



Declaration of Compliance

with the German Corporate Governance Code

Waldenburg, December 2016

R. STAHL AG, Waldenburg, complies with the recommendations (as amended on 5 May 2015) published by the German Federal Ministry of Justice in the official section of the Federal Gazette on 12 June 2015, with the exceptions defined in the Declaration of Compliance published in December 2015. Since the publication of last year's Declaration of Compliance, the recommendations of the German Corporate Governance Code as amended on 05 May 2015 have been complied with in the past fiscal year and will in future be complied with, albeit with the following exceptions:

3.8 Paragraph 2, Sentence 2

A [...] deductible [of at least 10% of the loss up to at least the amount of one and a half times the fixed annual compensation] shall be agreed upon in any D&O policy for the Supervisory Board.

D&O insurance for the members of the Supervisory Board provides for a deductible in the form of a fixed amount. A difference in treatment between the Executive Board and the Supervisory Board in regard to the amount of deductibles is objectively justified from the company's perspective due to the differing functions. The legislature has accepted such a differentiation, as it has not provided similar rules for members of the Supervisory Board as those regarding deductibles for members of the Executive Board.

4.2.3 Paragraph 2, Sentence 6

The amount of compensation shall be capped, both overall and for individual compensation components.

The fixed remuneration of Executive Board members is by definition limited in its amount. The performance-based bonus is capped at a percentage of the fixed remuneration amount. This percentage limit is comparable to a monetary cap. Moreover, the scope of benefits based on the non-cash compensation elements



detailed in the remuneration report is contractually agreed, as are the rights and contributions to the pension plan. The Supervisory Board sees no reason to also agree caps for these compensation components with members of the Executive Board.

4.2.3 Paragraph 3

For pension schemes, the Supervisory Board shall establish the level of provision aimed for in each case – also considering the length of time for which the individual has been a Management Board member – and take into account the resulting annual and long-term expense for the company.

In the case of defined contribution plans for individual members of the Executive Board, there is no “level of provision aimed for” as only the contribution amount is guaranteed and not the amount of later performance when benefits become due.

4.2.5 Paragraph 3

In addition, for financial years starting after 31 December 2013, and for each Management Board member, the compensation report shall present:

- *the benefits granted for the year under review including the fringe benefits, and including the maximum and minimum achievable compensation for variable compensation components;*
- *the allocation of fixed compensation, short-term variable compensation and long-term variable compensation for the year under review, broken down into the relevant reference years;*
- *for pension provisions and other benefits, the service cost in/for the year under review.*

The model tables provided in the appendix shall be used to present this information.

Insofar as those elements of the Executive Board remuneration system mentioned here in the Code are agreed in the service contract and are thus already present, they are presented both in tables and in the text of the company’s remuneration report. The payment amounts – including past payments – are stated. Similarly, the components of the respective pension plans, including the provision amounts and additions during the reporting year, are described, as are the personnel and interest expenses, with the respective amounts. The Executive Board remuneration system consists of only a few, easily traceable elements. The



Executive Board and Supervisory Board therefore believe that the model tables attached to the Code are not a suitable means of presenting the remuneration system in a simpler, more understandable and transparent manner. The company will therefore maintain the proven format of its remuneration report and not use the recommended model tables, also for fiscal years beginning after 31 December 2013.

5.1.2 Paragraph 2, Sentence 3

An age limit for members of the Management Board shall be specified.

An age limit for members of the Executive Board was not and is not specified. When filling executive positions, R. STAHL focuses on the qualifications, professional expertise and experience of the respective Executive Board members.

5.3.3

The Supervisory Board shall form a nomination committee composed exclusively of shareholder representatives which recommends suitable Supervisory Board candidates for the proposals of the Supervisory Board to the General Meeting.

R. STAHL does not have a nomination committee in the sense stated above. We are of the opinion that the size of our Supervisory Board (six shareholder representatives) does not justify a committee dedicated to the proposal of Supervisory Board nominees.

5.4.1 Paragraph 2

The Supervisory Board shall specify concrete objectives regarding its composition which, whilst considering the specifics of the enterprise, take into account the international activities of the enterprise, potential conflicts of interest, the number of independent Supervisory Board members [...], an age limit to be specified and a regular limit of length of membership to be specified for the members of the Supervisory Board as well as diversity.

As regards proposals for Supervisory Board members, an age limit has not been and is not considered. Competence and health are more crucial factors to consider than age. Furthermore, the Supervisory Board does not consider appropriate to



define a regular limit of length of membership in the Supervisory Board, as it will take care of a generational change in time, as already shown in the past. Moreover, the Supervisory Board does not consider appropriate to define concrete numbers in regard to the international activities of the enterprise, potential conflicts of interest, the number of independent Supervisory Board members and diversity. The Supervisory Board deems these criteria as being very important as well and will take them into account during the intense and deliberate search for suitable candidates.

5.4.3 Sentence 3

Proposed candidates for the Supervisory Board chair shall be announced to the shareholders.

Election of the chairman of the Supervisory Board is the responsibility of the Supervisory Board itself as it is in the best position to assess the suitability of the candidates. Especially against this background, the company believes that prior announcement of the candidates for the Supervisory Board chair is not appropriate.

5.4.6 Paragraph 2, Sentence 2

If members of the Supervisory Board are promised performance-related compensation, it shall be oriented toward sustainable growth of the enterprise.

The current variable remuneration, last amended by the Annual General Meeting on 27 June 2008, is based on the amount of the dividend paid as far as it exceeds 20% of the capital stock per share. It is limited to twice the amount of the fixed annual remuneration. Thus, the effective variable remuneration does not meet with the criterion "sustainability" in the sense of this recommendation. With regard to aligning variable remuneration with shareholder interests, however, the Supervisory Board believes that variable remuneration in its present form is still adequate.

6.2

Beyond the statutory obligation to report and disclose dealings in shares of the company without delay, the ownership of shares in the company or related financial instruments by Management Board and Supervisory Board members



shall be reported if these directly or indirectly exceed 1% of the shares issued by the company. If the entire holdings of all members of the Management Board and Supervisory Board exceed 1% of the shares issued by the company, these shall be reported separately for the Management Board and Supervisory Board in the Corporate Governance Report.

Shareholdings of individual members of the executive bodies in excess of 1% of the company's issued shares was not and is not disclosed. On the one hand, no family member owns directly or indirectly a shareholding that would be suitable for dominating the company, and on the other hand, there are also family members serving on our Supervisory Board; in order to protect both the individual and the family, we have decided to abstain from explicitly stating assets by owner's name.

7.1.2 Sentence 4

The Consolidated Financial Statements shall be publicly accessible within 90 days of the end of the financial year; interim reports shall be publicly accessible within 45 days of the end of the reporting period.

Our annual financial statements for fiscal year 2015 were published before the statutory deadline. Key data on the past fiscal year were made publicly accessible substantially earlier – at the end of February 2016. We will proceed similarly in the case of our annual financial statements for fiscal year 2016.

First key data concerning the completed quarters are normally already published four weeks after the end of the period under review – should they differ essentially from market expectations.