



Remuneration Report 2022



This is a translation of the German "Vergütungsbericht 2022"
Sole authoritative and universally valid version is the German language document.

REMUNERATION REPORT

The transparent and comprehensible presentation of the remuneration of the Management Board has been an essential element of good corporate governance for the company for years. The following remuneration report in accordance with Sec. 162 of the German Stock Corporation Act (Aktiengesetz, "AktG") was prepared by the Management Board and Supervisory Board of STS Group AG and explains the remuneration of the members of the Management Board and the Supervisory Board.

RESOLUTION ON THE APPROVAL OF THE REMUNERATION POLICY OF THE MEMBERS OF THE MANAGEMENT BOARD

The current remuneration policy for the Management Board of STS Group AG was resolved by the Supervisory Board in accordance with Sec. 87 para. 1, Sec. 87a para. 1 AktG on 01 June 2021 and approved by the Annual General Meeting on 23 July 2021 with a majority of 98.5536 % of the capital present.

In developing the remuneration policy, the Supervisory Board was advised by an independent remuneration consultant.

The handling of possible conflicts of interest during the establishment and implementation as well as the regular review of the remuneration policy is carried out in accordance with the rules of the German Stock Corporation Act (AktG) and the German Corporate Governance Code (Deutscher Corporate Governance Kodex, "DCGK").

PRESENTATION OF THE REMUNERATION REPORT FOR THE FISCAL YEAR 2021

The remuneration report for the financial year 2021 was presented at the Annual General Meeting on May 24, 2022. The Annual General Meeting does not have to pass a resolution on this agenda item 6, as STS Group AG is a listed small corporation within the meaning of Section 120a (5) of the German Stock Corporation Act (AktG) in conjunction with Section 267 (1) of the German Commercial Code (HGB). Accordingly, small corporations are those that do not exceed at least two of the following three characteristics: (i) EUR 6,000,000 in total assets, (ii) EUR 12,000,000 in sales in the twelve months prior to the reporting date, and (iii) an annual average of fifty employees.

STS Group AG only exceeds the characteristic of total assets with total assets in the financial year 2021 of EUR 19,446,000. STS Group AG falls short of the characteristics of sales revenues and number of employees.

Section 120a (5) of the German Stock Corporation Act (AktG) provides for simplifications with regard to the remuneration report for listed small and medium-sized corporations within the meaning of Section 267 (1) and (2) of the German Commercial Code (HGB). Accordingly, no

resolution on the approval of the compensation report is required. Section 120a (5) of the German Stock Corporation Act (AktG) merely provides for the Executive Board and Supervisory Board to submit the compensation report to the Annual General Meeting for discussion as a separate agenda item.

Pursuant to Section 162 (3) of the German Stock Corporation Act (AktG), the compensation report was examined by the auditors to determine whether the statutory disclosures required by Section 162 (1) and (2) of the German Stock Corporation Act (AktG) had been made. The auditor did not carry out a substantive audit beyond the statutory requirements. The auditor's report on the compensation report is attached to the compensation report.

At the Annual General Meeting, shareholders only questioned the implementation of sustainability targets in the existing compensation system, such as the maximum compensation of the Executive Board. The sustainability targets are already taken into account in the one-year variable compensation through individual or collective non-financial targets by means of a so-called modifier with a factor of 0.8 to 1.2 in the amount of the variable compensation. Possible non-financial targets include sustainability targets covering the three areas of environment, social affairs and governance (ESG targets). With regard to the maximum compensation, it was pointed out that this is merely an upper limit for the absolute best case and therefore a rather theoretical possibility with regard to the maximum amount of Executive Board compensation in a fiscal year. The occurrence of the best case depends on several circumstances, among others, including the respective situation of the Company and several individual factors relating to the Executive Board member.

CHANGES IN THE MANAGEMENT BOARD

Appointments to the Management Board and any Management Board service contracts are prepared by the Supervisory Board of STS Group AG, negotiated with the respective Management Board member and concluded after approval by the entire Supervisory Board.

The following changes occurred in the Management Board in the reporting year:

Effective June 30, 2021, the Supervisory Board appointed Mr. Andreas Becker as the new sole member of the Executive Board of STS Group AG on an interim basis. Mr. Becker was already CEO of STS Group AG from 2013 to 2020 and represents both management continuity within STS Group and the transition to new shareholder structures,

The interim transition period ended by mutual agreement on January 31, 2022. Mr. Alberto Buniato, President NAFTA Adler Pelzer Group & Director Corporate Purchasing Adler Pelzer Group, was appointed by the Supervisory Board as sole CEO with effect from February 1, 2022.

With Mr. Alberto Buniato, we are pleased to have gained a leader who brings many years of automotive experience and intercultural competence to the management of STS Group AG. Mr. Andreas Becker will continue to support the integration phase as a consultant.

With this management structure, we have been able to implement an important milestone for the long-term and sustainable orientation of STS Group.

APPLICATION OF THE MANAGEMENT BOARD REMUNERATION POLICY

The Management Board remuneration policy approved at the Annual General Meeting on July 23, 2021 did not apply in fiscal year 2021, nor in fiscal year 2022. Alberto Buniato already had an employment contract with the Adler Pelzer Group when he took up his position as a member of the Management Board of the STS Group and was seconded from this employment to the STS Group. Therefore, the Company has decided to prefer the continuity of Mr. Buniato's employment and to continue the existing employment contract for the time being.

