

Corporate Governance Statement

Corporate Governance Statement pursuant to Section 315d HGB in conjunction with Section 289f HGB

- A.** Joint Declaration of the Management Board and the Supervisory Board of PVA TePla AG pursuant to Section 161 of the German Stock Corporation Act (AktG)
- B.** Corporate governance practices
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The corporate governance of PVA TePla AG as a listed German stock corporation (AG) domiciled in Germany is primarily determined by the German Stock Corporation Act (AktG), the Articles of Association of PVA TePla AG and by the requirements of the German Corporate Governance Code (DCGK) in its current version.

A. Joint Declaration by the Management Board and the Supervisory Board of PVA TePla AG pursuant to Section 161 of the German Stock Corporation Act (AktG)

The Management Board and Supervisory Board of PVA TePla AG, headquartered in Wettenberg, Germany, hereby declare that the recommendations of the "Government Commission on the German Corporate Governance Code" as amended on December 16, 2019, published in the official section of the Federal Gazette by the Federal Ministry of Justice and Consumer Protection on March 20, 2020, ("GCGC") have been complied with since the last Declaration of Conformity was issued, with the following deviations, and will be complied with in the future, with the following deviations:

1. *Section C.5 of the Code stipulates, among other things, that the Executive Board of a listed company should not chair the Supervisory Board of a listed company outside the Group.*

This recommendation has not been complied with and will not be complied with in the future. The Chairman of the Supervisory Board, Alexander von Witzleben, is a member of the management boards of two external, listed companies.

Reason: The Supervisory Board and the Management Board of PVA TePla AG do not see any conflicts of interest or time conflicts as a result of the two mandates. Alexander von Witzleben has continuously demonstrated his intensive, critical support of PVA TePla since taking office.

2. *Section C.7 of the Code stipulates, among other things, that Supervisory Board members should not serve on the Supervisory Board for more than 12 years in view of their independence from the Company and the Executive Board.*

This recommendation has not been complied with and will not be complied with in the future. Alexander von Witzleben and Prof. Dr. Hebestreit have been members of the Supervisory Board for more than 12 years.

Justification: The Supervisory Board does not consider a general limit for the length of membership of Supervisory Board members to be appropriate. Setting such a limit would be based on the assumption that a longer period of membership in the Supervisory Board alone would disqualify a Supervisory Board

member for further membership or call his independence into question. There is no objective justification for such a presumption. Moreover, such a rigid rule limit does not take into account individual factors that speak in favor of a longer membership of individual Supervisory Board members.

3. *Among other things, the Code provides for recommendations on the compensation of the Executive Board under items G.1 to G.4, G.6, G.7 and G.10 to G.13.*

Section G of the GCGC contains mainly new recommendations on Executive Board compensation. These are also closely related to the amendments to the German Stock Corporation Act (AktG) on Executive Board compensation as a result of the Act Implementing the Second Shareholders' Rights Directive. The approach developed to date by the Supervisory Board in determining the specific total compensation of the Executive Board members and the specific content of the current Executive Board service contracts are for the most part not yet in line with these recommendations of the Code.

The recommendations on Executive Board compensation G.1 to G.16 - with the exception of recommendations G.2, G.4, G.5, G.8 G.9, G.15 and G.16 - have therefore not been complied with to date.

However, the Supervisory Board has now fundamentally revised the system of Executive Board compensation, taking into account the new requirements on Executive Board compensation in the German Stock Corporation Act (AktG), and submitted this new system to the Company's Annual General Meeting in 2021 for approval. The Annual General Meeting approved this compensation system. The new system applies to all new or renewed Executive Board service contracts. Based on this system, the recommendations on Executive Board compensation in section G of the GCGC will be complied with in the future with the following exceptions:

- a) *Point G.6 of the Code stipulates that the variable compensation resulting from the achievement of long-term targets should exceed the share resulting from short-term targets.*

This recommendation will also not be complied with in the future. The same percentage bands for the share of total compensation have been defined for variable short-term and long-term variable compensation, so that the variable compensation resulting from the achievement of long-term-oriented targets will not exceed the share of compensation resulting from short-term-oriented targets.

Justification: The long-term variable compensation component is structured in such a way that it accounts for a significant share of the target total compensation. In the opinion of the Supervisory Board, this provides sufficient long-term behavioral incentives, and the long-term compensation component makes a decisive contribution to aligning the Executive Board compensation system to the long-term and sustainable development of the Company.

- b) *Under item G.7, the Code stipulates, among other things, that the Supervisory Board shall determine the performance criteria for all variable compensation components for each Executive Board member for the upcoming financial year.*

This recommendation will also not be complied with in the future insofar as an annual determination of the performance criteria is not made for all variable remuneration components, but these are in part determined by the Executive Board service agreement for a longer period. This relates to Group EBIT as a financial performance criterion under short-term variable compensation and to the performance criteria under long-term variable compensation. As the long-term variable compensation has an assessment period of three to five years, the performance criteria are also set for three to five years in line with the assessment period.

Justification: This procedure serves to ensure legal certainty and predictability for the members of the Board of Management. Insofar as the performance criteria for a medium-term period have already been conclusively determined, there is no longer any need to determine them for the respective upcoming fiscal year. Mere confirmation resolutions would have no added value. Irrespective of this, the defined performance criteria are designed in each case to promote the strategic and sustainable development of the Company and to increase its enterprise value.

- c) *Point G.10 of the Code stipulates that the variable compensation amounts granted are to be invested primarily in shares of the Company or granted on a share-based basis, taking into account the respective tax burden. The Executive Board member should not be able to dispose of the long-term variable grant amounts until after four years.*

This recommendation will also not be complied with in the future. The short-term variable compensation amounts are not invested in shares of the Company or granted on a share-based basis. However, the long-term variable compensation is similar to share-based compensation because the performance criterion is the development of the Company's market capitalization. The assessment period is between three and five years, so that in individual cases a member of the Executive Board may have access to the long-term variable grant amounts after less than four years.

Justification: The Supervisory Board is of the opinion that a sufficient alignment of the Executive Board's compensation with the shareholders' interests is also achieved by the structure described above. As the strategic and sustainable development of the Company has an impact on the market capitalization of the Company and thus on the amount of long-term variable compensation, the objective of share-based compensation is also reflected by the structure of long-term variable compensation applied by the Company.

- d) *The Code provides under item G.11 that the Supervisory Board should have the possibility to take into account extraordinary developments to an appropriate extent. In justified cases, variable compensation should be able to be withheld or reclaimed.*

This recommendation will also not be complied with in the future to the extent that the compensation structure does not provide for the retention or clawback of variable compensation.

Justification: The Supervisory Board is of the opinion that the compensation structure provides sufficient incentives for long-term and sustainable corporate development even without such regulations, that the statutory claims for damages sufficiently encourage the Executive Board to act in accordance with its duties, and that these can also be enforced with sufficient certainty.

Wettenberg, November 2021

for the Management Board:

for the Supervisory Board:

Manfred Bender
Chairman of the Board of Management

Alexander von Witzleben
Chairman of the Supervisory Board