

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:

Part A: Period until March 19, 2020

The company complied with the recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated February 7, 2017 (the "old Code") since the last declaration of conformity in December 2019 until March 19, 2020 with the following exceptions:

1. Section 3.8 (3) of the old Code:

The old Code recommended 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 of 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 old Code:

The old 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 did not have in the relevant period a compliance management system in place, nor a 'whistleblowing' system enabling employees and third parties to call attention to legal violations in the company in a suitable, identity-protected fashion. To meet these requirements, the company examined the implementation of a digital compliance management system that provides these functionalities.

3. Section 4.2.3. Sentences 4 and 5 of the old Code:

The old Code recommended that care should be taken when concluding Executive Board contracts to ensure that payments made to Executive Board members on premature termination of their contract, including fringe benefits, do not exceed two years' compensation (so-called severance payment cap) and compensate no more than the remaining term of the contract. A severance payment cap will be considered in the future when new Executive Board contracts are concluded. This did not apply to existing contracts and extensions of contracts which did not include a severance payment cap. To this extent these Executive Board contracts were granted grandfathering.

4. Section 5.3.1 to 5.3.3 of the old Code:

The old Code recommended that the Supervisory Board should form professionally qualified committees depending on the specific circumstances of the company and the number of its members. The Supervisory Board shall set up an Audit Committee which - to the extent that no other committee is entrusted with this task – shall deal with the monitoring of accounting, the accounting process, the effectiveness of the internal control system, the risk management system, the internal audit system, the audit of the financial statements and compliance. The Chairman of the Audit Committee shall have special knowledge and experience in the application of accounting principles and internal control procedures. He or she shall be independent and not a former member of the Executive Board of the Company whose appointment ended less than two years ago. The Chairman of

the Supervisory Board shall not chair the Audit Committee. The Supervisory Board shall form a Nomination Committee composed exclusively of shareholder representatives which nominates suitable candidates to the Supervisory Board for its proposals to the Annual General Meeting for the election of Supervisory Board members.

The Company's Supervisory Board consists of only three persons; thus, no committees had been formed. Accordingly, the above recommendations did not apply to the Company.

5. Section 5.4.1 (2) of the old Code:

The old Code recommended 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 had not adopted any resolutions for the relevant period 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 old 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 was not a suitable means for ensuring that the Supervisory Board was composed of qualified members capable of working efficiently.

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

The old Code also recommended that the Chair and Deputy Chair positions in the Supervisory Board as well as the chair and membership in committees be considered 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 took in the relevant period 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 did not consider this necessary.

7. Section 7.1.2 Sentence 3 of the old Code:

The old Code recommended that the consolidated financial statements be made publicly accessible within 90 days after the end of the financial year and interim reports be publicly accessible within 45 days after the end of the reporting period.

The Company met legal requirements to publish the consolidated financial statements within the first four months of the Group's financial year. Because of the time required to carefully prepare interim reports, until further notice the Company observed the same legal deadlines for publication for the respective interim reports. However, the Company endeavoured to minimize the amount of time required for publication of the consolidated financial statements to the extent possible.

Part B: Period as of March 20, 2020

The Company has complied with the recommendations of the "Government Commission on the German Corporate Governance Code" in its latest version of December 16, 2019, published in the Federal Gazette on March 20, 2020 (the "Code"), since March 20, 2020 and will continue to comply with them in the future, in each case with the following exceptions:

8. Section B.2 of the Code:

The Code recommends that the Supervisory Board should work together with the Management Board to ensure long-term succession planning; the approach should be described in the corporate governance statement.

The corporate governance statement for the financial year 2019, which was published in the relevant period, did not yet contain a description of the approach to long-term succession planning for the Executive Board. Continuity was nevertheless ensured by the Supervisory Board for the 2020 financial year, particularly as the Executive Board member appointed in this period was appointed for an initial period of three years and the incumbent Executive Board member is a relatively very young Executive

Board member. In the meantime, the Supervisory Board has worked with the Executive Board to ensure long-term succession planning; the corresponding procedure is to be described for the future and thus already in the management report and corporate governance statement for the 2020 financial year.

9. Section B.5 of the Code:

The Code recommends that an age limit be specified for Executive Board members and stated in the corporate governance declaration.

