

# **RULES OF PROCEDURE FOR THE SUPERVISORY BOARD OF SAF-HOLLAND SE**

– released 20 May 2020 –

**Natural persons are referred to in these Rules of Procedure in the male form merely for the reasons of linguistic convenience. In terms of content, such references refer to individuals of any gender identities.**

At its constituent meeting on 20 May 2020, the Supervisory Board of SAF-HOLLAND SE (“**Supervisory Board**”) has adopted the following Rules of Procedure pursuant to Art. 14 (1) of the Articles of Association of SAF-HOLLAND SE (“**Company**”) and in conjunction with all group entities within the meaning of Sec. 18 AktG the “**Group**”) as passed by resolution of the extraordinary shareholders’ meeting of the Company on 20 May 2020:

## **§ 1**

### **Duties and responsibilities**

- (1) The Supervisory Board conducts its business and carries out its activities in compliance with the legal requirements, the Articles of Association and these Rules of Procedure. As guidance, it orients itself towards the recommendations and suggestions of the German Corporate Governance Code (GCGC).
- (2) All members of the Supervisory Board have the same rights and duties unless stipulated otherwise by the law, the Articles of Association or the resolutions of the Annual General Meeting. They are not bound by any assignments or instructions.
- (3) The Supervisory Board collaborates closely and in a trusting manner with the other executive bodies of the Company, particularly with the Management Board, in the best interests of the Company and the Group. It advises the Management Board on the management of the Company and the Group and oversees its governance. The Supervisory Board monitors the compliance of the Management Board with the reporting duties listed in Sec. 90 Stock Corporation Act (Aktiengesetz) and specified in more detail in the rules of procedure for the Management Board. For this purpose, the Supervisory Board issues an information policy that ensures appropriate reporting of information to the Supervisory Board by the Management Board.
- (4) Within the framework of a self-assessment, the Supervisory Board regularly reviews how effective the Supervisory Board as a whole and its committees fulfil their tasks. This self-assessment should take place every two (2) years. In the intervening years

progress will be discussed. In addition, the Supervisory Board will endeavour to make improvements to the work of the board at all times.

- (5) In order to fulfil its duties, the Supervisory Board may, at its own discretion draw on experts and respondents, particularly auditors and/or solicitors, tax advisors and auxiliary people. The costs for the consultation of the aforementioned persons shall be borne by the Company.
- (6) The members of the Supervisory Board take responsibility for undertaking any training and educational measures necessary to fulfil their duties. The Company provides the members of the Supervisory Board with appropriate human and financial resources to facilitate their induction to their appointment and to allow the training required for them to remain suitably qualified for the position.
- (7) New members of the Supervisory Board go through an onboarding programme. Among other items, the onboarding programme includes an introduction to the corporate governance framework, the business activities and the strategic orientation of the Company.

## **§ 2**

### **Composition and suitability**

- (1) The composition of the Supervisory Board complies with the relevant legal requirements. The members may have different terms of office.
- (2) As a whole, the members of the Supervisory Board possess the knowledge, expertise and professional experience to perform their duties properly and are familiar with the sector in which the Group operates. At least one member of the Supervisory Board must possess professional knowledge in the field of accounting or auditing financial statements.
- (3) Taking account of the legal requirements and the recommendations of the GCGC, the Supervisory Board sets specific goals for its composition and draw up a profile of skills and expertise for the full board. In this regard, the Supervisory Board should pay particular attention to diversity, company-specific knowledge, management experience and internationality. Proposals by the Supervisory Board to the Annual General Meeting shall consider these objectives, while simultaneously aiming at fulfilling the profile of skills and expertise for the full board.
- (4) Members of the Supervisory Board may not be members of executive bodies of, or exercise advisory functions at, significant competitors of the Company, and may not hold any personal relationships with a significant competitor.

