

## **KHD Humboldt Wedag International AG**

**Cologne**

**- ISIN DE0006578008 -**

### **INVITATION TO THE ANNUAL GENERAL MEETING OF SHAREHOLDERS**

We invite the shareholders of our company to the **Annual General Meeting of shareholders** on **Friday, May 27, 2022, at 10:00 a.m. CEST** at our premises at Von-der-Wettern-Straße 4a in 51149 Cologne, Germany.

#### **I. AGENDA**

- 1. Presentation of the adopted annual financial statements, the approved annual financial statements of the Group, the combined management report of the Company, the report of the Supervisory Board and the explanatory report of the Management Board on information pursuant to Section 289a and Section 315a of the German Commercial Code (HGB) for the 2021 Financial Year**

The Supervisory Board has already approved the annual financial statements for the 2021 Financial Year of the Company and of the Group. According to Section 172 of the German Stock Corporation Act (AktG), the annual financial statements have thus been adopted. According to the statutory provisions, no resolution shall be passed on this agenda item.

- 2. Resolution on granting discharge to the members of the Management Board**

The Management Board and the Supervisory Board propose to grant discharge to the members of the Management Board for the 2021 financial year.

### **3. Resolution on granting discharge to the members of the Supervisory Board**

The Management Board and the Supervisory Board propose to grant discharge to the members of the Supervisory Board for the 2021 financial year.

### **4. Appointment of an auditor for the Company and the Group**

The Supervisory Board proposes to appoint Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Cologne, as the auditor of the Company and the Group for the 2022 financial year.

### **5. Approval of the compensation report for the 2021 financial year**

The Management Board and the Supervisory Board have prepared the compensation report in accordance with Section 162 AktG for the 2021 financial year. The remuneration report was audited by the auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, pursuant to Section 162 para. 3 AktG.

The Management Board and the Supervisory Board propose that the compensation report for the 2021 financial year, prepared and audited in accordance with Section 162 AktG, be approved pursuant to Section 120a para. 4 AktG.

The compensation report, including the report on its audit by the auditor, is printed after the agenda under II. and is available on our website at [khd.com/compensation-reports](http://khd.com/compensation-reports).

### **6. Resolution on an amendment to the Articles of Association**

The Management Board and the Supervisory Board propose to adopt the following resolution:

Section 16 of the Articles of Association shall be repealed and reworded as follows:

#### **Section 16**

#### **Requirement for the participation and the exercise of the voting right**

"(1) Shareholders who have registered in due time and provided evidence of their shareholding shall be entitled to attend the General Meeting and to exercise their voting rights at the General Meeting.

(2) The registration must be received by the Company at the address specified for this purpose in the convening notice at least six days before the General Meeting. The convening notice may provide for a shorter period, to be measured in days. The day of the General Meeting and the day of receipt shall not be counted.

(3) The registration must be made in text form (Section 126b BGB) or by another electronic means to be determined in more detail by the Company, in German or English.

(4) The shareholding must be evidenced by a proof of the ultimate intermediary in text form in the German or English language; a proof of the shareholding by the ultimate intermediary in accordance with the requirements of Section 67c para. 3 AktG shall be sufficient. The special proof of shareholding shall refer to the beginning of the twenty-first day prior to the General Meeting ("record date") and must be received by the Company at the address specified for this purpose in the convening notice at least six days prior to the General Meeting. The convening notice may provide for a shorter period, to be measured in days.

(5) The voting right may be exercised by proxy. The granting of the proxy, its revocation and the proof of the authorization vis-à-vis the Company must be in text form (Section 126b BGB), provided that no simplifications are stipulated in the convening notice. The details for the granting of proxies, their revocation and their proof vis-à-vis the Company shall be announced with the convening of the General Meeting. Section 135 of the German Stock Corporation Act (AktG) shall remain unaffected.

(6) The Management Board is authorized to provide that shareholders may cast their votes without attending the General Meeting in writing or by means of electronic communication (postal vote). The Management Board is also authorized to make provisions regarding the scope and procedure for exercising the right according to sentence 1.

(7) The Management Board is authorized to provide that shareholders may participate in the General Meeting without being present at its location and without a proxy and exercise all or some of their rights in whole or in part by means of electronic communication (online participation). The Management Board is also authorized to make provisions on the scope and procedure of participation and exercise of rights pursuant to sentence 1."

## II. COMPENSATION REPORT (AGENDA ITEM 6)

### COMPENSATION REPORT OF KHD HUMBOLDT WEDAG INTERNATIONAL AG FOR THE 2021 FINANCIAL YEAR

This compensation report of KHD Humboldt Wedag International AG ("KHD AG") describes the compensation granted and owed individually to current and former members of the Management Board and Supervisory Board in the 2021 financial year. In this context, the report explains in detail and on an individualized basis the structure and amount of the individual components of Management Board and Supervisory Board compensation.

The compensation report was prepared jointly by the Management Board and the Supervisory Board and complies with the requirements of Section 162 of the German Stock Corporation Act ("AktG"). For KHD AG, a transparent and comprehensible presentation of Management Board and Supervisory Board compensation is an element of good corporate governance. This compensation report will be submitted for approval to the Annual General Meeting on May 27, 2022.

Cologne, February 28, 2022

For the Management Board

For the Supervisory Board

(s) Jianlong Shen  
(Chief Executive Officer)

(s) Jürgen Luckas  
(Chief Financial Officer)

(s) Jiayan Gong  
(Chairman)

(s) Dr. Matthias Jochem  
(Chief Operating Officer)

(s) Tao Xing  
(Executive Vice President)

(s) Matthias Mersmann  
(Chief Technology Officer)

## **Composition of the Management Board and the Supervisory Board**

In the 2021 financial year, the Management Board of KHD AG was consistently composed of the following five members:

- Mr. Jianlong Shen – Chief Executive Officer (CEO)
- Mr. Jürgen Luckas – Chief Financial Officer (CFO)
- Mr. Tao Xing – Executive Vice President
- Mr. Dr. Matthias Jochem – Chief Operating Officer (COO)
- Mr. Matthias Mersmann – Chief Technology Officer (CTO)

In 2020 financial year, there were the following changes to the Management Board:

- Effective February 1, 2020, Mr. Matthias Mersmann was appointed as a further member of the Management Board. He performs the function of Chief Technology Officer (CTO).
- Effective September 30, 2020, Mr. Yizhen Zhu resigned from his position as member and Chairman of the Management Board.
- Effective October 1, 2020, Mr. Jianlong Shen was appointed as an additional member of the Management Board and Chairman of the Management Board.

