

Group Declaration on Corporate Governance

(English convenience translation of German original)

In accordance with Section 315 (5) of the German Commercial Code (HGB), the group declaration on corporate governance pursuant to Sections 289f, 315d of the German Commercial Code (HGB) is an integral part of the Combined Management Report of STEMMER IMAGING AG and the Group. It includes the Declaration of Compliance in accordance with Section 161 of the German Stock Corporation Act (AktG), a reference to the company's website where the remuneration report on the last fiscal year and the auditor's report pursuant to section 162 of the German Stock Corporation Act (AktG), the applicable remuneration system pursuant to section 87a (1) and (2) sentence 1 of the German Stock Corporation Act (AktG) and the last remuneration resolution pursuant to section 113 (3) of the German Stock Corporation Act (AktG) are made available to the public, relevant information on corporate governance practices, a description of the mode of operation of the Executive Board and Supervisory Board, the specifications in accordance with Section 76 (4) and Section 111 (5) of the German Stock Corporation Act (AktG) and their state of implementation, as well as information on the diversity concept. STEMMER IMAGING aims to provide a clear, transparent and concise presentation of corporate governance.

STEMMER IMAGING is aware of its role in society and its responsibility towards customers, business partners, shareholders and employees. Respectful and cooperative collaboration as well as the conscious perception of social responsibility and compliance with the relevant regulations and laws form the basis for long-term and sustainable corporate success. STEMMER IMAGING's mission statement with its vision, mission and values is closely linked to the corporate governance guidelines and serves as a framework for action for employees worldwide.

The Executive Board and the Supervisory Board work closely together in the interests of the company. At STEMMER IMAGING AG, the intensive and continuous dialogue between the two bodies forms the basis for responsible corporate governance.

Corporate Governance

Transparent corporate governance builds trust among investors, employees, business partners and the public in the management and the supervisory system of STEMMER IMAGING AG. This forms the foundation for long-term economic success based on the German Corporate Governance Code in its current version. On 9 June 2021, the Executive Board and Supervisory Board last issued a regular joint Declaration of Compliance of STEMMER IMAGING AG in accordance with Section 161 of the German Stock Corporation Act (AktG) which has been made permanently available to the public.

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1. Declarations of Compliance with the German Corporate Governance Code

1.1 Declaration of the Executive Board and the Supervisory Board of STEMMER IMAGING AG on the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG) dated 9 June 2021:

The Executive Board and the Supervisory Board declare in accordance with Section 161 of the German Stock Corporation Act (AktG) that STEMMER IMAGING AG complies with all recommendations of the German Corporate Governance Code in the version dated 16 December 2019, published by the Federal Ministry of Justice in the Official Section of the Federal Gazette on 20 March 2020, and will continue to comply with these recommendations in the future, with the following exceptions:

- Regarding Sections D.2, D.3, D.4. and D.5 (Establishment of Committees): The company's Supervisory Board consists of three members. Contrary to Sections D.2, D.3, D.4 and D.5 of the Corporate Governance Code, the Supervisory Board does not form any committees, in particular no Audit Committee and no Nomination Committee. The establishment of specialist committees is not expedient due to the size of the Supervisory Board with three members and - in contrast to larger bodies - does not lead to an increase in efficiency. For this reason, it is not advisable to form such committees. All tasks assigned to the committees in accordance with the recommendations of the German Corporate Governance Code are performed by the full Supervisory Board. This also includes assessing the quality of the fiscal statement audit in accordance with Section D.11 of the Corporate Governance Code.
- Regarding Section G.7 (Remuneration system for members of the Executive Board): According to this recommendation, the Supervisory Board shall establish performance criteria for the total amount of variable remuneration components. The Executive Board remuneration system includes the possibility of extraordinary special remuneration which is granted at the discretion of the Supervisory Board and for which no performance criteria are established for the decision of the Supervisory Board. Such special remuneration is intended to reward, in extraordinary cases and at reasonable discretion, special achievements of an Executive Board member in the interest of the company, provided that this contributes to the advancement of the business strategy and the long-term development of the company. Restricting this possibility by establishing certain performance criteria would, in the company's view, disproportionately limit the discretion in favour of the Supervisory Board for such extraordinary cases.