- (5) The Supervisory Board shall include what it considers to be an appropriate number of independent members, thereby taking into account the shareholder structure. In particular, a Supervisory Board member is not considered independent if he is in a personal or business relationship with the Company, its executive bodies, a controlling shareholder or a related party of the controlling shareholder that may cause a substantial – and not merely temporary – conflict of interest. More than half of the members of the Supervisory Board shall be independent of the Company and the Management Board. In the Declaration on Corporate Governance, the Supervisory Board can state the reasons why a member of the Supervisory Board is deemed to be independent, even if he does not meet these criteria.
- (6) The number of former members of the Management Board of the Company in the Supervisory Board is limited to two (2).
- (7) The basic age limit for the members of the Supervisory Board is set at 70 years of age. As an exception, a member may be elected or appointed to the Supervisory Board for a period that does not last beyond the close of the fourth Annual General Meeting held after said member reaches the age of 70.
- (8) The members of the Supervisory Board ensure that they have sufficient time available to discharge their duties. If a member is simultaneously a member of the management board of a listed company, he should not hold, in aggregate, more than two (2) supervisory board mandates in non-Group listed companies or comparable functions, and no chairmanship of a supervisory board in a non-Group listed company. A member of the Supervisory Board who is not a member of any management board of a listed company shall not hold more than five (5) supervisory board mandates at non-Group listed companies or comparable functions, with an appointment as Chairman of a supervisory board being counted twice.

### **§ 3**

#### **Chairman of the Supervisory Board**

- (1) The Supervisory Board shall elect a Chairman and a Deputy Chairman from among its members. The Chairman of the Supervisory Board shall be independent of the Company and the Management Board. The election is led by the eldest member of the Supervisory Board.
- (2) The term of office of the Chairman of the Supervisory Board and his Deputy corresponds to their respective term of office as members of the Supervisory Board unless a shorter term of office is determined for the election.
- (3) If the Chairman of the Supervisory Board or his Deputy step down from office prematurely, a new election shall be held upon request from any member of the

Supervisory Board at a meeting of the Supervisory Board to be held without delay to elect the Chairman of the Supervisory Board or the Deputy for the remaining term of the departing member before any further resolutions are passed by the Supervisory Board.

- (4) The Chairman of the Supervisory Board coordinates the activities of the Supervisory Board, chairs its meetings and represents the interests of the Supervisory Board externally. The Chairman of the Supervisory Board maintains regular contact with the Management Board – in particular, the Chairman of the Management Board – in order to discuss issues of strategy, planning, business development, the risk situation, risk management and compliance of the Company as well as any important events that are essential for the assessment of the Company's position and performance, and for the management of the Company and the Group.
- (5) The Chairman of the Management Board informs the Chairman of the Supervisory Board without undue delay of important events that are essential for the assessment of the Company's position and performance, and for the management of the Company. The Chairman of the Supervisory Board subsequently has to inform the Supervisory Board and, if required, convene an extraordinary Supervisory Board meeting.
- (6) Declarations of intent of the Supervisory Board are made by the Chairman of the Supervisory Board in the name of the Supervisory Board. The Supervisory Board can also empower other members of the Supervisory Board to this end. Other deeds and announcements of the Supervisory Board are to be signed by the Chairman of the Supervisory Board.
- (7) The Chairman of the Supervisory Board conducts possible discussions with investors of the Company on Supervisory Board specific issues. The Chairman of the Supervisory Board discusses the principles for structuring such dialogue with the Management Board. The Chairman of the Supervisory Board can draw upon other members of the Supervisory Board and Management Board to participate in the dialogue. He informs the entire Supervisory Board of the talks.
- (8) All communication originating from the Supervisory Board is to be made solely by the Chairman of the Supervisory Board or in collaboration with the Chairman of the Supervisory Board. Queries made to the Supervisory Board are to be submitted to the Chairman of the Supervisory Board. § 8 (3) of these Rules of Procedure remains unaffected.
- (9) In the event that the Chairman of the Supervisory Board is prevented, his Deputy exercises the rights and duties of the Chairman of the Supervisory Board. This applies unless otherwise provided in the Articles of Association.

