

Declaration Of Compliance 2019

Declaration by the Executive and Supervisory Boards of STS GROUP AG on the recommendations in accordance with the „Government Commission on German Corporate Governance Code” in accordance with Section 161 AktG

“The Executive Board and Supervisory Board of STS Group AG, headquartered in Hallbergmoos, Freising (“the Company”), hereby declare:

The Company has been in conformance with the recommendations per the “Government Commission on German Corporate Governance Code” as amended on February 7, 2017 and will continue to do so, with the following exceptions:

1. Section 3.8 (3) of the Code:

The Code recommends that any D&O insurance policy taken out for a Supervisory Board member have a deductible of at least 10% of the loss up to at least the amount of one and a half fixed the fixed annual compensation of the Supervisory Board member. The Company’s D&O insurance does not envisage a deductible of this kind for Supervisory Board members. The Company is of the opinion that a deductible is not a suitable means of influencing the motivation and responsibility of Supervisory Board members positively. The deductible would not be appropriate either given that the Supervisory Board members do not receive variable compensation and neither do they participate in any positive corporate development.

2. Section 4.1.3 Sentences 2 and 3 of the Code:

The Code recommends that the Executive Board ensure there is an adequate compliance management system in line with the risk situation of the enterprise and disclose the salient points of this system. In addition, employees and third parties should have a suitable method of providing protected tips in respect to legal violations in the enterprise. The Company does not have a compliance management system in place, nor a ‘whistleblowing’ system enabling employees and third parties to call attention to legal violations in the enterprise in suitable, identity-protected fashion. In order to meet these requirements, the Company is currently examining the implementation of a digital compliance management system that provides these functionalities.

3. Section 5.3.1 and 5.3.3 of the Code:

The Code recommends that depending on the specifics of the enterprise and the number of its members, the Supervisory Board should form committees with sufficient expertise. The Company’s Supervisory Board consists of only three persons, thus no committees have been formed.

4. Section 5.4.1 (2) of the Code:

The Code recommends that the Supervisory Board shall specify concrete objectives regarding its composition which, whilst considering the specifics of the enterprise, take into appropriate account the international activities of the enterprise, potential conflicts of interest, the number of independent Supervisory Board members within the meaning of Section 5.4.2, 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. The Supervisory Board has not adopted any resolutions defining concrete objectives goals regarding the composition of the Supervisory Board. The Company believes that the current composition of the Supervisory Board meets the requirements in line with Section 5.4.1 (2) of the Code. When selecting candidates to be proposed for election to the Supervisory Board, the Company always ensures that candidates have the required knowledge, ability and personal experience. The Company has thus determined that adopting concrete objectives in respect to composition is not a suitable means for ensuring that the Supervisory Board is composed of qualified members capable of working efficiently.

5. Section 5.4.6 (1) Sentence 2 of the Code:

The Code also recommends that the Chair and Deputy Chair positions in the Supervisory Board as well as the chair and membership in committees be taken into account when deciding the compensation of Supervisory Board members by resolution of the General Meeting or in Articles of Association. The compensation scheme for Supervisory Board members currently takes

into account the offices of Supervisory Board Chair, Vice-Chair and committee chairs, but does not take into account committee membership. In view of the size of the Supervisory Board, namely three members, the Company does not consider this necessary.

6. Section 7.1.2 Sentence 3 of the Code:

The Code recommends that the consolidated financial statements be made publicly accessible within 90 days of the end of the financial year. The Company meets legal requirements to publish the consolidated financial statements within the first four months of the Group's financial year, and will publish the Code Declaration of Conformity together with the consolidated financial statements.

Hallbergmoos, December 2019

STS GROUP AG

The Executive Board

The Supervisory Board
