



## Corporate Governance Statement

**Corporate Governance Statement pursuant to Sections 289f, 315d of the German Commercial Code (HGB)  
dated March 30, 2021**

**Declaration on the German Corporate Governance Code (DCGK) pursuant to Section 161 of the German  
Stock Corporation Act (AktG)**

**The Executive Board and Supervisory Board declare:**

The recommendations of the "Government Commission on the German Corporate Governance Code" as amended on February 7, 2017 (DCGK 2017), published by the Federal Ministry of Justice in the official section of the Federal Gazette on April 24, 2017, have been complied with in the period since the last Declaration of Conformity dated March 18, 2020 until the entry into force on March 20, 2020 of the reformed DCGK as amended on December 16, 2019, with the exception of the following clauses for the reasons and in the periods stated therein.

**Amount of D&O insurance deductible for the Supervisory Board (Point 3.8 (3))**

Since the members of the Supervisory Board perform their duties responsibly and in the best interests of the company, the management is of the opinion that a deductible as such is not liable to increase the commitment and sense of responsibility of the Supervisory Board members.

**Contractually defined upper limit for Executive Board service contracts (Point 4.2.3 (2))**

Currently, not all Executive Board contracts stipulate contractually defined upper limits. The Supervisory Board does not consider such upper limits to be necessary in view of the parameters set for the variable remuneration components and will act appropriately when setting the variable remuneration.

**Age limits for members of the Executive Board (Point 5.1.2 (2))**

Given the need to maintain a degree of necessary flexibility, the Supervisory Board is of the opinion that such an age limit does not best reflect the company's best interests. The current service contracts of Executive Board members are not renewed automatically. The Supervisory Board shall consider the age of the candidate in its decision regarding any extension or new employment contracts for members of the Executive Board.



Furthermore, the Executive and Supervisory Boards make the declaration below:

The recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated December 16, 2019 ("DCGK 2020") published by the Federal Ministry of Justice in the official section of the Federal Gazette on March 20, 2020 have been complied with since this version of the DCGK came into force and will continue to be complied with, with the exception of the recommendations set out below, for the reasons and periods stated therein.

#### **Composition of the Executive Board (Recommendation B.1)**

In view of the current composition of the Executive Board and the fact that the extension of an appointment or new appointment only occurred last year, the candidate search also included female and diverse applicants. The Supervisory Board subsequently opted to appoint an internal candidate to the post of Chief Financial Officer. If new management, Executive Board member and Supervisory Board member appointments are to be made, the Supervisory Board is committed to always taking into account aspects such as diversity, albeit factors such as candidate training, experience and competence will ultimately be decisive.

#### **Age limit for Executive Board members (Recommendation B.5)**

In view of the age of the incumbent members of the Executive Board, VARTA AG has so far not set an age limit for members of the Executive Board. The Supervisory Board of VARTA AG is considering setting an age limit in the future.

#### **Independence of members of the Supervisory Board (Recommendation C.10 Sentence 1)**

Due to indirect commercial relationships with VARTA AG and the VARTA AG Group, the Chairman of the Supervisory Board, who is also Chairman of the HR Committee, is, in line with the indicators in recommendation C.7, not to be regarded as independent from the Company and Executive Board. The Supervisory Board is in no doubt that the Chairman of the Supervisory Board and of the HR Committee is guided exclusively by the best interests of the Company in performing his Supervisory Board activities.

#### **Determination of the amount of the variable remuneration components (Recommendations G.6 and G.10 Sentence 1)**

The Supervisory Board has decided to divide the variable remuneration amounts equally between remuneration based on short-term goals (so-called short-term incentive) and remuneration based on long-term goals (so-called long-term incentive). The Supervisory Board currently considers an equal weighting of the short-term incentive and the long-term incentive to be appropriate from an incentive point of view in terms of sustainable corporate development.

**Ellwangen, March 2021**

**Executive Board and Supervisory Board**

**VARTA AG**



## **Corporate Governance Report in accordance with Principle 22 of the German Corporate Governance Code**

Corporate governance stands for responsible, transparent corporate management and control geared toward long-term value creation.

We are convinced that good corporate governance is an essential basis for sustainable corporate success, which strengthens the confidence in our company of our shareholders, business partners, employees and the financial markets. The VARTA AG Group has adopted a Code of Conduct. This code defines behavioral guidelines as minimum standards that are binding for all employees of the VARTA AG Group worldwide. The complete Code of Conduct is published on the VARTA AG website under: [www.varta-ag.com/de/investoren/compliance](http://www.varta-ag.com/de/investoren/compliance).

