

Declaration pursuant to Section 161 AktG regarding compliance with the recommendations of the German Corporate Governance Code

1&1 Drillisch Aktiengesellschaft

Declaration of the Management Board and Supervisory Board of 1&1 Drillisch AG

Regarding the Recommendations of the

“Government Commission on the German Corporate Governance Code”

Pursuant to Section 161 Stock Corporation Act [*Aktiengesetz; AktG*]

The Management Board and Supervisory Board of 1&1 Drillisch Aktiengesellschaft declare that 1&1 Drillisch Aktiengesellschaft has complied with the recommendations of the German Corporate Governance Code (“Code”) as last revised on 16 December 2019, on which the last Declaration of Conformity of 16 December 2020 was based, with the declared exceptions, and will continue in future to comply with the recommendations of the Code as most recently revised on 16 December 2019, which became effective upon publication in the Federal Gazette on 20 March 2020, with the following exceptions:

Clause A.2, second sentence

Possibility of whistleblowing for Company employees

The Company has not established a specific whistleblowing system for employees. In view of the statutory provision of Section 612a of the Civil Code (*Bürgerliches Gesetzbuch; BGB*) establishing labour law regulations prohibiting disciplinary measures, the Company sees no reason to establish further protective mechanisms for whistleblowers. The statutory prohibition of disciplinary measures prohibits the discrimination of employees because of the reasonable and lawful exercise of their rights. Moreover, given the open solution-oriented communication culture in the Company, the Company does not see any practical need for a complicated whistleblowing system.

Clauses D.2/D.3

Formation of committees

The Supervisory Board performs all its tasks as a whole and has not previously formed any committees. The Supervisory Board considers it appropriate for all Supervisory Board members to have the opportunity to participate equally in all Supervisory Board issues. Even a supervisory board with six members is small enough for the effective conduct of discussions and the intense sharing of views as a group. Consequently, the Supervisory Board does not believe that the establishment of committees would serve to enhance the efficiency of its work.

Clauses G.1 to G.5

Remuneration of the Management Board — remuneration system

The recommendations from G.1 to and including G.5 of the Code refer to a system of remuneration for Management Board members within the sense of Section 87a AktG (“Remuneration System”) that, following the reform of the German Stock Corporation Act by the Act Implementing the Second Shareholders’ Rights Directive (ARUG II), must now be adopted by the Supervisory Board and submitted to the Annual General Meeting for approval. The remuneration system must be presented for approval for the first time at the 1&1 Drillisch AG Annual General Meeting in 2021.

A remuneration system is currently being developed by the Supervisory Board and will be submitted to the 2021 Annual General Meeting for approval. The remuneration system will not become the basis for determining the remuneration of the Management Board members in future until it has been submitted to the Annual General Meeting. Since the recommendations from G.1 to and including G.5 of the Code presume the existence of a remuneration system, an exception is declared in this respect. The remuneration system currently in preparation is expected to take into account the recommendations from G.1 to and including G.5 of the Code without any restrictions.

Clause G.10

Remuneration of the Management Board — long-term variable remuneration

According to G.10 of the Code, the variable remuneration components granted to members of the Management Board should be granted primarily as shares of company stock or granted on the basis of company stock. Moreover, any such grants to board members should be subject to a blackout period of four years. Share-based remuneration is awarded in the form of the Stock Appreciation Rights (SARs) programme as a long-term remuneration programme for the Management Board. The term of this programme totals six years. Within this period of six years, a Management Board member can redeem a portion (25 percent) of the vested SARs at certain points in time — at the earliest, however, after two years. This means that a Management Board member can obtain a part of the long-term variable remuneration after only two years.

The Supervisory Board is of the opinion that this system of long-term remuneration has proven its value and sees no reason to postpone any further the possibility of obtaining remuneration earned under the programme. The Supervisory Board believes that the linking of the programme to the 1&1 Drillisch AG share price and the opportunity for Management Board members to redeem their shares to satisfy the claims from the programme secure reasonable participation of Management Board members in the risks and opportunities of the company 1&1 Drillisch AG. Since the programme has been designed with a term of six years and the awarded SARs are vested proportionately over this term and at the earliest after two years, the Supervisory Board is of the opinion that the programme achieves an optimal commitment effect and incentive control in the interest of 1&1 Drillisch AG and does not require any changes.

Clause G.11

Remuneration of the Management Board — withholding/clawback of variable remuneration

According to G.11 of the Code, the Supervisory Board should have the possibility to withhold or claw back variable remuneration in justified cases. The current service contracts of the Management Board members do not contain any such provisions. However, there are plans to include a so-called “claw back clause” regulating the return of variable remuneration in the remuneration system and to include the clause in future whenever service contracts of Management Board members are newly concluded.

Clause G.13

Remuneration of the Management Board — benefits upon termination of contract

According to G.13 of the Code, payments to a Management Board member in the event of premature termination of Management Board activities should not exceed the value of two years' remuneration and should not remunerate the member for a period longer than the remaining term of the service contract. If and when there is a post-contractual non-competition clause, any such severance payment should also be offset against the waiting period compensation. The service contracts for Management Board members do not currently provide such an offset option. However, there are plans to incorporate this option into the remuneration system and into newly concluded service contracts of the Management Board members (and any related termination agreements).

Clause G.17

Consideration of the deputy chairmanship in the remuneration of Supervisory Board members

The remuneration system of Supervisory Board members has not previously given consideration to the deputy chairpersonship of the Supervisory Board in the sense of payment of increased remuneration in comparison with the other, ordinary members. There is the intent to amend the Supervisory Board remuneration system in future in that the Supervisory Board deputy chairperson will receive higher remuneration than a regular Supervisory Board member as compensation for the Supervisory Board deputy chairperson's obligation to accept additional work in the event the Supervisory Board chairperson is hindered in the performance of his/her duties.

In addition, there is also the intent to supplement the Supervisory Board remuneration system by a position-related differentiation so that the members of the Audit and Risk Committee that has now been created will be remunerated for the associated additional duties and responsibilities in addition to the current remuneration for their regular activities as Supervisory Board members.

The new Supervisory Board remuneration system will be presented to the 1&1 Drillisch AG annual general meeting for approval at the Annual General Meeting 2021.

Maintal, 24 March 2021

On behalf
of the Supervisory Board The Management Board

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