

## **VERBIO Vereinigte BioEnergie AG**

### **Joint declaration of the Management and Supervisory Boards of VERBIO Vereinigte BioEnergie AG on the recommendations of the “Governmental Commission on the German Corporate Governance Code” in accordance with § 161 AktG**

Corporate governance stands for responsible corporate leadership and supervision, designed to ensure that corporations are managed and organised in such a way that they generate long-term added value. The management of VERBIO Vereinigte BioEnergie AG complies with the applicable legal obligations, and, with a few exceptions, the additional recommendations of the Governmental Commission on the German Corporate Governance Code (Deutscher Corporate Governance Kodex – DCGK).

The Management and Supervisory Boards of VERBIO Vereinigte BioEnergie AG, Zörbig issued the following declaration of conformity with the German Corporate Governance Code in accordance with § 161 AktG on September 18, 2020:

#### **Wording of the Declaration of Conformity**

“The Management Board and the Supervisory Board hereby declare that VERBIO Vereinigte BioEnergie AG, since its last Declaration of Conformity which was issued on September 20, 2019, has complied with the recommendations of the Governmental Commission on the German Corporate Governance Code in the version dated February 7, 2017 (published in the German Federal Gazette on April 24, 2017 and in the amended version on May 19, 2017 – “GCGK 2017”) until the publication of the recommendations of the Governmental Commission on the German Corporate Governance Code in the version dated December 16, 2019 on March 20, 2020, with the exception of the matters noted under 1.) below.

The Management and Supervisory Boards also declare that VERBIO Vereinigte BioEnergie AG has, and will continue to comply with the Governmental Commission on the German Corporate Governance Code in the version dated December 16, 2019 (published in the German Federal Gazette on March 20, 2020 – “GCGK 2020”) with the exception of the matters described under 2.) below.

#### **1.) Exceptions from the recommendations of the Governmental Commission DCGK 2017**

**Section 4.1.3** of the DCGK recommends that a whistle-blower system be established as part of a Company’s Compliance Management System. In the opinion of the Company, the disadvantages of such a system outweigh the advantages it confers. In addition, a whistle-blower system is not appropriate for the Company in view of the manageable scale of the Company and its flat hierarchical structure. Should there be indications of contraventions of law, VERBIO employees are able to speak to the compliance officer or compliance representatives in confidence, or to contact the Management Board or the Supervisory Board directly.

**Sections 4.2.4 and 4.2.5** of the DCGK recommend the disclosure of the total remuneration of each member of the Management Board, including the name of the respective member and the split of the remuneration in fixed and variable elements. In the Company's view, the advantages of such disclosure for the general public and for investors are not of such significance that the associated disadvantages – including for the privacy of the individual members of the Company's corporate boards – should be disregarded. The remuneration of the Management Board has been disclosed in accordance with the legal requirements in accordance with the "opt-out" resolution approved at the shareholders' meeting held on January 29, 2016. As a result, in accordance with the statutory requirements set out in § 286 (5) (1) HGB and § 314 (3) (1) HGB, the required disclosures of the individual remuneration of the members of the Management Board for the financial years 2015/2016 to 2019/2020 inclusive are not made in the Company's annual and consolidated financial statements; the same applies to the use of the illustrative template tables attached to the DCGK. The disclosures recommended under section 4.2.5 sentences 5 and 6 of the DCGK will not be made for as long as the opt-out resolution of the shareholder's meeting is in force. Accordingly, the remuneration report does not include disclosure of the remuneration attributable to individual members of the Management Board.

