

# FORVIA



## **Declaration on the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (*Aktiengesetz*, "AktG")**

The General Partner as well as the Shareholder Committee and the Supervisory Board of HELLA GmbH & Co. KGaA (hereinafter referred to as "Company" or "HELLA") declare, pursuant to Section 161 AktG, that since the last time this declaration was made on 01 June 2022, and except for the deviations set out below, the Company has complied, and intends to comply in the future, with the recommendations of the German Corporate Governance Code ("GCGC", *Deutscher Corporate Governance Kodex*), as amended on 16 December 2019 ("GCGC 2020") and as amended on 28 April 2022 ("GCGC 2022"), taking into account the special features of its legal form described below.

### **I. Special features of the legal form**

The German Corporate Governance Code is designed for companies in the legal form of a stock corporation or a European Company (SE) and does not take into account the special features of a limited partnership by shares (*Kommanditgesellschaft auf Aktien*, "KGaA"). Thus, a number of recommendations of the GCGC can be applied to HELLA GmbH & Co. KGaA only in a modified form. Important modifications follow from the special features of the legal form set out below:

#### **1. Management Board**

Unlike a stock corporation, which is managed by the board of directors (*Vorstand*), a KGaA is managed by its general partners. Their appointment and dismissal is not a responsibility of the Supervisory Board; instead it is a task of the Annual General Meeting. The Company has one gGeneral Partner, Hella Geschäftsführungs gesellschaft mbH which has its registered office in Lippstadt, and is is represented by its managing directors (*Geschäftsführer*) Michel Favre (President and CEO), Yves Andres, Dr. Lea Corzilius, Bernard Schäferbarthold and Björn Twiehaus. In contrast to the board of directors of a stock corporation, the managing directors of Hella Geschäftsführungs-gesellschaft mbH are appointed for an indefinite period of time. The shares in

Hella Geschäftsführungsgesellschaft mbH are held by the Company. The associated shareholder rights are exercised by the Shareholder Committee.

## **2. Shareholder Committee**

The legal form of the KGaA, unlike that of the stock corporation, offers the possibility of establishing further optional corporate bodies. The Company has made use of this option. The Shareholder Committee, established according to the Articles of Association and elected by the Annual General Meeting, supervises and advises the General Partner in the management of the Company's business and can issue rules of procedure for it. In addition, it determines which transactions of the General Partner require its prior consent. It has management authority and power of representation for the legal relationships between the Company and the General Partner and represents the Company in legal disputes with the General Partner.

The Shareholder Committee exercises all rights arising from the Company's shares in Hella Geschäftsführungsgesellschaft mbH. In particular, it is responsible for appointing and dismissing the managing directors and for regulating their employment relationships. The Shareholder Committee is also responsible for executing shareholders' resolutions.

Insofar as the GCGC contains recommendations on the tasks and responsibilities of the Supervisory Board, which at HELLA GmbH & Co. KGaA are performed by the Shareholder Committee in accordance with the Articles of Association, these recommendations are deemed to apply to the Shareholder Committee.

## **3. Supervisory board**

Compared to the Supervisory Board of a stock corporation, the Supervisory Board of a KGaA has limited powers. In particular, it is not responsible for the appointments and dismissals and the service agreements of the Company's Management Board. Also, it has no power to issue rules of procedure for the Company's Management Board and cannot determine which business decisions require its consent.

## **4. Annual General Meeting**

The legal status of the Annual General Meeting is not materially different to that of a stock corporation. In particular, it elects the shareholder representatives of the Supervisory Board and the members of the Shareholder

Committee. To the extent permitted by law, resolutions of the Annual General Meeting of HELLA GmbH & Co. KGaA are adopted by simple majority. In contrast to a stock corporation, the Annual General Meeting of HELLA GmbH & Co. KGaA adopts resolutions on the approval of the annual financial statements by law.

According to the German Stock Corporation Act (*Aktiengesetz, "AktG"*), certain resolutions of the Annual General Meeting of a KGaA are dependent on the consent of the General Partners (see Section 285 (2) AktG and Section 286 (1) AktG). This right of approval is excluded by the Articles of Association of HELLA GmbH & Co. KGaA insofar as this is legally permissible; this applies in particular to amendments to the Articles of Association, fundamental transactions, extraordinary management measures and the admission and dismissal of General Partners. On the other hand, the adoption of the annual financial statements by the Annual General Meeting is only possible with the consent of the General Partner. According to the Company's Articles of Association, the General Partner declares this consent when submitting their resolution proposals on the annual financial statements to the Annual General Meeting.

