

Remuneration system of the Executive Board

Principles and objectives

R. STAHL AG is the world's leading supplier of products for electrical explosion protection and pursues the goal of growing sustainably and profitably, thereby continuously increasing the value of the company. To this end, the existing product and service portfolio is constantly being developed further in line with the needs of the customers by way of innovations. In addition, the presence in growth markets is to be expanded. Another important medium-term goal is to establish market-leading cost structures. The new remuneration system for the Executive Board of R. STAHL AG is closely aligned with these strategic objectives and is designed for the long term.

The long-term variable remuneration, which is based on a rolling assessment period of three years, is intended in particular to create incentives for the continuous expansion of R. STAHL AG's quality and innovation leadership. R. STAHL AG thus provides long-term incentives to the members of the Executive Board in order to maintain and expand the company's competitiveness through technologies developed for the future. The long-term variable remuneration makes up the largest part of the variable remuneration of the Executive Board. In the case of 100% target achievement, this amounts to approximately 56% of the total variable remuneration. This high weighting of the long-term variable component, together with the Executive Board members' own investment in R. STAHL AG shares linked to it, sets long-term behavioural incentives to develop the company and increase its value. The remuneration system of the members of the Executive Board of R. STAHL is thus directly linked to the strategic objectives of the company.

The short-term variable remuneration with the assessment period of one financial year also makes a significant contribution to the sustainable development of R. STAHL AG. The changeover in 2019 from a previously fully profit-related component to a target bonus system created performance incentives for short-term operationally effective efficiency improvements, which, in addition to the achievement of long-term strategic goals, represent the second important pillar for the sustainable development of the company. The short-term remuneration system, which in addition to financial performance targets also includes individual, primarily non-financial performance targets, also promotes the further development of employees and managers and thus the further development of R. STAHL AG's operational structures and processes.

Procedure

Pursuant to section 87 of the German Stock Corporation Act (AktG), the Supervisory Board as a whole is responsible for all decisions concerning the remuneration of Executive Board members. The rules of procedure of the Supervisory Board of R. STAHL AG provide that the Administrative Committee formed by the Supervisory Board prepares these decisions and submits resolution recommendations to the full body. After the Supervisory Board has passed a resolution, the remuneration system is submitted to the Annual General Meeting for approval. If the Annual General Meeting does not approve the remuneration system put to the vote, the Supervisory Board shall present a revised remuneration system for approval at the next Annual General Meeting.

Against the background of the implementation of the Shareholders' Rights Directive (later in ARUG II), which has already been under discussion in 2019, and the proposals for a comprehensive reform of the German Corporate Governance Code, the remuneration of the Executive Board was updated in spring 2019 and anchored in the Executive Board contracts. The basis for this was an analysis of the regulations agreed upon until then and the resulting proposals for change by an independent remuneration consultant.

The design of the remuneration system is regularly reviewed by the Administrative Committee. If an adjustment appears to be necessary, the Administrative Committee shall submit appropriate adjustment proposals to the Supervisory Board. In the event of significant changes, but at least every four years, the remuneration system shall be resubmitted to the Annual General Meeting for approval.

The regulations applicable to dealing with conflicts of interest (such as the obligation to disclose at an early stage) are also observed in the process of establishing and implementing as well as reviewing the remuneration system. So far, no such conflict of interest has occurred.

Appropriateness

The Supervisory Board of R. STAHL AG uses the companies from the SDAX stock exchange index as the horizontal comparison group. In addition, the vertical appropriateness of the remuneration of the members of the Executive Board is reviewed. The remuneration ratios within the Executive Board, the remuneration ratios of the other hierarchy levels (first level below the Executive Board, non-pay-scale employees and pay-scale employees) compared to the Executive Board as well as the remuneration ratios between the Executive Board and mid-level pay-scale employees are compared with market data.