Due to the interim appointment of Mr. Andreas Becker to the Management Board and the planned long-term reorganization of the management structure of STS Group AG, individual contractual remuneration components were agreed upon with Mr. Andreas Becker.

OVERALL PRESENTATION OF THE COMPENSATION BENEFITS IN THE REPORTING PERIOD

The following table shows the remuneration components paid to the members of the Management Board of STS Group AG in the financial years 2022 and 2021. One-year variable remuneration components for the respective financial year (remuneration components owed) are not paid out until the adoption of the respective annual financial statements in the following year.

The remuneration is deemed to have been granted within the meaning of Sec. 162 para. 1 sentence 1 AktG if it actually flows to the member of the Management Board and thus becomes part of his or her assets, irrespective of whether the inflow is for the fulfilment of an obligation or for no legal reason. Thus, the following table represents the remuneration granted to the members of the Management Board within the meaning of Sec. 162 para. 1 sentence 1 AktG.

REMUNERATION OF THE MANAGEMENT BOARD

in kEUR	Alberto Buniato CEO from February 1, 2022		Andreas Becker CEO until June 30, 2020 / from July 1, 2021		Matthieu Purrey CEO from July 1, 2020 to June 30, 2021		Total	
	2022	in %	2021	in %	2022	in %	2021	in %
Fixed remuneration	-	-	25	97	150	96	-	-
Remuneration from third parties	150	100	-	-	-	-	120	100
Additional services	-	-	1	3	6	4	1	0
Total	150	100	26	100	156	100	120	100
Severance payment	-	-	-	-	-	-	-	-
One-year variable compensation	-	-	-	-	-	-	-	-
Multi-year variable compensation	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-
Pension commitments	-	-	-	-	-	-	-	-
Total compensation	150	100	26	100	156	100	120	100

Remuneration components granted by third parties

Alberto Buniato exercised the Management Board mandate in personal union with his tasks in the Adler Pelzer Group. There was no separate Management Board service agreement with STS Group AG.

Alberto Buniato received a pro rata total remuneration from the Adler Pelzer Group in the financial year 2022 for his Management Board activities at STS Group AG, totalling EUR 150k.

Remuneration components granted by STS Group AG

The Management Board service agreement concluded with Mr. Andreas Becker was not subject to the provisions of the remuneration policy approved by the Annual General Meeting on July 23, 2021. For interim support during the transitional phase under company law, the Supervisory Board agreed to a fixed monthly remuneration with Mr. Andreas Becker, which amounted to EUR 25k on a pro-rata basis in the 2022 financial year.

For the financial year 2021, there was a bonus claim (remuneration component owed) in the amount of EUR 75k, the target achievement of which was to be decided by the Supervisory Board in the financial year 2022. Due to Andreas Becker's short stay at STS Group AG, it was mutually agreed to waive this bonus claim. A variable bonus was therefore not paid to Mr. Becker in the financial year 2022. As additional benefits, Mr Becker was entitled to allowances for health, care, and accident insurance (EUR 0k) and the use of a company car (EUR 1k) in the financial year 2022.

The remuneration of former members of the Board of Management pursuant to Section 285 No. 9 b Sentence 1 to 2 HGB amounted to EUR 100k in the reporting period (2021: EUR 0k) and related to Dr Ulrich Hauck.

Member of the Management Board	Remuneration granted in the financial year 2022	Target Remuneration for the financial year 2021
Andreas Becker		Fixed Remuneration
01 January to 31 January 2022	EUR 26k	Additional Benefits
		Bonus
Total	EUR 26k	EUR 26k

Maximum Remuneration

Pursuant to Sec. 87a para. 1 sentence 2 No. 1 AktG, the Supervisory Board has set a maximum remuneration for each Management Board member. This includes all non-performance-related and performance-related components of remuneration and sets the maximum amount that can be paid to a Management Board member for a given financial year, regardless of the payment date.

The maximum remuneration for the Chairman of the Management Board is EUR 1,500,000, and for the ordinary members of the Management Board EUR 1,200,000 each.

The maximum remuneration for the Management Board members appointed in the financial year 2022 is as follows:

Member of the Management Board	ACTUAL-Remuneration in the financial year 2022	Maximum Remuneration pursuant to Sec. 87a para. 1 sentence 2 No. 1 AktG
Andreas Becker 01 January to 31 January 2022	EUR 26k	EUR 1,500k p.a. pro rata 1 month: EUR 125k
Alberto Buniato 01 February to 31 December 2022	EUR 150k	EUR 1,500k p.a. pro rata 6 months: EUR 1.375k

Payments of performance-related remuneration components in the financial year 2022 on the basis of the former remuneration policy

In the financial year 2022, no performance-related remuneration components from previous remuneration policies were paid out.

PRESENTATION OF THE REMUNERATION POLICY APPROVED BY THE ANNUAL GENERAL MEETING ON 23 JULY 2021

Principles of the remuneration policy






STS Group AG is a leading global automotive supplier in the field of passenger and commercial vehicles. In its innovation-driven environment, STS Group aims to expand its excellent market position and drive innovation on the one hand, and to sustainably increase profits on the other. The remuneration policy for the members of the Management Board of the STS Group is based on these goals and thus contributes significantly to the implementation of the corporate strategy.

