

Declaration by the Management Board and Supervisory Board of *aap* Implantate AG
on the recommendations of the
“Government Commission on the German Corporate Governance Code”
pursuant to Article 161 of the German Stock Corporation Act (Aktiengesetz/AktG)

Since issuing the last declaration of conformity pursuant to Article 161 of the German Stock Corporation Act (Aktiengesetz/AktG) on December 11, 2019, *aap* Implantate AG complied with all recommendations of the Code’s version of February 7, 2017, published by the Federal Ministry of Justice in the official section of the Federal Gazette on April 24, 2017, with the following exceptions:

D&O Policy Deductible (Section 3.8 para. 3)

aap Implantate AG has taken out D&O insurance cover for its Supervisory Board members. The policies do not include a deductible for Supervisory Board members. In the opinion of the Management Board and Supervisory Board, a deductible has no effect on the sense of responsibility and loyalty which Supervisory Board members perform their tasks and functions with. Furthermore, a deductible is not customary in other countries. Besides, every Supervisory Board member would be free to take out insurance cover to the amount of the deductible, so the deductible would no longer have the intended effect. For the reasons stated there it will continue to be no deductible for members of the Supervisory Board.

Multi-year Calculation Basis and Cap on Variable Compensation Components of the Management Board’s Compensation (Section 4.2.3 para. 2, sentence 3 and sentence 6)

In the Management Board members’ employment contracts, *aap* Implantate AG agreed with the Management Board members on variable compensation components capped at a maximum amount with a multi-year calculation basis, as well as on such variable compensation components having neither a capped maximum amount nor a multi-year calculation basis. The Supervisory Board is of the opinion that the relevant remuneration elements, which include the payment of a special allowance only in the case of certain extraordinary events, provide an incentive for the Management Board in the best interests of the Company. The hereby intended alignment of the interests of shareholders and Management Board members would be undermined by imposing a ceiling on the amount. A multi-year calculation basis is precluded in the case of compensation to be granted only when particular special events occur.

Age Limit for Management Board Members (Section 5.1.2 para. 2)

aap Implantate AG has not set an age limit for Management Board members. Setting an age limit for Management Board members would restrict the Supervisory Board in its task to appoint the best-qualified candidate to the Management Board. As a matter of principle, the Company should also be able to call on the expertise of experienced candidates. Setting a very high limit which does not limit the choice of candidates in order to comply with the Code’s recommendations is not considered appropriate.

No Formation of Committees by the Supervisory Board (Section 5.3.1; Section 5.3.2; Section 5.3.3)

aap Implantate AG’s Supervisory Board consists of three members. In the Company’s circumstances and in view of the low number of Supervisory Board members no committees are formed. The efficiency of the Supervisory Board work is considered to be sufficient in the existing organizational structure.

Training and Further Education Measures (Section 5.4.5 para. 2)

The Company supports members of the Supervisory Board as a matter of principle in taking the training and further education measures required for their tasks but has neither adopted any formal procedure nor guidelines in this respect. Furthermore, it is not clear which conditions must be fulfilled pursuant to Section 5.4.5 para. 2 GCGC in order to be able to consider the support provided by the Company for the training and further education of the members of the Supervisory Board as appropriate. As a precautionary measure, a deviation from Section 5.4.5 para. 2 GCGC is therefore declared.

Compensation of Supervisory Board Members (Section 5.4.6 para. 1 sentence 2)

No special consideration is given in setting Supervisory Board compensation to the exercise of the Chair and Deputy Chair positions. The Management Board and Supervisory Board of *aap* Implantate AG are of the opinion that given the size of the Supervisory Board and the allocation of tasks within the Board a differentiation in the compensation paid to Supervisory Board members is inappropriate.

Financial Reporting (Section 7.1.2)

Contrary to the recommendation made in Section 7.1.2 sentence 3 GCGC the consolidated financial statements and the consolidated management report of *aap* Implantate AG for the financial year 2019 were not made publicly accessible within 90 days from the end of the financial year. This was due to the far-reaching effects of the corona pandemic on the Company's business operations. As a consequence, the publication of the consolidated financial statements and the consolidated management report was postponed to June 30, so that the recommendation of section 7.1.2 sentence 3 GCGC could not be complied with in financial year 2020.

On March 20, 2020, the new German Corporate Governance Code in the version of December 16, 2019 was published by the Federal Ministry of Justice in the official section of the Federal Gazette.

In future *aap* Implantate AG will comply with the recommendations of the Code's version of December 16, 2019 with the following exceptions:

Age Limit for Management Board Members (B.5)

aap Implantate AG has not set an age limit for Management Board members and accordingly will not state any in the corporate governance declaration. Setting an age limit for Management Board members would restrict the Supervisory Board in its task to appoint the best-qualified candidate to the Management Board. As a matter of principle, the Company should also be able to call on the expertise of experienced candidates. Setting a very high limit which does not limit the choice of candidates in order to comply with the Code's recommendations is not considered appropriate.

No Formation of Committees by the Supervisory Board (D.2; D.3; D.4; D.5)

aap Implantate AG's Supervisory Board consists of three members. In the Company's circumstances and in view of the low number of Supervisory Board members no committees are formed. The efficiency of the Supervisory Board work is considered to be sufficient in the existing organizational structure.

Training and Further Education Measures (D.12)

The Company supports members of the Supervisory Board as a matter of principle in their inauguration and in taking the training and further education measures required for their tasks but

has neither adopted any formal procedure nor guidelines in this respect. Furthermore, it is unclear which conditions must be fulfilled pursuant to recommendation D.12 GCGC in order to be able to consider the support provided by the Company for the inauguration as well as for the training and further education of the members of the Supervisory Board as appropriate. As a precautionary measure, a deviation from recommendation D.12 GCGC is therefore declared.

Self-assessment of the Supervisory Board (D.13)

The Supervisory Board is currently evaluating various formal procedures for assessing the effectiveness of the performance of tasks within the body. Once such a procedure has been selected, it shall be implemented promptly. Subsequently, the Supervisory Board will then report in the corporate governance declaration on how this self-assessment was carried out.

Compensation of the Management Board (G.1-G.16)

As part of the preparations for the new contracts for the Management Board, the remuneration of the Management Board is currently being amended and adjusted to reflect the amended recommendations of the Code in its version of December 16, 2019. The Supervisory Board will submit the amended and adjusted remuneration system for the members of the Management Board to the Annual General Meeting in financial year 2021 as part of the vote on the remuneration system in accordance with article 120a (1) sentence 1 of the German Stock Corporation Act (Aktiengesetz/AktG). In doing so, the Supervisory Board will take into account the statutory requirements. Possible deviations from the Code's recommendations cannot yet be conclusively foreseen and will be declared by the Supervisory Board during the year if they occur.

Compensation of the members of the Supervisory Board (G.17)

The higher time expenditure of the Chairwoman and Deputy Chairwoman of the Supervisory Board is not particularly taken into account in the remuneration of the Supervisory Board members. The Management Board and Supervisory Board of *aap Implantate AG* take the view that, given the size of the Supervisory Board and the distribution of tasks within it, a different level of remuneration is not appropriate.

Berlin, December 11, 2020

For the Supervisory Board



Dr. med. Nathalie Krebs
Chairwoman of the Supervisory Board

For the Management Board



Rubino Di Girolamo
Chairman of the Management Board / CEO