NORMA Group SE

Annual General Meeting on 30 June 2020

Substantial changes to the remuneration system for the members of the Management Board

The Supervisory Board has revised and reworded the remuneration system for members of the Management Board as of 1 January 2020 from top to bottom. In doing so, the Supervisory Board specifically took into account the points of criticism raised prior to the 2019 Annual General Meeting. In particular, the following revisions shall be emphasized:

The bonus components are based on results actually achieved, open to scrutiny, and audited. In future, the short-term incentive **STI** will depend on the one hand on the absolute performance factor of "NORMA Group EBIT" (*Earnings before Interest and Taxes*) rather than the EBITA (*Earnings before Interest, Taxes and Amortisation*) as previously. On the other hand, the STI will also depend on the relative performance factor of Relative Total Shareholder Return, or **TSR**. NORMA Group SE's TSR will be compared with the TSR of a previously determined **group for comparison of 15 other listed companies**. Depending on NORMA Group SE's ranking within this group for comparison, the sum paid out from the STI will be increased or reduced by up to 20%. Within the long-term incentive **LTI** an amount not exceeding 20% of the fixed annual salary will in future depend on meeting **sustainability goals**, such as reducing CO2 emissions ("**ESG-LTI**").

In introducing a comprehensive obligation to acquire and hold shares, NORMA Group SE is implementing a new recommendation under the German Corporate Governance Code. Members of the Management Board must invest 75% of the sum paid out from the LTI and 100% of the sum paid out from the ESG-LTI in NORMA Group SE shares. The Company may meet the sum to be paid out either wholly or partially by granting NORMA Group SE shares to the members of the Management Board as well. This means that more than 50% of the target sum to be paid out as variable remuneration will either be invested in NORMA Group SE shares by the members of the Management Board or will be granted by NORMA Group SE in the form of shares. The ESG-LTI has a four-year future timeframe and provides that shares must be held for one year. An **obligation to hold shares for four years** has been added to the LTI with future effect.

The Supervisory Board will set **binding performance criteria** for the STI and LTI. The Supervisory Board will set the goals for the ESG-LTI before the financial year begins. The respective sums to be paid out will be calculated once the financial year has finished and be based on target achievement. The Supervisory Board only has the option of exercising due discretion to adjust the terms and conditions of the STI and LTI if extraordinary events occur. Except from that, the Supervisory Board has no margin of discretion in setting the sums to be paid out from STI and LTI.

NORMA Group SE has **deleted the special remuneration clause** included in earlier service contracts. In future service contracts, NORMA Group SE will not make commitments in the event of a **change of control**.

In future, the components of variable remuneration will be subject to a recovery option ("**clawback**").

Remuneration system for the members of the Management Board

A. PRINCIPAL FEATURES OF THE REMUNERATION SYSTEM FOR THE MEMBERS OF THE MANAGEMENT BOARD OF NORMA GROUP SE

The structure of the remuneration system for the members of the Management Board is clear and comprehensible. It meets the requirements set out in the German Stock Corporation Act (AktG) in the version of the Act on the Implementation of the Second Shareholder Rights Directive of 12 December 2019 *(Gesetz zur Umsetzung der zweiten Aktionärsrechterichtlinie)* of 12 December 2019 (Federal Law Gazette Part I 2019, no. 50 of 19 December 2019).

The remuneration system applies for all Management Board members retroactively as of 1 January 2020, as well as for all new service agreements which are to be concluded with Management Board members and for contract renewals.

B. DETAILS OF THE REMUNERATION SYSTEM

I. Maximum Remuneration (section 87a(1) sentence 2 no. 1 AktG)

The **total remuneration** to be granted for a financial year (sum of all of the remuneration amounts spent for the relevant financial year, including fixed annual salary, variable remuneration components, pension expense (service costs) and fringe benefits) to the Management Board members – regardless of whether it is paid out in this financial year or at a later point in time – shall have an absolute upper limit ("**Maximum Remuneration**"). The Maximum Remuneration for the chairman of the Management Board shall be EUR 3,900,000, and for each of the other Management Board members EUR 2,500,000. Should the total remuneration calculated for a financial year exceed the Maximum Remuneration, the amount paid out from the Long Term Incentive ("**LTI**") should be reduced to the extent necessary to adhere to the Maximum Remuneration level. If necessary, the Supervisory Board can reduce other remuneration components at its due discretion or demand repayment of remuneration that has already been granted.

Independent of the fixed Maximum Remuneration, the amounts of each of the individual variable remuneration components that are to be paid shall also be limited in relation to the fixed annual salary.