Remuneration components

The Executive Board remuneration consists of a total of four components, the annual basic remuneration, fringe benefits, a short-term variable remuneration and a long-term variable remuneration.

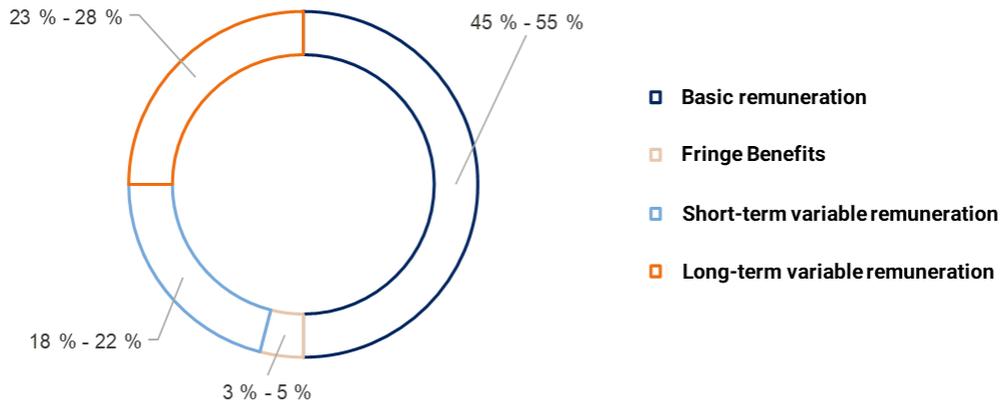
The following overview summarizes the components of the remuneration system of the Executive Board:

	Component	Description
Fixed annual remuneration components	Basic remuneration	<ul style="list-style-type: none"> Fixed remuneration paid in twelve equal monthly instalments
	Fringe benefits	<ul style="list-style-type: none"> Accident insurance and D&O insurance contributions Allowances for pension, health and long-term care insurance Lease instalments for a vehicle
Variable annual remuneration components	Short-term variable remuneration	<ul style="list-style-type: none"> Target bonus system Assessment period: financial year Financial sub-component with the equally weighted performance criteria: <ul style="list-style-type: none"> EBIT Free cash flow Individual performance (factor: 0.8 - 1.2) Cap: 160%
	Long-term variable remuneration	<ul style="list-style-type: none"> Performance Share Plan Assessment period: 3 years Equally weighted performance criteria: <ul style="list-style-type: none"> ROCE EBT Cap: 160%
Further integral parts of the contract	Maximum annual remuneration	<ul style="list-style-type: none"> Members of the Executive Board: EUR 750,000 Chairman of the Executive Board: EUR 1,100,000
	Minus points and clawback	<ul style="list-style-type: none"> Partial or full clawback of variable remuneration possible
	Personal investment	<ul style="list-style-type: none"> Mandatory personal investment in R. STAHL shares amounting to 50% of the basic remuneration
	Severance payment cap	<ul style="list-style-type: none"> Payments in the event of premature termination of Executive Board activities and the employment relationship, including fringe benefits, may not exceed the value of two years' remuneration and may not remunerate more than the remaining term of the contract

Remuneration structure

Due to the above-mentioned changes in 2019, the amount of the long-term variable remuneration component outweighs that of the short-term variable remuneration component in accordance with the recommendations of the German Corporate Governance Code.

Considering the annual basic remuneration, the fringe benefits as well as the short-term and long-term variable remuneration components, the following percentage distribution results in the case of 100% target achievement:



Maximum remuneration

Pursuant to section 87a (1) sentence 2 no. 1 of the German Stock Corporation Act (AktG), the Supervisory Board has defined a maximum remuneration for each Executive Board member that includes all remuneration components, i.e. basic remuneration, fringe benefits and short-term as well as long-term variable remuneration. The maximum remuneration limits the total amount of remuneration granted for a particular financial year, irrespective of the time of payment. The maximum remuneration for the Chairman of the Executive Board is EUR 1,100,000 and for all other members of the Executive Board EUR 750,000.