At the end of the 2021 financial year, the Supervisory Board of KHD AG consists of the following four members:

- Mr. Jiayan Gong – Chairman
- Mr. Gerhard Beinhauer – Vice Chairman
- Mr. Xiaodong Wu
- Mr. Jingnan Yang

At the end of the Annual General Meeting on May 20, 2021, the long-standing members of the Supervisory Board, Mr. Shaohua Jin and Ms. Yiqiong Zhang, resigned from their positions as members of the Supervisory Board of KHD Humboldt Wedag International AG. The Supervisory Board owes an extraordinary debt of gratitude to the former Chairman, Mr. Jin, and to Ms. Zhang, who served as a financial expert for many years, for their work.

At the Annual General Meeting on May 20, 2021, the shareholders elected Messrs. Jiayan Gong, Xiaodong Wu and Jingnan Yang as new members of the Supervisory Board. The election of Mr. Yang became effective upon registration of the amendment to the Articles of Association relating to the expansion of the Supervisory Board in the commercial register on June 22, 2021.

## **1. COMPENSATION OF THE MEMBERS OF THE MANAGEMENT BOARD OF KHD HUMBOLDT WEDAG INTERNATIONAL AG**

### **a) Compensation System for the Management Board**

The compensation of the Management Board members of KHD AG for the 2021 financial year described below is based on the compensation system in place since January 1, 2021. It complies with the new requirements of Section 87a AktG introduced by the ARUG II and largely complies with the recommendations of the German Corporate Governance Code as amended on December 16, 2019 (hereinafter "GCGC"). The compensation system was presented to the Annual General Meeting on May 20, 2021 for the first-time adoption in accordance with Section 120a AktG; it was approved by a majority of 99.64%. A full description of the Management Board compensation system is publicly available as part of the invitation to the Annual General Meeting held in the 2021 financial year at [www.khd.com/annual-general-meeting-2021-of-khd-humboldt-wedag-international-ag.html](http://www.khd.com/annual-general-meeting-2021-of-khd-humboldt-wedag-international-ag.html).

The compensation system was applied in the 2021 financial year to all active Management Board members who have a Management Service Agreement. In accordance with Section 120a (1) Sentence 1 AktG, the Annual General Meeting has to resolve on the approval of each significant change to the compensation system, but at least every four years. The compensation system will therefore have to be approved again at the latest at the Annual General Meeting in 2025.

The Management Board member Dr. Matthias Jochem does not have a Management Service Agreement and does not receive Management Board compensation. In the 2019 financial year, KHD entered into a consulting agreement with 4-stream consulting GmbH, Roetgen, a company that is considered a related party with regard to Dr. Jochem. In accordance with this contractual agreement, KHD AG recognizes the remuneration for the consulting services rendered as other operating expenses.

#### **i. Principles of the Compensation System**

The compensation system for members of the Management Board of KHD AG makes an important contribution to promoting the business strategy. By the structure of the compensation system, the members of the Management Board are motivated to achieve key strategic Group objectives, in particular increasing the value of the Group and improving the market position in the areas of customer orientation, technology leadership, and value creation. In determining Management Board compensation, the Supervisory Board is guided by the following principles:

- Promotion of the Group strategy

The compensation system as a whole makes a significant contribution to promoting and implementing the business strategy by defining sustainable performance criteria based on the long-term success of the Group.

- Appropriateness of compensation

The compensation of the members of the Management Board is commensurate with their duties and performance. It takes into account the complexity and the economic situation of the Group. Compared with similar companies, the compensation is in line with the market and at the same time competitive.

- Linking performance and compensation

The compensation of Management Board members is linked to their performance by making the variable compensation components dependent on the achievement of certain targets. This ensures that special performance is rewarded appropriately, while failure to meet the specified targets leads to a significant reduction in compensation.

- Focus on sustainable and long-term corporate development

The compensation of Management Board members is geared to the long-term and sustainable development of the Group. The variable compensation therefore mainly has a multi-year assessment basis.

- Harmonization with shareholder and stakeholder interests

The compensation system makes a key contribution to linking the interests of the Management Board with those of shareholders and other stakeholders. The majority of the variable compensation is linked to the economic success of the KHD Group.

- Consistency of the compensation system

The compensation system for the members of the Management Board is in line with the compensation for other leaders / managers in the Group, sets comparable incentives, and specifies comparable targets.

## **ii. Components of the Compensation System**

In the financial year 2021, the compensation of the members of the Management Board who have a Management Service Agreement consisted of fixed non-performance-related compensation components (1) fixed compensation and (2) fringe benefits, and variable performance-related compensation components (3) bonus for individual targets (short-term) and (4) bonus for financial targets (long-term). In addition, the Supervisory Board may grant a (5) discretionary bonus.

### **(1) Fixed compensation**

Design

- The fixed annual salary is a fixed payment based on a full year, paid out in twelve equal monthly installments.

Reference to strategy

- Forms the basis for attracting and retaining the highly qualified members of the Management Board, who are required for the development and implementation of the corporate strategy.
- Reflects the role, experience and area of responsibility of the individual Management Board member.

### **(2) Fringe benefits**

Design

- Provision of a company car, which may also be used privately, relocation costs and expenses for a double household for operational reasons, costs of a health check, accident insurance, as well as contributions to a private pension plan and health and long-term care insurance contributions in accordance with § 257 SGB V and § 61 SGB XI.

Reference to strategy

- The fringe benefits should be customary / competitive on the market for highly qualified members of the Management Board.

### **(3) Bonus for individual targets (short-term performance bonus) / one-year variable compensation**

Design

- In the respective Management Service Agreement, the Supervisory Board has defined a target amount for the bonus for individual targets for each Management Board member, which is granted if the targets are achieved by 100%.
- The target achievement corridor is between 0% and 100%, i.e. the maximum amount of the short-term incentive bonus is limited to 100% of the target amount.
- Determination of target achievement is done by the Supervisory Board after the end of each individual financial year.

