



# Statement on Corporate Governance

H&R GmbH & Co. KGaA

# 2022

## Statement on Corporate Governance

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Corporate governance is about implementing a legal and factual framework for managing and overseeing a company. Good corporate governance means making decisions based on long-term value creation, ensuring that a company's Executive Board and Supervisory Board work together effectively and demonstrating a high level of transparency in corporate communications. These factors are guiding principles when it comes to the management and supervision of H&R GmbH & Co. KGaA. The German Corporate Governance Code in its current version dated April 28, 2022, as set out in the Bundesanzeiger (Federal Gazette) on June 27, 2022 (GCGC 2022), contains principles, recommendations and suggestions for the Executive Board and Supervisory Board, which are designed to contribute to the company being managed in the company's interests. As a company which is aware of its role within society and of its social responsibility, H&R GmbH & Co. KGaA applies the German Corporate Governance Code, which is based on the statutory provisions applicable to a joint-stock company (AG), *mutatis mutandis*.

Pursuant to Section 289f, Section 315d of the German Commercial Code (HGB), the Executive Board of the H&R Group hereby issues the following Statement on Corporate Governance, thereby also fulfilling the recommendations of the current German Corporate Governance Code. Other disclosures are also available in the Corporate Governance Report, which is available at [www.hur.com/en/investor-relations/corporate-governance](http://www.hur.com/en/investor-relations/corporate-governance).

### 2022/2023 Statement of Compliance

Pursuant to Section 161 of the German Stock Corporation Act (AktG) and considering the specific features of the legal form of a partnership limited by shares described in Section I below, the Executive Board of H&R Komplementär GmbH acting in its capacity as general partner of H&R GmbH & Co. KGaA (hereinafter the "company") with full personal liability and the company's Supervisory Board declare that the company has complied with, currently complies with and will in the future comply with the recommendations of the Government Commission on the

German Corporate Governance Code (the Code as amended) as described in detail in Section II below with the exception of the deviations stipulated there:

### I. Specific Features of the Legal Form of H&R GmbH & Co. KGaA

The Code is designed with companies with the legal form of a German joint-stock company (AG) in mind. As the specific features of the legal form of a partnership limited by shares (KGaA) are not taken into account in the Code, many of its recommendations can only be applied to H&R GmbH & Co. KGaA subject to modifications. The key specific features of the legal form of H&R GmbH & Co. KGaA are as follows:

1. Management: In contrast to a joint-stock company (AG), the management and representation of a KGaA are not the responsibility of the Executive Board, but of the general partners with full personal liability. Unlike the Executive Board of an AG, the general partners with full personal liability are appointed not by the Supervisory Board, but on the basis of the Articles of Association and thus ultimately by the Annual Shareholders' Meeting of the KGaA. The sole general partner of H&R GmbH & Co. KGaA with full personal liability is H&R Komplementär GmbH. The management and representation of H&R Komplementär GmbH are, in turn, the responsibility of its managing directors. Decisions regarding the appointment of, formal approval of the actions of and dismissal of the managing directors of H&R Komplementär GmbH and the conclusion of their employment contracts are the responsibility of the Shareholders' Meeting of H&R Komplementär GmbH. The remuneration of H&R Komplementär GmbH is stipulated in the Articles of Association of H&R GmbH & Co. KGaA and thus falls within the remit of the Annual Shareholders' Meeting of the KGaA. The setting of the remuneration of the managing directors of H&R Komplementär GmbH is assigned to the Advisory Board of H&R Komplementär GmbH as formed on the basis of a shareholder resolution (this Advisory Board is not to be confused

with the purely consultative advisory board at the level of H&R GmbH & Co. KGaA). Further, the Executive Board may only execute certain types of business with the approval of the Advisory Board of H&R Komplementär GmbH.