**§ 4**  
**Meetings**

- (1) The Supervisory Board meets as needed, with at least two (2) meetings being convened in every half of the calendar year.
- (2) The Chairman of the Supervisory Board invites to the meetings of the Supervisory Board by written invitation sent by fax, email or other customary means of communication giving notice of at least five (5) workdays. The date on which the invitation is sent and the day on which the meeting is held do not count when measuring the period of notice. The location and time of the meeting as well as the points on the agenda are communicated with the invitation. Motions to points on the agenda should be communicated in good time prior to the meeting to allow a vote to be cast in writing by those members of the Supervisory Board who are unable to attend the meeting. Any preparatory documentation should be forwarded to the members of the Supervisory Board as early as possible. The members of the Supervisory Board should inform the Chairman of the Supervisory Board if they are unable to attend a meeting.
- (3) In urgent cases the Chairman of the Supervisory Board may reduce the notice given and convene a meeting orally or by telephone.
- (4) Moreover, a meeting of the Supervisory Board must also be convened when a member of the Supervisory Board or the Management Board requests one from the Chairman of the Supervisory Board, stating the purpose and reasons for the meeting. If the request is not met, the member of the Supervisory Board or the Management Board can convene a meeting of the Supervisory Board stating the matter and the agenda himself.
- (5) Items and applications that are not on the agenda or not properly communicated to the members of the Supervisory Board are only be put to a vote if no member of the Supervisory Board objects. In such cases, members of the Supervisory Board who are not present at the meeting must be given the opportunity to object to the resolution subsequently. The Chairman of the Supervisory Board sets an appropriate deadline for this purpose. The resolution only comes into force when no objection is received within the set deadline.
- (6) For cause, the Chairman of the Supervisory Board can cancel or postpone a meeting of the Supervisory Board that has already been convened. The meetings of the Supervisory Board are headed by the Chairman of the Supervisory Board. If the Chairman of the Supervisory Board and his Deputy are both prevented from attending the meeting, a member of the Supervisory Board chosen by the attending members chairs the meeting.

- (7) The members of the Supervisory Board should generally attend meetings of the Supervisory Board in person and be present for the entire duration of the meeting. Attending a meeting by conference call or video conference is only possible in exceptional cases.
- (8) The members of the Management Board can attend the meetings of the Supervisory Board in an advisory capacity if invited by the Chairman of the Supervisory Board or the Supervisory Board itself. In addition, experts and knowledgeable individuals, especially auditors and/or legal or tax advisors and other auxiliary persons can attend the meetings of the Supervisory Board if invited by the Chairman of the Supervisory Board or the Supervisory Board itself.
- (9) The Supervisory Board meets on a regular basis without the Management Board.

## **§ 5**

### **Resolutions**

- (1) Resolutions of the Supervisory Board are generally passed at meetings attended in person. However, unless set otherwise by the Chairman of the Supervisory Board, it is permitted to convene meetings of the Supervisory Board in the form of a video conference or conference call or allow individual members of the Supervisory Board to attend by video transmission or by telephone and, in such cases, also to pass resolutions or cast a vote by video conference and/or transmission or by conference call. Absent members of the Supervisory Board or who do not participate via conference call can also participate in the passing of resolutions by the Supervisory Board by casting a vote in writing and having it submitted by another member of the Supervisory Board. In addition, they can cast their vote in advance of the meeting, during the meeting or after the meeting within a reasonable deadline set by the Chairman of the Supervisory Board orally, by telephone, by fax, by email or by some other customary means of communication. There is no right to object to the form of passing resolutions set by the Chairman of the Supervisory Board.
- (2) It is only permitted to pass a resolution on an item on the agenda that was not included in the invitation to the meeting if no member of the Supervisory Board objects. In such cases, members who are not present must be given the opportunity to object to a resolution or to cast a vote in writing, orally, by telephone, by fax, by email or by some other customary means of communication within a reasonable deadline set by the Chairman of the Supervisory Board. The resolution only takes effect when no absent member of the Supervisory Board lodges an objection within the deadline. Members of the Supervisory Board who attend via telephone or an electronic means of communication are deemed to be present.