1.2 Publication of Declarations of Compliance

The current and previous Declarations of Compliance of STEMMER IMAGING AG can be accessed online at: [Corporate Governance | STEMMER IMAGING \(stemmer-imaging.com\)](https://www.stemmer-imaging.com/corporate-governance)

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2. Close cooperation between the Executive Board and the Supervisory Board

The mode of operation of the Executive Board and the Supervisory Board is based on the relevant laws, the German Corporate Governance Code, the Articles of Association and the resolutions passed by the Annual General Meeting of STEMMER IMAGING AG, the Rules of Procedure for the Supervisory Board as well as the Rules of Procedure and the Schedule of Responsibilities for the Executive Board.

2.1 The Executive Board

In the 2021 fiscal year, the Executive Board of STEMMER IMAGING AG consisted of the following members: Arne Dehn (Chairman) and Uwe Kemm (COO). The Executive Board manages the company with the aim of creating sustainable value. The members bear joint responsibility for the entire management. The members of the Executive Board work closely together, exchange information and keep each other informed about important measures and events in their business areas. The principles of cooperation between the members of the Executive Board of STEMMER IMAGING AG are summarised in the Rules of Procedure for the Executive Board. In particular, these regulate the divisional responsibilities according to the Schedule of Responsibilities, the matters reserved for the entire Executive Board, the rules of representation applicable to the Executive Board, the rights and duties of the CEO, the meetings, the passing of resolutions and the required majorities for resolutions, as well as the type of transactions which are subject to the approval of the Supervisory Board and are also specified in the Articles of Association of STEMMER IMAGING AG. In addition, the Rules of Procedure for the Executive Board regulate the reporting to the Supervisory Board.

The Executive Board informs the Supervisory Board regularly, without delay and comprehensively about all issues that are relevant to the STEMMER IMAGING Group, in particular business development, planning, the risk situation, risk management and compliance as well as significant business transactions. The Executive Board and the Supervisory Board discuss the company's strategic orientation at regular intervals as well as the status of strategy implementation. The Rules of Procedure of the Executive Board as well as the Articles of Association of the company can be found at the following link: [Corporate Governance | STEMMER IMAGING \(stemmer-imaging.com\)](https://www.stemmer-imaging.com/corporate-governance)

2.2 The Supervisory Board

In accordance with the company's Articles of Association, the Supervisory Board of STEMMER IMAGING AG consists of three members. In the 2021 fiscal year, these were: Klaus Weinmann (Chairman), Stefan Kober (Deputy Chairman) and Markus Saller. The Supervisory Board advises the Executive Board on the management of the company and monitors its activities. It appoints and dismisses the members of the Executive Board and, together with the Executive Board, must ensure long-term succession planning.

In its composition of three members, the full Supervisory Board performs the duties of the Audit Committee in accordance with section 107 (3) sentence 2 of the German Stock Corporation Act (AktG) and section D.3 of the German Corporate Governance Code.

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The principles of cooperation within the Supervisory Board of STEMMER IMAGING AG are specified in the Rules of Procedure for the Supervisory Board. These govern, among other things, the election of the CEO and his or her deputy, the convening of meetings and their sequence, the permitted methods of passing resolutions and the documentation of meetings and resolutions. The Rules of Procedure for the Supervisory Board can be found on the company's website: [Corporate Governance | STEMMER IMAGING \(stemmer-imaging.com\)](https://www.stemmer-imaging.com/Corporate-Governance).

Furthermore, the Supervisory Board sets the targets for the variable remuneration and the respective total remuneration for the individual Executive Board members and reviews the appropriateness of the total remuneration as well as the remuneration system for the Executive Board on a regular basis.

The Supervisory Board members are responsible for the training and further education measures required for their tasks, such as changes in the legal framework and new, forward-looking technologies, and are supported in this by the company.

At the turn of the year, there was a change in personnel on the Supervisory Board. Stefan Kober resigned from his office with effect from 31 December 2021. Subsequently, Prof. Dr. Constanze Chwallek was judicially appointed as a new member of the Supervisory Board with effect from 3 January 2022. The replacement will be submitted to the Annual General Meeting on 18 May 2022 for resolution. At its meeting on 20 January 2022, the Supervisory Board elected Markus Saller, previously a member of the Supervisory Board, as Deputy Chairman. Klaus Weinmann remains Chairman of the Supervisory Board.

Information on the members of the Supervisory Board and their curricula vitae can be found on our website at: [STEMMER IMAGING-Supervisory Board-Vita-EN-2022-02.pdf](#). There you will also find information on the period of membership of the individual Supervisory Board members and their additional memberships in other statutory supervisory boards.