2. **Supervisory Board:** The Supervisory Board of a KGaA has only limited authority in comparison to that of an AG. The Supervisory Board of H&R GmbH & Co. KGaA is purely a governance and advisory body. It has no human resources or remuneration authority with regard to the general partner with full personal liability and its managing directors (cf. 1 above) and is not authorized to issue rules of procedure for H&R Komplementär GmbH or its managing directors or to stipulate a list of transactions which the Executive Board may only effect with the approval of the Supervisory Board. As outlined individually in 1 above, these authorities lie with the Annual Shareholders' Meeting of the KGaA, the Shareholders' Meeting of H&R Komplementär GmbH or the Advisory Board of H&R Komplementär GmbH. In contrast to the Supervisory Board of an AG, it is not the Supervisory Board of a KGaA which adopts the annual financial statements, but the Annual Shareholders' Meeting with the approval of the general partner with full personal liability (cf. 3 below).
3. **Annual Shareholders' Meeting:** The Annual Shareholders' Meeting of a KGaA has the same rights as the Annual Shareholders' Meeting of an AG. Its responsibilities therefore include in particular the passing of resolutions regarding the appropriation of earnings, formal approval of the actions of the general partner with full personal liability and the members of the Supervisory Board, election of the shareholder representatives to the Supervisory Board, election of the auditors, approval of the remuneration systems for the Executive Board and the Supervisory Board and approval of the remuneration report. Additionally, in accordance with the law, the Annual Shareholders' Meeting of the KGaA is always responsible for adopting the annual financial statements of the KGaA. By law, an array of resolutions of the Annual Shareholders' Meeting, including the resolution concerning the adoption of the annual financial

statements, require the approval of the general partner with full personal liability.

Insofar as the Code includes recommendations which, due to the specific features of the company's legal form, relate to the responsibilities of the Shareholders' Meeting or the Advisory Board of H&R Komplementär GmbH, the statement of compliance is issued in consultation with the relevant authoritative body of H&R Komplementär GmbH.

## II. Code Recommendations

1. Since issuing its last statement of compliance on December 22, 2021, H&R GmbH & Co. KGaA has complied with all the recommendations of the Commission on the German Corporate Governance Code as amended on December 16, 2019, (GCGC 2019/2020) as set out in the Bundesanzeiger (Federal Gazette) by the Federal Ministry of Justice and Consumer Protection (BMJV) on March 20, 2020, with the following exceptions:

**a. Recommendation B.5 GCGC 2019/2020:** Recommendation B.5 GCGC 2019/2020 was not complied with. Pursuant to recommendation B.5 GCGC 2019/2020, an age limit shall be specified for members of the Management Board (or Executive Board) and disclosed in the Statement on Corporate Governance. No age limit has been set for the managing directors of H&R Komplementär GmbH because, based on the current age structure of the Executive Board, there has been no reason for such a provision to date. Moreover, a formal age limit would unnecessarily complicate the search for suitable managing directors. Accordingly, no age limit is disclosed in the Statement on Corporate Governance.

**b. Recommendation G.10 GCGC 2019/2020:** Recommendation G.10 GCGC 2019/2020 was not complied with. Pursuant to recommendation G.10 GCGC 2019/2020, taking the respective tax burden into consideration, Management Board (or Executive Board) members' variable remuneration shall be predominantly invested in company shares by the respective Management Board (or Executive Board) member or shall be granted predominantly as

share-based remuneration (sentence 1). Additionally, granted long-term variable remuneration components shall be accessible to Management Board (or Executive Board) members only after a period of four years (sentence 2). The regulatory aim of recommendation G.10 GCGC 2019/2020 is to encourage Management Board/Executive Board members to act with the long-term promotion of the good of the company and the company's sustainable and long-term success in mind. As H&R GmbH & Co. KGaA is a family-run company and the current sole managing director of H&R Komplementär GmbH is the son of the controlling shareholder, there is sufficient incentive to comply with this regulatory aim.

