Remuneration system for the members of the Management Board of NORMA Group SE

A. OVERVIEW OF THE NEW STRUCTURE OF THE REMUNERATION SYSTEM FOR MEMBERS OF THE MANAGEMENT BOARD OF NORMA GROUP SE

The Supervisory Board of NORMA Group SE first resolved on a system for the remuneration of the Management Board members in accordance with section 87a German Stock Corporation Act in the 2020 fiscal year. This remuneration system was approved by the general meeting on 30 June 2020 with 99.80% of the votes cast ("2020 Remuneration System"). Pursuant to section 120a(1), sentence 1 German Stock Corporation Act, the general meeting of a listed company must adopt a resolution on the approval of the remuneration system for the management board members submitted by the supervisory board every four years. The requirements of investors and proxy advisors as well as customary market practice have changed since the Supervisory Board adopted a resolution on the 2020 Remuneration System. The Supervisory Board has taken the altered requirements into account in the new version of the remuneration system for the members of the Management Board. The following is an overview of the key changes as compared to the 2020 Remuneration System:

Short-Term Incentive (STI)	The short-term variable remuneration will be switched to a target amount system that is very transparent and easy to follow. The new STI consists of 70% financial targets, 20% ESG targets and 10% individual targets, with the target achievement levels being added together.
Long-Term Incentive (LTI)	The long-term variable remuneration previously consisted of two performance cash plans with subsequent obligations to retain shares. The long-term variable remuneration will be even more transparent and easy to follow with the new remuneration system, as a standard performance share plan with target amount system will be introduced. Over a performance period of four years, the new LTI comprises 70% relative financial targets, 20% absolute financial targets and 10% ESG targets.
Share ownership guidelines (SOG)	The new remuneration system also includes up-to-date share ownership guidelines that promote a sustainable shareholding culture and entrepreneurial action.
Pension contributions	The new remuneration system offers Management Board members the opportunity to receive a cash payment for a pension savings plan managed by themselves ("**Pension Allowance**") or a payment into the current defined contribution pension savings plan.

The remuneration system for the Management Board members of NORMA Group SE promotes the implementation of the business strategy and is geared towards the sustainable and long-term development of the Company. NORMA Group SE's strategic goals are geared towards achieving profitable growth and include not only ensuring cost efficiency and safeguarding liquidity but also making a contribution to tackling global challenges such as climate change and resource scarcity. These goals accordingly also appear as key performance indicators in the new remuneration system, closely tying the Management Board's remuneration to the Company's business strategy.

The remuneration system for the members of the Management Board is clear and easy to understand. It complies with the requirements of the German Stock Corporation Act and takes into account the recommendations of the German Corporate Governance Code (GCGC).

The remuneration system for Management Board members will apply as from 1 January 2025 to all Management Board members whose employment contracts are concluded or extended after the general meeting has approved the remuneration system. The new remuneration system will also apply as from 1 January 2025 to members of the Management Board who have already been appointed at the time at which the general meeting approves the remuneration system. In order to implement the remuneration system, the Supervisory Board will approach the Management Board members on behalf of NORMA Group SE with the aim of agreeing corresponding adjustments to the employment contracts.

B. DETAILED EXPLANATION OF THE REMUNERATION SYSTEM

I. Determining the maximum remuneration (section 87a(1), sentence 2, no. 1 German Stock Corporation Act)

The total remuneration to be granted for a fiscal year to each Management Board member (sum of all of the remuneration amounts spent for the relevant fiscal year, including fixed annual salary, variable remuneration components, expenditure for pension contributions and fringe benefits) – regardless of whether it is paid out in this fiscal year or at a later point in time – has an absolute upper limit ("**Maximum Remuneration**").

The Maximum Remuneration remains the same as in the 2020 Remuneration System: EUR 3,900,000 for the CEO and EUR 2,500,000 for each of the other Management Board members. Should the total remuneration calculated for a fiscal year exceed the Maximum Remuneration, the amount paid out from the Long-Term Incentive (LTI) will 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.

Independent of the fixed Maximum Remuneration, the amounts of each of the individual variable remuneration components that are to be paid are capped. These caps are as follows for both the CEO and the other Management Board members: 200% of the target amount for the STI, 150% of the number of virtual performance shares or 200% of the target amount for the LTI.