Basic remuneration

The basic remuneration shall be paid in twelve equal instalments at the end of each calendar month.

Fringe benefits

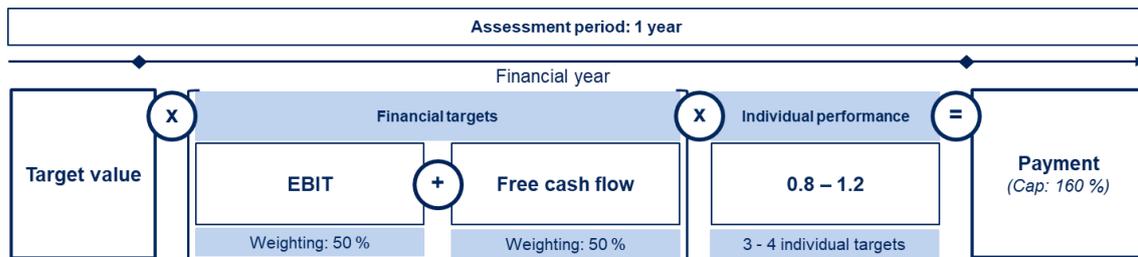
The fringe benefits include an allowance for pension, health and long-term care insurance in the amount that would accrue on the part of the employer if the Executive Board member had the status of an employee. This allowance is naturally dependent on the current contribution assessment limits and the current contribution rates. In addition, an accident insurance policy and a D&O insurance policy with a deductible in accordance with the regulations of the German Stock Corporation Act (AktG) exist for the benefit of the Executive Board members.

Furthermore, benefits in kind are granted in the form of contractually defined leasing instalments for a vehicle.

The members of the Executive Board do not receive a company pension commitment.

Short-term variable remuneration

The short-term variable remuneration was changed in 2019 from a previously fully profit-related component to a target bonus system. It is composed of two financial targets and the individual performance of the board member.



As a matter of principle, EBIT and free cash flow are taken into account as financial targets. EBIT describes the result of R. STAHL AG before financial results and income taxes and measures the success of the operational business capability. The assessment of economic success, which this makes possible, enables a focus on sustainable and profitable growth. Free cash flow as the second financial objective aims to optimize

cash flow and thus ensures that the financial substance of R. STAHL AG is maintained. This enables investments in innovative solutions that contribute to maintaining R. STAHL AG's market leadership in explosion-protected system solutions. Both financial targets are equally weighted in the bonus calculation. 100 % of the target achievement corresponds to the values for the reporting year from the planning process.

The resulting calculated amount is multiplied by a factor between 0.8 and 1.2, depending on the individual performance of the Executive Board member in the respective financial year. The Supervisory Board shall assess the individual performance at its equitable discretion on the basis of individual (mainly non-financial) targets. There are usually three to four goals per board member, although the goals may vary depending on the individual board member. Examples include the further development and implementation of the Group strategy, conducting an employee survey and deriving measures from it or taking stock of managers and management development. These targets are developed by the Administrative Committee, agreed with the Executive Board in advance and, following a resolution by the Supervisory Board, agreed with the members of the Executive Board before the end of the financial year for the following year. The Administrative Committee reviews the implementation of these targets, discusses the assessment with the members of the Executive Board and proposes a factor per Executive Board member to the Supervisory Board. If the target is achieved in full, the factor is 1.0.