2. H&R GmbH & Co. KGaA currently complies with and shall continue to comply in the future with all the recommendations of the Commission on the German Corporate Governance Code as amended on April 28, 2022, (GCGC 2022) as set out in the Bundesanzeiger (Federal Gazette) by the Federal Ministry of Justice (BMJ) on June 27, 2022, with the following exceptions:

- a. Recommendation A.3 GCGC 2022:** Recommendation A.3 GCGC 2022 is not complied with. Pursuant to recommendation A.3 GCGC 2022, the internal control system and the risk management system shall also cover sustainability-related objectives, unless required by law anyway. This shall include processes and systems for collecting and processing sustainability-related data. H&R GmbH & Co. KGaA has both an internal control system and a risk management system with which risks are reported and assessed. The company has also set sustainability-related objectives and makes inquiries within the Group to generate sustainability-related performance indicators. There are, however, currently no queries or activities for the collection and processing of sustainability-related data linked to the risk management system or the internal control system. The company does intend to incorporate these in the short term, however, and comply with recommendation A.3 GCGC 2022 in full.

- b. Recommendation B.5 GCGC 2022:** Recommendation B.5 GCGC 2022 is not complied with. Please consult 1.a regarding the description and justification for the deviation.

- c. Recommendation G.10 GCGC 2022:** Recommendation G.10 GCGC 2022 is not complied with. Please consult 1.b regarding the description and justification for the deviation.

Salzbergen, December 20, 2022

General partner of H&R GmbH & Co. KGaA  
with full personal liability (H&R Komplementär GmbH)



**Niels H. Hansen**  
Sole Managing Director



**Dr. Joachim Girg**  
Supervisory Board  
Chair

### Legal Structure of H&R GmbH & Co. KGaA

H&R Komplementär GmbH, in its capacity as the general partner with full personal liability, is responsible for managing and representing the company. Mr. Nils Hansen, also the (direct) majority limited liability shareholder of H&R GmbH & Co. KGaA (hereinafter "H&R KGaA" or "H&R" for short), holds the majority of voting shares in H&R Komplementär GmbH.

In the following section, the Executive Board and the Supervisory Board report on corporate governance at H&R KGaA pursuant to the analogous application of principle 23 of the Code.

### Remuneration Report

The remuneration report was prepared for the 2022 annual financial statements in accordance with Section 162 of the German Stock Corporation Act (AktG). It explains the remuneration system for the Executive Board and the Advisory Board of H&R KGaA. Furthermore, the remuneration of both representative bodies is reported

on individually and separated according to fixed and variable components, as well as by owed and granted benefits. The structure and adequacy of the remuneration systems are reviewed on a regular basis. The remuneration report for financial year 2022 and the applicable remuneration system for the Executive Board and the Supervisory Board, including the resolution of the 2021 Annual Shareholders' Meeting, are available on the company's website at [www.hur.com/en/investor-relations/corporate-governance](http://www.hur.com/en/investor-relations/corporate-governance).

### Corporate Governance Practices and Compliance

Management and control at H&R KGaA are based on the Articles of Association, the internal rules of procedure for the Supervisory Board and the Executive Board, the Code, and relevant national legislation.

We see ourselves as role models, setting an example in the way we treat our customers, colleagues, partners, shareholders and the public. Integrity, fairness and respect are the main criteria by which we want to be judged. In order for us to accomplish this, it is essential for all of our employees to fully comply with all laws and regulations applicable to them in their jurisdictions. The same applies to the voluntary internal guidelines agreed on.

**H&R's Compliance Organization.** The Compliance function is part of the Legal department. This enables us to adopt a legally sound approach to compliance. In addition to a weekly exchange with the head of the Legal department, the Compliance function reports directly to the Executive Board at regular intervals or as required.

The Executive Board ensures that the appropriate human and material resources are available for the compliance management system (CMS). This guarantees that the required resources can be provided as needed and the system works smoothly.

Compliance duties are delegated to professionally qualified people as needed to maintain the CMS. The centralized Compliance function at Group level is performed by the person appointed

as compliance manager. Along with the head of the Legal department, the compliance manager is responsible for translating the compliance goals and strategy derived from the corporate strategy, the corporate policy guidelines and from the Code of Conduct, as well as recording and monitoring the legal requirements, thereby safeguarding them in cooperation with the Executive Board. Compliance coordinators at the individual companies provide local support to the compliance manager. This ensures that specific local characteristics, such as legal requirements, are taken into account and that a contact person is available to employees at the site.

