

# Declaration of compliance 2020

On 12 November 2020, the executive board and the supervisory board of Südzucker AG adopted the resolution to issue the following Declaration of Compliance regarding the German Corporate Governance Code (the "GCGC") in accordance with Section 161 of the German Stock Corporation Act (AktG):

## **I. Period of applicability of the GCGC as amended on 7 February 2017**

Since the last Declaration of Compliance of 14 November 2019, Südzucker AG has complied with the recommendations of the "Government Commission German Corporate Governance Code" in the Code version dated 7 February 2017 with the following exceptions:

### **Paragraph 4.2.2 (vertical comparison of executive board remuneration):**

The supervisory board is charged with assessing the appropriateness of the executive board's remuneration. In doing so, it also takes into consideration the company's salary and wage structure. The supervisory board's view is that the formal procedure recommended in paragraph 4.2.2, item 2, clause 3 is superfluous, since it would not improve the quality of its decisions.

### **Paragraph 4.2.3 (contents of executive board contracts):**

None of the executive board contracts include any caps, either in general or on variable remuneration elements (see paragraph 4.2.3, item 2, clauses 6 and 7). As we read the Code, it does not require retroactive amendment of existing contracts. Furthermore, it would not be feasible for the company to engage in any such unilateral action, nor would it be appropriate. Maximum amounts reduce the flexibility to respond to unforeseeable developments and to reward special achievements.

The contracts with the executive board members include a company pension, which is calculated mainly as a fixed percentage of their fixed remuneration. The right to future pension benefits and the associated payments are therefore not derived from a predefined level of benefits, which is why the company did not comply with the recommendations in paragraph 4.2.3, item 3. We consider the existing pension system in the company to be appropriate.

The contracts of employment with the members of the executive board do not contain a severance cap (see paragraphs 4.2.3, items 4 and 5). We do not see a necessity for this, especially since there are significant legal reservations against such contract clauses.

**Paragraphs 4.2.4 and 4.2.5 (individualised remuneration of executive board members):**

The general shareholders' meeting of Südzucker AG most recently resolved on 16 July 2015 to waive individualised disclosure of the executive board remuneration for a period of five years. The company therefore does not disclose executive board members' individual remuneration in its remuneration report.

**Paragraph 5.3.2 clause 3 (independence of the audit committee chairman):**

Helmut Friedl is chairman of the audit committee. At the same time, he is management board chairman of Süddeutsche Zuckerrüben-Verwertungsgenossenschaft eG (SZVG), which holds a majority interest in the company. In our view, it makes sense that a majority shareholder is appropriately represented on the supervisory board of a company and its committees. It is our conviction that it is in the interests of the company and all shareholders for Helmut Friedl to exercise this office as audit committee chairman.

**Paragraph 5.3.3 (nomination committee of the supervisory board):**

We have so far refrained from establishing an additional nomination committee to prepare the Supervisory Board's candidate proposals. It seemed more appropriate for all members of the supervisory board to have the opportunity of an equal say in the process of finding candidates for the Supervisory Board.

**Paragraph 5.4.1 (goals for the composition of the supervisory board):**

A regular limit of length of membership on the supervisory board is not specified. This facilitates continuity and the preservation of long-term experience in the supervisory board in the interest of the company.

**Paragraph 5.4.6 (remuneration of supervisory board members):**

Our company's Articles of Incorporation provide – in addition to a fixed remuneration – for a performance-related supervisory board remuneration oriented to the dividends paid (see paragraph 5.4.6, item 2, clause 2). We believe that especially the concurrence with the interests of the shareholders speaks in favour of this structure. We disclose the supervisory board's total remuneration broken down into fixed remuneration and performance-related component (see paragraph 5.4.6, item 3). In our view, the privacy violations associated with the disclosure of remuneration on an individual basis cannot be reasonably justified by any benefits there may be from this kind of practice. Accordingly, the Corporate Governance Report, Notes and Management Report contain no individualised disclosure of supervisory board remuneration.