**Section 5.1.2** of the DCGK provides that the Supervisory Board give attention to diversity in the composition of the Management Board. Furthermore, according to **Section 5.4.1** of the DCGK the Supervisory Board must specify concrete objectives regarding its composition which, while considering the specifics of the Company, take into account the Company's international activities, potential conflicts of interest, the number of independent members of the Supervisory Board, an age limit to be specified for membership of the Supervisory Board, and a regular limit of length of membership to be specified for the members of the Supervisory Board, as well as diversity. The Company's opinion is that these criteria are not adequate grounds for making a difference to the appointment of Management Board members and the election of Supervisory Board members. The Company considers that when making appointments to the Management Board, the Supervisory Board should pay primary attention to the competence and qualification of the candidates. The objective of increasing diversity in the Management Board should be of secondary importance. The composition of the Company's Supervisory Board should be determined based on the interests of the Company and should ensure the Management Board is provided with effective supervision and advice. Accordingly, candidates for election proposed at the annual general meeting are selected by the Supervisory Board based on their technical competence and experience; again, increasing diversity should be of secondary importance.

In addition, **Section 5.1.2** of the DCGK provides that the Supervisory Board sets targets for the proportion of positions on the Management Board to be held by women. It is not planned to set appropriate targets for women to hold positions on the Management Board when making appointments. The Supervisory Board considers it to be appropriate to make appointments to the Management Board based on the personality and competence of the candidate. For this reason, it does not support a quota for women based on equal opportunity grounds alone. Appointments to fill these positions should be made independent of the gender of the candidate so that no advantages or disadvantages accrue to either men or women.

**Section 5.3** of the DCGK recommends that the Supervisory Board should establish committees. The Company's Supervisory Board has not, and will not in future, formed committees.

The Company's Supervisory Board comprises only three persons, who have the required knowledge and professional experience to be able to carry out the work of the Supervisory Board effectively without the establishment of committees. As there are no committees, there is no additional remuneration paid to members of Supervisory Board committees, the disclosure of which is recommended in Section 5.4.6 (1) (2) of the DCGK.

**Section 5.4.1 (2)** of the DCGK recommends that the Supervisory Board should prepare a profile of skills and expertise for the entire Board. The members of the Supervisory Board are selected based on the expertise needed when making appointments to that position. The Supervisory Board is of the opinion that skills and expertise in certain specific subject areas are required. On the other hand, given the size of the Company and the size of the Supervisory Board, it is also of the opinion that it is not advisable to adhere to the use of fixed definitions of required skill sets. The use of fixed definitions of formal required skill sets could prevent the Company from making sensible appointments to the Supervisory Board in individual cases.

The recommendations made in **section 5.4.1 (5 – 7)** of the DCGK concerning the disclosure of particular facts and circumstances relating to election candidates that are proposed by the Supervisory Board to the shareholders' meeting are not precise, and the limits and scope of such recommendations are not specific. The Company is of the opinion that compliance with the statutory disclosures required under § 124 (3) (4) and § 125 (1) (5) AktG already provides the information needed by shareholders. The Supervisory Board will comply with all the statutory disclosure requirements provided by law concerning members of the Supervisory Board when presenting candidates to the shareholders' meeting, and will introduce the candidates at the meeting. In addition, shareholders have the opportunity to raise questions concerning the candidates at the shareholders' meeting. In the opinion of the Supervisory Board this provides solid information which is sufficient to make a judgement on proposed candidates. To ensure that there is no uncertainty concerning the legal position when conducting future elections to the Supervisory Board, the Management and Supervisory Boards have made a decision to state that the Company will deviate from this recommendation.

## **2.) Exceptions from the recommendations of the Governmental Commission DCGK 2020**

In accordance with **Recommendation A.1** of the DCGK the Management Board should consider diversity when making appointments to management positions. In the interests of the Company, candidates for management positions are selected by the Management Board primarily on the basis of their personal and technical abilities and skills; only at a second stage will a candidates' background factors be taken into account in order to avoid general limitations which are contrary to the Company's interests.

**Recommendation A.2** of the DCGK recommends that a whistle-blower system be established as part of a Company's Compliance Management System. In the opinion of the Company, the disadvantages of such a system outweigh the advantages it confers. In addition, a whistle-blower system is not appropriate for the Company in view of the manageable scale of the Company and its flat hierarchical structure. Should there be indications of

contraventions of law, VERBIO employees are able to speak to the compliance officer or compliance representatives in confidence, or to contact the Management or Supervisory Board directly.