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 German Stock Corporation Act)

The remuneration system promotes the business strategy and the long-term interests of NORMA Group SE, thus contributing to the long-term development of NORMA Group SE. The focus is on strengthening profitable and sustainable growth of the Company, being the basis for the structure of the remuneration system for the members of the Management Board. This will be achieved based on profitability (through the EBIT for the STI and the EBIT margin for the LTI), liquidity (through free cash flow for the STI), the development of the Company's value and of the Company (through the return on shares (Total Shareholder Return – TSR) and strategic targets for the LTI) as well as ecological and social sustainability (through targets from the areas environment, social and governance, i.e. "ESG targets" for the STI and LTI).

The financial and non-financial parameters used have different, but often multi-year terms in order to support the strategic success of the Company in the long term. Particular attention is paid to the greatest possible congruence between the interests and expectations of the shareholders and the remuneration of the Management Board.

III. Overview of all fixed and variable remuneration components and their relative share in the remuneration (section 87a(1), sentence 2, no. 3 German Stock Corporation Act) as well as performance criteria for granting variable remuneration components (section 87a(1), sentence 2, no. 4 German Stock Corporation Act)

The remuneration system for the Management Board members of NORMA Group SE consists of fixed and variable remuneration components. The fixed non-performance-based remuneration consists of the fixed annual salary, the pension contributions and standard fringe benefits. The variable performance-based remuneration consists of the Short-Term Incentive (STI) and the Long-Term Incentive (LTI). The share of the variable remuneration components exceeds the share of the fixed remuneration components in both the target total remuneration and the Maximum Remuneration. At the same time, the share of the LTI in the total remuneration exceeds the share of the STI. This applies to both the target total remuneration and the Maximum Remuneration.

1. Determination of the target total remuneration and relative share of the remuneration components in the target total remuneration

The Supervisory Board determines a target total remuneration for the individual members of the Management Board which is appropriate in relation to the tasks and performance of the Management Board member and the situation of the Company and does not exceed the usual remuneration unless there are special reasons for this. The target total remuneration is made up of the sum of all the fixed and variable remuneration components. For the STI and LTI, the target amounts are based on a target achievement of 100% ("Target Amounts of the Variable Remuneration Components").

For the CEO and the other members of the Management Board, the fixed remuneration components (fixed annual salary, pension contributions and fringe benefits) account for approximately 45-50% of the target total remuneration, the STI accounts for approximately 20-25% of the target total remuneration and the LTI accounts for approximately 30-35% of the target total remuneration.

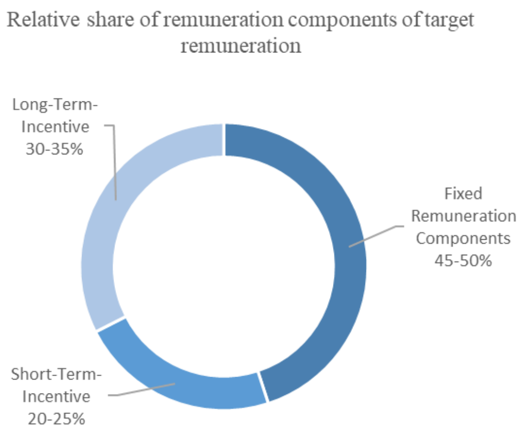

Figure 1

For the CEO and the other members of the Management Board, the STI (target amount) generally makes up 40% of the variable target total remuneration and the LTI (target amount) 60% of the variable target total remuneration.

2. Fixed remuneration components

The fixed non-performance-based remuneration consists of the fixed annual salary, pension contributions and fringe benefits.

2.1 Fixed annual salary

The members of the Management Board receive a fixed annual salary in twelve monthly instalments, which are paid at the end of each month. The amount of the fixed annual salary is based on the tasks and the strategic and operational responsibility of the respective Management Board member.

2.2 Pension contributions

Members of the Management Board may receive a company pension in the form of a defined contribution plan on a reinsurance basis with annual contributions to an external provider or a direct payment to build up their own private pension (Pension Allowance).