The compliance manager provides regular compliance reports to the Supervisory Board via the Audit Committee, for example on the development of the CMS. In addition, the compliance manager prepares an annual report which they submit to the Supervisory Board.

**H&R's Code of Conduct.** Insofar as corporate governance practices go beyond the statutory requirements, they are summarized in a Group-wide Code of Conduct. This Code of Conduct defines binding rules of conduct derived from our corporate policy. It is the main operational framework and outlines the principles on which our actions are based.

We work continuously to make our employees aware of the need to behave in accordance with the Code of Conduct when carrying out their jobs. Any violation of Code of Conduct rules is tantamount to an infringement of labor law obligations and may lead to consequences under labor law such as a warning or even termination. Furthermore, specific violations may trigger claims for damages or may constitute pertinent elements of an offense and may be prosecuted under the applicable criminal law.

The Supervisory Board meets regularly to review compliance with the requirements of the Group-wide Code of Conduct.

Our values and the resulting corporate policy can be consulted online at [www.hur.com](http://www.hur.com) under the heading H&R Group/Our Values.

**Compliance Training.** As part of their initial training, all our employees are briefed on our Code of Conduct, which contains all relevant information as well as specific case studies. Each year, they undergo additional training on the Code of Conduct; the training courses must be documented and monitored through spot checks. We also hold extensive training sessions on special issues, depending on the area of responsibility. These courses at H&R focus on topics relating to occupational health and safety, environmental protection and antitrust legislation.

**Combating Corruption and Bribery.** H&R places high priority on dealing with business partners, customers and public authorities in a proper manner. This also includes ensuring that in their business dealings, all employees avoid any appearance of dishonesty or corruption. Combating corruption and bribery is therefore one of the central pillars of our compliance management system. Our Code of Conduct clearly states that award decisions are based exclusively on a performance evaluation. Accordingly, our success is based on the quality of our performance and we will not tolerate any kind of corruption or other unfair business practices that could help to obtain advantages.

As a result, the Code of Conduct also contains unambiguous rules covering, among other things, the granting or acceptance of benefits or gifts, participation in primarily non-commercial events, and sponsorship.

The Code of Conduct training sessions for our employees also address the issue of corruption. In addition, our employees know that in case of doubt they can contact the compliance manager, their superiors or the Executive Board at any time. No cases of corruption came to light during the reporting year.

**Respect for Human Rights.** Naturally, good compliance also involves observing recognized human rights at our sites and in our business relationships. Above all, this means protecting the personal dignity and privacy of each individual. In addition, we recognize employees' and/or business partners' rights to freedom of assembly and association.

Compliance with human rights is enshrined both in our Code of Conduct and in our corporate policy, which guides our actions as a company. In order to ensure that human rights are respected in our supply chain, both our corporate policy and a separate Supplier Code are integral parts of the contracts we conclude with our suppliers.

If a supplier hires a subcontractor, they must ensure that the subcontractor is aware of and complies with all the obligations that our supplier has entered into with us. These issues are not explicitly reviewed, but general supplier audits are conducted by the departments and/or companies in charge.

**Limited Liability Shareholders and Annual Shareholders' Meeting.** Our shareholders decide on company matters by exercising their voting rights at an Annual Shareholders' Meeting, which is held at least once a year. The shareholders entitled to attend and vote are those who, on the 21st day before the Annual Shareholders' Meeting (record date), hold H&R shares and correctly register to attend the Annual Shareholders' Meeting. Each share entitles its holder to cast one vote (one-share-one-vote rule). Every shareholder entitled to vote has the option of exercising their voting right in person, appointing a proxy or abstaining from the vote. In addition, we offer shareholders the option to pool their votes through our company's instruction-bound voting rights representative. Shareholders have the right to speak at the Annual Shareholders' Meeting, submit motions and request information about matters concerning the company and its affiliated companies insofar as is necessary to reach a constructive assessment of an item on the agenda. Our Annual Shareholders' Meeting elects six of the nine members of the Supervisory Board by rotation. Among other things, it also passes resolutions on the adoption of the company's annual financial statements, the appropriation of distributable profit, formal approval of the activities of the general partner with full personal liability and of the Supervisory Board, the appointment of the (Group) auditors, and corporate actions and amendments to the Articles of Association.