The short-term component is capped at 160% of target achievement. This maximum amount also includes the factor for the individual performance of the Executive Board member. If the degree of target achievement is

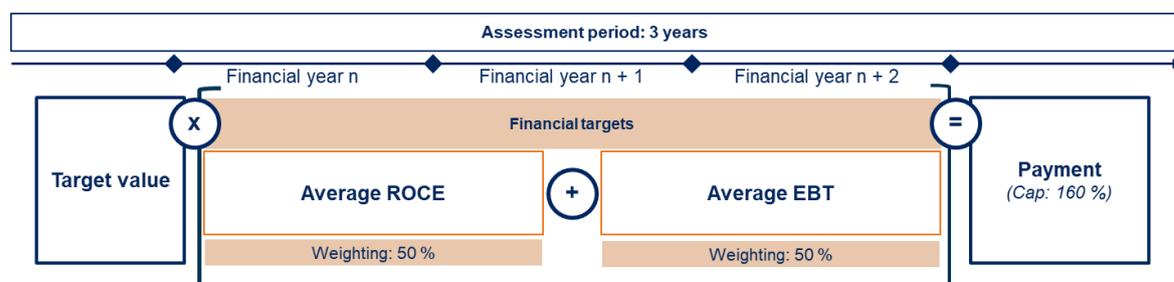
70 % or less per individual target, there is no entitlement to short-term variable remuneration. The short-term variable remuneration for the respective financial year is due for payment after the end of the Annual General Meeting of the company that has resolved on the appropriation of profits for the corresponding financial year.

The target values set for the financial goals and the resulting target achievements as well as the individual goals on which the evaluation of individual performance is based and the resulting factor per Executive Board member are described in the remuneration report for the respective financial year.

Long-term variable remuneration

The long-term variable remuneration is based on the achievement of the performance targets ROCE and EBT. The use of ROCE as a performance target provides information on how profitable and, above all, efficient R. STAHL AG's investments are. The use of ROCE in the context of long-term variable remuneration therefore sets an incentive for long-term and profitable investments. EBT as the second performance target reflects the long-term success of the company and thus sets incentives to increase the sustainable earning power of R. STAHL AG.

The degree of target achievement is measured over an assessment period of three financial years. The target determination, which is derived from the approved planning, is made by the Supervisory Board at the beginning of the financial year following the end of the respective three-year period. At the end of each financial year, the Supervisory Board sets a three-year target for the respective Executive Board member, which relates to the three following financial years. The relevant target figures are - equally weighted - the average ROCE and EBT to be achieved over the respective three-year period.



The long-term component is limited by a cap of 160% of target achievement. If the degree of target achievement is 70 % or less for each individual target, there is no entitlement to long-term variable remuneration.

The long-term variable remuneration is due for payment after the end of the Annual General Meeting of the company that has decided on the appropriation of profits for the last financial year of the three-year period.

The target values defined for the average ROCE and the average EBT as well as the resulting target achievements are described in the remuneration report after the end of the three-year assessment period.

Minus point and clawback regulations

In certain cases, the Supervisory Board may reduce variable remuneration components that have not yet been paid out (minus points) or reclaim variable remuneration components that have already been paid out (clawback).

In the event of individual misconduct, such as a deliberate breach of the essential duties of care pursuant to section 93 of the German Stock Corporation Act (AktG), essential contractual duties or other essential principles of action of the company (Code of Conduct, Compliance Guidelines, etc.), the Supervisory Board may, at its due discretion, withhold the variable remuneration not yet paid out in part or in full (minus points) or reclaim the variable remuneration components already paid out (gross) (clawback). If variable remuneration components linked to the achievement of certain targets were wrongly paid out on the basis of incorrect data, the company is entitled to reclaim the difference resulting from the recalculation of the amount of the variable remuneration compared to the payment made. The possibility of reclaiming exists even if the office or the employment relationship of the Executive Board member has already ended at the time of the assertion of the claim for repayment (clawback).

Personal investment

In order to strengthen the long-term and sustainable development of R. STAHL and to align the interests of the Executive Board and the shareholders, a mandatory personal investment of the Executive Board members in

R. STAHL shares amounting to at least 50% of an annual basic remuneration is a prerequisite for the payment of the long-term variable remuneration. Until the target level of the personal investment is reached, 30 % of the payment of the long-term variable remuneration is to be invested in shares of R. STAHL AG.