The Supervisory Board has not passed a resolution specifying a concrete age limit for members of the Management Board, which is why no information can be provided in the corporate governance statement. The Supervisory Board is of the opinion that the decisive factor in the selection of candidates is that they are persons who have the knowledge, skills and professional and personal experience required to properly perform their duties. The Company is convinced that these requirements are not linked to a specific age, which is why the Company does not consider a specific age limit for members of the Board of Management to be suitable for ensuring that the persons concerned have the necessary skills.

10. Section C.1 of the Code:

The Code recommends that the Supervisory Board should specify concrete objectives for its composition and draw up a competence profile for the entire body. In doing so, the supervisory board shall pay attention to diversity. Proposals of the Supervisory Board to the Annual General Meeting should take these objectives into account and at the same time strive to fill out the competence profile for the entire body. The status of implementation shall be published in the corporate governance declaration. This shall also provide information on the number of independent shareholder representatives on the Supervisory Board, as deemed appropriate by the shareholder representatives, and the names of these members.

The Supervisory Board has not passed any resolution formulating concrete objectives regarding the composition of the Supervisory Board or a competence profile for the entire body. The Company is of the opinion that the current composition of the Supervisory Board complies with the requirements of Section C.1 of the Code. When selecting candidates to be proposed for election to the Supervisory Board, the Company always ensures that these are persons who have the knowledge, skills and professional and personal experience required to properly perform their duties. For this reason, the Company concludes that targets set regarding the specific composition are unsuitable for the election of an efficient and qualified Supervisory Board.

11. Section C.2 of the Code:

The Code recommends that an age limit be set for Supervisory Board members and stated in the corporate governance declaration.

The Supervisory Board has not passed any resolution specifying a concrete age limit, which is why no disclosure can be made in the corporate governance statement. With reference to the above explanations on section C.1, the Company is of the opinion that the decisive factor in the selection of candidates is that they are persons who have the knowledge, skills and professional and personal experience required to properly perform their duties. The Company is convinced that these requirements are not linked to a specific age, which is why the Company does not consider a specific age limit for Supervisory Board members to be suitable for ensuring that the persons concerned have the necessary skills.

12. Section C.10 of the Code:

The Code recommends that the Chairman of the Supervisory Board, the Chairman of the Audit Committee, and the Chairman of the committee dealing with Executive Board compensation should be independent of the Company and the Executive Board. The Chairman of the Audit Committee should also be independent of the controlling shareholder. It is the conviction of the Company that the Chairman of the Supervisory Board is independent of the Company and the Executive Board. However, as the Supervisory Board of the Company consists of only three persons in accordance with the Articles of Association, no committees are formed. Accordingly, the Company has neither a Chairman of the Audit Committee nor a Chairman of the committee dealing with the compensation of the Executive Board.

13. Section D.1 of the Code:

The Code recommends that the Supervisory Board should adopt rules of procedure and make them available on the Company's website.

Although the Supervisory Board has adopted rules of procedure, it has at the same time deliberately decided against publishing the rules of procedure on the Company's website. The Supervisory Board is of the opinion that the rules of procedure contain very detailed regulations for cooperation within the Supervisory Board and with the Executive Board, but that these only concern internal processes within the body or between the bodies and that making the rules of procedure accessible therefore offers no added value for investors. Conversely, however, the Rules of Procedure also contain confidential statements regarding measures requiring approval, which are deliberately not intended to be published.

14. Section D.2, D.3 sentence 1, D.4, D.5 and D.11 of the Code:

The Code recommends that the Supervisory Board should form professionally qualified committees depending on the specific circumstances of the company and the number of its members. The respective committee members and the committee chairman should be named in the corporate governance statement. The Supervisory Board shall set up an Audit Committee which - insofar as no other committee or the full Supervisory Board is entrusted with this task – shall deal with the audit of the financial statements, the monitoring of the financial reporting process, the effectiveness of the internal control system, the risk management system, and the internal auditing system, as well as the audit of the financial statements and compliance. The Chairman of the Audit Committee shall have special knowledge and experience in the application of accounting principles and internal control procedures and shall be familiar with and independent of the audit of the financial statements. The Chairman of the Supervisory Board shall not chair the Audit Committee. The Supervisory Board shall form a Nomination Committee composed exclusively of shareholder representatives which nominates suitable candidates to the Supervisory Board for its proposals to the Annual General Meeting for the election of Supervisory Board members. The Audit Committee shall regularly assess the quality of the audit of the financial statements.