2.3 Fringe benefits

The Company grants each member of the Management Board standard fringe benefits. These consist of a company car for private use and the reimbursement of 50% of the expenses for health and nursing care insurance (up to a maximum of the expenses that the Company would have to pay if they were employed under social security law). In addition, the members of the Management Board are included in the Company's D&O insurance and the Company takes out accident insurance (private and occupational accidents) for the Management Board members at its own expense.

3. Variable remuneration components

The variable remuneration consists of a short-term component (in the form of the STI) and a long-term component (in the form of the LTI), thereby creating an appropriate incentive system for the implementation of the company strategy and sustainable value creation and growth. The new remuneration system developed by the Supervisory Board provides a great deal of transparency by linking the performance parameters to clearly defined indicators for earnings, value creation and sustainable development. The sustainable business orientation and the social and ecological responsibility of NORMA Group SE are also reflected in the ESG targets. In order to meet the need for both short-term success and long-term orientation in terms of the ESG targets, these are included in both the STI and the LTI. The variable remuneration is based on the tasks and the strategic and operational responsibility of the Management Board members as well as the short- and long-term results of the Company. The remuneration from the LTI exceeds that from the STI in both the target remuneration and the Maximum Remuneration.

The financial and non-financial performance criteria promote the business strategy and contribute to the long-term development of the Company. The achievement of the respective targets is measured as described below.

The Supervisory Board is only entitled to temporarily and appropriately adjust the plan conditions of the variable remuneration components within reasonable limits in the case of extraordinary events or developments, such as the acquisition or sale of a part of a company. General unfavourable market developments are not considered to be an extraordinary event or development. The same applies if changes in the accounting regulations applicable to the Company have a significant impact on the parameters used to calculate the variable remuneration components STI and LTI and in the event that a fiscal year is less than twelve months long (short fiscal year). Should the plan conditions of the variable remuneration be adjusted due to extraordinary events or developments, a clear and detailed statement of the reasons for this will be provided. There are no discretionary opportunities for making adjustments. No special payments will be granted.

3.1 STI

The revised STI is a performance-based bonus that depends on the financial performance targets "NORMA Group-operating-EBIT" and "Group-base-Cashflow", "ESG" targets (Environment, Social and Governance) as well as individual targets.

The "NORMA Group-operating-EBIT" is the EBIT (*earnings before interest and taxes, excluding charges for past acquisitions, valuation increases and charges for relevant M&A transactions*) adjusted only for amortisation/depreciation on non-cash PPA, valuation increases and external charges for relevant M&A transactions. The "Group-base-Cashflow" is the cash flow before taxes, interest, capital measures, financing effects and external charges for relevant M&A transactions, adjusted for any effects due to (reverse) factoring and asset backed securities (ABS) programmes. The ESG targets for the STI take account of current market practice and the strategic goals of NORMA Group SE in the area of ESG incentives and are set by the Supervisory Board at the beginning of each fiscal year. Possible key indicators include the reduction of CO2 emissions, the energy intensity of the production process, water consumption, complaint-related costs, customer satisfaction, hours spent on employee training, or the rate of production-related accidents. The Supervisory Board also sets the individual targets before the start of each fiscal year. The STI is granted for a performance period of one year.

The STI payout amount is calculated by multiplying the target amount by the overall level of achievement of the financial and individual performance criteria and the ESG targets. The four performance targets are weighted as follows: the "NORMA Group-operating-EBIT" has a target weighting of 35%, the "Group-base-Cashflow" a target weighting of 35%, the ESG targets a combined target weighting of 20% and the individual targets a combined target weighting of 10% (see Figure 2).