The goal of expanding the competitive position is brought into focus by the sustainable and long-term performance of the STS Group compared to the competition and is based on the share price development as well as the relative total shareholder return compared to relevant competitors. The resulting strong link to the STS Group's share price performance, both in absolute and relative terms, contributes significantly to the alignment of the interests of the Management Board and those of the STS Group's shareholders. In addition to this external perspective, an internal key performance indicator focuses on the STS Group's long-term ability to pay dividends. Furthermore, the remuneration policy of the members of the Management Board of the STS Group also contributes to securing long-term profitability. To this end, the focus is placed on both the turnover and the earning power of the company. Thus, at the operational level, profitable growth and the achievement of a sustainably efficient cost structure are incentivised.

By linking remuneration to specific financial performance targets, the remuneration policy is strongly oriented towards the success of the Company and thus ensures clearly performance-related remuneration (pay for performance).

In addition to financial success, non-financial performance targets are also included in the remuneration of the Management Board. This takes into account central, non-financial focus topics and ensures, for example, a holistic view of the company and its future viability through sustainability-related goals.

Leitlinien des Vergütungssystems der Vorstandsmitglieder

	Strategiebezug	Förderung der Verwirklichung von Vision und Mission des Unternehmens durch einen klaren Bezug zur Unternehmensstrategie anhand maßgeblicher Kennzahlen und Ziele.
	Aktionärsinteressen	Starke Bindung der Vergütung an die langfristige Entwicklung des Unternehmenswerts und somit eine klare Berücksichtigung der Interessen der Aktionäre der STS Group.
	Zukunftsfähigkeit und Nachhaltigkeit	Einbindung nicht-finanzieller Ziele, die das Unternehmen neben finanziellen Kennzahlen ganzheitlich abbilden und dessen Zukunftsfähigkeit adressieren, z. B. nachhaltigkeitsorientierte Ziele.
	Pay for Performance	Erfolgsabhängige Vergütung, die an zentrale Kennzahlen des Unternehmens gekoppelt ist.
	Regulatorische Konformität	Vergütungssystem entspricht den Vorgaben des AktG und orientiert sich an den Empfehlungen und Anregungen des DCGK.

Determination of the specific total target remuneration and appropriateness of the remuneration of the Management Board

When setting the total target remuneration, the Supervisory Board ensures, in accordance with Sec. 87 para. 1 AktG, that it commensurates with the tasks and performance of the respective Management Board members and the situation of the Company. By setting the total target remuneration, the competitiveness of the STS Group is to be ensured in order to be able to attract qualified candidates for the Management Board in the future. In this context, the total target remuneration does not exceed the customary market level without good reason.

The Supervisory Board regularly reviews the appropriateness of the remuneration of the Management Board. A horizontal (external) comparison is made with comparable companies. Attention is paid to the suitability of the external peer group in terms of size, country and industry. In addition, a vertical (internal) comparison is made in which the remuneration of the Management Board is compared with the remuneration of the upper management level and the workforce as a whole.

Remuneration Policy of the Management Board

REMUNERATION POLICY OF THE MEMBERS OF THE MANAGEMENT BOARD

The remuneration policy complies with the requirements of the German Stock Corporation Act and is based on the recommendations of the German Corporate Governance Code.

The total target remuneration of the members of the Management Board consists of the non-performance-related and the performance-related remuneration.

The non-performance-related remuneration consists of the fixed remuneration of the members of the Management Board and the additional benefits granted, and accounts for a total of 40 % to 50 % of the total target remuneration.

The performance-related remuneration consists of the one-year and the multi-year variable remuneration and accounts for a total of 50 % to 60 % of the total target remuneration. The one-year variable remuneration (Einjährige variable Vergütung, "EVV") is included in the total target remuneration with 15 % to 25 %, the multi-year variable remuneration (Mehrjährige variable Vergütung, "MVV") with 25 % to 35 %. The system reflects the pay-for-performance concept through the high proportion of variable remuneration and, through the ratio of one-year to multi-year variable remuneration, places a clear focus on the orientation of remuneration to the sustainable and long-term development of the STS Group.

Furthermore, the remuneration policy regulates whether and which payments can be made in the event of premature termination of Management Board activities. The total amount and the parameters are reviewed regularly every two years.

In the event of a member joining or leaving the Management Board during the year, the fixed remuneration and the performance-related remuneration for the corresponding year are generally paid or granted pro rata temporis.

The following table provides an overview of the remuneration components and their basic structure.