As the Supervisory Board of the Company consists of only three persons in accordance with the Articles of Association, no committees are formed. Accordingly, the above recommendations do not apply to the Company or the Company cannot comply with the above recommendations.

15. Section D.12 of the Code:

The Code recommends that the Company should provide appropriate support for members of the Supervisory Board in their induction into office and in training and development measures, and report on measures carried out in the Report of the Supervisory Board.

It is true that the Company provided appropriate support to the new Supervisory Board members, who were initially appointed by the courts and subsequently confirmed by the Annual General Meeting, during their induction into office. However, no training or continuing education measures were carried out by the Supervisory Board members in the relevant period, due to the limited opportunities in connection with the CoViD19 pandemic. In the future, the Company intends to again provide appropriate support for the members of the Supervisory Board in terms of training and continuing education measures.

16. Section F.2 of the Code:

The Code recommends that the consolidated financial statements and the Group management report should be publicly accessible within 90 days of the end of the financial year, and the mandatory interim financial information within 45 days of the end of the reporting period.

Regarding the statutory requirement to publish the consolidated financial statements within the first four months of the Group's fiscal year, the Company follows the legal requirements. They were published on April 09, 2020, just a few days after the deadline recommended by the Code. Due to the timing required for careful preparation of interim reports, the Company has also followed the statutory publication deadlines for the respective interim reports. Due to the change of stock exchange segment from the Prime Standard to the General Standard, the Company is no longer obliged to publish quarterly reports, which is why the second part of the recommendation will in future only refer to the Company's half-yearly financial report. However, the Company endeavours to shorten the period required for the publication of consolidated financial statements and interim reports to an absolute minimum.

17. Section G.2 of the Code:

The Code recommends that, on the basis of the compensation system, the Supervisory Board should first determine the specific target total compensation for each member of the Board of Management, which should be commensurate with the duties and performance of the member of the Board of Management and the situation of the company and should not exceed the usual compensation without special justification.

The recommendation was only feasible to a limited extent in the relevant period due to the change of Executive Board members and the appointment of the incumbent Executive Board member at short notice. Nevertheless, in the current situation the Supervisory Board is satisfied that the target total compensation of the incumbent Executive Board is commensurate with the situation of the Company and does not exceed the customary compensation for such a position.

18. Section G.7 of the Code:

The Code recommends that the Supervisory Board should determine the performance criteria for all variable compensation components for each member of the Board of Management for the upcoming financial year, which – in addition to operational - should be based primarily on strategic objectives. The Supervisory Board should determine the extent to which individual targets for individual Executive Board members or targets for all Executive Board members together should be decisive. This recommendation was implemented by the Supervisory Board for the 2019 and 2020 financial years based on the contractual provisions, but implementation was overshadowed by the change in the Executive Board, with the result that no performance criteria have yet been defined for the current Executive Board.

19. Section G.9 of the Code:

The Code recommends that after the end of the financial year, the Supervisory Board should determine the amount of compensation components to be granted individually for that year, depending on target achievement. The achievement of targets should be comprehensible in terms of reason and amount.

This recommendation was implemented by the Supervisory Board regarding the departing Executive Board members for the 2019 financial year on the basis of the contractual provisions. In the absence of defined criteria for the Executive Board member appointed in the meantime, it was not possible to determine the amount of the compensation components to be granted individually for this year.

20. Section G.10 of the Code:

The Code recommends that the variable compensation amounts granted to the Executive Board member should be invested by him predominantly in shares of the Company, considering the respective tax burden, or granted accordingly on a share-based basis. The Executive Board member should not be able to dispose of the long-term variable grant amounts until after four years. This recommendation was not implemented as there was no contractual basis for it and it was not feasible in the current situation of the company and will not be feasible in the foreseeable future.

21. Section G.17 of the Code:

The Code recommends that the compensation of Supervisory Board members should take appropriate account of the greater time commitment of the Chairman and Deputy Chairman of the Supervisory Board, as well as the Chairman and members of committees.

The compensation of Supervisory Board members currently considers the chairmanship and deputy chairmanship of the Supervisory Board, but not as well as the chairmanship or membership of committees. The Company does not consider this necessary in view of the size of the Supervisory Board of three members, especially as the Supervisory Board has not formed any committees due to its size.

Hallbergmoos, January 2021

STS GROUP AG

The Executive Board

The Supervisory Board