3. Diversity concept, competence profile and succession planning for the Executive Board

The composition of the Supervisory Board and the Executive Board of STEMMER IMAGING AG is intended to enable the company's development towards sustainable profitability and constant adaptation to rapidly changing requirements on the basis of relevant expertise. A suitable diversity of competencies of the members of the Executive Board and the Supervisory Board ensures a broad mix of experience and different perspectives for the benefit of the company.

3.1 Diversity concept for the composition of the Executive Board

In their assessment of candidates for Executive Board positions the underlying suitability criteria are, in particular, professional qualifications relevant for the division concerned, leadership qualities, proven track record and acquired skills as well as knowledge of the company. The members of the Executive Board should contribute different professional experience and expertise. This includes expert experience at different companies and at different stages in their CVs.

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To this end, the Supervisory Board of STEMMER IMAGING AG has adopted the following diversity concept for the composition of the Executive Board:

The members of the Executive Board shall collectively possess the knowledge, skills and professional experience required to properly perform their duties.

In doing so, the Supervisory Board pays particular attention to the following aspects:

- at least one member of the Executive Board shall be familiar with the business of machine vision technology for use in the industrial and non-industrial areas, in particular with the market environment, the individual business segments and customer requirements;
- the member of the Executive Board responsible for finance shall have expertise in the areas of accounting or auditing as well as knowledge of the capital market and financing;
- at least one member of the Executive Board shall have experience in managing a medium-sized company;
- at least one member of the Management Board shall have particular international experience;
- as a rule, only those who have not yet reached the age of 65 shall be members of the Executive Board; in justified individual cases, deviations from this rule are possible;
- for the proportion of women on the Executive Board, the Supervisory Board has set targets and deadlines for achieving them in accordance with Section 111 (5) of the German Stock Corporation Act (AktG), which are referred to below.

The Supervisory Board decides in the best interests of the company and under consideration of all circumstances of the individual case which person should be appointed to a specific position on the Executive Board. Currently, the Executive Board of STEMMER IMAGING AG consists of two members who are qualified in different areas.

The current composition of the Executive Board complies with the competence profile and currently meets the requirements of the diversity concept.

3.2 Diversity concept for the composition of the Supervisory Board

The Supervisory Board's diversity concept aims to ensure that STEMMER IMAGING AG has a well-balanced Supervisory Board with various competencies, which is particularly important for the successful performance of its supervisory duties.

For this reason, the diversity concept for the composition of the Supervisory Board in terms of internationality, diversity of professional experience, educational background and age as well as the composition by gender pays particular attention to the following aspects:

- in terms of its composition, the Supervisory Board strives to incorporate different professional and international experience. However, it will not emphasise the concept of diversity with regard to its objectives and the candidates proposed to the Annual General Meeting, but will continue to focus in particular on knowledge, professional qualifications and the personality of the potential candidates;

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- each member of the Supervisory Board fulfills the legal and statutory requirements for a membership in the Supervisory Board (in particular Section 100 (1) to (4) of the German Stock Corporation Act (AktG));
- no more than one former member of the Executive Board shall be a member of the Supervisory Board;
- as a rule, only those who have not yet reached the age of 70 shall be members of the Supervisory Board; in justified individual cases, deviations from this rule are possible;
- with regard to the proportion of women on the Supervisory Board, the Supervisory Board has set targets and deadlines for achieving these targets in accordance with Section 111 (5) of the German Stock Corporation Act (AktG), which are referred to below.

The current composition of the Supervisory Board meets the requirements of the diversity concept in the opinion of the Supervisory Board.

3.3 Competence profile for the full board

Within the scope of the competence profile of the Supervisory Board, the Supervisory Board considers the main topics of professional competence, experience, competence in the company's key factors and personality profile to be decisive. The competence profile is intended to achieve the best possible coverage of the topics that are important and forward-looking for the company. In this way, the Supervisory Board also ensures that its appointed members meet all the requirements for proper Supervisory Board work.

The Supervisory Board considers professional competence in the areas of technology, accounting or auditing (Section 100 (5) AktG) and finance, strategy, M&A, organization & human resources as well as business processes to be essential.

Due to the international orientation of the STEMMER IMAGING Group, at least one member must also have several years of international experience, e.g. by consulting or working for international companies.

Not all members need to be equally proficient in all fields of knowledge; it is more important that the various skills complement each other.