Reference to strategy

- The performance criteria are intended to motivate the Management Board members to create value and to achieve or outperform the short-term economic targets as well as operational excellence.
- The short-term performance bonus additionally gives the Supervisory Board the opportunity to consider individual or collective performance of the Management Board based on non-financial performance criteria and targets that are relevant for the operational implementation of the corporate strategy.
- The short-term performance bonus is intended on the one hand to reflect the overall responsibility of the Management Board members for the Group and to promote cooperation among the business areas, and on the other hand to reflect the independent management of the respective area of responsibility. Therefore, when setting the targets and calculating the short-term performance bonus for each Management Board member, the respective business responsibility is taken into account.

### **(4) Bonus for financial targets (long-term performance bonus) / multi-year variable compensation**

Design

- In the respective Management Service Agreement, the Supervisory Board has agreed a target amount for the bonus for financial targets for each Management Board member, which is granted if the targets are achieved by 100%.
- The long-term performance bonus is determined on the basis of four fixed levels (0% / 25% / 50% / 100%), i.e. the maximum amount of the long-term performance bonus is limited to 100% of the target amount.
- Determination of target achievement is done by the Supervisory Board at the end of the two-year assessment period.

Reference to strategy

- With regard to the financial targets, key figures of the KHD Group based on a two-year assessment period are used.
- The financial targets are closely linked to the continuous and sustainable development of the KHD Group.
- There is congruence between shareholders' interests and expectations and Management Board compensation.

## **(5) Discretionary bonus**

### Design

- Can be granted in case of special performance of a Management Board member and / or in case of corresponding special economic success of the KHD Group.
- Additional voluntary bonus (discretionary bonus) for each member of the Management Board of up to € 0.10 million per year.

### Reference to strategy

- Consideration of the particular performance of the individual Management Board member, especially with regard to the long-term sustainable success of the Group, the interests of shareholders and employees, environmental and social responsibility, and the compliance culture.

In accordance with Section 87a (1) Sentence 2 No. 1 AktG, the Supervisory Board has set a maximum amount for the total of all compensation components including fringe benefits for each member of the Management Board (hereinafter “maximum compensation”). The maximum compensation is intended to avoid unreasonably high Management Board compensation. It amounts to € 0.55 million for the Chairman of the Management Board (CEO) and € 0.50 million for all other members of the Management Board. These maximum limits relate in each case to the total of all payments resulting from the compensation arrangements for a financial year.

In the event of premature termination of a Management Board member’s service contract without good cause, any payments to the Management Board member to be agreed, including fringe benefits, must not exceed the value of two years’ compensation (severance cap) or the value of the compensation for the remaining term of the contract. The severance payment cap is intended to prevent inappropriately high compensation in the event of premature termination of a Management Board member’s service contract. The severance payment cap is calculated on the basis of the total compensation for the past financial year and, if applicable, also the expected total compensation for the current financial year. None of the Management Service Agreements of the current members of the Management Board, i.e. the Management Service Agreements of Messrs. Shen, Luckas, Xing and Mersmann, provide for benefits in the event of premature or regular termination of service.

If a member of the Management Board in his function as a member of the Management Board demonstrably and knowingly commits a gross violation of one of his duties of care within the meaning of Section 93 AktG, a material principle of the internal Code of Conduct and Code of Ethics issued by the Company, or one of his other duties under his service contract, the Supervisory Board may, at its due discretion, partially or fully reduce to zero the variable compensation that is to be granted for the financial year in which the gross violation occurred. If the variable compensation has already been paid out at the time of the reduction decision, the Management Board member must repay the excess payments received in accordance with the reduction decision (“clawback provision”). In this case the Company is also entitled to offset any other compensation claims by the Management Board member. Any claims for damages by the Company against the Management Board member, in particular under Section 93 (2) AktG, shall remain unaffected. In the financial year 2021, there was no reason to apply the clawback rule, i.e. no variable compensation components were reclaimed.

## b) Determination of compensation for the 2021 financial year

### i. Target Compensation

The total target compensation represents an appropriate level of compensation that takes effect if all predefined targets are achieved and is thus intended to provide incentives for strong corporate performance as well as collective and individual achievements. Due to the high proportion of variable compensation, failure to achieve the set targets leads to a significant reduction in total compensation. However, overachievement of targets does not lead to an increase in compensation. The share of long-term variable compensation exceeds that of short-term variable compensation. As a result, the compensation of the Management Board is geared towards the long-term, viable, and sustainable development of the KHD Group.

In the 2021 financial year, the total target compensation is composed as follows:

			Fixed Compensation			Variable Compensation			Total Target Compensation
			Basic Compensation	Fringe Benefits	Total	One-Year Variable Compensation	Multi-Year Variable Compensation	Total	
<b>Current Members of the Management Board</b>									
Jianlong Shen Chief Executive Officer (Member of MB since October 1, 2020)	2021	in € thousand Share	250 58%	29 7%	279 65%	45 10%	105 24%	150 35%	429 100%
	2020	in € thousand Share	63 63%	0 0%	63 63%	11 11%	26 26%	37 37%	100 100%
Jürgen Luckas Chief Financial Officer (Member of MB since April 10, 2015)	2021	in € thousand Share	227 56%	25 6%	252 63%	45 11%	105 26%	150 37%	402 100%
	2020	in € thousand Share	211 55%	24 6%	235 61%	45 12%	105 27%	150 39%	385 100%
Tao Xing Executive Vice President (Member of MB since December 2, 2018)	2021	in € thousand Share	210 51%	51 12%	261 64%	45 11%	105 26%	150 36%	411 100%
	2020	in € thousand Share	184 48%	48 13%	232 61%	45 12%	105 27%	150 39%	382 100%
Matthias Mersmann Chief Technology Officer (Member of MB since February 1, 2020)	2021	in € thousand Share	220 57%	14 4%	234 61%	45 12%	105 27%	150 39%	384 100%
	2020	in € thousand Share	192 57%	10 3%	202 60%	41 12%	96 28%	137 40%	339 100%

The above table shows the contractually agreed target compensation and the compensation structure as a percentage of the total target compensation. The stated target values for variable compensation correspond to the values for the respective financial year, i.e. the financial year in which the corresponding bonus is to be earned. However, the Supervisory Board does not determine the one-year or multi-year variable compensation on the basis of actual target achievement until the next financial year or the year after. When disclosing the compensation granted and owed, the actual bonus for a given financial year is therefore not shown until the next financial year or the year after that. The compensation structure of the total target compensation for the financial year 2021 shown, corresponds to the compensation structure specified in the valid compensation system pursuant to Section 87a (1) No. 3 AktG.

