

## **Rules of Procedure of the Supervisory Board of KHD Humboldt Wedag International AG**

The Supervisory Board of KHD Humboldt Wedag International AG ("KHD AG") adopted the revised version of the following Rules of Procedure by means of a resolution, dated January 28, 2021.

### **I. General**

1. The Supervisory Board shall exercise its activities, pursuant to relevant law, the Articles of Association of KHD AG, the German Corporate Governance Code and these Rules of Procedure. Its members are not bound by instructions.
2. For reasons of linguistic simplicity, only the male form may be used in this text. In terms of context, both male and female persons are being equally referred to.
3. The official language of the Supervisory Board is English. A simultaneous interpreter has to be involved, if a member of the Supervisory Board cannot speak or understand English. As an exception, Supervisory Board resolutions which need to be filed with the commercial register shall be passed in German and an English translation will be made available to the Supervisory Board members immediately.

### **II. Composition**

1. The Supervisory Board is composed in accordance with the relevant statutory provisions and the recommendations of the German Corporate Governance Code. Terms of office of the members may differ.
2. Members should, in their entirety, have the knowledge, ability and professional experience required for proper execution of the tasks and duties of the Supervisory Board.
3. The following are objectives for the composition of the Supervisory Board which shall be taken into consideration when nominating a person:
  - a. At least half of the members of the Supervisory Board should have international experience and at least one third of the Supervisory Board members should be non-German. Not more than two former members of the Management Board shall be members of the Supervisory Board.
  - b. At least one (1) of the members of the Supervisory Board shall be female. The quota should not be less than 25%, i.e. depending on the size of the Supervisory Board the number of female members of the Supervisory Board may increase to two (2). The quota should be reached by June 30, 2017. In case the quota of 25% will not have been reached by June 30, 2017, it should be reached by June 30, 2020 and if not reached by then, the target is to always achieve it within the next three years period, i.e. June 30, 2023 etc.
  - c. A well balanced age structure.

- d. At least one member of the Supervisory Board shall have specialist knowledge and experience in the application of accounting principles and internal control procedures.
  - e. No member of the Supervisory Board shall be a supervisory or management board member of, or act in an advisory capacity for competitors of KHD Group.
  - f. At least one third of the members of the Supervisory Board shall be independent within the meaning of recommendation C.6 of the German Corporate Governance Code.
4. The members of the Supervisory Board shall ensure that they have sufficient time for executing their mandate. If they are acting as members of the Management Board of a listed company, in addition to their mandate within the Supervisory Board at KHD AG, they shall have no more than three mandates as Supervisory Board members or in similar functions of listed companies.

### **III. Chairperson and Deputy Chairperson**

1. The Supervisory Board shall elect a chairperson and his deputy from its midst. The oldest member of the Supervisory Board in terms of age shall direct the meeting for the period of the election.
2. The chairperson and the deputy are elected for the entire term of their office as member of the Supervisory Board. Should the chairperson or his deputy resign before the expiry of his term of office, then a successor shall be immediately elected for the remainder of the successor's term of office.
3. The chairperson – should he not be able his deputy – calls, prepares and chairs the Supervisory Board meetings and attends to the affairs externally.
4. The chairperson is authorized in urgent cases to provisionally consent to transactions of the Company which, pursuant to the articles of association or the Rules of Procedure for the Management Board, require the consent of the Supervisory Board. A resolution regarding this consent must be passed in the next meeting of the Supervisory Board. Upon such authorization by the chairperson, the chairperson shall immediately without undue delay inform all other members of the Supervisory Board and provide full details thereof.
5. The chairperson is authorized to make and receive declarations necessary for executing the resolutions of the Supervisory Board and its committees, provided the Supervisory Board is obliged to execute such resolutions. Should the chairperson not be able, his deputy shall have these powers.

### **IV. Convening, Preparation and Direction of Meetings**

1. The meetings of the Supervisory Board shall take place at the registered seat of the Company or at another venue to be mentioned in the invitation and agreed by all members. The Supervisory Board must meet at least once in the calendar quarter. Provided no member of the Supervisory Board objects, meetings may be held, and resolutions may be passed, in writing, including facsimile or email transmission of documents, by phone, video conference or comparable electronic means.