- (3) Resolutions can also be passed outside of meetings (in the sense of § 5 (1) of these Rules of Procedure) in writing, by fax, by email or by some other customary means of communication and in combination with the formal terms named above if the Chairman of the Supervisory Board orders this requirement upon reasonable notice or all members of the Supervisory Board participate in the passing of the resolution. Members of the Supervisory Board who withhold their vote are deemed to participate in the passing of the resolution in this sense. There is no right to object to the form of passing resolutions set by the Chairman of the Supervisory Board.
- (4) The Supervisory Board is only deemed to have a quorum when at least half of all members of the entire board participate in the passing of a resolution and all members of the board have been invited to the meeting. In all cases at least three (3) members must participate in the passing of a resolution. Absent members of the Supervisory Board or members who do not participate by telephone or via electronic means of communication (video conference, in particular) cast a vote pursuant to § 5 (1) and (3) of these Rules of Procedure, and members of the Supervisory Board who withhold their vote are deemed to participate in the passing of the resolution in this sense.
- (5) The Chairman of the Supervisory Board can postpone the resolution on individual or all items on the agenda upon the application from two (2) members of the Supervisory Board for a maximum period of four (4) weeks, provided there is due cause for the postponement. The Chairman of the Supervisory Board is not authorized to postpone the resolution once again.
- (6) Unless the law mandatorily requires otherwise, resolutions of the Supervisory Board are passed by a simple majority of the votes cast. Withheld votes are deemed to be votes not cast in this sense. If a vote by the Supervisory Board is tied, the vote cast by the Chairman of the Supervisory Board is the deciding vote.

## **§ 6**

### **Minutes of meetings and resolutions**

- (1) Minutes must be kept of the resolutions and meetings of the Supervisory Board (in the sense of § 5 (1) of these Rules of Procedure) which are to be signed by the Chairman of the Supervisory Board. Resolutions passed outside of meetings (in the sense of § 5 (1) of these Rules of Procedure) are recorded in writing by the Chairman of the Supervisory Board; the Chairman of the Supervisory Board can delegate this task to another person. The minutes must record the location and date of the meeting and the form and date on which resolutions were passed, the members attending, the agenda, the key contents of the discussions, the resolutions and any issues that require following up. Copies of the minutes of meetings and resolutions

are to be forwarded to all members of the Supervisory Board in writing by fax, by email or by some other customary form of communication.

- (2) Generally, the minutes are presented to the Supervisory Board at its next meeting for a resolution. Objections to the minutes should be discussed prior to the meeting at which the resolution is to be passed or, at the latest, at the respective meeting prior to the passing of the resolution.
- (3) Resolutions passed by the Supervisory Board can be recorded word-for-word during the meeting and signed immediately by the Chairman of the Supervisory Board. If resolutions are recorded separately in this form during the meeting, objection is only possible in the meeting.

## **§ 7**

### **Conflicts of interest**

- (1) The members of the Supervisory Board are bound by the Company's best interests. In all their decisions, the members of the Supervisory Board may neither pursue personal interests nor exploit for themselves or for the benefit of a related natural or legal person or other institution or association on whose behalf they act any business opportunities to which the Company is entitled.
- (2) Each member of the Supervisory Board has to inform the Supervisory Board without undue delay of any existing or potential conflicts of interest, particularly those that have arisen or could arise due to their advisory or governing capacity at a customer, supplier, creditor of the Company or its Group entities or other third parties.
- (3) In its report to the Annual General Meeting, the Supervisory Board informs of any conflicts of interest that have arisen among the members of the Supervisory Board and how they were addressed.
- (4) In the event of material conflicts of interest involving a member of the Supervisory Board that are not merely temporary, the respective member of the Supervisory Board should step down from the Supervisory Board.
- (5) Prior to being elected, members of the Supervisory Board are obliged to inform the Chairman of the Supervisory Board of any other paid professional activities they render. If, over the course of their term of office, a member of the Supervisory Board commences other activities, the Chairman of the Supervisory Board is to be informed immediately and it is to be ensured that no conflicts of interest arise from such activities. If the professional activities of a member of the Supervisory Board change significantly from the date of his election, this matter should be discussed with the Chairman of the Supervisory Board with regard to the responsible execution of office.



- (6) Consultancy contracts, other services and work entered into by a member of the Supervisory Board with the Company or one of the Group's entities require the approval of the Supervisory Board.