II. Contribution of the remuneration to promoting the business strategy and the long-term development of NORMA Group SE (section 87a(1) sentence 2 no. 2 AktG)

In line with the "Vision 2025" of NORMA Group SE, the remuneration of the Management Board members shall promote the business strategy and the long-term interests of NORMA Group SE, thus contributing to the long-term development of NORMA Group SE. Supporting profitable growth of NORMA Group SE's business areas – also by specific acquisitions – and taking into consideration the sustainability strategy, should be the focus and basis of the further design of the remuneration system for Board of Management members.

In this context, the remuneration system is adjusted to different targets aiming at profit (in terms of EBIT), at investor return (in terms of the NOVA) at the development of corporate value (in terms of the stock price and the relative return on stock) and at environmental sustainability (in terms of a CO2 target). The criteria applied have different, but in each case perennial terms, in order to support the strategic success of the Company permanently.

The variable remuneration components shall be structured in such a way as to create an appropriate incentive system for the implementation of the corporate strategy and a sustainable value creation and increase in value. Particular attention shall be paid to achieving the greatest possible congruence between the interests and expectations of the shareholders and of the Management Board remuneration.

III. Remuneration components (section 87a(1) sentence 2 no. 3 AktG)

1. Overview of the remuneration components and their respective relative proportion of the remuneration

1.1 Overview of the remuneration components

The remuneration of the Management Board members shall comprise fixed and variable components. The fixed components of the remuneration for the Management Board members are the fixed annual salary, fringe benefits and the company pension scheme.

The variable components are the short-term variable remuneration ("**STI**") and the long-term variable remuneration. The long-term variable remuneration is comprised of the multi-year LTI and the **ESG-LTI**, a multi-year variable component geared toward sustainability objectives. The proportion of the long-term variable remuneration to the total remuneration shall exceed the proportion of the short-term variable remuneration. The relative proportions of the fixed and variable remuneration components are described in the following with reference to the Maximum Remuneration. In this connection, the maximum payments for the STI, limited in relation to the fixed annual salary (180% of the fixed annual salary), the LTI (200% of the fixed annual salary), the ESG-LTI (20% of the fixed annual salary), the pension expense for the company pension scheme (service costs) and the fringe benefits shall be set in relation to the Maximum Remuneration.

1.2 Relative proportion of the respective remuneration components to the Maximum Remuneration

Without taking the company pension scheme and the fringe benefits into account, the proportion of the fixed remuneration shall be 20%, and the proportion of the variable remuneration shall be 80% of the total of the fixed annual salary and the maximum payments for STI, LTI and ESG-LTI ("**Adjusted Maximum Total Remuneration**"). The proportion of the STI (maximum payment in the amount of 180% of the fixed annual salary) shall be 36%, the proportion of the LTI (maximum payment in the amount of 200% of the fixed annual salary) shall be 40% and the proportion of the ESG-LTI (maximum payment in the amount of 20% of the fixed annual salary) shall be 4% of the Adjusted Maximum Total Remuneration.

Taking the company pension scheme and the fringe benefits into account, for the Management Board chairman the proportion of the fixed remuneration (fixed annual salary, pension expense (service costs) and fringe benefits) shall be approximately 38% of the Maximum Remuneration and the proportion of the variable remuneration shall be approximately 62% of the Maximum Remuneration. The proportion of the STI (maximum payment in the amount of 180% of the fixed annual salary) shall be approximately 28% of the Maximum Remuneration, the proportion of the LTI (maximum payment in the amount of 200% of the fixed annual salary) shall be approximately 31% of the Maximum Remuneration and the proportion of the ESG-LTI (maximum payment in the amount of 20% of the fixed annual salary) shall be approximately 3% of the

Maximum Remuneration. In the case of ordinary Management Board members, taking the company pension scheme and the fringe benefits into account, the proportion of the fixed remuneration (fixed annual salary, pension expense (service costs) and fringe benefits) shall be approximately 36% of the Maximum Remuneration and the proportion of the variable remuneration shall be approximately 64% of the Maximum Remuneration. The proportion of the STI (maximum payment in the amount of 180% of the fixed annual salary) shall be approximately 29% of the Maximum Remuneration, the proportion of the LTI (maximum payment in the amount of 200% of the fixed annual salary) shall be approximately 32% of the Maximum Remuneration and the proportion of the ESG-LTI (maximum payment in the amount of 20% of the fixed annual salary) shall be approximately 3% of the Maximum Remuneration.

