legal regulations and standards, always complete and correct, and are always completed on time, in accordance with system requirements.

## **c) Integrity in ethical and moral behavior**

### (1) Respect

Manz employees are obliged to treat others with respect at all times. Any form of discrimination in interactions with colleagues, employees and business partners relating to age, disability, national origin, skin color, sex, sexual orientation, religion, world view or other personal characteristics is prohibited.

Fostering a culture of equal opportunity, mutual trust and respect is very important to us.

We respect internationally recognized human rights and support compliance with those rights. We strictly reject all forms of forced labor and child labor.

We respect the right to free expression, the protection of personal rights and the private sphere. However, each employee should be aware that they may also be considered a representative of the company through their behavior and appearance in public.

(2) Fair remuneration

We recognize the right to appropriate remuneration for all our employees. Wages and other benefits fulfill at least applicable national and local legal standards.

(3) Community commitment

We are engaged in our local areas in different ways. We make donations and are active in other forms of social engagement, solely in the interest of the company.

We do not give any financial benefits, in particular, donations or sponsorships, to political parties, either domestically or abroad, or to any political or similar organizations, individual elected officials, or candidates for political office. We follow legal regulations on lobbying and avoid having any improper influence on politics and legislation under all circumstances.

### **3. Compliance organization**

Our compliance management system is designed to ensure that our business practices worldwide are in line with these principles and comply with applicable law.

Manz provides its employees with concrete specifications on ethical and legal behavior through internal codes of conduct. In addition, we have established binding requirements for our employees in some areas, such as on how to handle gifts and invitations.

Furthermore, the Managing Board has established responsibilities and reporting obligations with respect to compliance with applicable law.

#### **4. Compliance training and advising**

All managers and employees in positions which involve unique risks must complete regular compliance training sessions on correct legal behavior within their areas of responsibility. Our company-wide compliance training program consists of in-person training sessions and web-based training.

The goal of this training is to maintain awareness of compliance-related issues. It begins with the orientation that new employees receive and continues with continuing education and refresher courses, followed by continuous intensification of the culture of integrity by managers.

#### **5. Monitoring compliance and protecting whistle blowers**

A compliance report is prepared annually and submitted to the Managing Board and Supervisory Board for review. Furthermore, the Managing Board initiates the implementation of random controls based on compliance audits.

Every employee of the Manz Group can submit tips on legal violations within the company through a confidential process. These tips are transferred to our compliance organization. Furthermore, they can also report potential misconduct to the compliance organization directly through the Managing Board or managers.

Reutlingen, March 2022

**Manz AG**

A handwritten signature in black ink, appearing to be "D. Sch" or similar, written in a cursive style.

Managing Board

A handwritten signature in black ink, appearing to be "A. Sch" or similar, written in a cursive style.

Supervisory Board