## **§ 8 Confidentiality**

- (1) Each member of the Supervisory Board is obliged to keep secret confidential information and Company and Group secrets, namely, operating and business secrets, of which he becomes aware in the course of his activities. In addition, the members of the Supervisory Board must keep secret towards third parties any other facts or circumstances they become aware of while serving as members of the Supervisory Board if the disclosure of such information would injure the interests of the Company or the Group. In particular, confidential reports and counselling, the development of debates, the votes cast, statements made and personal comments of individual members of the Supervisory Board must be kept confidential.
- (2) The duty to keep such matters confidential survives the term of office. Each member of the Supervisory Board engages own employees or consultants only when and to the extent permitted by the law and there are objective reasons for doing so. Moreover, the respective member of the Supervisory Board shall ensure that the employees and consultants concerned comply equally with the duty of confidentiality. The duty of confidentiality generally exists towards all third parties, including, but not limited to, employees, shareholders and business partners of the Company as well as towards companies that the member of the Supervisory Board serves or has invested in. Individuals that attend meetings of the Supervisory Board with permission must make an express commitment to observe the duty of confidentiality.
- (3) If a member of the Supervisory Board intends to disclose information to third parties – also after expiry of his term of office – that might qualify as confidential information or business secrets, he must inform the Chairman of the Supervisory Board in writing beforehand, stating the intended recipient, in order to remedy any differences of opinion regarding the duty of confidentiality that become apparent. If the Chairman of the Supervisory Board does not approve disclosure, he must inform the other members of the Supervisory Board and call for a statement from the Supervisory Board without delay. Until such statement is issued, the member of the Supervisory Board concerned is obliged to keep any facts of which he became aware during his term of office strictly confidential.
- (4) Upon stepping down from the Supervisory Board, the respective members of the Supervisory Board are obliged to return to the Chairman of the Supervisory Board

without delay all documents such as written records, correspondence, electronic files and documents, records and the like, that are related to the affairs of the Company or the Group and are in their possession. This obligation extends to duplicates and photocopies. Copies of electronic files and documents are to be destroyed upon the request of the Chairman of the Supervisory Board without delay. The members of the Supervisory Board have no right to retain such documents.

## **§ 9 Committees**

- (1) The Supervisory Board creates an Audit Committee, a Nomination and Remuneration Committee as well as any other committees that are needed – such as a Special Committee – from among its members in accordance with the specific circumstances of the Company.
- (2) Where permitted by the law, the committees shall fulfil the tasks assigned to them in the name of the Supervisory Board and as its representatives.
- (3) The Chairmen, Deputy Chairmen and other members of the respective committees are proposed by the Nomination and Remuneration Committee and elected by the Supervisory Board. The term of office for the Chairmen, Deputy Chairmen and other members of the Committees corresponds to their term as members of the Supervisory Board, unless a shorter term is set upon their election by the Supervisory Board.
- (4) The Chairmen of the committees report on the work of the committees to the Supervisory Board at regular intervals. In addition, the work of the committees is reported to the Annual General Meeting in the report of the Supervisory Board.
- (5) Minutes must be drawn up of all committee meetings, which generally have to be submitted to the next meeting of the committee for approval by resolution. The minutes must be made accessible to the full Supervisory Board.
- (6) In all other respects, the rules of § 4, § 5 and § 6 of these Rules of Procedure apply to the procedures adopted by the committees accordingly, unless the Supervisory Board has determined otherwise for the respective committee.

## **§ 10 Audit Committee**

- (1) The Supervisory Board establishes an Audit Committee. The Audit Committee is made up of three members of the Supervisory Board.