These proportions can vary slightly due to deviations in the actuarial accounting of the service costs for each financial year and each Management Board member, as well as the development of the costs of the contractually committed fringe benefits.

1.3 Determination of the target total remuneration and the relative proportion of the respective remuneration components to the target total remuneration

The Supervisory Board shall determine a target total remuneration for the individual Management Board members. The target total remuneration shall comprise the total of all of the remuneration components which are relevant for the total remuneration. For STI, LTI and ESG-LTI, the respective target amounts upon 100% fulfilment of the targets for the budget ("**Target Amounts of the Variable Remuneration Components**") shall be decisive. The Supervisory Board shall determine the Target Amounts of the Variable Remuneration Components for each financial year. The Supervisory Board shall resolve, on the basis of the results determined for the previous financial years, in the course of planning the budget for the ongoing financial year, targets which the Company is to achieve with regard to the performance criteria set out in B.IV.

Taking the company pension scheme and the fringe benefits into account, for the 2020 financial year, for the Management Board chairman the expected proportion of the fixed remuneration (fixed annual salary, pension expense (service costs) and fringe benefits) shall be approximately 49% of the target total remuneration and the proportion of the variable remuneration shall be approximately 51% of the target total remuneration. The proportion of the STI (target amount) shall be approximately 18% of the target total remuneration, the proportion of the LTI (target amount) shall be approximately 29% of the target total remuneration and the proportion of the ESG-LTI (target amount) shall be approximately 4% of the target total remuneration. The proportion of the STI (target amount) shall be approximately 35% of the variable remuneration, the proportion of the LTI (target amount) shall be approximately 65% of the variable remuneration. In the case of ordinary Management Board members, taking the company pension scheme and the fringe benefits into account, the proportion of the fixed remuneration (fixed annual salary, pension expense (service costs) and fringe benefits) shall be approximately 47% of the target total remuneration and the proportion of the variable remuneration shall be approximately 53% of the target total remuneration. The proportion of the STI (target amount) shall be approximately 19% of the target total remuneration, the proportion of the LTI (target amount) shall be approximately 30% of the target total remuneration and the proportion of the ESG-LTI (target amount) shall be approximately 4% of the target total remuneration. The proportion of the STI (target amount) shall be approximately 35% of the variable remuneration, the proportion of the LTI (target amount) shall be approximately 65% of the variable remuneration.

2. Fixed remuneration components

2.1 Fixed annual salary

The Management Board members shall receive a fixed annual salary in twelve monthly instalments, each to be paid at the end of a month.

The amount of the fixed annual salary shall be based on the tasks and the strategic and operative responsibility of the individual Management Board member.

2.2 Company pension plan

The current Management Board members, Dr. Schneider and Dr. Klein, shall be secured by a pension commitment by the Company. The claim for a pension shall arise if the service agreement has ended and the Management Board member has reached the age of 65 or is permanently unable to work. The level of the benefits (old-age pension) under the retirement pension agreements with the current Management Board members shall be 4% of the fixed annual salary for each complete year of service as of the appointment as Management Board member, at a maximum up to 55% of the last fixed annual salary. Additionally a survivor's pension is provided for.

Future Management Board members shall be granted a contribution-based plan on the basis of a pension reinsurance policy. The Company must pay contributions to an external provider in accordance with the contribution-based plan. The amount of the contributions shall be in line with the customary market practice.

2.3 Fringe benefits

The Company shall provide each Management Board member with a company car for private use. Additionally, the Management Board members shall be included in the Company's D&O insurance and the Company shall reimburse 50% of their expenses for health and nursing care insurance, at a maximum up to the expenses the Company would have had to pay had the employment relationship been subject to social security laws. The Company shall additionally take out accident insurance (for private and work-related accidents) for the Management Board members at its own expense.

3. Variable remuneration components

3.1 STI

The STI is a performance-related bonus which depends on the financial performance targets "NORMA Group EBIT" (*Earnings before Interest and Taxes*) and "relative Total Shareholder Return" (TSR). The STI shall be based on the NORMA Group EBIT of the financial year for which the STI is granted ("**Granting Financial Year**") and the two financial years preceding the Granting Financial Year, as well as the TSR in the Granting Financial Year.

The amount payable for the STI shall be calculated from a baseline value and an adjustment to the achievement of the TSR target. The baseline value shall be calculated by multiplying the STI percentage that is set individually for each Management Board member by the average (arithmetic mean) NORMA Group EBIT, adjusted for acquisitions, in the Granting Financial Year and in the two financial years preceding the Granting Financial Year. The individual STI

percentage shall be 0.33% for the Management Board chairman and 0.22% for ordinary Management Board members. In the second step, the baseline value shall be multiplied by a factor of between 0.8 and 1.2 resulting from the target achievement of the TSR ("**TSR Adjustment Factor**"). More detailed explanations of the performance criteria for the STI are provided in B.IV.1.