Remuneration-related legal transactions

Term of the employment contracts of the Executive Board members

In regard to the appointment of the members of the Executive Board and in regard to the term of the Executive Board employment contracts, the Supervisory Board observes the recommendations of the German Corporate Governance Code in addition to the requirements of section 84 of the German Stock Corporation Act (AktG). Therefore, employment contracts are concluded in each case for the duration of the appointment period and for a maximum of five years. The current appointment period and thus the term of the employment contracts is three years. The Executive Board employment contracts do not provide for the possibility of proper termination by either party. This does not affect the mutual right of both parties to terminate the employment contract without notice for good cause.

Joining and leaving during the year

If a member of the Executive Board joins or leaves the Executive Board during the financial year, the basic remuneration and the target amounts of the variable remuneration components are reduced pro rata temporis. Payments of the long-term variable remuneration are made at the end of the respective assessment period; there is no early payment.

Premature termination of the term of office of the Executive Board

If the employment relationship ends due to extraordinary termination by the company for good cause pursuant to section 626, paragraph 1 of the German Civil Code (BGB), or due to termination of the employment contract at the instigation of the company for reasons relating to the person or conduct of the member of the Executive Board that would justify the proper dismissal of an employee, or due to termination by the member of the Executive Board without good cause (section 626, paragraph 1 of the German Civil Code (BGB)), or due to cancellation of the employment contract at the instigation of the member of the Executive Board without good cause, the member of the Executive Board shall not be entitled to any payments. In this case, the entitlement

to short-term variable remuneration as well as all current tranches of the long-term variable remuneration expire without replacement or compensation.

If the employment relationship ends due to premature cancellation of the employment contract at the instigation of the company, without there being good cause within the meaning of section 626 para. 1 BGB or reasons in the person or conduct of the Executive Board member that would justify the proper dismissal of an employee, or due to the regular end of the contract term or due to the Executive Board member's retirement and he/she receives a state and/or company pension, the basic remuneration and the target amounts of the variable remuneration components shall be reduced accordingly pro rata temporis. The payments from the long-term variable remuneration are made at the end of the respective assessment period; there is no early payment.

Benefits in the event of termination of the employment/severance payment cap

Payments in the event of premature termination of Executive Board activities and employment, including fringe benefits, may not exceed the value of two years' remuneration and compensate no more than the remaining term of the employment contract (severance payment cap). If the employment contract is terminated for good cause for which the Executive Board member is responsible, no payments shall be made to the Executive Board member.

Change of control clauses have not been agreed.

Temporary deviations from the remuneration system

Pursuant to section 87a, paragraph 2, sentence 2 of the German Stock Corporation Act (AktG), the Supervisory Board may temporarily deviate from the present remuneration system if special and exceptional circumstances exist and if this is necessary in the interest of the long-term well-being of the company.

Such deviations may be necessary, for example, to ensure adequate incentives in the event of a serious corporate or economic crisis. However, unfavourable market developments shall not be considered as special and exceptional circumstances justifying a deviation from the remuneration system. The exceptional circumstances underlying and necessitating a deviation shall be determined by a resolution of the Supervisory Board. The following components of the remuneration system may be deviated from:

- Remuneration structure,
- the financial and non-financial performance targets as well as the
- assessment bases and
- threshold, target and maximum values of the performance-related remuneration.

If the incentive effect of the Executive Board remuneration cannot be adequately restored by adjusting the existing remuneration components, the Supervisory Board may also temporarily grant additional remuneration components or replace individual remuneration components with other remuneration components in the event of extraordinary developments. Even in the event of a deviation from the remuneration system, the remuneration and its structure must continue to be geared towards the long-term and sustainable development of the company and be commensurate with the success of the company and the performance of the Executive Board. Insofar as a temporary deviation from this remuneration system occurs, it is reported in the remuneration report and the underlying circumstances are explained.