### ii. Appropriateness of the Management Board Compensation

As described above, the Supervisory Board determines the amount of the target total compensation for each Management Board member for the upcoming financial year in accordance with the compensation system. The guiding principle for this is that the respective compensation is in an appropriate relationship to the tasks and performance of the Management Board member as well as to the situation of the Group,

does not exceed the standard market compensation without special reasons, and is geared towards the long-term and sustainable development of the KHD Group. For this purpose, both external and internal comparisons are made by the Supervisory Board at regular intervals.

#### **(1) Horizontal (external) comparison**

In order to assess the appropriateness and customary nature of the specific total compensation of Management Board members in comparison to other companies, the Supervisory Board uses a suitable peer group (horizontal comparison). For this comparison, various compensation data from listed stock corporations below the SDAX are currently used.

#### **(2) Vertical (internal) comparison**

The vertical comparison relates to the relationship between the Management Board compensation and the compensation of the workforce of the operating subsidiary Humboldt Wedag GmbH in Germany. Specifically, the workforce comprises the subsidiary's General Managers as well as the group of non-pay-scale employees and the group of pay-scale employees.

#### **(3) Differentiation according to the respective requirement profile**

The compensation system allows the Supervisory Board to take into account the function and area of responsibility of the individual Management Board member when determining the amount of the total target compensation. At the due discretion of the Supervisory Board, function-specific differentiations are therefore possible, taking into account criteria such as the experience of the respective Management Board member and the Management Board area for which he is responsible.

#### **(4) Conclusion**

The Supervisory Board carried out a review of Management Board compensation prior to the introduction of the new compensation system. For the members of the Management Board in office, Management Board compensation in recent years has been at the lower end of the peer group. However, it should be noted that due to the loss situation of the KHD Group in recent years, the long-term variable compensation (bonus for financial targets) was zero. The Supervisory Board therefore came to the conclusion that the amount of Management Board compensation is appropriate from a legal perspective within the meaning of Section 87 (1) AktG.

### **c) Variable Compensation for the 2021 Financial Year**

The two variable performance-based compensation components (1) bonus for individual targets (short-term performance bonus) and (2) bonus for financial targets (long-term performance bonus) represent a significant part of the total target compensation. .

#### **(1) Short-term performance bonus**

In the respective Management Service Agreement, the Supervisory Board has defined a target amount for the bonus for individual targets (hereinafter "short-term performance bonus") for each Management Board member, which is granted if the targets are achieved by 100%. The maximum amount of the short-term performance bonus is limited to 100% of the target amount.

The amount of the short-term performance bonus to be paid depends on the extent to which a Management Board member achieves the individual targets. At the beginning of a financial year the Supervisory Board determines the targets for the respective Management Board member from the list of the following financial and non-financial performance criteria within the meaning of Section 87a (1) sentence 2 no. 4 AktG:

- Achievement of key financial indicators (order intake, revenue, earnings before taxes) at subsidiaries within the direct area of responsibility of the respective Management Board member;
- Development and implementation of costs optimization measures;
- Development and implementation of measures to increase efficiency;
- Development and implementation of measures to improve operational excellence;
- Cash flow optimization;
- Specific operational and/or strategic goals that are highly relevant for the long-term and sustainable development of the company (such as goals for digitalization, investment strategy and R&D strategy);
- Market development and customer orientation (such as new markets, new product or customer segments);
- Social/employee (such as measures to increase employer attractiveness and employee satisfaction, succession planning, measures for leadership development, diversity and equal opportunities);
- Governance/Compliance (such as measures to ensure and maintain a compliance management system).

Within the scope of its dutiful discretion, the Supervisory Board may extend or adjust the list of individual targets for each financial year. Each of the selected individual targets is weighted with a fixed percentage in relation to the maximum amount of the short-term incentive bonus. In principle, the assessment of the individual performance of a Management Board member is only meaningful if non-financial, qualitative performance criteria are included.

The performance criteria are intended to motivate the Management Board members to create value and to achieve or outperform short-term economic goals as well as operational excellence. The short-term performance bonus also gives the Supervisory Board the opportunity to consider individual or collective performance of the Management Board on the basis of non-financial performance criteria and targets that are relevant for the operational implementation of the corporate strategy. The short-term performance bonus is intended on the one hand to reflect the overall responsibility of the Management Board members for the Group and to promote cooperation between the business areas, and on the other hand to reflect the independent management of the respective area of responsibility. Therefore, when setting the targets and calculating the short-term performance bonus for each Management Board member, the respective business responsibility is taken into account.

Each year after the end of the financial year, the Supervisory Board determines the values for actual target achievement (from 0% to 100%) for each individual target. For the individual targets of the members of the Management Board in the 2021 financial year, the determination of target achievement has not yet taken place. The resulting short-term performance bonus will only be owed once the target achievement has been determined, i.e. the short-term performance bonus for the 2021 financial year will not be determined until the 2022 financial year and will be disclosed in the compensation report 2022. The payment of the short-term performance bonus will be made in cash and is due after approval of the consolidated financial statements.

## **(2) Long-term performance bonus**

In the respective service contract, the Supervisory Board has agreed a target amount for the long-term performance bonus for each member of the Management Board, which is granted if the targets are achieved by 100%. The maximum amount of the long-term performance bonus is limited to 100% of the target amount. The long-term performance bonus is intended to promote the Management Board's long-term commitment to the Group and its sustainable growth. Therefore, the financial performance criteria are identical for all members of the Management Board and are based on a multi-year (currently: two-year) assessment period.

The amount of the long-term performance bonus to be paid depends on the extent to which the respective target has been achieved at the end of the two-year assessment period. At the beginning of the assessment period for the financial years 2021 and 2022, the Supervisory Board set the target values for the following financial performance criteria within the meaning of Section 87a (1) Sentence 2 No. 4 AktG:

- Order intake per segment
- Gross profit
- Earnings before taxes (EBT)

The long-term performance bonus is determined on the basis of four defined levels (0% / 25% / 50% / 100%). When measuring the long-term performance bonus, each financial performance criterion is considered separately, i.e. exceeding one target (target achievement > 100%) cannot be used to compensate for another financial performance criterion (target achievement < 100%). A lower limit has been set for each financial performance criterion. If the respective lower limit is achieved, the long-term performance bonus amounts to 25% of the corresponding bonus component; if targets are not met (failure to achieve the lower limit – cumulative for the multi-year assessment period), the corresponding part of the long-term performance bonus is forfeited in full.