The amount payable under the STI shall be limited to a maximum of 180% of the fixed annual salary. The amount payable under the STI shall be due for payment at the end of the month in which the Supervisory Board has approved the consolidated financial statements of the Company for the Granting Financial Year. Should the service agreement begin or end in an ongoing Granting Financial Year, the amount payable shall be reduced pro rata temporis in relation to the financial year. All claims to the STI from an ongoing financial year shall be forfeited without reimbursement or compensation if the service agreement of the Management Board member ends due to a termination for cause by the Company due to a compelling reason pursuant to section 626 German Civil Code (BGB) for which the Management Board member is at fault, the appointment of the Management Board member is revoked due to a gross breach of duty and/or the appointment of the Management Board member ends due to a resignation from office, without such resignation from office having been occasioned by a breach of duty on the part of the Company or health-related impairments of the Management Board member or of a close family member ("**Bad Leaver Cases**"). Should any extraordinary events or developments occur, e.g. the acquisition or sale of a part of the undertaking, the Supervisory Board shall be entitled to adjust the terms of the STI plan temporarily at its reasonable discretion. The same shall apply analogously if changes in the accounting rules applicable for the Company have a material impact on the relevant parameters for the calculation of the STI, as well as in the event that a financial year has less than twelve months (partial financial year).

3.2 LTI

The LTI shall be granted in the form of a retrospective Performance Cash Plan in annual tranches, to be supplemented by an obligation to acquire and retain shares. The Management Board members shall be granted a tranche of the Performance Cash Plan on 1 January of each Granting Financial Year. Each tranche of the Performance Cash Plan shall have a term of three years, which encompasses the Granting Financial Year and the two financial years preceding the Granting Financial Year ("**Performance Period**").

The decisive success criterion for the LTI shall be the average adjusted Norma Value Added ("**NOVA**") during the three-year Performance Period. The payable amount of the LTI shall be calculated by multiplying the individual LTI percentage set out in the service agreement by the average adjusted NOVA during the Performance Period. The individual LTI percentage shall be 1.5% for the Management Board chairman and 1.0% for ordinary Management Board members.

The amount payable under the LTI shall be limited to a maximum of 200% of the fixed annual salary. The amount payable under the LTI shall be due for payment at the end of the month in which the Supervisory Board has approved the consolidated financial statement of the Company for the Granting Financial Year. The cases described for the STI in B.III.3.1 shall apply analogously in the case of an exit during an ongoing Performance Period. Should any extraordinary events or developments occur, e.g. the acquisition or sale of a part of the undertaking, the Supervisory Board shall be entitled to adjust the terms of the LTI plan temporarily at its reasonable discretion. The same shall apply analogously if changes in the accounting rules applicable for

the Company have a material impact on the relevant parameters for the calculation of the LTI, as well as in the event that a financial year has less than twelve months (partial financial year).

The Company may disburse the payable amount under the LTI in cash or in Company shares. In the case of a cash payment, the Management Board members shall be obliged to acquire shares in the Company for an amount equal to 75% of the net amount paid and to retain ownership of them for a period of four years ("**Share Acquisition and Retention Requirement**"). Once the service agreement comes to an end, the retention requirement shall generally exist until twelve months have elapsed after the legal end of the service agreement unless the four-year retention period has already expired. The Supervisory Board of the Company may resolve at its reasonable discretion to issue shares in the Company wholly or partly in lieu of a cash payment. Should the Company issue shares in the Company in lieu of a cash payment, the Management Board members shall likewise be obliged to retain ownership of 75% of the shares issued for four years. Regardless of whether the Company renders the payable amount in cash or in shares, 75% of the net payable amount under the LTI must be invested in Company shares and ownership of them must be retained for a period of four years.

3.3 ESG-LTI

The ESG-LTI is a variable remuneration element in the form of a forward-looking Performance Cash Plan in annual tranches which shall be supplemented by an obligation of the Management Board member to acquire and retain shares. Each tranche of the ESG-LTI shall have a term of four years. A tranche shall commence on 1 January of the Granting Financial Year and end at midnight, 31 December of the third year following the Granting Financial Year ("**ESG Performance Period**").