Resolutions on the adoption of the annual financial statements, amendments to the Articles of Association and major organizational changes also require the approval of the general partner with full personal liability. The invitation and all documents to be made accessible for the Annual Shareholders' Meeting are published in a timely manner on our website [www.hur.com](http://www.hur.com) under Investor Relations/Shareholders' Meeting. After the Annual Shareholders' Meeting, the results of voting and attendance figures can also be found in this section of the website.

### Executive Board and Supervisory Board Cooperation

H&R KGaA is managed by H&R Komplementär GmbH in its capacity as general partner with full personal liability, which in turn is represented by its Executive Board. Currently, the Executive Board of the company with full personal liability consists of only one managing director. This managing director is (or, in the event that two or more managing directors are appointed in the future, these managing directors are) appointed by the Shareholders' Meeting of H&R Komplementär GmbH. Details about the work of the Executive Board are governed by the internal rules of procedure for H&R KGaA's Executive Board.

In accordance with statutory requirements, we have implemented a dual management system with a strict separation between corporate management and control functions. The Executive Board manages the company. The Executive Board regularly consults with the Supervisory Board on the strategic direction of the company and the business plan and notifies it about the progress toward meeting targets and implementing the strategy. The Supervisory Board oversees and monitors the Executive Board within the framework of its statutory duties. It is notified and involved in consultations regarding decisions of fundamental importance to our company.

For the work of the Executive Board, the general partner with full personal liability has drawn up a list of transactions that require the approval of H&R Komplementär GmbH's Advisory Board.

### Supervisory Board

**Composition of the Supervisory Board.** In accordance with Article 7, paragraph 1 of the Articles of Association, in conjunction with Section 96, paragraph 1, alt.4, Section 101, paragraph 1, sentence 1 AktG, in conjunction with Section 1, paragraph 1, sentence 1, no. 2; paragraph 2, sentence 1, no. 1, and Section 4, paragraph 1 of Germany's One-Third Participation Act (DrittelbG), our Supervisory Board is composed of nine members in total, of whom six are appointed by the Annual Shareholders' Meeting, with no obligation to follow proposals, and three by the employees in accordance with the regulations on co-determination. The body is therefore subject to co-determination in accordance with the One-Third Participation Act.

Under Section 287, paragraph 3 AktG, general partners with full personal liability cannot be members of the Supervisory Board.

Dr. Joachim Girg has been elected to the Supervisory Board as shareholder representative for the period up to the close of the 2027 Annual Shareholders' Meeting, which will formally approve the activities of the members of the Supervisory Board for financial year 2026. Mr. Sven Hansen's term of office will also expire at the close of the 2027 Annual Shareholders' Meeting.

Additionally, Ms. Kyra Hansen has been elected to the Supervisory Board for the same period as a substitute for Mr. Sven Hansen.

At the 2021 Annual Shareholders' Meeting, Mr. Roland Chmiel and Dr. Rolf Schwedhelm were elected to the Supervisory Board. Their term of office will end at the close of the 2026 Annual Shareholders' Meeting.

Ms. Sabine Dietrich was elected to the Supervisory Board by the 2020 Annual Shareholders' Meeting. Her term of office will end at the close of the 2025 Annual Shareholders' Meeting.

Dr. Hartmut Schütter was elected to the company's Supervisory Board by the 2018 Annual Shareholders' Meeting. His term of office will

end at the close of the 2023 Annual Shareholders' Meeting.

The Supervisory Board has been chaired by Dr. Joachim Girg since his election to the Supervisory Board at the 2017 Annual Shareholders' Meeting.

The terms of office of the three employee representatives on the Supervisory Board, Mr. Reinhold Grothus, Mr. Holger Hoff and Mr. Harald Januszewski, ended at the close of the 2022 Annual Shareholders' Meeting.

Mr. Patrick Ewels, Mr. Thomas Merting and Mr. Dominik Franz were elected to the Supervisory Board as employee representatives in their place. Their terms of office will end at the close of the 2027 Annual Shareholders' Meeting.