In order to align the long-term performance bonus with sustainable corporate development and to provide a long-term incentive, the financial performance criteria are generally based on a two-year assessment period in relation to KHD Group key figures. Only after the end of the two-year assessment period, a final determination is made on the achievement of the targets set. The average degree of target achievement determined for the individual financial performance criterion over the entire assessment period is the relevant figure.

The current assessment period covers the 2021 and 2022 financial years. For the financial targets underlying the long-term performance bonus, the determination of target achievement in the 2021 and 2022 financial years has not yet taken place. At the beginning of the 2023 financial year, the (preliminary) target achievement for the two-year assessment period (financial years 2021 and 2022) will be determined. 50% of this value will be reported in the compensation report for the 2022 financial year as long-term performance bonus owed. After approval of the 2022 consolidated financial statements (expected in March 2023), the final values for the long-term performance bonus will be determined and granted (paid) to the members of the Management Board. The difference between the final values for the long-term performance bonus for the 2021 and 2022 financial years and the values reported in the 2022 compensation report will be disclosed in the compensation report for the 2023 financial year.

In the event of premature termination of employment or if the Management Board member is not entitled to compensation for the entire assessment period, the Management Board member will receive a pro-rata payment amount determined at the end of the assessment period. Entitlement to the long-term performance bonus lapses completely if, at the time of the scheduled payment, the service contract is terminated either by the Management Board member without good cause or by the Company for good cause.

#### d) Compensation granted and owed to the Members of the Management Board

In accordance with Section 162 (1) Sentence 1, Sentence 2 No. 1 AktG, all fixed and variable compensation components "granted and owed" to the individual members of the Management Board in the 2021 financial year must be disclosed. The following table shows in the line "2021" for the one-year variable compensation (short-term performance bonus) the values for the 2020 financial year that were determined by the Supervisory Board and paid to the Management Board in the 2021 financial year. As explained above, no amounts are to be shown in the line "2021" for the multi-year variable compensation (long-term performance bonus) for the two-year assessment period (financial years 2021 and 2022).

Current Members of the Management Board			Fixed Compensation		Variable Compensation		Discretionary Bonus	Total compensation granted and owed
			Basic Compensation	Fringe Benefits	One-Year Variable Compensation	Multi-Year Variable Compensation		
Jianlong Shen Chief Executive Officer (Member of MB since October 1, 2020)	2021	in € thousand	250	29	11	0	0	290
		Share	86%	10%	4%	0%	0%	100%
	2020	in € thousand	63	0	0	0	0	63
		Share	100%	0%	0%	0%	0%	100%
Jürgen Luckas Chief Financial Officer (Member of MB since April 10, 2015)	2021	in € thousand	227	25	45	0	0	297
		Share	76%	8%	15%	0%	0%	100%
	2020	in € thousand	211	24	45	0	0	280
		Share	75%	9%	16%	0%	0%	100%
Tao Xing Executive Vice President (Member of MB since December 2, 2018)	2021	in € thousand	210	51	30	0	0	291
		Share	72%	18%	10%	0%	0%	100%
	2020	in € thousand	184	48	50	0	35	317
		Share	58%	15%	16%	0%	11%	100%
Matthias Mersmann Chief Technology Officer (Member of MB since February 1, 2020)	2021	in € thousand	220	14	41	0	40	315
		Share	70%	4%	13%	0%	13%	100%
	2020	in € thousand	192	10	0	0	40	242
		Share	79%	4%	0%	0%	17%	100%
<b>Former Members of the Management Board</b>								
Yizhen Zhu former Chief Executive Officer (Member of MB from Dec. 2, 2018 to September 30, 2020)	2020	in € thousand	211	24	0	0	0	235
		Share	90%	10%	0%	0%	0%	100%

For the disclosure of the total compensation of the members of the Management Board of KHD AG in accordance with Section 314 (1) No. 6a of the German Commercial Code ("HGB") in the consolidated financial statements for the 2021 financial year, the amounts that were "granted and owed" in the 2021 financial year are not shown for the one-year and multi-year variable compensation. Instead, the values that were recognized as an expense for the 2021 financial year when the bonus provision was formed are disclosed as part of total compensation.

## 2. COMPENSATION OF THE MEMBERS OF THE SUPERVISORY BOARD OF KHD HUMBOLDT WEDAG INTERNATIONAL AG

### a) Compensation System for the Supervisory Board

The compensation of the members of the Supervisory Board is set out in Section 13 of the Articles of Association. By resolution of the Annual General Meeting on May 20, 2021, the compensation arrangements for the Supervisory Board in Section 13 of the Articles of Association were confirmed in accordance with Section 113 (3) AktG by a majority of 99.66% of the valid votes cast.

The members of the Supervisory Board receive fixed compensation only. The Supervisory Board decides by resolution on the distribution of the total compensation of €180,000 among the individual members of the Supervisory Board. The distribution of Supervisory Board compensation takes appropriate account of the higher time commitment of the Chairman and Vice Chairman of the Supervisory Board. The structure of Supervisory Board compensation, which provides exclusively for fixed compensation, strengthens the independence of the Supervisory Board and is also to be seen as a counterweight to the structure of the Management Board compensation, which contains variable (performance- and success-related) components to a significant extent.