### **Dual Management System**

As an internationally active stock corporation with its registered office in Ellwangen, Germany, VARTA AG is subject, among other conditions, to the provisions of German stock corporation law. A basic principle of German stock corporation law is the dual management system, which assigns the management of the company to the Executive Board and the advice and supervision of the Executive Board to the Supervisory Board. These two bodies are strictly separate from each other, both in terms of their members and their competencies. However, both bodies work closely together in the interests of the Company.

### **Composition and Functioning of the Executive Board**

As of December 31, 2020, the Executive Board of VARTA AG, Ellwangen (Jagst) consisted of three members: Herbert Schein (CEO), Armin Hessenberger (CFO) and Steffen Munz.

The members of the Executive Board are jointly responsible for the management of the company.

No member of the Executive Board holds more than two supervisory board mandates or chairs more than one Supervisory Board in non-Group listed companies or in supervisory bodies of non-Group companies with comparable requirements. The Executive Board is responsible for managing the company, defining the strategic direction of the company, coordinating this with the Supervisory Board and ensuring its implementation. In addition, it determines the corporate goals and shapes corporate policy and the Group's organization. It also ensures appropriate risk management and controlling, as well as compliance with legal requirements and internal guidelines. It is bound by the interests of the company and is guided by the goal of sustainable growth in the value of the company.

Without prejudice to the overall responsibility of the Executive Board, the individual members manage the business areas assigned to them by the schedule of responsibilities on their own responsibility. There are no Executive Board committees. In particular, the Chairman of the Executive Board is responsible for corporate development and for coordinating the business areas. The members of the Executive Board inform each other on all significant developments in their business areas and coordinate all interdepartmental measures. Further details on cooperation within the Executive Board are set out in the Rules of Procedure for the Executive Board and the schedule of responsibilities. In particular, these also contain rules on meetings and resolutions in addition to cooperations with the Supervisory Board.



At the Supervisory Board meetings, the Executive Board reports in writing and orally on the agenda items and drafts resolutions and answers the questions put by individual Supervisory Board members.

The Chairman of the Executive Board and the Chief Financial Officer are in regular contact with the Chairman of the Supervisory Board and the Chairman of the Audit Committee to discuss key aspects of the Company's strategy, planning and corporate development, as well as risk management and compliance issues.

In view of the age of the incumbent members of the Executive Board, VARTA AG has so far not set an age limit for Executive Board members. The Supervisory Board of VARTA AG is considering the option of imposing an age limit in the future. For the reasons outlined in the Declaration of Conformity, the Supervisory Board has so far not defined a diversity concept for the Executive Board.

The Executive Board has defined a target of achieving a quota of at least 30 percent of women for the composition of the top two management echelons in the VARTA AG Group below the Executive Board of VARTA AG. The deadline for achieving this target was set at March 16, 2026.

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

The Supervisory Board of VARTA AG consists of six members. The term of office of all current Supervisory Board members expires at the end of the Annual General Meeting in 2021.

The Supervisory Board regularly deals with its competence profile. The members of the Supervisory Board as a whole have the knowledge, skills and professional experience required to properly perform their duties. In their entirety, they are familiar with the sector in which the Company operates. As they also have extensive knowledge in various professional fields and many years of international experience, they bring a broad range of skills, experience and diversity to Supervisory Board activities. In the opinion of the Supervisory Board, the members Dr. Georg Blumauer, Frank-Dieter Maier, Dr. Michael Pistauer, Sven Quandt and Dr. Harald Sommerer meet the requirement of independence. The Supervisory Board regards the number of five independent shareholder representatives sitting on the Supervisory Board as appropriate. The members of our Supervisory Board do not perform any board functions or advisory duties for major competitors of the Company. Compliance with the age limit of, generally, 75 years at the time of election was taken into account when making appointments, except in one case.

The basis of every Supervisory Board activity is the personal qualification of the Supervisory Board members. For this reason, other important criteria are also taken into account in the proposals of candidates for election. As in the past, attention is paid to personality, integrity and sufficient diversity in terms of specialist and industry knowledge as well as special experience, e.g. in the fields of accounting or auditing. The Supervisory Board monitors and advises the Executive Board on the management of the Company. It is informed regularly, promptly and comprehensively by the Executive Board on the business development, planning and risk position of the company, including compliance, and agrees the corporate strategy and its implementation with the Executive Board. The Supervisory Board examines and approves the annual financial statements of VARTA AG and the VARTA AG Group, taking into account the auditor's reports before reviewing and resolving the proposals put forward by the Executive Board for the appropriation of the balance sheet profit. Furthermore, it decides on the resolution proposals to be submitted to the Annual General Meeting by the Supervisory Board. Certain transactions and measures of the Executive Board of fundamental importance require the prior approval of the Supervisory Board or a committee of the Supervisory Board.

