



Declaration of Compliance

with the German Corporate Governance Code

Waldenburg, December 2018

On 11 December 2018, Executive Board and Supervisory Board of R. STAHL AG submitted the following Declaration of Compliance with the German Corporate Governance Code (as amended on 07 February 2017), pursuant to § 161 AktG (German Stock Corporation Act):

Since the publication of last year's Declaration of Compliance that was updated in April 2018, the recommendations of the German Corporate Governance Code as amended on 7 February 2017 have been complied with in the past fiscal year and will in future be complied with, albeit with the following exceptions:

3.8 Paragraph 3

A similar deductible (note: i.e. 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 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.

4.1.3 Sentence 3

Employees shall be given the opportunity to report, in a protected manner, suspected breaches of the law within the company; third parties should also be given this opportunity.

In 2009, when R. STAHL's Code of Conduct was introduced, Executive Board and Supervisory Board decided against the creation of an anonymous whistle-blower



system, as this would not suit the corporate culture. After reassessment, this decision is maintained. Information on rule violations is welcome; our employees are expressly encouraged to submit information. The Code of Conduct itself makes it clear that no one should be disadvantaged in this respect. So there is no reason why an employee should not declare herself/himself responsible for providing information.

4.2.3 Paragraph 2 Sentence 6

The amount of remuneration shall be capped with maximum levels, both as regards variable components and in the aggregate.

The fixed remuneration of the Executive Board members is by definition limited in its amount. Insofar as the maximum amount of 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 on which the non-cash compensation elements are based, detailed in the remuneration report, is contractually agreed, as are the claims and contributions under the pension commitments. 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

The Supervisory Board shall establish the target level of pension benefits for every pension commitment - including based on the duration of membership of the Management Board - and shall consider the resulting annual and long-term expense incurred by the company.

Insofar as there are defined contribution plans for individual members of the Executive Board, there is no "target level of pension benefits", as only the contribution amount is guaranteed and not the amount of later payments when benefits become due.

4.2.5 Paragraph 3

In addition, the remuneration report shall present the following information for every Management Board member:

- *the benefits granted for the reporting period, including fringe benefits, supplemented in the case of variable remuneration components by the maximum and minimum remuneration achievable,*



- *the benefits received for the reporting period, consisting of fixed remuneration, short-term variable remuneration and long-term variable remuneration, broken down by the relevant reference years,*
- *the service cost incurred in/for the reporting period for pension benefits and other commitments.*

The model tables provided as appendices to this document shall be used to disclose 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 the 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.

5.1.2 Paragraph 2, Sentence 3

The Supervisory Board shall specify an age limit for the members of the Management Board.

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 proposes suitable candidates to the Supervisory Board for its recommendations 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, Sentence 1 and 2

The Supervisory Board shall determine concrete objectives regarding its composition, and shall prepare a profile of skills and expertise for the entire Board. Within the company-specific situation the composition of the Supervisory Board shall reflect appropriately the international activities of the company, potential conflicts of interest, the number of independent Supervisory Board members within the meaning of number 5.4.2, an age limit and a regular limit to Supervisory Board members' term of office, both to be specified, 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 an abstract competence profile for the entire board and concrete objectives 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 - after definition of the desired competence in each individual case.

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 granted performance-related remuneration, it shall be linked to a sustainable development of the company.

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

7.1.2 Sentence 3

The consolidated financial statements and the group management report shall be made publicly accessible within 90 days from the end of the financial year, while mandatory interim financial information shall be made publicly accessible within 45 days from the end of the reporting period.

Annual financial statements are published within the limits of the statutory deadlines of four months after a fiscal year's end. According to the Code's recommendation, key data of a fiscal year are made publicly accessible within 90 days after a fiscal year's end.

Mandatory interim financial information is disclosed within the limits of the Code's recommendation if not determined otherwise by statutory deadlines.