### b) Compensation of the Supervisory Board in the 2021 and 2020 Financial Year

The total compensation of each Supervisory Board member for the 2021 financial year is shown in the following table:

(in €)	fixed compensation	thereof granted	thereof owed
<b>Current Members of the Supervisory Board</b>			
Jiayan Gong <sup>1</sup> (Chairman)	49.315		49.315
Gerhard Beinhauer (Deputy Chairman)	60.000	44.877	15.123
Xiaodong Wu <sup>2</sup>	18.493		18.493
Jingnan Yang <sup>3</sup>	0		0
<b>Former Members of the Supervisory Board</b>			
Shaohua Jin <sup>4</sup>	30.685		30.685
Yiqiong Zhang <sup>5</sup>	11.507		11.507
not yet allocated <sup>6</sup>	10.000	0	10.000
<b>Total</b>	<b>180.000</b>	<b>44.877</b>	<b>135.123</b>

<sup>1</sup> Member of the Supervisory Board since May 20, 2021

<sup>2</sup> Member of the Supervisory Board since May 20, 2021

<sup>3</sup> Member of the Supervisory Board since June 22, 2021

<sup>4</sup> Member of the Supervisory Board (Chairman) until May 20, 2021

<sup>5</sup> Member of the Supervisory Board until May 20, 2021

<sup>6</sup> In accordance with Section 13 (1) of the Articles of Association, the Supervisory Board decides by resolution on the distribution of the total compensation specified in the Articles of Association. No resolution has yet been passed on the distribution of the remaining amount of €10,000.

The total compensation of each Supervisory Board member for the 2020 financial year is shown in the following table:

	<b>fixed (in €) compensation</b>	<b>thereof granted</b>	<b>thereof owed</b>
Shaohua Jin (Chairman)	72.000		72.000
Gerhard Beinhauer (Deputy Chairman)	54.000	39.000	15.000
Yiqiong Zhang	27.000		27.000
not yet allocated <sup>1</sup>	10.000	0	10.000
<b>Total</b>	<b>163.000</b>	<b>39.000</b>	<b>124.000</b>

<sup>1</sup> In accordance with Section 13 (1) of the Articles of Association, the Supervisory Board decides by resolution on the distribution of the total compensation specified in the Articles of Association. No resolution has yet been passed on the distribution of the remaining amount of €10,000.

### 3. COMPARATIVE PRESENTATION OF THE CHANGE OVER THE PAST YEARS

In accordance with Section 162 (2) Sentence 2 No. 2 AktG, the following overview provides a comparative presentation of the annual change in compensation of the members of the Management Board and Supervisory Board, the Company's earnings development, and the average compensation of employees considered on a full-time equivalent basis. In addition to the earnings development (net income or loss) of KHD Humboldt Wedag International AG as an individual company, the development of earnings before taxes (EBT) of the KHD Group is also stated, as this key figure has a significant influence on Management Board compensation. In the case of members joining or leaving the Management Board or Supervisory Board during the year, the annual change in compensation is generally determined on the basis of a value extrapolated to a full year.

<i>(in € thousand)</i>	2020	Change	2021
<b>Earnings Development</b>			
Net Profit / Net Loss of KHD AG	471	n/a	-1.263
EBT of KHD Group	-6.639	n/a	685
<b>Employee Compensation</b>			
Employees of Humboldt Wedag GmbH	104	4%	108
<b>Management Board Compensation</b>			
<b>Current Members of the Management Board</b>			
Jianlong Shen (since October 1, 2020)	63	15%	290
Jürgen Luckas	280	6%	297
Tao Xing	317	-8%	291
Matthias Mersmann (since February 1, 2020)	242	19%	315
<b>Former Members of the Management Board</b>			
Yizhen Zhu (until September 30, 2020)	235	n/a	-
<b>Supervisory Board Compensation</b>			
<b>Current Members of the Supervisory Board</b>			
Jiayang Gong (since May 20, 2021)	-	n/a	49
Gerhard Beinhauer	54	11%	60
Xiaodong Wu (since May 20, 2021)	-	n/a	18
Jingnan Yang (since May 20, 2021)	-	n/a	0
<b>Former Members of the Supervisory Board</b>			
Shaohua Jin (until May 20, 2021)	72	11%	31
Yiqiong Zhang (until May 20, 2021)	27	11%	12

The compensation of the members of the Management Board and Supervisory Board stated in the overview corresponds to the values stated in the table "Compensation granted and owed to the Members of the Management Board" and the values stated under "Compensation of the Supervisory Board in the 2021 and 2020 Financial Year".

For the vertical comparison, the average compensation of employees on a full-time equivalent basis of the operating subsidiary Humboldt Wedag GmbH, Cologne, was used. The comparatively low gap between the average remuneration of the employees of the subsidiary Humboldt Wedag GmbH and the Management Board compensation results from the fact that in the 2021 and 2020 financial years, the amount of the multi-year variable compensation "granted and owed" to the members of the Management Board was set at zero in each case.

Based on the existing transitional relief, KHD AG applies Section 162 (2) Sentence 2 No. 2 AktG in such a way that the information on the last five financial years is built up successively, starting with the 2020 financial year.

## **REPORT OF THE INDEPENDENT AUDITOR ON THE AUDIT OF THE COMPENSATION REPORT PURSUANT TO SEC. 162 (3) AKTG**

To KHD Humboldt Wedag International AG

### Opinions

We have audited the formal aspects of the compensation report of KHD Humboldt Wedag International AG, Cologne, for the financial year from January 1, 2021 to December 31, 2021 to determine whether the disclosures required by Sec. 162 (1) and (2) AktG [“Aktiengesetz”: German Stock Corporation Act] have been made therein. In accordance with Sec. 162 (3) AktG, we have not audited the content of the compensation report.

In our opinion, the disclosures required by Sec. 162 (1) and (2) AktG have been made in the accompanying compensation report in all material respects. Our opinion does not cover the content of the compensation report.

### Basis for the opinion

We conducted our audit of the compensation report in accordance with Sec. 162 (3) AktG and in compliance with the IDW Auditing Standard: Audit of the Compensation Report in Accordance with Sec. 162 (3) AktG (IDW AuS 870). Our responsibilities under this provision and standard are further described in the “Responsibilities of the auditor” section of our report. As an audit firm, we applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1). We complied with the professional obligations pursuant to the WPO [“Wirtschaftsprüferordnung”: German Law Regulating the Profession of Wirtschaftsprüfer (German Public Auditor)] and the BS WP/vBP [“Berufssatzung für Wirtschaftsprüfer/vereidigte Buchprüfer”: Professional Charter for German Public Accountants/German Sworn Auditors] including the requirements regarding independence.

### Responsibilities of the Management Board and Supervisory Board

The Management Board and Supervisory Board are responsible for the preparation of the compensation report and the related disclosures in compliance with the requirements of Sec. 162 AktG. In addition, they are responsible for such internal control as they determine is necessary to enable the preparation of a compensation report and the related disclosures that are free from material misstatement, whether due to fraud or error.