**Duties.** The Supervisory Board oversees and advises the Executive Board on the management of the company. Amendments to the Articles of Association are made on the basis of Sections 133, 179 and 285, paragraph 2 AktG, and Article 18, no. 2 of the Articles of Association. The Supervisory Board is entitled to adopt amendments to the Articles of Association that only affect their wording without the approval of the Annual Shareholders' Meeting. The Supervisory Board has also adopted internal rules of procedure as recommended in D.1 of the GCGC 2022; these can be viewed on the H&R KGaA website under Investor Relations.

**Mode of Operation.** Four committees were formed from among its members in financial year 2022:

An **Audit Committee** chaired by Mr. Roland Chmiel. The other committee members are Dr. Joachim Girg, Dr. Rolf Schwedhelm and Ms. Sabine Dietrich. As an auditor, Mr. Chmiel has specialist knowledge and experience applying accounting principles and internal control procedures. This is a requirement for chairing this committee under recommendation D.3 of the GCGC 2022. He is also familiar with the audit and is independent. In the opinion of the Supervisory Board, he is also qualified as a financial expert within the meaning of Section 100, paragraph 5

AktG. As a tax lawyer, Dr. Schwedhelm has expertise in the field of financial reporting. In the opinion of the Supervisory Board, he is therefore also qualified as a financial expert within the meaning of Section 100, paragraph 5 AktG. The Audit Committee's responsibilities include supervising the accounting process, monitoring the effectiveness of the risk management system, and overseeing the audit of the financial statements in addition to other responsibilities.

A **Nomination Committee** chaired by Mr. Sven Hansen. The other members are Dr. Joachim Girg and Dr. Rolf Schwedhelm. This committee's remit is to identify suitable Supervisory Board candidates, who are then nominated by the Supervisory Board plenum at the Annual Shareholders' Meeting.

Among other things, apart from qualifications relating specifically to professional background, the committee is guided by the objectives regarding composition listed below and the profile requirements for the plenum (cf. principles 10 and 11 and recommendations C.1 through C.3 GCGC 2022) and by the principle of diversity; it has set a target for women to occupy 20% of all new positions on the Supervisory Board that are up for election, if possible.

A **Refinery Technology and Strategy Committee** chaired by Dr. Hartmut Schütter. The other committee members are Dr. Joachim Girg, Mr. Sven Hansen and Ms. Sabine Dietrich. The committee's purpose is to advise the Executive Board on the strategic future development of the H&R Group's refinery sites.

A **Committee for Related Party Transactions** and other legal issues chaired by Dr. Rolf Schwedhelm. The other committee members are Dr. Joachim Girg, Holger Hoff and Sven Hansen. The committee is tasked with addressing corporate governance and compliance issues as well as related party transactions that require approval.

None of the existing Supervisory Board members are former Executive Board members or managing directors. To enable the members of the Supervisory Board to diligently prepare for meetings,



the Executive Board notifies them in writing and in advance of the topics to be addressed.

**Objectives and Profile of Skills.** In line with recommendation C.1 GCGC 2022, the Supervisory Board has developed specific objectives regarding its composition and a profile of skills for the plenum (diversity policy). They are as follows:

- In principle, the Supervisory Board is to consist of at least 20% female and 20% male members by the end of 2022, the aim being to achieve an equal proportion among the shareholder and employee representatives. In its current composition, the Supervisory Board does not achieve the objective of having female members account for at least 20%. Up to the 2022 Annual Shareholders' Meeting, it was assumed that the 20% quota would be achieved with the election of Supervisory Board members from the employee side. This was not the case. In contrast, the shareholder side once again stepped up its endeavors to achieve a higher quota of female members and nominated Ms. Kyra Hansen to the 2022 Annual Shareholders' Meeting as a substitute for Mr. Sven Hansen. The proposal was accepted.
- To demonstrate extensive expertise in the management of a family-owned, medium-sized international company that is geared toward the capital market.
- To elect Supervisory Board members with an international background.
- To consider special knowledge and experience applying accounting principles and internal control procedures (financial expert).
- To consider in-depth experience and knowledge, both in the refinery business and in the area of mineral oil and chemical specialty products in a range of different value chains.
- Knowledge in the field of application research and product development, especially in the technological areas that are relevant to the company, as well as in related areas.
- Expertise in the areas of production, marketing, sales/distribution, digitalization and sustainability.
- To ensure that at least two-thirds of its shareholder representatives are independent.
- To avoid conflicts of interest.
- When selecting a Supervisory Board member, care must be taken to ensure that the individual can devote the amount of time that is expected to be necessary to ensure the due and proper performance of their Supervisory Board mandate.
- To consider the age limit of 70 years at the time of the election. Exceptions can be made from this rule in justified cases.
- In general, the length of service on the Supervisory Board should not exceed 15 years or three terms of office.
- As a matter of principle, the selection of Supervisory Board members should be based on professional criteria alone. An individual's disability, skin color, religious affiliation, gender or sexual orientation are no reasons to exclude a particular candidate.

With regard to the criterion of independence of the Supervisory Board members pursuant to recommendation C.6 through C.12 of the Code, the shareholder representatives in the Supervisory Board believe that the number of independent board members made up of shareholder representatives should be at least four. In the view of the shareholder representatives on the Supervisory Board, the Board includes four independent shareholder representatives: Mr. Roland Chmiel, Dr. Rolf Schwedhelm, Dr. Hartmut Schütter and Ms. Sabine Dietrich.

Pursuant to Annex II, Section 1 b) of the Commission recommendation of February 15, 2005, on the role of non-executive directors or Supervisory Board members of listed companies and on the committees of the (supervisory) board (OJ EU No. L52/63), the Supervisory Board considers

the employee representatives on the Supervisory Board, Mr. Patrick Ewels, Mr. Thomas Merting and Mr. Dominik Franz, to be independent.

The current composition of the Supervisory Board of H&R KGaA satisfies the specific objectives and profile of skills outlined above, with the exception mentioned above.

**Self-Assessment.** The Supervisory Board assesses its work in accordance with recommendation D.12 GCGC 2022 and reports on this in its Statement on Corporate Governance. In financial year 2022, this assessment took the form of an anonymized survey created by the Chair of the Audit Committee in collaboration with a member of the Data Protection and Compliance department. All the members of the Supervisory Board participated in the survey.

Further details concerning the work of the Supervisory Board during the reporting period can be found in the Supervisory Board report in the 2022 annual report.

### Executive Board

**Composition of the Executive Board.** H&R GmbH & Co. KGaA is managed by H&R Komplementär GmbH, which in turn is represented by its managing directors. The Executive Board represents the company externally. It conducts business and runs the company. In doing so, the Executive Board considers the concerns of the limited liability shareholders, its employees and other groups affiliated with the company (stakeholders) while pursuing the goal of sustainable added value. It is guided by the law, the Articles of Association, its internal rules of procedure and the resolutions adopted by the Annual Shareholders' Meeting.

The members of the Executive Board have joint responsibility for overall management of the company. In financial year 2022, the Executive Board of H&R Komplementär GmbH consisted of one individual (Mr. Niels H. Hansen).

**Succession Planning.** Based on the legal structure of H&R KGaA, it is the general partner who decides on the succession policy for members of the man-

aging H&R Komplementär GmbH in consultation with the Advisory Board of H&R Komplementär GmbH, rather than the Supervisory Board.

**Diversity Policy.** H&R Komplementär GmbH, which is responsible for the Executive Board, pursues a diversity policy in line with recommendation B.1 GCGC 2022, which takes into account aspects such as age, gender, educational and professional background in terms of the composition of the Executive Board. As a result of the existing employment contract for the managing director and the company's family-run and entrepreneur-led structure with just one managing director, the company is not currently implementing this diversity policy. If the number of members on the Executive Board increases, the company will reevaluate aspects of the diversity policy when selecting additional members and ensure these aspects are taken into account.

