



Commitment to transparency and focus on value

LPKF Laser & Electronics AG (LPKF) is firmly committed to good and transparent corporate governance and thereby makes a considerable contribution to building trust on the capital markets. The term “corporate governance” stands for modern corporate management and control that is focused on creating long-term value. In this context, open and transparent communication with shareholders, employees, customers and suppliers is just as important as trust-based collaboration between the company’s corporate bodies.

The company has therefore implemented the guidelines defined by the German Corporate Governance Code and puts them into practice in its day-to-day work. However, in a few cases, LPKF is deviating from the Government Commission’s recommendations.

Declaration of compliance pursuant to Section 161 of the German Stock Corporation Act dated 23 February 2022

The Management Board and the Supervisory Board declare that since the last regular declaration of compliance dated 9 February 2021, LPKF Laser & Electronics AG (hereinafter referred to as “LPKF”) complies and will continue to comply in the future with the recommendations of the German Corporate Governance Code, the version dated 16 December 2019 (hereinafter referred to as “Code”) with the following exceptions:

1. Recommendation on the chairmanship of the Audit Committee (Code Section D.4, sentence 2)

Since 27 October 2021, the Supervisory Board has established an Audit and Risk Committee, which complies with all but one of the Code’s recommendations on the Audit Committee. The only deviation is from the recommendation in Section D.4, sentence 2 of the Code, according to which the chair of the Supervisory Board should not chair the Audit Committee.

In the opinion of the Supervisory Board, the current chair of the Supervisory Board, Mr. Jean-Michel Richard, fully meets the requirements with regard to the specific professional expertise necessary for the role of Audit Committee Chairman due to his professional background and practical experience and does so the most effectively of the current acting Supervisory Board members. The Supervisory Board is convinced that the chair of the Supervisory Board is capable of handling the workload associated with the chairmanship of the Audit and Risk Committee. This deviation from Section D.4, sentence 2 of the Code is therefore in the best interests of the company.

2. Recommendations on the remuneration of the Management Board (Code Sections G.1 to G.16)

The remuneration system for the Management Board approved by the Annual General Meeting on 20 May 2021 and the Management Board contracts concluded after the Code



came into effect comply with the recommendations of the Code contained in Sections G.1 to G.16 with the following exceptions:

- Contrary to Section G.1, the remuneration system does not specify the relative proportions of fixed remuneration or short-term variable and long-term variable remuneration components in the target total remuneration. For long-term variable remuneration, only a basic amount of 50% of the fixed annual salary (excluding incidental benefits) has been defined in the remuneration system. A relative proportion for short-term variable remuneration was not specified in the remuneration system, but was specified in the employment contracts of the current Management Board members. Accordingly, the target amount for short-term variable remuneration is also 50% of the fixed annual salary (excluding incidental benefits). According to the employment contracts, short-term variable remuneration and long-term variable remuneration – measured against the target direct remuneration – are thus equally weighted.
- Section G.4 recommends that, in order to assess the customary level of the total remuneration of the Management Board members within the company, the relationship between the remuneration of the Management Board and that of senior management and the workforce as a whole should be taken into account, including in terms of its development over time. When concluding Management Board employment contracts, the Supervisory Board also takes into account the wage and salary structure within the LPKF Group. Data on the remuneration of the first management level below the Management Board was most recently obtained in April 2021. However, in partial deviation from Section G.4, the Supervisory Board did not differentiate between the comparison groups of the Code recommendation when reviewing vertical appropriateness and did not conduct any inquiries regarding the development of the wage and salary structure over time in 2021 because the focus was on filling the vacant position of chair of the Management Board. However, the Supervisory Board intends to comply with the recommendation in Section G.4 of the Code in the future.
- Contrary to Section G.6, the variable remuneration resulting from the achievement of long-term targets does not exceed the proportion resulting from short-term targets, and contrary to Section G.10, sentence 1, the variable remuneration amounts are not primarily invested in shares or granted on a correspondingly share-based basis. Under the terms of the Management Board employment contracts, the short-term variable remuneration and the share-based long-term variable remuneration to be invested in shares are each equally weighted at 50% – measured against the target direct remuneration. For reasons of incentive, the Supervisory Board considers equal weighting of the short-term and long-term variable remuneration components to be appropriate at the present time.

- The recommendation contained in Section G.11 to take appropriate account of extraordinary developments and, in justified cases, to be able to withhold or reclaim variable remuneration, is taken into account by the possibility of reduction in accordance with Section 87 (2) of the German Stock Corporation Act (AktG) and, in financial terms, in the case of long-term remuneration, by the obligation to invest tranches of the long-term bonus received in full in company shares after deduction of tax and to hold them for at least three years. The remuneration system thus achieves a stronger link between variable long-term remuneration and the performance of the company. The financial value of the variable long-term remuneration for the Management Board is directly linked to the value of the company represented by the share price. Any further possibility of reclaiming the remuneration granted in this way is not feasible, as the Management Board would have to sell the acquired shares again to be able to fulfill a corresponding claim for repayment. Because of this special characteristic of the long-term bonus program, the Supervisory Board has decided not to include an additional claw-back option in the narrower sense in order to avoid a double disadvantage.
 - For the member of the Management Board appointed on an interim basis in the period from 1 May 2021 to 31 December 2021, the Supervisory Board has agreed principles for remuneration that deviate from the remuneration system and other recommendations in Sections G.1 to G.16 of the Code due to the short appointment period until a new CEO is selected, in order to take account of the interim nature of the appointment, which did not require long-term remuneration.
3. **Recommendation on separate remuneration for members of Supervisory Board committees (Code Section G.17)**

The current provision of the Articles of Association on the remuneration of Supervisory Board members does take into account the greater time commitment of the chair and vice-chair of the Supervisory Board and the chairs of the committees formed since 27 October 2021. However, contrary to Section G.17 of the Code, simply being a member of the committees has not yet been taken into account separately in the remuneration, as it has not yet been possible to adequately assess the time expenditure involved.

Garbsen, 23 February 2022

On behalf of the Supervisory Board


Jean-Michel Richard

On behalf of the Management Board

Klaus Fiedler
Dr. Klaus Fiedler