



**Declaration of compliance by the Management Board and Supervisory Board  
of KHD Humboldt Wedag International AG  
in accordance with Section 161 of the German Stock Corporation Act ("AktG")  
on the recommendations of the  
"Government Commission on the German Corporate Governance Code"**

The Management Board and the Supervisory Board of KHD Humboldt Wedag International AG hereby declare that since the last declaration of compliance on February 5, 2021 the recommendations of the German Corporate Governance Code (the "Code") as amended on December 16, 2019 have been complied with and will be complied with in future with the following exceptions:

- The Supervisory Board has not specified an age limit for the members of the Supervisory Board as recommended by the Code (Code recommendation C.2).

The Supervisory Board considers extensive business experience from a long business career as beneficial for the competence of the Supervisory Board and the interests of the Company. Therefore, the Supervisory Board decided not to specify an age limit for the members of the Supervisory Board.

- The Supervisory Board has not established any committees as recommended by the Code (Code recommendation D.2). As no committees have been established, Code recommendations C.10, D.3, D.4 and D.5 have not been implemented either.

The Supervisory Board of KHD has consisted of four persons since June 22, 2021 (prior to June 22, 2021, only three persons). The issues normally delegated to committees are jointly handled by all Supervisory Board members, whereby each member of the Supervisory Board reports to the Supervisory Board as a whole on those topics that are primarily allocated to his/her responsibility based on specific expertise. The objectives of Code recommendations D.3 and D.4 are nevertheless achieved because no member of the Supervisory Board is a former member of the Management Board of the Company and one member of the Supervisory Board has special knowledge and experience in applying

accounting principles and internal control procedures and is familiar with the auditing of financial statements. Another member of the Supervisory Board has expertise in the field of accounting. The objective of Code recommendation D.5. is achieved because all Supervisory Board members are shareholder representatives.

- The Company does not publish any information on the business development during the course of the year in addition to the half-year financial report as recommended by the Code (Code recommendation F.3).

The Company is not obliged to publish interim reports. Due to the long-term nature of the business model as well as significant differences between individual quarters, quarterly information about the course of business does not appear to be expedient. However, the Company reports on the course of business in the first months of a financial year before a general meeting of shareholders.

- The Supervisory Board has not implemented specific aspects of the remuneration system for the Management Board as recommended by the Code (Code recommendation G.3).

A compensation report in accordance with Section 162 of the German Stock Corporation Act (AktG) must be prepared for the first time for the financial year beginning after December 31, 2020. The Management Board compensation system complies with the provisions of Section 87a of the German Stock Corporation Act (AktG) and was approved by the Annual General Meeting on May 20, 2021 in accordance with Section 120a (1) of the German Stock Corporation Act (AktG). The composition of a peer group for assessing if the total remuneration of Management Board members is in line with usual levels of other companies is not disclosed, because this would lead to an upward trend in remuneration.

- The variable compensation amounts granted to the members of the Management Board are not predominantly granted in shares of the Company or on a share-based basis as recommended by the Code. The Management Board members can dispose access the long-term variable remuneration components before a period of four years (Code recommendation G.10).

89% of KHD's shares are held by the AVIC Group and the average daily trading volume is less than 30,000 shares (corresponding to less than 0.1% of the issued shares). Due to the lack of liquidity of the KHD share, the Company shares or the development of the share price do not represent an adequate instrument for the variable compensation of the

Management Board members. The Supervisory Board considers the period of four years until the accessibility of the long-term variable compensation to be too long. There is a risk that such an arrangement, instead of providing an incentive for sustainable corporate development, is more likely to have a negative influence on motivation.

Cologne, February 4, 2022

For the Management Board

For the Supervisory Board

(gez.) Jianlong Shen

(gez.) Jürgen Luckas

(gez.) Jiayang Gong

(gez.) Dr. Matthias Jochem

(gez.) Tao Xing

(gez.) Matthias Mersmann