**Recommendation B.1** of the DCGK recommends that the Supervisory Board give attention to diversity in the composition of the Management Board. The Company's opinion is that this criterion is not an adequate ground for making an appointment to the Management Board. The Supervisory Board considers the specific competence and qualification of the candidates to be of primary importance when making appointments to the Management Board. The objective of increasing diversity in the Management Board should be of secondary importance.

**Recommendation B.2** of the DCGK recommends that the Supervisory Board, together with the Management Board, shall ensure that there is a long-term succession plan. The terms of office of the current Management Board were extended for an additional five years only last April, ahead of schedule. In addition, a new member of the Management Board with responsibility for North America was appointed for a term of three years. Now that the Company has obtained long-term commitments from the members of the Management Board and taking account of the overall age of the members of the Management Board, the Supervisory Board will consider succession planning as part of its regular work schedule.

In accordance with **Recommendation C.1** the Supervisory Board shall state specific objectives for its composition and prepare a competence profile for the board as a whole. In addition, the Supervisory Board shall take account of diversity. The composition of the Company's Supervisory Board should be determined based on the interests of the Company and should ensure the Management Board is provided with effective supervision and advice. Accordingly, candidates for election proposed at the annual general meeting are selected by the Supervisory Board based on their technical competence and experience. Increasing diversity is of secondary importance here.

**Recommendations D.1 to D.5** of the DCGK recommend that the Supervisory Board should establish committees. The Company's Supervisory Board has not, and will not in future, formed committees. The Company's Supervisory Board comprises only three persons, who have the required knowledge and professional experience to be able to carry out the work of the Supervisory Board effectively without the establishment of committees. All issues arising can be considered and dealt with appropriately by the board as a whole. As there are no committees, there is no additional remuneration paid to members of Supervisory Board committees, the disclosure of which is recommended in **Recommendation G.17** of the DCGK.

**Recommendation D.7** of the DCGK recommends that the Supervisory Board shall meet regularly, including holding meetings without the presence of the Management Board. The Supervisory Board usually holds its meetings together with the members of the Management Board, as both boards are of the opinion that this is the best way to ensure that information is exchanged and to hold discussions on matters concerning the Company. At the initiation of the Chairman of the Supervisory Board parts of the meetings are regularly held without the Management Board should he or another member of the Supervisory Board request that this should be the case.

In accordance with **Recommendation D.11** of the DCGK the audit committee shall conduct an evaluation of the quality of the audit on a regular basis. As the Supervisory Board does

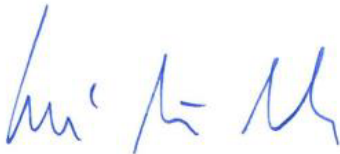
not form sub-committees (see the explanations concerning principle 14 of the DCGK) the quality of the audit is evaluated by the board as a whole.

**Recommendation G.10** of the DCGK provides that the members of the Management Board shall have access to the long-term variable remuneration awarded only after a period of four years. Under the rules of the new employment contracts for the existing members of the Management Board, priority is given to payment of the long-term bonus in shares. The long-term bonus is paid after three years. For shares, there is a vesting period of one year. Accordingly, for the existing members of the Management Board, the recommendation is complied with only when the bonus is paid in the form of shares. In the employment contract of Stefan Schreiber, the new member of the Management Board, no bonus is paid in shares due to the fact that his first appointment is for an initial period of three years, and accordingly there is no vesting period. Under this arrangement Stefan Schreiber will have access to his bonus after three years. In this case the payment deferral is one year less than the minimum time limit.”

VERBIO Vereinigte BioEnergie AG

Leipzig, September 18, 2020

For the Supervisory Board



Alexander von Witzleben  
Chairman of the Supervisory Board

For the Management Board



Claus Sauter  
Chief Executive Officer