The amount to be paid out under the ESG-LTI shall depend on the achievement of targets in the areas of environment, social and corporate governance ("**ESG Targets**").

The target amount of the ESG-LTI shall be 20% of the fixed annual salary. The amount payable shall be limited to a maximum of 100% of the target amount. The amount payable under the ESG-LTI shall be due for payment at the end of the month in which the Supervisory Board has approved the consolidated financial statements of the Company for the Granting Financial Year. The cases described for the STI in B.III.3.1 shall apply analogously in the case of an exit during an ongoing Performance Period. Should any extraordinary events or developments occur, e.g. the acquisition or sale of a part of the undertaking, the Supervisory Board shall be entitled to adjust the terms of the ESG-LTI plan temporarily at its reasonable discretion. The same shall apply analogously if changes in the accounting rules applicable for the Company have a material impact on the relevant parameters for the calculation of the ESG-LTI, as well as in the event that a financial year has less than twelve months (partial financial year).

The Company may disburse the payable amount under the ESG-LTI in cash or in Company shares. In the case of a cash payment, the Management Board members shall be obliged to acquire shares in the Company for an amount equal to 100% of the net amount paid and to retain ownership of them for a period of one year ("**Share Acquisition and Retention Requirement**"). The Supervisory Board of the Company may resolve at its reasonable discretion to issue shares in the Company wholly or partly in lieu of a cash payment. Should the Company issue shares in the Company in lieu of a cash payment, the Management Board members shall likewise be obliged to retain ownership of 100% of the shares issued for one year. Regardless of

whether the Company renders the payable amount in cash or in shares, 100% of the net payable amount under the ESG-LTI must be invested in Company shares and ownership of them must be retained for a period of one year.

IV. Performance criteria for the granting of variable remuneration components (section 87a(1) sentence 2 no. 4 AktG)

The financial and non-financial performance criteria set out under B.III.3 shall contribute to the promotion of the business strategy and the long-term development of the Company as follows. The achievement of these targets shall be measured as follows:

The variable remuneration components shall be structured in such a way as to create an appropriate incentive system for the implementation of the corporate strategy and a sustainable value creation and increase in value. Particular attention shall be paid to achieving the greatest possible congruence between the interests and expectations of the shareholders and of the Management Board remuneration. The variable remuneration shall be linked to the target of a sustainable increase in the corporate value and therefore consist of a short-term and a long-term variable component. The remuneration model developed by the Supervisory Board shall provide a great deal of transparency by linking the performance figures to clearly defined indicators for yield, value creation and sustainable development. The sustainable business orientation, as well as the social and environmental responsibility of the NORMA Group, shall be reflected in "ESG Targets", which shall likewise form the basis of the variable remuneration of the Management Board.

1. STI

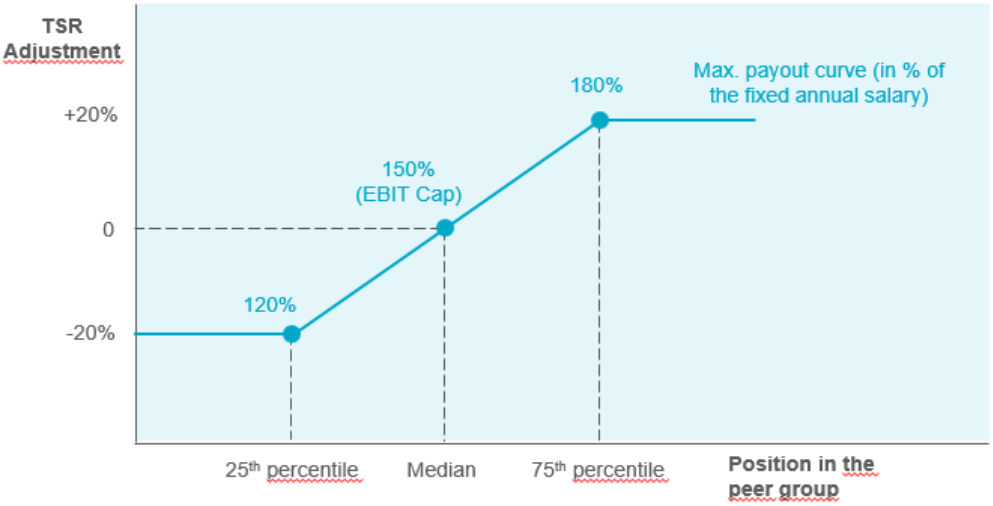
The relevant performance figures for calculating the payable amount under the STI shall be the average adjusted NORMA Group EBIT (adjusted for acquisitions) of the Granting Financial Year and the two preceding financial years, as well as the relative Total Shareholder Return in the Granting Financial Year. The NORMA Group EBIT shall serve as the absolute performance figure for calculating the baseline value in that the individual STI percentage that is set individually for each Management Board member shall be multiplied by the average NORMA Group EBIT, adjusted for acquisitions, in the Granting Financial Year and in the two financial years preceding the Granting Financial Year (arithmetic mean). In the second step, the baseline value shall be multiplied by a factor of between 0.8 and 1.2 resulting from the target achievement of the relative performance figure TSR.