## Responsibilities of the auditor

Our objectives are to obtain reasonable assurance about whether the disclosures required by Sec. 162 (1) and (2) AktG are made in the compensation report in all material respects and to express an opinion thereon in a report.

We planned and performed our audit so as to determine the formal completeness of the compensation report by comparing the disclosures made in the compensation report with the disclosures required by Sec. 162 (1) and (2) AktG. In accordance with Sec. 162 (3) AktG, we have not audited the accuracy of the disclosures, the completeness of the content of the individual disclosures, or the fair presentation of the compensation report.

## Consideration of misrepresentations

In connection with our audit, our responsibility is to read the compensation report considering the knowledge obtained in the audit of the financial statements and, in doing so, remain alert for indications of whether the compensation report contains misrepresentations in relation to the accuracy of the disclosures, the completeness of the individual disclosures or the fair presentation of the compensation report.

If, based on the work we have performed, we conclude that there is a misrepresentation, we are required to report that fact. We have nothing to report in this regard.

Cologne, February 28, 2022

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft

Zwirner  
Wirtschaftsprüfer  
[German Public Auditor]

Ormanns  
Wirtschaftsprüfer  
[German Public Auditor]

### **III. REQUIREMENTS FOR PARTICIPATION IN THE ANNUAL GENERAL MEETING AND THE EXERCISE OF VOTING RIGHTS**

Those shareholders, who have registered to do so before the General Meeting of shareholders, shall be entitled to attend the General Meeting of shareholders, to exercise their voting rights and to present motions. The registration has to be received by the Company at the following address:

Mail: KHD Humboldt Wedag International AG  
c/o Link Market Services GmbH  
Landshuter Allee 10  
80637 Munich  
Germany  
Email: [inhaberaktien@linkmarketservices.de](mailto:inhaberaktien@linkmarketservices.de)

until six days before the General Meeting of shareholders, i.e. by Friday, May 20, 2022, 24:00 CEST at the latest.

Shareholders must provide proof of their entitlement to attend the General Meeting of shareholders, to exercise voting rights and to present motions. A confirmation issued by the custodian financial institution in written form (Section 126b of the German Civil Code BGB) either in German or in English is required as proof of share ownership. The confirmation has to refer to the beginning of the 21<sup>st</sup> day prior to the General Meeting of shareholders, i.e. to Friday, May 06, 2022, 00:00 CEST (Record Date), and to be received by the Company at the aforementioned address until six days before the General Meeting of shareholders, i.e. by Friday, May 20, 2022, 24:00 CEST, at the latest.

After receipt of registration for the General Meeting of shareholders and proof of share ownership, the shareholders shall receive the tickets for the General Meeting of shareholders. We kindly ask the shareholders to register and provide proof of their share ownership in the Company as early as possible to ensure that the admission ticket is received in good time. Admission tickets facilitate the organization and do not incorporate additional participation conditions.

## **Significance of Record Date**

The Record Date is the decisive date for the volume and the exercise of the right to attend and to vote at the General Meeting of shareholders. In relation to the Company, only those persons are deemed as shareholders who have proven their share ownership until the Record Date and only those are entitled to attend the General Meeting of shareholders and to exercise their voting right. Changes in shareholdings after the Record Date are disregarded. Thus, shareholders who acquire their shares only after the Record Date may not attend the General Meeting of shareholders. Shareholders who have registered in due form and have submitted proof of share ownership are entitled to attend the General Meeting of shareholders and to exercise their voting rights, even if they sell their shares after the Record Date. The Record Date does not affect the right of the shareholder to sell shares, and it is not relevant for potential dividend entitlement.

## **Proxy voting**

Shareholders may also appoint a proxy e.g. an intermediate, a shareholders' association or another person to exercise their voting right at the General Meeting of shareholders. In such case, too, the shareholders must register in time by providing proof of their share ownership. A power of attorney has to be issued in writing (Section 126b German Civil Code), unless the following exceptions apply. In addition to sending by mail, the Company provides the following email address to the shareholders for electronic transmission of the proof of the power of attorney:

Mail: KHD Humboldt Wedag International AG  
Hauptversammlung / AGM  
Von-der-Wetteren-Straße 4a  
51149 Cologne, Germany

Email: [hauptversammlung.khd@khd.com](mailto:hauptversammlung.khd@khd.com)

If a shareholder authorizes more than one person, the Company shall be entitled to reject one or more of these persons according to Section 134 Paragraph 3, Sentence 2 AktG.

According to the law and the Articles of Association there is no requirement of the written form for the authorization of an intermediate, a shareholders' association or any other equivalent institution or person pursuant to Section 135 AktG to act as a proxy. We would, however, like to point out that in such cases the institutions or persons to be authorized to act as a proxy might possibly request a specific form of the proxy, because pursuant to Section 135 AktG they are required to record a verifiably power of attorney. If you would like to authorize an intermediate, a shareholders' association or any other equivalent institution or person pursuant to Section 135 AktG to act as a proxy, please discuss in due time the potential form of the power of attorney with such institutions or persons.

## **Proxy voting by general proxies appointed by the Company**

As a special service for our shareholders, who are unable to attend the General Meeting of shareholders in person, general proxies that are bound by instruction have been appointed by the Company. Shareholders who wish to grant a power of attorney to the general proxy appointed by the Company before the General Meeting of shareholders, need to register on time and provide proof of their share ownership as previously noted. For proxy voting and instructions for voting shareholders may use the form for the power of attorney and instructions for voting to the general proxy of the Company that is displayed on the admission ticket. This form provides you with further information on proxy voting. The authorized general proxies of the Company are strictly bound by individual instructions of the shareholder when exercising the voting right. The power of attorney cannot be exercised with respect to agenda items, for which no individual instruction has been given, which means that votes on such items will be treated as abstention from voting. The general proxy does not accept requests to speak or other motions.