**Duties.** The Executive Board develops the corporate objectives, the basic strategic direction, the corporate policy and the Group structure. It is responsible for preparing the quarterly and annual financial statements, including the management reports. Moreover, the Executive Board oversees an appropriate risk management and risk control system, ensures compliance with legal provisions and internal company guidelines, and enforces compliance with these by Group companies.

**Mode of Operation.** The Executive Board deliberates at regular meetings with the members of an Executive Committee. These meetings are called by the Executive Board, which also coordinates the committee's work. The results of the meetings are recorded in minutes which the Executive Board receives to follow up on the topics covered therein. The Executive Board did not set up any committees in 2022.

Cooperation by members of the Executive Board is governed by the internal rules of procedure for H&R KGaA's Executive Board. Each member of the Executive Board is required, without being asked, to inform the other Executive Board members of all significant events in the areas under their responsibility.

The rules of procedure also stipulate circumstances which require a unanimous decision by the Executive Board plenum.

**Objectives.** Pursuant to Section 111, paragraph 5, sentence 1, alt. 2 AktG, the Supervisory Board of a listed stock corporation or one subject to co-determination must define a quota for the proportion of women on the Executive Board. The Supervisory Board of a partnership limited by shares (KGaA) has no human resources competencies. Section 111, paragraph 5, sentence 1, alt. 2 AktG therefore does not apply to H&R KGaA.

In accordance with Section 76, paragraph 4 AktG, the general partner with full personal liability, H&R Komplementär GmbH, has defined the following targets and deadlines for achieving them in agreement with the Advisory Board and the general partners of H&R Komplementär GmbH for both levels of management below the Executive Board:

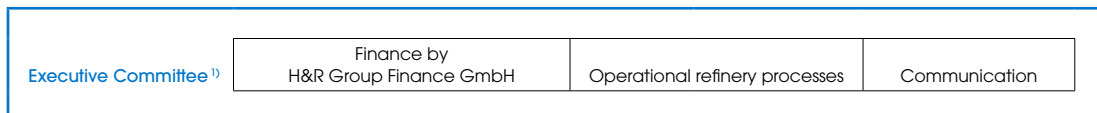
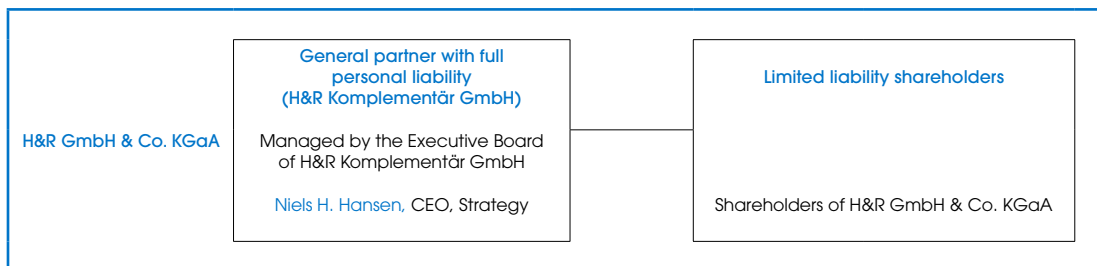
– When filling management positions at the company, greater priority must be placed on the criterion of diversity. In addition to balanced professional qualifications, the objective is to achieve greater international representation and appropriate representation by women at the top two levels of management below the Executive Board by taking diversity into account.

– As for achieving a certain percentage of women at the first level of management below the Executive Board, the managing director of H&R Komplementär GmbH has defined a minimum target quota for women of 20%.

– As for achieving a certain percentage of women at the second level of management below the Executive Board, the managing director of H&R Komplementär GmbH has also defined a minimum target quota for women of 20%.

There was a Group-wide women's quota of 29% in 2022, while the proportion of women in management positions was 21%.

#### G. 01 OVERVIEW OF THE MANAGEMENT STRUCTURE AS OF DECEMBER 31, 2022



<sup>1)</sup> The Executive Committee is not an oversight body of the KGaA. It supports the Executive Board in all relevant processes and decisions and networks with the operational subsidiaries through information flow and the drafting of decision bases.



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