The NORMA Group EBIT measures the earnings before interest and taxes. By applying the average adjusted NORMA Group EBIT as a performance figure, the profitability of the undertaking shall be taken into account in the remuneration of the Management Board. Profitability is one of the key requirements of the NORMA Group's corporate strategy in this regard.

The TSR Adjustment Factor shall be calculated by measuring the TSR development (share price and dividend growth) of the Company in relation to the TSR development of the undertakings of the comparison group during the Granting Financial Year. The comparison group consists of 15 listed undertakings with a size, structure and industry that is comparable to the NORMA Group (Bertrandt AG, Deutz AG, DMG Mori AG, ElringKlinger AG, Gerresheimer AG, Jungheinrich AG, König & Bauer AG, Leoni AG, SAF-Holland S.A., Schaeffler AG, SGL Carbon SE, Stabilus S.A., Vossloh AG, Wacker Neuson SE and Washtec AG). The Supervisory

Board shall be entitled to adjust the comparison group for future assessment periods prior to the commencement of the respective assessment period. The TSR shall be defined for the Company and for each comparison undertaking as the percentage change of the exchange rate during the Granting Financial Year with the inclusion of fictitious reinvested dividends and all capital measures. Depending on the results of the comparison, if a position in the comparison group above the 75th percentile is achieved, the baseline value of the STI shall be adjusted upward by 20%, and if it falls below the 25th percentile, the baseline value shall be adjusted downward by 20%. In the case of a position at the 50th percentile (median) in the comparison group, the baseline value shall not be adjusted. There shall be a linear interpolation between the lower and upper limits at the 25th percentile and the 75th percentile respectively, as well as the 50th percentile.

Individual targets which are linked to the performance of the individual Management Board members shall not be decisive for measuring the target achievement under the STI.



2. LTI

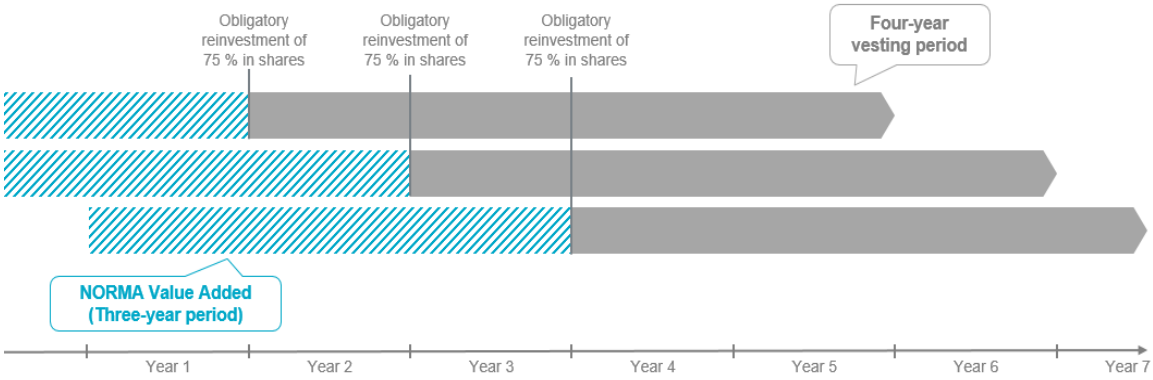
The relevant performance figure for calculating the payable amount under the LTI shall be the NOVA in the Granting Financial Year and in the three financial years preceding the Granting Financial Year. The NOVA is the difference between the adjusted EBIT of the financial year as shown in the consolidated financial statements of the Company, multiplied by a factor of "1 minus s" and the WACC (Weighted Average Cost of Capital) multiplied by the invested capital at the beginning of the financial year according to the following formula:

NORMA Value Added = (adjusted EBIT x (1 – t)) – (WACC x invested capital)

Because it is linked to the NOVA, the LTI creates a long-term incentive for the Management Board to commit itself to achieving the success of the Company. The LTI is thus a value increase premium which is based on the performance of the group.