The appointment and dismissal of members of the Executive Board are also among the duties of the Supervisory Board. When appointing members of the Executive Board, the Supervisory Board ensures that the composition of the Executive Board is the best possible for the Company. Experience and industry knowledge



as well as professional and personal qualifications play an important role in this. The HR Committee submits proposals to the Supervisory Board on the structure of the remuneration system for the Executive Board and on appropriate overall remuneration for the individual Executive Board members. Further information on Executive Board remuneration is summarized in the Remuneration Report. The last resolution of the Annual General Meeting regarding the remuneration of the Supervisory Board pursuant to Section 113 (3) AktG can be accessed on the Company website, under: <https://www.varta-ag.com/de/ueber-varta/unternehmen/aufsichtsrat>

To increase the efficiency of its work and to deal with complex issues, the Supervisory Board has formed four standing committees from among its members which, among other duties, prepare its resolutions or in some cases, pass resolutions on behalf of the Supervisory Board. These are the Audit Committee, the HR Committee (which also performs the duties of the Nomination Committee), the Related Parties Committee and the Investment Committee. The chairmen of the committees report regularly to the plenary Supervisory Board on the results of their work.

The composition of the committees and respective committee chairmen can be found in the Supervisory Board Report.

The Rules of Procedure for the Supervisory Board govern the duties and responsibilities of its members as well as the procedure for meetings and resolutions. These can likewise be accessed on the Company website, under: <https://www.varta-ag.com/de/ueber-varta/unternehmen/aufsichtsrat>. The Report of the Supervisory Board provides information on the activities of the Supervisory Board and its committees in the reporting year.

The members of the Supervisory Board independently undertake training and further education measures required for their tasks and are supported in this by VARTA AG.

The Company regularly informs the Supervisory Board about current changes in legislation and external training opportunities.

The Supervisory Board regularly reviews the efficiency of its activities as well as those performed by the committees by way of questionnaires and individual interviews. This process can provide suggestions for even better cooperation.

### **Avoidance of conflicts of interest**

The members of the Executive Board and Supervisory Board are obliged to disclose any conflicts of interest to the Chairman of the Supervisory Board without delay. Significant transactions between the Company and members of the Executive Board or related parties require the approval of the Supervisory Board. Contracts between the Company and members of the Supervisory Board also require the approval of the Supervisory Board. The Supervisory Board reports to the Annual General Meeting on any conflicts of interest and how they are handled. Conflicts of interest that arose in the reporting year were resolved by related party transactions being carefully examined by the Related Party Committee and the Supervisory Board member involved in related party transactions not taking part in the decision-making process of the Supervisory Board. Further information on related party transactions can be found in the Report of the Supervisory Board.

### **Succession planning**

The Supervisory Board and Executive Board have for some time now been dealing with the issue of organizational development.

This is carried out also with the aim of recruiting internal candidates for future executive positions as frequently as possible. The focus here is on knowledge, experience as well as professional and personal skills with a view to corporate strategy and corporate culture.



## **Annual General Meeting**

The Annual General Meeting is the third corporate body of the Company. Shareholders exercise their rights at the Annual General Meeting, including their voting rights. VARTA AG has only issued shares with full voting rights. Each share grants one vote. The Annual General Meeting is held once a year within the first eight months of the fiscal year. The Chairman of the Supervisory Board chairs the Annual General Meeting. The agenda for the Annual General Meeting, including the reports and documents required for the Annual General Meeting, is published on the Company's website.

The Annual General Meeting resolves on all matters assigned to it by law, in particular on the appropriation of the profits, the election of Supervisory Board members, the formal discharge of the members of the Executive Board and Supervisory Board, the appointment of auditors, as well as on amendments to the Articles of Association and capital measures. All shareholders are entitled to attend the Annual General Meeting.

To facilitate the personal exercise of their rights, VARTA AG provides shareholders with a proxy for the ordinary General Meeting who is bound by instructions. In the notice convening the Annual General Meeting, it is explained how instructions on the exercise of voting rights can be issued in the run-up to the Annual General Meeting. Shareholders are also free to appoint a proxy of their choice to represent them. Proxy forms are included in the admission tickets issued to shareholders.

In view of the extraordinary circumstances related to the Covid-19 pandemic, the Annual General Meeting in 2020 was held virtually in line with the provisions of the Covid-19 Act.

## **Transparency**

VARTA AG uses the company website ([www.varta-ag.com](http://www.varta-ag.com)) to provide investors with timely information. In addition to the annual report and interim financial reports, shareholders and third parties are informed about current developments in the form of ad hoc announcements and financial notifications or press releases. VARTA AG publishes a financial calendar on all important dates and company publications with sufficient advance notice.