At least once a year, the Supervisory Board will review the effectiveness of the performance of its tasks in an internal self-evaluation (efficiency review of the Supervisory Board's activities) using a comprehensive questionnaire. This questionnaire examines various areas and aspects of the Supervisory Board work, in particular the organization of the Supervisory Board and meeting procedures, corporate governance, risk management and the annual fiscal statements. All members of the Supervisory Board can submit their evaluation of the effectiveness of the Supervisory Board work and suggest improvements. In the 2021 fiscal year, the efficiency review took place at the Supervisory Board meeting on 9 June.

In the opinion of the Supervisory Board, the requirements of the competence profile with regard to the composition of the Supervisory Board are currently already met.

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3.4 Long-term succession planning

The Supervisory Board has developed a concept for succession planning together with the Executive Board. This concept includes the discussion of the management structure and individual members of the management team once a year in the Supervisory Board meeting at the end of the second quarter. In this context, different management or organizational levels such as the Executive Board, management team, regional and functional managers are addressed. These employees are discussed individually with regard to a long-term career path. This includes aspects such as seniority, responsibilities, and other aspects. From this, the Supervisory Board and Executive Board derive the concrete need for action for succession appointments. Furthermore, a pool of junior managers and skilled employees within the organization is identified for all major locations. This includes both employees with functional specialisation and employees with leadership responsibilities. In the discussions between the Supervisory Board and the Board of Management, the possibilities of transferring additional responsibility in terms of succession planning are discussed and appropriate measures are determined.

3.5 Independence of the shareholder representatives

In accordance with Section C. 1 of the German Corporate Governance Code, an appropriate number of independent shareholder representatives shall be represented on the Supervisory Board. The Supervisory Board in its current composition with Prof. Dr. Constanze Chwallek has an appropriate number of independent shareholder representatives, taking into account the ownership structure of the company with PRIMEPULSE SE as the controlling shareholder (C.9 of the German Corporate Governance Code).

4. Specifications to promote the participation of women in leadership positions:

The Executive Board of STEMMER IMAGING AG last agreed on 9 May 2019 to ensure that diversity is taken into account when recruiting for management positions at all management levels below the Executive Board of STEMMER IMAGING AG and its affiliated companies and that women are given appropriate consideration. The Executive Board has set a target of 10 % for the percentage of women in the first management level below the Executive Board and a target of 20 % in the second management level below the Executive Board, each with a deadline of 9 May 2024. The first management level includes employees with personnel responsibility and a direct reporting line to the Executive Board. The second management level includes employees with personnel responsibility and a direct reporting line to the first management level. At the end of 2021, the share of women in the first management level was 0%, in the second management level already 36%.

The Executive Board of STEMMER IMAGING AG currently consists of two male members. Due to the current contracts with the Executive Board, no changes are planned here at least until 31 May 2026. At its meeting on 10 May 2019, the Supervisory Board therefore set a target quota of zero for the proportion of women until 9 May 2024.

The Supervisory Board currently consists of two male members and one female member.

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5. Annual General Meeting

The shareholders exercise their rights at the Annual General Meeting. The Annual General Meeting usually takes place in the first five months of the fiscal year. Among other things, the Annual General Meeting decides on the appropriation of profits, the discharge of the members of the Executive Board and the Supervisory Board, and the election of the auditor. Amendments to the Articles of Association and measures to change the capital are decided by the Annual General Meeting and implemented by the Executive Board. Due to the special circumstances of the COVID19 pandemic, the Annual General Meeting on 9 June 2021 was held as a virtual general meeting without the physical presence of shareholders or their proxies in accordance with §1 para. 2 of the Act Concerning Measures Under the Law of Companies, Cooperative Societies, Associations, Foundations and Commonhold Property to Combat the Effects of the COVID-19 Pandemic of 27 March 2020 (Federal Law Gazette I No. 14 2020, p. 570), the validity of which was extended until 31 December 2021 by the Ordinance Concerning the Extension of Measures Under the Law of Companies, Cooperative Societies, Associations and Foundations to Combat the Effects of the COVID-19 Pandemic of 20 October 2020 (Federal Law Gazette I No. 48 2020, p. 2258).

6. Remuneration

The Act Implementing the Second Shareholders' Rights Directive (ARUG II) and the German Corporate Governance Code as amended on 16 December 2019 impose new requirements on Executive Board remuneration.

Against this background, the Supervisory Board adopted a completely revised remuneration system on 21 April 2021, which is even more closely aligned with the goals of the company, the requirements of stakeholders and the long-term and sustainable development of the company.

The new remuneration system was approved by the Annual General Meeting on 9 June 2021 with a majority of 81.98%. The Executive Board contracts were adjusted to the remuneration system with effect from 1 January 2021.