2. The chairperson of the Supervisory Board – should he not be able then his deputy – shall invite members to meetings (physical or by other permitted means) of the Supervisory Board in writing, by fax or e-mail, whilst observing a time limit of two weeks. In cases which are regarded as urgent, the convening period may be reduced. The day on which the invitation is sent does not count when calculating the convening period.
3. Following the shareholders' meeting, in which members of the Supervisory Board have been elected by the shareholders, a constituent meeting shall take place. No special invitation is required for the constituent meeting of the Supervisory Board. To the extent resolutions have to be made in this meeting regarding the election of the chairperson of the Supervisory Board and his deputy and on the establishment and staffing of committees, the notification of an agenda is not necessary.
4. The invitation to the Supervisory Board meeting must state the agenda including the topics on which a resolution shall be passed. Preparatory documents must as a rule be given to the members of the Supervisory Board at least one week before a meeting. Specific resolution proposals must be submitted to the members of the Supervisory Board in due time to enable members of the Supervisory Board, who are unable to attend the meeting, to exercise their right to vote in writing.
5. Items or proposals which are not on the agenda or of which the members of the Supervisory Board have not been duly informed, may only be accepted for the passing of a resolution if no member of the Supervisory Board present in the meeting objects and members of the Supervisory Board not present at the meeting are given the opportunity to retroactively object to the resolution passed within an appropriate period to be set by the chairperson; the resolution shall only be effective if none of the members of the Supervisory Board absent from the meeting raises any objection within this period.
6. The chairperson of the Supervisory Board – in the case of him being permanently or temporarily unable, then his deputy – shall chair the meetings of the Supervisory Board and shall determine the sequence of the consultations and the method to be adopted for voting. If both the chairperson and his deputy are unable to attend, then a new meeting must be convened. The Supervisory Board may, however, in urgent cases which require immediate resolution to be made by the Supervisory Board, elect any member present at the meeting to chair the meeting.
7. The Management Board shall attend the meetings of the Supervisory Board, provided that the Supervisory Board does not determine otherwise. The Supervisory Board can hold meetings without the Management Board at any time. Upon the suggestion of the person chairing the meeting in accordance with these Rules of Procedure, the Supervisory Board shall decide upon the admission of further persons who may be involved in advising on individual matters.
8. Should a member of the Supervisory Board have participated in less than half of the meetings of the Supervisory Board in a financial year, this will be noted in the Supervisory Board's report to the shareholders' meeting, specifying the reasons.

## **V. Resolutions**

1. The Supervisory Board has a quorum if all members of the Supervisory Board have been invited under the most recently provided address and at least half of the Supervisory Board members, including the chairperson or his deputy, participate in passing the resolution as provided for in these Rules of Procedure. Members of the Supervisory Board who abstain from voting are included in determining whether there is a quorum.
2. Members of the Supervisory Board may in justified exceptional cases also take part in a meeting for which physical presence has been determined by telephone or video conference with the consent of the chairperson.
3. Members of the Supervisory Board who do not take part in the meeting either by physical presence or by telephone or video conference, may take part in the passing of a resolution by the Supervisory Board and its committees by giving any other member of the Supervisory Board written votes (also by fax or e-mail) before voting takes place.
4. Outside of meetings and at the instructions of the chairperson – or should he not be available, at the instructions of his deputy – resolutions can be made – by telephone, in written form, by fax or e-mail as well as by means of other common means of communication, in particular video conferencing, if members of the Supervisory Board do not oppose these proceedings within an appropriate time limit set by the chairperson. The chairperson shall determine the details of the proceedings.
5. Resolutions shall be passed by a simple majority of the votes cast unless other majorities are stipulated by law. When determining the results of the voting, abstentions are not counted. In case of an equality of votes the vote of the chairperson or, in case he does not participate in passing the resolution, the deputy's vote shall be the casting vote.
6. Each member of the Supervisory Board may request that his vote is recorded in the minutes.

## **VI. Duty of Confidentiality**

1. The Supervisory Board members shall maintain secrecy with regard to confidential information and secrets of KHD AG and the group of companies headed by KHD AG, namely trade or business secrets which become known to the members of the Supervisory Board due to their activity as a member of the Supervisory Board and also after their office as a Supervisory Board member has ended. The Supervisory Board members are, in particular, obliged to observe secrecy with regard to confidential reports and confidential deliberations. Upon the expiry of their office, all confidential documents shall be returned to the chairperson of the Supervisory Board.
2. The members of the Supervisory Board shall ensure that any employee they involve maintains secrecy in the same manner.