ERFOLGSUNABHÄNGIGE VERGÜTUNG

Festvergütung	<ul style="list-style-type: none"> • Auf das laufende Geschäftsjahr bezogene Barvergütung, die sich am Verantwortungsbereich des jeweiligen Vorstandsmitglieds orientiert • Die Auszahlung erfolgt in zwölf gleichen Monatsraten zum Monatsende
Nebenleistungen	<ul style="list-style-type: none"> • Beiträge zu Kranken- und Pflegeversicherung • Dienstwagen • D&O-Versicherung nach gesetzlichen Anforderungen (§93 Abs. 2 AktG)

ERFOLGSABHÄNGIGE VERGÜTUNG

Einjährige variable Vergütung (EVV)

Ausgestaltungsform	<ul style="list-style-type: none"> • Zielbonussystem
Cap	<ul style="list-style-type: none"> • 150 % des Zielbetrags
Erfolgsziele	<ul style="list-style-type: none"> • Umsatz • Adjusted EBITDA (Betriebsergebnis vor Abschreibungen) • Modifier für individuelle und kollektive Ziele (u. a. ESG-Ziele)
Auszahlung	<ul style="list-style-type: none"> • Jährlich in bar

Mehrjährige variable Vergütung (MVV)

Ausgestaltungform	<ul style="list-style-type: none"> • Performance Share Plan
Performance-Zeitraum	<ul style="list-style-type: none"> • 4 Jahre
Cap	<ul style="list-style-type: none"> • 200 % des Zielbetrags
Erfolgsziele	<ul style="list-style-type: none"> • Adjusted Earnings per Share (EPS) • Relativer Total Shareholder Return (TSR)
Auszahlung	<ul style="list-style-type: none"> • Nach Ende des Performance-Zeitraums in bar

WEITERE KOMPONENTEN UND VERTRAGLICHE REGELUNGEN

Malus / Clawback	<ul style="list-style-type: none"> • Möglichkeit zum Einbehalt (Malus) bzw. zur Rückforderung (Clawback) von erfolgsabhängigen Vergütungsbestandteilen im Falle eines fehlerhaften Konzernabschlusses oder im Falle von Compliance-Verstößen.
Maximalvergütung	<ul style="list-style-type: none"> • Gemäß §87a Abs. 1 Satz 2 Nr. 1 AktG vorgesehene Maximalvergütung von EUR 1,5 Mio. für den Vorstandsvorsitzenden und EUR 1,2 Mio. für Ordentliche Vorstandsmitglieder.
Karenzentschädigung	<ul style="list-style-type: none"> • Entschädigung von 50 % der Ziel-Direktvergütung (Festvergütung + Zielwert EVV + letzten MVV) eines Jahres.
Abfindungszahlungen	<ul style="list-style-type: none"> • Abfindungen dürfen den Wert von zwei Jahresvergütungen nicht übersteigen (Abfindung-Cap). • Abfindungen werden auf etwaige Karenzentschädigungen angerechnet.

NON-PERFORMANCE-RELATED REMUNERATION COMPONENTS

Fixed Remuneration

The fixed remuneration is a cash payment related to the current financial year, which is based on the area of responsibility of the respective Management Board member and is paid in twelve equal monthly instalments subsequently at the end of the month.

Additional benefits

As additional benefits, Management Board members are granted the statutory contributions to health and long-term care insurance, the provision of a company car and a D&O insurance policy with a deductible of 10 % up to an amount of one and a half times the annual fixed remuneration in accordance with statutory requirements (Sec. 93 para. 2 sentence 3 AktG).

Retirement and pension commitments

The Management Board of STS Group AG does not receive any pension or other retirement benefits. The Management Board manages its own retirement provision in full.

PERFORMANCE-RELATED REMUNERATION COMPONENTS

System of the performance-related remuneration

The performance-related remuneration consists of the one-year variable remuneration (EVV) and the multi-year variable remuneration (MVV). The EVV is structured as a target bonus system, the MVV as a performance share plan. The payment of the performance-related remuneration components depends on the achievement of the targets defined for EVV and MVV and thus follows a clear pay-for-performance approach. By limiting the amount of the variable remuneration components, excessive risk-taking is avoided and a balanced risk-reward profile is achieved. In addition, the impact of extraordinary developments is limited.

One-year variable remuneration (EVV): basic features

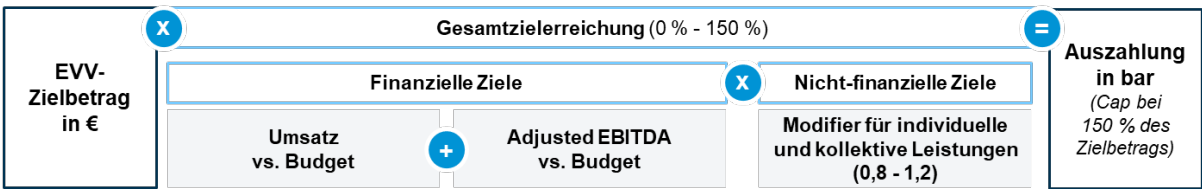
The EVV is designed as a target bonus system whose targets are based on the Company's performance indicators and thus incentivise the operational implementation of the corporate strategy. The performance period of the EVV is one year and refers to the respective financial year.

At the beginning of each financial year, an individual contractual target amount is agreed with the members of the Management Board. After the end of the financial year, this amount is multiplied by the total target achievement over the performance period and paid out in cash. The amount paid out is limited to 150 % of the target amount (cap).

The target achievement is calculated from the two additively linked financial targets revenue and adjusted EBITDA as well as a modifier for individual and collective performance which is multiplied by the target achievement of the financial targets.

The targets are incorporated into the model for one-year variable remuneration as follows:

Einjährige variable Vergütung – Zielbonussystem



- Revenue with 50 % weighting

The use of revenue in relation to the budget incentivises the strategic goal of further growth of the STS Group.