## **II. Period since the entry into force of the revised version of the GCGC of 16 December 2019**

Since the GCGC in the version of 16 December 2019 entered into force upon publication in the official section of the Federal Gazette on 20 March 2020, Südzucker AG has complied with the recommendations of the "Government Commission German Corporate Governance Code" in the Code version of 16 December 2019 and will comply with the recommendations in the future, in each case with the following exceptions:

### **Recommendation B.3 (initial appointment of executive board members):**

Where members of the executive board are recruited from the management personnel of the Südzucker Group, these persons have already proven themselves as managers of the Südzucker Group. In addition, they are closely familiar with our company and its structures as well as its values and objectives. For this reason, we consider it appropriate that the appointment period for the initial appointment of executive board members from the management personnel of the Südzucker Group may exceed three years.

### **Recommendation C.7 (independence of supervisory board members):**

More than half of the shareholder representatives on Südzucker AG's supervisory board are active in the cultivation of sugar beet and in related professional associations and interest groups and, in this respect, also have business relations with Südzucker AG, for example as suppliers of sugar beet. Any resulting conflicts of interest are taken into account by taking appropriate measures in individual cases. As Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG (SZVG) is the majority shareholder of Südzucker AG, we are convinced that its majority representation on the supervisory board is appropriate and in the interests of the company and all shareholders.

### **Recommendation C.10 (independence of the chairman of the supervisory board, the chairman of the audit committee and the chairman of the committee dealing with the remuneration of the executive board):**

The chairman of the supervisory board and chairman of the general committee, which deals with executive board remuneration, is Dr Hans-Jörg Gebhard, who is also a beet producer, chairman of Verband Süddeutscher Zuckerrübenanbauer e. V. and a member of the executive board of Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG (SZVG). The chairman of the audit committee is Helmut Friedl, who is also chairman of the executive board of Verband Bayerischer Zuckerrübenanbauer e. V. and of Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG (SZVG). In our view, it makes sense that a majority shareholder is appropriately represented on the supervisory board of a company and its committees. It is our conviction that it is in the interest of the company and all shareholders for Dr Hans-Jörg Gebhard to exercise

the office of chairman of the supervisory board and chairman of the general committee and for Helmut Friedl to exercise the office of chairman of the audit committee.

**Recommendation D.4 (independence of the chairman of the audit committee):**

The chairman of the audit committee is Helmut Friedl, who is also chairman of the executive board of Verband Bayerischer Zuckerrübenanbauer e. V. and of Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG (SZVG). In our view, it makes sense that a majority shareholder is appropriately represented on the audit committee. It is our conviction that it is in the interests of the company and all shareholders for Helmut Friedl to exercise this office as audit committee chairman.

**Recommendation G.1 (structure of the remuneration system), Recommendation G.2 (determination of target and maximum total remuneration), Recommendation G.3 (peer group comparison), Recommendation G.4 (vertical comparison of executive board remuneration), Recommendation G.6 (ratio of variable remuneration components), Recommendation G.7 (performance criteria for variable remuneration components), Recommendation G.9 (determination of remuneration components according to achievement of objectives), Recommendation G.10 (structure of long-term variable remuneration), Recommendation G.11 (claw-back), Recommendation G.13 (severance payment cap), Recommendation G.15 (crediting of remuneration of executive board members for supervisory board mandates within the group) and Recommendation G.16 (acceptance of non-group supervisory board mandates):**

The supervisory board of Südzucker AG will prepare and resolve a remuneration system for the members of the executive board in accordance with § 87a German Stock Corporation Act, which is to be submitted to the 2021 annual general meeting for approval. At the time this Declaration of Compliance was issued, Südzucker AG did not comply with the above-mentioned recommendations of the GCGC and, as a precautionary measure, also declares a deviation for the future, as the future remuneration system for the members of the executive board is currently not yet decided.

**Recommendation G.18 (orientation of performance-related remuneration):**

Our company's Articles of Incorporation provide – in addition to a fixed remuneration – for a performance-related supervisory board remuneration oriented to the dividends paid. We believe that especially the concurrence with the interests of the shareholders speaks in favour of this structure. We disclose the supervisory board's total remuneration broken down into fixed remuneration and performance-related component.