## **VII. Conflicts of Interest**

1. Each member of the Supervisory Board is obliged to serve the interests of the Company. In his decisions, he in particular may neither pursue personal interests nor use business opportunities for himself, for a natural or legal person related with him or for any other institution or association, in which he works.
2. Each member of the Supervisory Board shall disclose any conflicts of interests, in particular those which may arise due to any advisory role or board membership on behalf of customers, suppliers, lenders or other business partners of KHD AG or its Group companies.
3. The Supervisory Board, in its report, shall inform the shareholders' meeting about any conflicts of interest of the members of the Supervisory Board which have arisen and how they are dealt with.
4. In the event of major conflicts of interests in respect of the person of a Supervisory Board member, which are not only temporary in nature, the member in question must withdraw from his office.
5. Any consultancy agreements, other service agreements and contracts for work of a Supervisory Board member with KHD AG or a Group company require the consent of the Supervisory Board.

## **VIII. Tasks and Responsibilities of the Supervisory Board**

1. The Supervisory Board shall advise and supervise the Management Board regarding the management of KHD AG. The Supervisory Board shall be involved in all decisions of fundamental importance.
2. The Supervisory Board and Management Board shall cooperate closely for the benefit of the Company.
3. The Supervisory Board shall appoint and remove members of the Management Board. When appointing members of the Management Board it takes diversity with regard to its composition into consideration and, in particular, aims for an appropriate consideration of women. Furthermore, it shall provide for long-term succession planning together with the Management Board. The Supervisory Board shall appoint one of the members of the Management Board as the chairperson of the Management Board.
4. The first appointment of Management Board members as a general rule has a term of three years. Management Board members are also reappointed as a rule for a term of three years.
5. Reappointment prior to one year before the end of the term of appointment with a simultaneous termination of the current appointment may only be made if special circumstances exist.
6. Management Board members who have already reached or exceeded the age of 65 may only be appointed if special circumstances exist. As a rule, Management Board members who are older than 60 shall only be appointed for a maximum term of three years and if they are older than 65, they shall only be appointed for the term of one year. The Supervisory Board may deviate from this in justified cases.

7. The information and reporting duties of the Management Board vis-à-vis the Supervisory Board are outlined in an Information Policy. The Supervisory Board shall be authorized at all times to amend and supplement the Information Policy.
8. Reports of the Management Board to the Supervisory Board shall be given in written form, unless the Supervisory Board decides otherwise in individual cases. Any documents relevant for decisions, in particular, the annual financial statements and management reports, Group annual financial statements and Group management reports, auditor's reports and operative planning (budget and mid-term planning), shall be delivered to the members of the Supervisory Board as soon as possible, as a rule, **at least 7 working days prior to the relevant meeting**.
9. The Supervisory Board is responsible for examining the annual financial statements and management report, Group financial statements and Group management report and for adopting and approving the annual financial statements and Group financial statements.
10. In compliance with its duties, the Supervisory Board may inspect and examine the books, records and documents of KHD AG and, in particular, assess their existence. It may also instruct individual members with this or engage special experts for specific tasks.
11. The Supervisory Board shall decide on the remuneration system for the Management Board and the appropriate total remuneration of the individual members of the Management Board within the meaning of Section 87 of the German Stock Corporation Act (*AktG*), the German Act on the Appropriateness of the Management Board Remuneration (*VorstAG*) and the related recommendations of the German Corporate Governance Code. It shall review the remuneration system on a regular basis.
12. The Supervisory Board shall authorize the sideline activities exercised by members of the Management Board once a year.
13. The chairperson of the Supervisory Board shall be in contact with the Management Board, in particular, with the chairperson of the Management Board on a regular basis and consult with him on issues of **strategy, planning, business development, risk situation, risk management and compliance** of the Company. The chairperson of the Management Board shall be obliged to inform the chairperson of the Supervisory Board – should he not be available then his deputy – without delay of extraordinary events which are of considerable importance for the evaluation of the situation and development and for the management of the Company. The chairperson of the Supervisory Board – the deputy, respectively – shall then inform the Supervisory Board and convene an extraordinary meeting of the Supervisory Board, if required.
14. The Supervisory Board shall regularly review the efficiency of its work.
15. The Supervisory Board is entitled to engage external advisors to an appropriate extent, in order to perform its tasks, including an efficiency review, pursuant to item 14.

**IX. Minutes**

Minutes must be recorded regarding the discussions and resolutions of the Supervisory Board, and these must be signed by the chairperson. The minutes must state the place and date of the meeting, the participants, the items on the agenda, the material content of the discussions and the resolutions of the Supervisory Board. A copy of the minutes must be distributed to all members of the Supervisory Board; the originals will be stored by the secretary of the Supervisory Board.

**X. Validity**

These Rules of Procedure shall remain in force until the Supervisory Board resolves otherwise. In individual cases, the Supervisory Board may resolve by simple majority to deviate from these Rules of Procedure.