- Adjusted EBITDA with 50% weighting

The adjusted EBITDA (adjusted Earnings Before Interest, Taxes, Depreciation and Amortization) is a central financial control indicator of the STS Group and represents the operating result before depreciation. This is set in relation to the budget, taking into account e.g. extraordinary expenses. By using adjusted EBITDA, long-term profitable corporate growth is incentivised, taking into account sustainable cost structures.

- Modifier for individual and collective performance 0.8-1.2

Possible targets for individual and collective performance include sustainability targets covering the three areas of environment, social and governance (so-called ESG targets).

The overall target achievement of the EVV is limited to 150 %.

One-year variable remuneration (EVV): target setting and target achievement in the financial year 2022

Mr Andreas Becker took over the Management Board position as interim CEO until a long-term management structure was established. No targets within the meaning of the one-year variable remuneration structure were agreed for the activity as interim CEO. Mr. Andreas Becker resigned from his position as sole member of the Management Board on January 31, 2022. As of February 1, 2022, Mr. Alberto Buniato assumed the Management Board mandate in personal union with his duties in the Adler Pelzer Group. There was no separate Management Board service agreement with STS Group AG. Therefore, no targets were agreed for the time being in terms of the one-year variable remuneration structure.

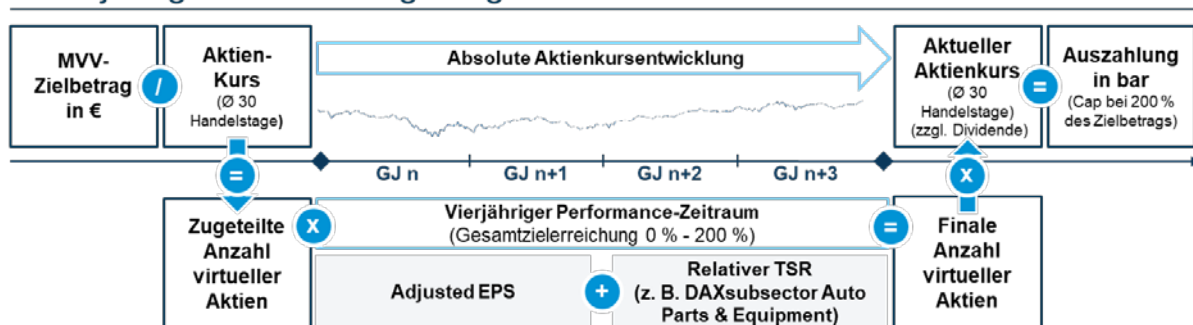
Multi-year variable remuneration (MVV)

The STS Group's multi-year variable remuneration is structured as a performance share plan with a term of four years (performance period),

At the beginning of a financial year, an individual contractual target amount is agreed with the members of the Management Board. This is converted into virtual shares on the basis of the arithmetically averaged closing price of the last 30 trading days of the STS Group share before the start of the performance period.

At the end of the four-year performance period, the final number of virtual shares is determined. For this purpose, the virtual shares allocated at the beginning of the performance period are multiplied by the total target achievement.

Mehrfährige variable Vergütung – Performance Share Plan



The pay-out amount is calculated by multiplying the final number of virtual shares by the arithmetically averaged closing price of the STS Group share over the last 30 trading days before the end of the performance period plus the dividends paid during the performance period. The pay-out amount determined in this way is limited to 200% of the target amount (cap) and is paid out in cash. At the Company's discretion, payment may alternatively be made in shares.

The total target achievement is capped at 200% and is the result of the addition of the two targets adjusted EPS and relative total shareholder return (TSR) of the STS Group, whereby both targets are weighted at 50%.

The relative TSR takes into account the development of the STS Group share price during the four-year performance period, including reinvested gross dividends, compared to the peer group. The relative performance is measured by determining the difference in percentage points between the TSR performance of the STS Group and the TSR performance of the peer group ("outperformance"). The DAX subsector Auto Parts & Equipment has been determined as the relevant peer group until further notice. The Supervisory Board may determine a different, appropriate peer group if required.

The Supervisory Board defines an ambitious target achievement curve for MVV's performance targets before the start of each performance period. To this end, the Supervisory Board sets a target value for both adjusted EPS and relative TSR at the beginning of each performance period which corresponds to 100% target achievement. In addition, an upper limit and a lower limit are defined. Beyond the lower limit, the target achievement is 0%, beyond the upper limit it is limited to 200%. Between the lower limit, the defined target value and the upper limit, the target achievement is interpolated linearly.

Multi-year variable remuneration (EVV): target setting and target achievement in the 2022 business year

In the financial year 2022, no allocations were made in terms of the multi-year variable remuneration policy.

OTHER REMUNERATION-RELEVANT AGREEMENTS

Contract terms

The service contracts of the Management Board members have a fixed term. This may not exceed a period of five years. Reappointment is permitted.

There is no right of ordinary termination. This shall not affect the statutory right of extraordinary termination of the service contract for good cause within the meaning of Sec. 626 of the German Civil Code (Bürgerliches Gesetzbuch, "BGB"). The termination must be in writing to be effective.

Entry and resignation of Management Board members during the year

In the event that a member joins or leaves the Management Board during the year, the fixed remuneration and the performance-related remuneration for the corresponding year shall generally be paid or granted pro rata temporis.