## **Reportable securities transactions, significant voting rights and notifiable shareholdings**

In accordance with the regulations of the Market Abuse Regulation (MAR), VARTA AG publishes its Directors' Dealings notifications without delay and on receipt, pursuant to Art. 19 MAR. These constitute notifications concerning securities transactions relating to VARTA shares by members of the Executive Board and the Supervisory Board and other persons who perform management functions at VARTA AG within the meaning of Art. 19 MAR, as well as natural persons and legal entities closely related to these persons. These notifications are also published on the Company's website under: [www.varta-ag.com/de/investoren/corporate-governance](http://www.varta-ag.com/de/investoren/corporate-governance).

Pursuant to Section 40 WpHG (Securities Trading Act), the Company publishes without undue delay, at the latest three trading days after receipt, notifications on the acquisition or sale of significant voting shares or on the holding of corresponding financial instruments, (information pursuant to Section 33 (1) sentence 1, paragraph 2 and Section 38 (1) sentence 1 as well as Section 39 (1) sentence 1 WpHG or pursuant to corresponding provisions of other member states of the European Union or other states party to the Agreement on the European Economic Area).



## **Shareholdings and share transactions of the Executive Board and Supervisory Board**

The individual ownership of shares in the Company or related financial instruments by members of the Executive Board and Supervisory Board stood as follows at the end of the 2020 financial year:

- Herbert Schein, Chairman of the Executive Board (0.004%)
- DDr. Michael Tojner, as Chairman of the Supervisory Board of VARTA AG and main shareholder of Montana Tech Components AG, Reinach (Switzerland), holds 55.89% of VARTA AG via its subsidiary VGG GmbH, Vienna (Austria).
- Dr. Michael Pistauer, as member of the Supervisory Board of VARTA AG, holds 0,0003% of VARTA AG via PI Beratungs- und Beteiligungsgesellschaft mbH, (Austria)
- Sven Quandt, as member of the Supervisory Board of VARTA AG, holds 0,0001% of VARTA AG via S.Qu.Vermögensberatung GmbH & Co.KG

## **Remuneration report, stock option programs and similar securities-based incentive systems**

The changes in stock corporation law regarding the remuneration report resulting from the Act Implementing the Second Shareholders' Rights Directive (ARUG II) are to be applied for the first time for fiscal years beginning after December 31, 2020. VARTA AG will therefore continue to report on the remuneration of the Executive Board and Supervisory Board for the 2020 financial year as part of the combined management report for VARTA AG and the Group.

## **Compliance and Risk Management**

Compliance with the law, internal and external regulations and the responsible handling of risks is part of corporate governance at VARTA. Our compliance management system is organizationally linked to the company's risk management system. The risk and opportunity management system ensures risk-conscious, opportunity-oriented and informed action in a dynamic business environment in order to guarantee VARTA's competitiveness and sustainable success.

## **Transparency and safeguarding shareholders' interests**

Our aim is to inform institutional investors, private shareholders, financial analysts, business partners, employees and the interested public simultaneously and on an equal footing on the position of the Company through regular, transparent and up-to-date communications. We publish all key information, such as press releases, ad hoc announcements and voting rights notifications, as well as presentations from roadshows and conferences, all financial reports and the financial calendar on our website. As part of our comprehensive investor relations work, we are in close and constant contact with current and potential shareholders.

In addition, all documents and information relating to our Annual General Meeting are also available on our website. VARTA AG shareholders exercise their rights at the Annual General Meeting, including their voting rights. Each share grants one vote. Our shareholders are involved in all fundamental decisions of the Annual General Meeting through their participation rights. This year's Annual General Meeting will take place on June 17, 2021 in the form of a virtual Annual General Meeting.

## **Accounting and audit of the financial statements**



# VARTA

The consolidated financial statements of VARTA AG and its subsidiaries for the 2020 fiscal year have been prepared in accordance with Section 315a (2) of the German Commercial Code (HGB) in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and the supplementary German commercial law provisions of Section 315a (2) of the HGB. The standards of the IASB in force as at the balance sheet date, which have been adopted by the European Union, are applied. The term IFRS also includes the International Accounting Standards (IAS) still in force. The interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC), which are mandatory as of December 31, 2020, have also been applied.

The consolidated financial statements and the Group management report of VARTA Aktiengesellschaft were approved by the Executive Board for forwarding to the Supervisory Board by resolution dated March 17, 2021. The annual and consolidated financial statements and management reports approved by the Supervisory Board will be presented to the upcoming Annual General Meeting for information. KPMG AG Wirtschaftsprüfungsgesellschaft was elected by the Annual General Meeting as auditor for the annual financial statements and the consolidated financial statements 2020. The Supervisory Board had previously satisfied itself of the auditor's independence.

Ellwangen, March 2021

Executive Board and Supervisory Board

VARTA AG