## **II. Deviations from the recommendations of the German Corporate Governance Code (GCGC)**

### **1. Period since submission of the last declaration of conformity on 1 June 2022**

In the period since the last submission of the declaration of conformity on 1 June 2022, the following recommendations of the German Corporate Governance Code (as amended from time to time) were not complied with. Upon its promulgation on 27 June 2022, the GCGC 2022 replaced the GCGC 2020.

- a) Deviating from recommendation A.3 GCGC 2022, the internal control system and the risk management system currently cover sustainability-related targets only to the extent required by law. HELLA has set itself further sustainability-related targets that go beyond statutory requirements. Until now, these additional targets are not yet covered by the internal control and risk management system. However, the Company intends to further develop the internal control and risk management system in 2023 and to comply with recommendation A.3 GCGC 2022 in the future.

- b) Deviating from recommendation D.4 sentence 2 GCGC 2020 and recommendation D.3 sentence 5 GCGC 2022, the Chairman of the Supervisory Board in office until 30 September 2022 also chaired the Audit Committee. As a former Chief Financial Officer of a DAX company, he had particular knowledge and experience in accounting and internal control procedures. The purpose of recommendation D.4 sentence 2 GCGC 2020 and recommendation D.3 sentence 5 GCGC 2022 is only applicable to HELLA to a limited extent, as there is a second control body in the form of the Shareholder Committee. At HELLA, the Chairman of the Shareholder Committee assumes key tasks which are the responsibility of the Chairman of the Supervisory Board in an ordinary stock corporation. In the new composition of the Supervisory Board and the Audit Committee since the election at the Annual General Meeting on 30 September 2022, the chairs of the Supervisory Board and the Audit Committee have been separated.
- c) Deviating from recommendation D.10 sentence 3 GCGC 2022, the Audit Committee in its former composition, *i.e.* until the new election of the Supervisory Board on 30 September 2022, each time deliberately consulted with the auditor in the presence of the Management Board because this was considered to be necessary and reasonable. In the new composition of the Audit Committee, parts of the Audit Committee's meetings are now regularly reserved for consultations together with the auditor and without the presence of the Management Board
- d) Deviating from recommendation G.4 GCGC 2020 and GCGC 2022, the Shareholder Committee did not take into account the ratio of the remuneration of the Management Board to the remuneration of the senior management and the staff overall. The responsibilities of the individual members of the Management Board, his or her personal performance, the economic situation and performance of the Group, and the remuneration levels at peer companies are considered more appropriate and meaningful benchmarks for determining the level of remuneration.
- e) Deviating from recommendation G.7 sentence 1 GCGC 2020 and GCGC 2022, the Shareholder Committee determined the performance criteria for the variable remuneration components for the short fiscal year (*Rumpfgeschäftsjahr*) only after it started on 1 June 2022. Following the acquisition of a majority stake by Faurecia at the end of January 2022 and the partial replacement of members of the relevant corporate bodies, the

target setting for the short fiscal year 2022 has been delayed. The change in HELLA's fiscal year, as resolved by the Extraordinary General Meeting on 29 April 2022, and the adjustments in the planning process that were required in that context contributed to this situation. Furthermore, an action for annulment against the resolution of the Extraordinary General Meeting delayed the necessary entry in the commercial register and, thus, the effective date of the change in the fiscal year.

- f) Deviating from recommendation G.8 GCGC 2020 and GCGC 2022, the Shareholders' Committee adjusted the calculation of the variable remuneration components of the Management Board members for the fiscal year 2021/2022 only after the completion of said year. The resulting deviation from recommendation G.8 was necessary to prevent a complete devaluation of these remuneration components due to the challenging market situation caused by the Covid-19 pandemic. In particular, the Shareholder Committee wanted to avoid the 2021/2022 LTI installment losing any incentive effect for the Management Board due to the lack of allocation of an LTI base amount. In times of crisis, it is particularly important to ensure that the Management Board is highly motivated and committed.
- g) Deviating from recommendation G.10 GCGC 2022, the variable remuneration is not predominantly invested in shares of the Company or share-based. As a result of the acquisition of a majority shareholding in HELLA by Faurecia at the beginning of 2022, the development of HELLA's share price is only of limited significance. Therefore HELLA has restructured the LTI component with effect from 1 January 2023 and no longer takes the development of the HELLA's share price into account.

## **2. Forward-looking part**

The General Partner as well as the Shareholder Committee and the Supervisory Board of HELLA GmbH & Co. KGaA intend not to comply with the recommendation of the GCGC mentioned above under No. 1 letter g) in the future for the reasons stated above. The recommendation of the GCGC mentioned in section 1 letter a) shall be complied with as soon as the necessary further development of the internal control and risk management system has been completed.

Lippstadt, 7 March 2023

The general partner

The shareholders' committee

The supervisory board