Severance payments

In the event of premature termination of the Management Board activity by the Company or at its instigation without good cause or in the event of premature resignation from the mandate or termination of the service contract by the Management Board member for good cause for which the Company is responsible, any severance payment to be made shall be limited to the value of two years' remunerations, but no more than the remaining term of the contract (severance payment cap). No severance payment shall be made in the event of termination as Management Board member by the Company for good cause within the meaning of Sec. 626 BGB or Sec. 84 para. 3 AktG or in the event of resignation of the mandate by the Management Board member without good cause.

Change of control

In the event of a change of control, the members of the Management Board may be granted a one-time special right of termination to terminate the service contract with a notice period of three months to the end of the month and to resign from office on the termination date. The special right of termination shall only exist within six months after the member of the Management Board has become aware of the change of control. If the special right of termination is exercised, the Management Board member is entitled to payment of a severance package. The severance payment, which is limited in total to 100 % of the severance payment cap, consists of the sum of the remuneration no longer accrued and paid out due to the premature termination of the service contract.

A change of control occurs if a third party or several third parties acting jointly acquire more than 51 % of the shares in the company and the position of the Management Board member is affected more than insignificantly as a result of this change. In particular, the position as a

member of the Management Board is affected more than insignificantly if there are significant changes in the strategy of the company or significant changes in the area of activity of the Management Board member.

Compensation in lieu of notice

A non-competition clause with a duration of up to twelve months may be agreed with Management Board members. In this case, the Management Board member is entitled to a waiting allowance amounting to 50 % of the target direct remuneration for one year, consisting of fixed remuneration, EVV and MVV. A severance payment, if any, shall be credited against the waiting allowance.

There is no entitlement to payments in excess of this in the course of the premature termination of the service relationship.

Performance-related remuneration in the event of premature termination of the employment relationship

In the event of premature termination of the Management Board appointment or the service contract by the Company without good cause or in the event of premature resignation of the mandate or termination of the service contract by the Management Board member for good cause for which the Company is responsible, the Management Board member is entitled to a pro rata payment of variable remuneration already granted, to be determined at the end of the corresponding performance period, on the basis of the defined performance targets.

Any variable remuneration already granted shall be forfeited without compensation if the service contract ends due to extraordinary termination by the Company for good cause pursuant to Sec. 626 para. 1 BGB, or due to the resignation of the Management Board member without good cause and without a mutually agreed settlement during the financial year, or if the appointment is revoked by the Supervisory Board for good cause pursuant to Sec. 84 para. 3 AktG during the financial year (except for a vote of no confidence by the Annual General Meeting).

Malus and Clawback

In certain cases, the Supervisory Board has the option to partially or fully reduce performance-based remuneration components that have not yet been paid out (malus) or to partially or fully reclaim performance-based remuneration components that have already been paid out (clawback).

The malus rule can be applied in the event of significant breaches of duty or compliance by a member of the Management Board. In such cases, the performance-based remuneration components may be reduced in part or in full by the Supervisory Board at its discretion.

Within the scope of the clawback regulation, in the event of the determination or payment of performance-related remuneration components on the basis of incorrect consolidated financial statements, performance-related remuneration components already paid out may also be

reclaimed by the Supervisory Board after their correction, insofar as the corrected consolidated financial statements result in a lower variable remuneration (performance clawback). In addition, performance-related remuneration components may be reclaimed at the discretion of the Supervisory Board if there have been material breaches of duty or compliance by the Management Board member (compliance clawback).

Any claims for damages by the Company pursuant to Sec. 93 para. 2 AktG remain unaffected by the malus and clawback regulations.

Incapacity for work and death

If the Management Board member is prevented from performing his or her Management Board duties due to illness or accident, remuneration consisting of a fixed remuneration and performance-related remuneration shall be paid for a period of up to three months, but no longer than until the termination of the service contract. For a further three months of temporary incapacity, 80 % of the performance-related remuneration is paid.

If the Management Board member becomes permanently incapacitated during the term of the service contract, the service contract shall end at the end of the quarter in which the incapacity was determined, but no later than at the end of the term of the contract.

In the event of death of the Management Board member, the spouse or the registered partner as well as the dependent children shall receive a monthly remuneration of the fixed remuneration as joint creditors for a period of three months as of the end of the month in which the member died, but no longer than until the termination of the service contract.

Remuneration of members of the Management Board

In the event that a member of the Management Board serves on the Supervisory Board, Advisory Board or Board of Directors of a company affiliated with the Company, any remuneration paid to the Management Board member for this purpose shall be offset against the remuneration for the financial year in question.

The exercise of paid or unpaid secondary service as well as the assumption of Supervisory Board, Advisory Board or other mandates or offices, including honorary offices, shall require the expressly written consent of the Supervisory Board, which is to be obtained prior to its assumption. In the event of approval for external mandates, the Supervisory Board shall also decide whether and to what extent any remuneration paid for such mandates shall be offset against the remuneration of the Management Board member by the Company.

Temporary deviations from the remuneration policy

The Supervisory Board has the option to temporarily deviate from the submitted remuneration policy in special and extraordinary circumstances pursuant to Sec. 87a para. 2 sentence 2 AktG, if this is necessary in the interest of the long-term well-being of STS Group. This applies in particular in the event of extraordinary, unforeseeable developments that could not be influenced by the Management Board or the STS Group. Such deviations may be necessary, for example, to ensure adequate incentives in the event of a severe corporate or economic crisis. In contrast, generally unfavourable market developments do not justify a temporary deviation

from the remuneration policy. A temporary deviation from the remuneration policy is only possible by resolution of the Supervisory Board.