- (2) The Chairman of the Audit Committee and at least one other member of the Audit Committee should be independent of the Company, its Management Board and of any controlling shareholder of the Company. The Chairman of the Audit Committee should have knowledge and experience in applying accounting principles and internal control procedures and be familiar with audits. The Chairman of the Supervisory Board should not be Chairman the Audit Committee.
- (3) The Audit Committee addresses in particular the review of the accounting, the monitoring of 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 accounting particularly comprises the consolidated financial statements and the group management report (including CSR reporting), interim financial information and the single-entity financial statements in accordance with the German Commercial Code (Handelsgesetzbuch – “HGB”).
- (4) The Audit Committee is supported by the external auditor in monitoring the management, particularly in relation to the review of the accounting and the monitoring of the accounting-related control and risk management systems.
- (5) The Audit Committee arranges with the external auditor to be informed, without undue delay, about all findings and issues of importance for its tasks which come to the knowledge of the external auditor during the performance of the audit.
- (6) The Audit Committee arranges with the external auditor to be informed and have noted in the audit report if, during the performance of the audit, the external auditor identifies any facts that indicate an inaccuracy in the Declaration of Compliance regarding the recommendations of the GCGC issued by the Management Board and Supervisory Board.
- (7) The Audit Committee submits a recommendation to the Supervisory Board for the engagement of an independent auditor of the financial statements which, if the engagement is put out to tender, includes at least two recommendations. It will also prepare the recommendation to be made by the Supervisory Board to the Annual General Meeting for the election of the independent auditor of the financial statements.
- (8) The Audit Committee monitors the independence of the auditor of the financial statements and any non-audit service. It issues the audit engagement, sets the audit focus and concludes the fee agreement.
- (9) The Chairman of the Audit Committee maintains a regular dialogue with the auditor of the financial statements, also outside of meetings.

- (10) The Audit Committee should conduct an evaluation of the quality of the audit on a regular basis.

## **§ 11**

### **Nomination and Remuneration Committee**

- (1) The Supervisory Board creates a Nomination and Remuneration Committee. The Nomination and Remuneration Committee is made up of at least three members chosen from the Supervisory Board.
- (2) The Chairman of the Nomination and Remuneration Committee and the majority of the members of the Nomination and Remuneration Committee shall be independent of the Company and the Management Board. The Chairman of the Supervisory Board shall be a member of the Nomination and Remuneration Committee.
- (3) The Nomination and Remuneration Committee prepares all draft resolutions related to nomination or remuneration on behalf of the Supervisory Board. In addition to the remuneration of the Management Board, the committee also addresses the remuneration system for the Supervisory Board.
- (4) The Nomination and Remuneration Committee selects candidates to be proposed to the Annual General Meeting for election to the Supervisory Board on the basis of the goals passed by the Supervisory Board for its composition and competence profile and proposes these candidates to the Supervisory Board. Moreover, it evaluates the independence of the candidates.
- (5) The Nomination and Remuneration Committee is also responsible for selecting candidates for positions on the Management Board and prepares the recommendations for the Supervisory Board. In the process, the Nomination and Remuneration Committee takes into due consideration the balance and diversity of knowledge, expertise and experience of all members of the Management Board and also the aspect of diversity. It also defines the target percentage representation of female Management Board members.
- (6) The members of the Nomination and Remuneration Committee are involved in discussions with candidates.
- (7) The Nomination and Remuneration Committee is entitled to draw on (external) experts and knowledgeable individuals for advice, provided these individuals are not subject to a conflict of interest.

**§ 12**  
**Special Committee**

If needed, the Supervisory Board creates a Special Committee, which prepares complex issues and drafts the corresponding resolutions for the Supervisory Board. The Special Committee is made up of at least three members chosen from the Supervisory Board. The appointments to the Special Committee are based on the professional requirements needed to address the respective focus of the Special Committee. The Chairman of the Supervisory Board or his Deputy shall be a member of the Special Committee. The Special Committee is entitled to discuss certain topics with selected members of the Management Board.

**§ 13**  
**Validity, amendments, date of effect**

- (1) The terms and provisions of these Rules of Procedure only apply to the extent that they do not contradict the applicable version of the Articles of Association or mandatory laws and regulations. Should individual provisions of these Rules of Procedure prove to be or become invalid, the remaining provisions of these rules of procedure remain unaffected.
- (2) All amendments, supplements or revocations of these Rules of Procedure must be passed by resolution of the Supervisory Board.
- (3) These Rules of Procedure come into force on the date on which the Company is entered in the commercial register of the Local Court of Aschaffenburg and remain in force until the Supervisory Board passes a resolution to the contrary. The Supervisory Board can pass a resolution by simple majority to deviate from these Rules of Procedure on a case-by-case basis.