Shareholders who wish to grant a power of attorney to the general proxy appointed by the Company are asked to please send these proxies including voting instructions by Tuesday, May 05, 2020, 24:00 CEST via mail email to the following Company address:

Mail: KHD Humboldt Wedag International AG  
Hauptversammlung / AGM  
Von-der-Wettern-Straße 4a  
51149 Cologne, Germany

or Email: [hauptversammlung.khd@khd.com](mailto:hauptversammlung.khd@khd.com)

## **Total number of shares and voting rights at the announcement of convening the General Meeting of shareholders**

Upon the announcement of convening the General Meeting of shareholders, the share capital of the Company amounts to € 49,703,573.00 and is divided in 49,703,573 no-par bearer shares, each entitling to one vote in the General Meeting of shareholders. Thus, the total number of voting rights at the announcement of convening the General Meeting of shareholders is 49,703,573. At the time of convening the General Meeting of shareholders, the Company has no treasury shares, which do not confer any rights.

## **Shareholders' rights in relation to the General Meeting of shareholders**

Before and during the General Meeting of shareholders, the shareholders are entitled to i.a.:

**1. Present motions for the inclusion of supplementary agenda items according to Section 122 Paragraph 2 AktG**

Shareholders jointly representing at least one-twentieth of the share capital or a pro rata amount of € 500,000 of the share capital of the Company (equivalent to 500,000 shares) may request the inclusion and publication of supplementary agenda items. Each new item must be accompanied by an explanatory statement and a draft resolution.

Applicants must prove that they have held the shares for at least 90 days prior to the date of receipt of the request and that they will hold the shares until the Management Board has decided on the request. Section 121 para. 7 AktG shall apply accordingly. Section 70 AktG shall be observed when calculating the minimum holding period. The request shall be signed by all shareholders who together reach the required quorum or by their duly appointed representatives or submitted in electronic form pursuant to section 126a of the German Civil Code (i.e. with a qualified electronic signature).

Such a shareholder request shall only be considered if the request is addressed to the Management Board and submitted in writing at least 30 days prior to the General Meeting of shareholders, i.e. by Tuesday, April 26, 2022, 24:00 CEST, at the latest. Please send such requests to the following address:

KHD Humboldt Wedag International AG  
Management Board  
Von-der-Wetteren-Straße 4a  
51149 Cologne, Germany.

or in electronic form in accordance with Section 126a BGB (i.e. with qualified electronic signature) by e-mail to: [hauptversammlung.khd@khd.com](mailto:hauptversammlung.khd@khd.com)

Additions to the agenda shall be published immediately after receipt of the request in the Federal Gazette and forwarded for publication to such media outlets as can be expected to disseminate this information throughout the entire European Union. Furthermore, these are also published on the internet at <http://www.khd.com>, at the link "Investor Relations" with language setting "English", under the column "Annual General Meeting" and communicated to the shareholders.

**2. Countermotions and candidates' proposals pursuant to Section 126 Paragraph 1 and Section 127 AktG**

Shareholders of the Company may submit countermotions against a proposal of the Management Board and/or Supervisory Board on a particular agenda item and candidates' proposals. Countermotions must be accompanied by an explanatory statement. No explanatory statement is required for candidates' proposals. Countermotions, candidates' proposals and other requests of shareholders regarding the General Meeting of shareholders must be addressed exclusively to:

Mail: KHD Humboldt Wedag International AG  
Hauptversammlung / AGM  
Von-der-Wettern-Straße 4a  
51149 Cologne, Germany  
or by FAX: +49 221 6504-1209  
or by email: [hauptversammlung.khd@khd.com](mailto:hauptversammlung.khd@khd.com)

Countermotions and candidates' proposals need not be published if not addressed as indicated above. In addition to the reasons stated in Section 126 Paragraph 2 AktG, a candidate proposal need not be published if the proposal does not contain the name, profession and place of residence of the candidate. Proposals for the election of Supervisory Board members need not be made accessible even if they are not accompanied by information on the membership of the proposed Supervisory Board candidate in other legally required Supervisory Boards within the meaning of Section 125 Paragraph 1 Sentence 5 AktG.

The Company will disclose countermotions and candidate proposals of shareholders together with the name of the shareholder and the explanatory statements which have to be published immediately after receipt on the internet at <http://www.khd.com>, at the link "Investor Relations" with language setting "English", under the column "Annual General Meeting". Countermotions and candidate proposals to the items of the agenda which are to be made available and which are received at the address stated in the first paragraph until 14 days prior to the General Meeting of shareholders at the latest, i.e. by Thursday, May 17, 2022, 24:00 CEST, will be considered. Any statements from the Management Board and Supervisory Board will also be published at the above stated internet address.

The right of every shareholder to make countermotions to items of the agenda during the Annual General Meeting of shareholders without prior and timely submission to the Company shall remain unaffected. We would like to point out that countermotions submitted to the Company within the deadline will only be considered at the Annual General Meeting of shareholders if these are put forward verbally at the meeting.

### **3. Shareholders' rights to obtain information pursuant to Section 131 Paragraph 1 AktG**

Every shareholder or proxy present at the General Meeting of shareholders may request from the Management Board information on matters concerning the Company. The duty to provide information also extends to the legal and business relationships between the Company and its affiliated enterprises, and the position of the Group and the Company's consolidated subsidiaries, to the extent that it serves to make an informed judgment about the agenda item under discussion. The information provided shall comply with the principles of conscientious and accurate reporting.

Requests for information must always be given orally at the General Meeting of shareholders. The Management Board can refrain from answering specific questions for the reasons stated in Section 131 Paragraph 3 AktG. Pursuant to Section 17 Paragraph 4 of the Articles of Association, the Chairman of the Meeting is also authorized to impose a reasonable time limit on a shareholder's right to ask questions and to speak.

### **4. Further explanations on the rights of shareholders**

#### **Reference to the Company's website**

Please find further explanations on the rights of the shareholders pursuant to Sections 122 Paragraph 2, 126 Paragraph 1, 127, 131 Paragraph 1 AktG at the website of the Company at <http://www.khd.com>, at the link "Investor Relations" with language setting "English", under the column "Annual General Meeting".

#### **Information and documents concerning the General Meeting of shareholders**

Information and documents pursuant to Section 124a AktG, including the 2021 Annual Report of the Company and the Group are available on the internet at <http://www.khd.com>, at the link "Investor Relations" with language setting "English", under the column "Annual General Meeting" and can be downloaded. Information required by law to be made available is open to inspection at the General Meeting of shareholders.

The General Meeting of shareholders will not be transmitted neither by audio nor by video.

**Cologne, April 2022**

**KHD Humboldt Wedag International AG**

**The Management Board**