In such cases, the following components of the remuneration policy may be temporarily deviated from: the financial and non-financial performance targets of EVV and MVV as well as their weighting, bandwidths of possible target attainment as well as the methods for determining target attainment. Notwithstanding any deviation from the remuneration policy, the remuneration of Management Board members must continue to be geared towards long-term and sustainable development and ensure an appropriate incentive level of the Management Board remuneration.

Furthermore, the Supervisory Board may temporarily grant additional remuneration components or replace individual remuneration components with other remuneration components to the extent necessary to restore an appropriate incentive level of Management Board remuneration.

In addition, the Supervisory Board has the option to grant a one-time payment to new members of the Management Board in individual cases. This can compensate a new Management Board member, for example, for losses of remuneration already granted by the former employer that result from the change to the STS Group. In this way, the Supervisory Board ensures that it retains the necessary flexibility in finding the best possible candidates. The fixed maximum remuneration remains unaffected.

Any deviations are transparently disclosed and explained in the remuneration report.

THE REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD IN THE FINANCIAL YEAR 2021

RESOLUTION ON THE APPROVAL OF THE REMUNERATION POLICY OF THE MEMBERS OF THE SUPERVISORY BOARD

The remuneration policy for the Supervisory Board was increased to a standard market level by resolution of the Annual General Meeting on 23 July 2021, after the Supervisory Board remuneration was temporarily reduced in the financial year 2020 due to the financial impact of the COVID-19 pandemic.

The Annual General Meeting of 23 July 2021 approved the resolution to adjust the Supervisory Board remuneration with a majority of 99.5003 % of the capital present. Sec. 15 of the Articles of Association was amended accordingly.

APPLICATION OF THE REMUNERATION POLICY OF THE SUPERVISORY BOARD IN THE FINANCIAL YEAR 2022

From 23 July 2021, the work of the Supervisory Board will be remunerated according to the current remuneration policy.

REMUNERATION STRUCTURE FOR THE MEMBERS OF THE SUPERVISORY BOARD

Sec. 15 of the Articles of Association of STS Group AG governs the remuneration of the Supervisory Board. The Annual General Meeting decides on the amount of the remuneration. This was last done on 23 July 2021.

From 1 July 2021, each member of the Supervisory Board shall receive a remuneration of EUR 60,000 for each full financial year of membership of the Supervisory Board, and the Chairman of the Supervisory Board shall receive a remuneration of EUR 100,000. The remuneration shall be paid within one month after the end of the respective financial year.

Until 30 June 2021, the fixed remuneration for a single Supervisory Board membership was EUR 25,000. The Deputy Chairman of the Supervisory Board received a remuneration of EUR 37,500 and the Chairman of the Supervisory Board received a remuneration of EUR 50,000.

In addition, the members of the Supervisory Board receive a reimbursement of their expenses and any value added tax payable on the remuneration or expenses in accordance with Sec. 15 para. 2 of the Articles of Association of the Company.

The members of the Supervisory Board are included in a pecuniary damage liability insurance policy for members of governing bodies (D&O insurance) maintained in the interest of the Company.

No separate remuneration is paid for the activities of the Audit Committee.

REMUNERATION OF THE SUPERVISORY BOARD

STS GROUP

REMUNERATION REPORT 2022

In the financial year 2022, the actual fixed remuneration of the Supervisory Board totalled EUR 220k (2021: EUR 166k). The change in the remuneration policy for the Supervisory Board as well as the personnel changes in the Supervisory Board were taken into account pro rata temporis.

The following table shows the remuneration components granted to the members of the Supervisory Board in the financial year 2022. Remuneration is deemed to have been granted within the meaning of Sec. 162 para. 1 sentence 1 AktG when it actually flows to the member of the governing body and thus becomes part of his or her assets, irrespective of whether the payment is made to fulfill an obligation or for no legal reason.

According to the compensation system adopted on July 23, 2021, the compensation is payable within one month after the end of the respective fiscal year. Due to the uncertain general market situation at the beginning of the 2022 financial year in connection with the ongoing Covid-19 pandemic, particularly in China, as well as the Ukraine/Russia conflict and the uncertainties regarding the further effects, a delayed payment was agreed with the Supervisory Board. As a result, the fixed compensation component for the 2021 financial year was not paid out until a later date, namely at the beginning of the 2023 financial year. This therefore represents a deviation from the compensation system; the compensation system and the law permit such a deviation.

REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD

	2022			2021		
	Fixed Compensation	in%	Total Compensation	Fixed Compensation	in%	Total Compensation
Paolo Scudieri - <i>Chairman of the Supervisory Board</i> since 23. July 2021	-	0%	-	-	0%	-
Pietro Gaeta - <i>Dep. Chairman of the Supervisory Board</i> since 23. July 2021	-	0%	-	-	0%	-
Pietro Lardini - <i>Member of the Supervisory Board</i> since 23 July 2021	-	0%	-	-	0%	-
Dr. Wolf Cornelius - <i>Chairman of the Supervisory Board</i> from 22 June 2020 until 23 July 2021	-	0%	-	58	0%	58
Dr. Wolfgang Lichtenwalder - <i>Dep. Chairman of the Supervisory Board</i> from 22 June 2020 until 23 July 2021	21	100%	21	21	100%	21
Bernd Maierhofer - <i>Dep. Chairman of the Supervisory Board</i> until 23. July 2021	-	0%	-	38	100%	38
Total	21	100%	21	117	100%	117

COMPARATIVE PRESENTATION OF THE REMUNERATION AND EARNINGS PERFORMANCE

The following comparative presentation shows the annual change in the remuneration granted and owed to current and former members of the Management Board and Supervisory Board, the Company's earnings performance and the remuneration of employees on a full-time equivalent basis. The comparative presentation of employees is based on the average wages and salaries of employees at all German locations and thus forms an appropriate benchmark.

COMPARATIVE PRESENTATION OF THE DEVELOPMENT OF COMPENSATION AND EARNINGS

	Remuneration	Change vs. previous year (in %)	Remuneration	Change vs. previous year (in %)	Remuneration	Change vs. previous year (in %)	Remuneration	Change vs. previous year (in %)	Remuneration
in kEUR	2022	2022 vs 2021	2021	2021 vs 2020	2020	2020 vs 2019	2019	2019 vs 2018	2018
Current members of the Management Board									
Alberto Buniato	150	-	-	-	-	-	-	-	-
Former members of the Management Board									
Andreas Becker	26	-84%	158	-88%	1.337	100%	689	-42%	1.146
Matheu Purrey	-	-100%	120	-21%	151	-	-	-	-
Dr. Ulrich Hauck	-	-	-	-100%	511	129%	223	-	-
Patrick Oschust	-	-	-	-100%	170	-58%	404	-28%	559
Stephan Vrublovsky	-	-	-	-	-	-100%	62	-91%	681
Current members of the Supervisory Board									
Paolo Scuderi (Chairman since 07/21)	-	-	-	-	-	-	-	-	-
Pietro Gaeta (Deputy Chairman since 07/21)	-	-	-	-	-	-	-	-	-
Pietro Lardini	-	-	-	-	-	-	-	-	-
Previous members of the Supervisory Board									
Dr. Wolf Cornelius (Vorsitzender 06/20 bis 07/21)	-	-100%	58	-	-	-	-	-	-
Dr. Wolfgang Lichtenwalder (Stell. Vorsitzender 06/20 bis 07/21)	21	6%	21	-	-	-	-	-	-
Berni Maethofer	-	-100%	38	-24%	50	47%	34	-	-
Robin Laik (Vorsitzender bis 06/20)	-	-	-	-100%	147	154%	58	-	-
Dr. Christian Schiede (stell. Vorsitzender 06/20)	-	-	-	-100%	110	151%	44	-	-
Employees									
Ø Employees in Ger.	57	-20%	72	-43%	126	14%	110	8%	102
Earnings performance									
Adj. EBITDA of the Group (Mo. EUR)	9	-55%	20	11%	18	0%	18	-25%	24
Adj. EBITDA of the STS Group AG	-4	-192%	-1	93%	-17	<-100%	-7	<-100%	-1
Net Profit of the STS Group AG	2	>100%	1	>100%	-8	-71%	-5	<-100%	-2

Report of the independent auditor on the audit of the remuneration report pursuant to section 162 (3) AktG

To the STS Group AG, Hagen

Audit opinion

We have formally audited the remuneration report of STS Group AG, Hagen, for the financial year from 1 January to 31 December 2022 to determine whether the disclosures pursuant to section 162 (1) and (2) AktG have been made in the remuneration report. In accordance with section 162 (3) AktG, we have not audited the content of the remuneration report.

In our opinion, the information required by section 162 (1) and (2) AktG has been disclosed in all material respects in the accompanying remuneration report. Our audit opinion does not cover the content of the remuneration report.

Basis for the audit opinion

We conducted our audit of the remuneration report in accordance with section 162 (3) AktG and IDW Auditing Standard: The audit of the remuneration report in accordance with section 162 (3) AktG (IDW PS 870). Our responsibility under that provision and standard is further described in the Auditor's Responsibility section of our report. As an auditing practice, we have complied with the requirements of the IDW Quality Assurance Standard: Requirements for Quality Assurance in Auditing Practice (IDW QS 1). We have complied with the professional duties pursuant to the Auditors' Code and the Professional Statutes for Auditors/Sworn Auditors, including the requirements for independence.

Responsibility of the legal representatives and the supervisory board

The legal representatives and the Supervisory Board are responsible for the preparation of the remuneration report, including the related disclosures, which complies with the requirements of § 162 AktG. They are further responsible for such internal control as they determine is necessary to enable the preparation of the remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

Responsibility of the auditor

Our objective is to obtain reasonable assurance about whether the disclosures pursuant to § 162 (1) and (2) AktG have been made in all material respects in the remuneration report and to express an opinion thereon in an audit report.

We planned and performed our audit to obtain evidence about the formal completeness of the remuneration report by comparing the disclosures made in the remuneration report with the disclosures required by section 162 (1) and (2) AktG. In accordance with section 162 (3) AktG, we

did not audit the accuracy of the disclosures, the completeness of the individual disclosures or the fair presentation of the remuneration report.