Along with a strong long-term orientation to the value creation and increased value of the undertaking, the remuneration system also ensures that the Management Board members will always hold a significant, and in comparison to the market, a very large shareholding in the NORMA Group during their term of office. The objective of the Share Acquisition and Retention Requirement is to gear the actions of the Management Board members more closely to the

value creation of the undertaking. This will increase the congruence between the interests of the shareholders and the Management Board.



Individual targets which are linked to the performance of the individual Management Board members shall not be decisive for measuring the target achievement under the LTI.

3. ESG-LTI

The ESG-LTI shall depend on the achievement of certain sustainability targets determined by the Supervisory Board prior to the commencement of the ESG Performance Period in the areas of environment, social and corporate governance. Examples of ESG Targets could be:

– reducing greenhouse gas emissions;

– increasing employee satisfaction;

– increasing customer satisfaction;

– reducing accidents at work (e.g. as measured by the total recordable incident rate ("**TRIR**") per year);

– increasing sustainability (e.g. as measured by the Dow Jones Sustainability Index).

Before each ESG Performance Period begins, the Supervisory Board shall define the sustainability targets, their weighting and criteria for measuring the achievement of the targets. After the end of the ESG Performance Period, the Supervisory Board shall determine the target achievement by each Management Board member for each ESG Target and ascertain the overall target achievement for the ESG Targets according to the defined weighting. In the case of an overall target achievement of 100%, the payable amount shall correspond to the target amount set in the service agreement ("**Target and Maximum Value**"), i.e. a value of 20% of the fixed annual salary. No payment shall be made if the overall target achievement is 50% or less ("**Threshold**"). Linear interpolation shall be used to determine values between the Threshold and the Target and Maximum Value.

With the ESG-LTI, the NORMA Group is proactively assuming responsibility for creating a sustainable remuneration policy.

Individual targets which are linked to the performance of the individual Management Board members shall not be decisive for measuring the target achievement under the ESG-LTI.

V. Ability of the Company to recover variable remuneration components (section 87a(1) sentence 2 no. 6 AktG)

The Company shall be entitled to adjust and recover the payable amounts under the variable remuneration at its due discretion if the audited consolidated financial statements and/or the basis for determining other targets which serve as a basis for calculating the variable remuneration have to be corrected subsequently because they objectively proved to be erroneous and the errors led to a wrong calculation of the variable remuneration.

The recovery claim shall exist in the amount of the difference between the actual sums paid out by the Company and the amounts which, according to the rules on the variable remuneration, should have been paid out on the basis of the corrected calculation bases.

If the correction of the calculation bases for the variable remuneration has an effect on several variable remuneration components which were paid out, then payable amounts for all of the variable remuneration components can be recovered. The recovery claim shall exist until three years have elapsed since the payment of the respective relevant variable remuneration component.

VI. Share-based remuneration (section 87a(1) sentence. 2 no. 7 AktG)

Both the LTI and the ESG-LTI are granted on the basis of shares. Explanations of time periods, the conditions for the retention of shares after acquisition and the contribution of the share-based remuneration to the promotion of the business strategy and the long-term development of the Company can be found at the description of the remuneration components under B.III.

VII. Remuneration-related legal acts (section 87a(1), sentence 1, no. 8 AktG)

1. Terms and prerequisites for the termination of remuneration-related legal acts (section 87a(1), sentence 2, no. 8, lit. a AktG)

The service contracts of the Management Board members shall take effect as of 1 January 2020 and shall end when the appointment ends, i.e. for Dr Schneider currently on expiration of 30 June 2023 and for Dr Klein currently on expiration of 30 September 2021. In the event of re-appointment, the service contracts shall continue to apply unless the parties agree otherwise.

Should the appointment as a Management Board member be revoked for good cause pursuant to section 84(3) AktG which is also good cause for termination of the Management Board member's contract without notice pursuant to section 626 BGB, the service contract shall end automatically.

The currently appointed Management Board members are entitled under a transitional arrangement to terminate their respective service contract with two months' notice to the month end (special right of termination) and to resign from their Management Board position if a shareholder holds more than 50% of the shares in the Company or if the Management Board member's legal status as a Management Board member comes to an end due to a transformation of the Company without him or her becoming a member of the Management Board or of the man-

agement of the absorbing or newly founded legal entity. The special right of termination will no longer be concluded with newly appointed Management Board members in future.

Should a Management Board member become permanently unable to work during the term of his or her service contract, the service contract shall end at latest on expiration of the month in which the permanent inability to work is determined.