STEMMER IMAGING will report on details of the remuneration in the remuneration report, which will be prepared for the first time for the 2021 fiscal year in accordance with the requirements of ARUG II. STEMMER IMAGING has commissioned the formal audit by the Ebner Stolz GmbH & Co. KG. Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart. The report will be submitted to the 2022 Annual General Meeting for approval.

The remuneration system and the remuneration report of STEMMER IMAGING can be found at the following link: [Corporate Governance | STEMMER IMAGING \(stemmer-imaging.com\)](https://www.stemmer-imaging.com/Corporate-Governance).

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7. Compliance Management System (CMS)

At STEMMER IMAGING, compliance is a central component of sustainable corporate governance and a fundamental basis for successful business practices. STEMMER IMAGING has set up its own group-wide compliance management system to ensure that legal regulations and company-specific principles (e.g. the Code of Conduct) are complied with throughout the group.

The STEMMER IMAGING **Code of Conduct** with its guiding principles forms the basis for responsible and legally compliant action and reflects the Executive Board's goal of strengthening ethical standards throughout the company and creating a working environment based on probity, respect and fairness. In this way, the Code of Conduct forms the basis for STEMMER IMAGING's corporate behaviour and applies throughout the STEMMER IMAGING Group. The Code of Conduct can be found on the company's website at: [2020-05-STEMMER IMAGING-Code-of-Conduct-en.pdf \(stemmer-imaging.com\)](https://www.stemmer-imaging.com/2020-05-STEMMER_IMAGING-Code-of-Conduct-en.pdf).

The Executive Board and Supervisory Board are convinced that the same principles apply to STEMMER IMAGING's suppliers that the company itself commits to. In this respect, the STEMMER IMAGING **Code of Supply** sets out the principles and procedures that guide STEMMER IMAGING's business activities. The central elements here are, in particular, compliance with applicable laws and regulations as well as a responsible behaviour towards people and the environment. The Code of Supply is available at: [2020-09-SI-code-of-supply-short-version-en \(stemmer-imaging.com\)](https://www.stemmer-imaging.com/2020-09-SI-code-of-supply-short-version-en).

STEMMER IMAGING attaches importance to clearly defined and communicated reporting channels. In order to supplement the channels via the direct supervisor or the compliance contact, STEMMER IMAGING set up an **IT-based whistleblower system** at the end of 2021 and introduced it company-wide in January 2022. Whistleblowers can now report violations of laws, regulations and internal company policies via a whistleblower hotline, in writing (by post or e-mail), in person and via the IT-based whistleblower system. The IT-based whistleblower system can also be accessed by external whistleblowers via the STEMMER IMAGING website. Employees and third parties such as customers, suppliers and business partners can use this additional reporting channel to anonymously report potential compliance violations via a service provider.

In the spirit of a transparent and prudent business policy, STEMMER IMAGING revised its approval processes (Limits of Authority) in 2021. The LOA policy applies Group-wide to the Executive Board as well as Levels 1-4 below the Executive Board and outlines all competency and authority frameworks.

8. Risk Management System / Internal Control System

Strategic corporate planning, internal reporting and internal control are incorporated into STEMMER IMAGING's risk management system and form an integral part of corporate management. An essential part of this involves the definition of risk areas as well as the identification, analysis, control and communication of the identified risks. The determination and implementation of specific measures to minimise risks is intended to limit possible negative effects. The internal control system defines the framework for process-internal measures as well as process-independent controls to minimise damage to the company. At least once a year, the Supervisory Board discusses the effectiveness and functionality of the ICS and RMS with the Executive Board. The risk management system was revised

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in the course of the Fiscal Market Integrity Strengthening Act (FISG), which came into effect on 1 July 2021. In this context, the risk management manual was redrafted and approved by the Supervisory Board in December 2021. The revised risk management system was not yet implemented in the 2021 fiscal year. Further details on the risk management system and the internal control system can be found in the current Annual Report of the company.

9. Sustainability

Sustainability plays a central role in STEMMER IMAGING's strategic orientation. Core topics for the company are measures for climate protection and energy efficiency, sustainable locations and recycling management, the alignment of business activities with the UN's Sustainable Development Goals and responsible corporate governance.. With its declaration of commitment to the UN Global Compact, the company officially acknowledges the sustainability principles of the United Nations.

STEMMER IMAGING is convinced that sustainable and responsible business practices will noticeably increase and enhance the company's ability to innovate and to meet the challenges of the future.

Munich, March 2022

STEMMER IMAGING AG

The Executive Board