2. Compensation for removal (section 87a(1), sentence 2, no. 8, lit. b AktG)

Should the service contract be terminated other than for good cause, any severance, including fringe benefits, paid to the respective Management Board member shall be limited to a maximum of two years' annual remuneration and, in the event that the remaining term of the service contract is less than two years, may not exceed the contractually agreed remuneration for the remaining term (**Severance Cap**). The Severance Cap shall generally be calculated on the basis of the total remuneration paid for the previous financial year and, if appropriate, shall take into account the expected total remuneration for the current financial year.

The following additional transitional arrangements shall apply to Management Board members who are currently appointed: Should the service contract end based on the special right of termination in the event of a change of control, the Company shall pay severance at the termination date amounting to three years' annual remuneration, but not more than the value of the remuneration for the remaining term of the service contract. The annual remuneration shall be the current fixed annual salary at the time termination is issued as well as the variable remuneration components granted for the preceding financial year. This special provision will no longer be concluded with newly appointed Management Board members in the future.

In the event that a post-contractual non-competition clause is agreed, any severance shall be set off against the compensation for the waiting period.

Should the Management Board member's contract be terminated by the Management Board member him- or herself or for good cause for which he or she bears responsibility, no severance shall be paid.

The key features of the pension and early retirement provisions are explained under B.III.2.2.

VIII. Consideration to be given to the employees' terms and conditions of remuneration and employment when determining the remuneration system (section 87a(1), sentence 1, no. 9 AktG)

When determining the remuneration and fringe benefit system for Management Board members, the Supervisory Board took into account the remuneration and fringe benefit system for the senior managers and the workforce as a whole, in particular how remuneration has developed over time, and received detailed explanation on the plan contents in its meetings by representatives of the human resources department of NORMA Group SE.

IX. Procedure to determine and implement, as well as to review the remuneration system (section 87a(1), sentence 2, no. 10 AktG)

The Supervisory Board shall adopt a clear and comprehensible remuneration system for the Management Board members. The Executive and Nomination Committee shall be responsible for preparing the resolution and for providing the Supervisory Board at regular intervals with all

the information required by the Supervisory Board in order to review the remuneration system. The Supervisory Board shall review the remuneration system at its due discretion, but in any event every four years. The Supervisory Board shall review the level of fixed annual salary every two years in order to ensure it is commensurate. To do so, the Supervisory Board shall make a market comparison and also take particular account of changes in the business environment, the overall economic situation and strategy of the Company, changes and trends in national and international corporate governance standards, and developments in the employees' term and conditions of remuneration and employment pursuant to B.VIII. If necessary, the Supervisory Board shall consult external remuneration experts and other advisors. The Supervisory Board shall thereby pay attention to the independence of the remuneration experts and the advisors to the Management Board and take the necessary precautions to avoid conflicts of interest.

The Supervisory Board shall present the remuneration system resolved on to the general meeting for approval each time there is a substantial change, but at least every four years. Should the general meeting not approve the submitted system, the Supervisory Board shall submit a revised remuneration system to the general meeting for approval at latest at the next Annual General Meeting.

The remuneration system shall apply for all Management Board members retroactively as of 1 January 2020. In order to implement the remuneration system, the Supervisory Board, acting on behalf of the Company, shall agree the appropriate adjustments to the service contracts with the existing Management Board members and shall specify the target values for the 2020 financial year in conformity with the existing remuneration system.

The Supervisory Board and the Executive and Nomination Committee take adequate measures to ensure that possible conflicts of interests affecting the Supervisory Board members involved in advising and decision-making on the remuneration system are avoided and, as the case may be, resolved. Each Supervisory Board member shall be under a duty to notify the Supervisory Board chairman of conflicts of interest. The Supervisory Board chairman shall disclose to the Executive and Nomination Committee any conflicts of interest affecting him. The Supervisory Board shall decide how to deal with an existing conflict of interest on a case-by-case basis. One option in particular would be for a Supervisory Board member affected by a conflict of interest not to participate in a meeting or in individual consultations and decisions of the Supervisory Board or the Executive and Nomination Committee.

The Supervisory Board may temporarily deviate from the remuneration system (procedure and regulations on remuneration structure) and its individual components, as well as with regard to the individual remuneration components of the remuneration system, or introduce new remuneration components if this is necessary for the long-term wellbeing of the Company. The Supervisory Board shall reserve such deviations for exceptional circumstances, for example an economic or Company crisis. Such deviations may temporarily cause a deviation from Maximum Remuneration for the Management Board chairman or for other Management Board members.