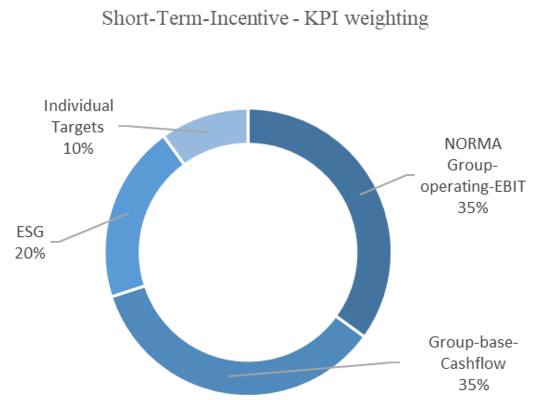

Figure 2

The Supervisory Board sets a target value for each of the four performance criteria for the respective fiscal year based on a 100% target achievement level (“Target Value”). The threshold and maximum values are derived linearly from the Target Value. The threshold value is 70% of the Target Value set by the Supervisory Board, and the maximum value is 130% of the Target Value set by the Supervisory Board. A payout factor is calculated based on the target achievement level. The payout factor is 0% if the threshold value is not met, and 50% if the target achievement level is equal to the threshold value. If the target achievement level is equal to or more than the maximum value, the payout factor is 200%. If the Target Value is achieved, the payout factor is 100%. Linear interpolation is used to determine the target achievement level and payout factor between the threshold value and the Target Value, and between the Target Value and the maximum value. Table 1 shows how the target achievement level is linked to the corresponding payout factor for the respective STI targets.

	Threshold value	Target Value	Maximum value
Target achievement level	70%	100%	130%
Payout factor	50%	100%	200%

Table 1

For the individual targets and the ESG targets, the Supervisory Board can set deviating threshold and maximum values as well as associated payout factors for the respective fiscal year if the threshold and maximum values specified in the remuneration system are, in the Supervisory Board’s opinion, not suitable for ensuring that the respective individual or ESG target(s) are appropriately achieved.

The Supervisory Board will determine the target achievement level after the end of the respective fiscal year. The respective weighted payout factors are calculated based on the respective target achievement levels for the “NORMA Group-operating-EBIT”, the “Group-base-Cashflow”, the “ESG” targets and the individual targets as well as the corresponding target weightings. The STI target achievement level is based on the sum of the weighted payout factors. The payout amount is the target amount multiplied by the STI target achievement level (see Figure 3). The payout amount is paid in May and capped at 200% of the target amount (payout cap).

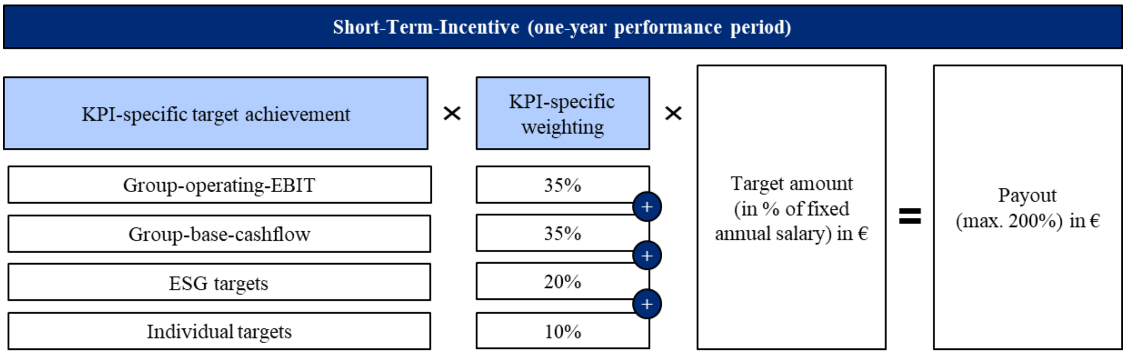

Figure 3

If the employment contract begins or ends during an ongoing fiscal year, the payout amount will be reduced pro rata temporis in relation to the fiscal year.

3.2 LTI

The revised LTI is granted in the form of a virtual performance share plan with a forward-looking performance period of four years. At the beginning of the first year of the performance period, the Management Board member receives a conditional number of virtual shares, calculated on the basis of the individual LTI target amount and the share price when the shares are allocated (average for the 60 trading days prior to the allocation date). The final number of virtual shares depends on the achievement of predefined targets. The cash payout at the end of the performance period depends on the final number of virtual shares and the average share price over the 60 trading days prior to the end of the performance period (see Figure 4). The virtual shares are therefore promised to the Management Board members purely as a basis for calculation; there is no transfer of shares as such. This avoids the Management Board member having to pay income taxes or NORMA Group SE having a cash outflow at the beginning of the performance period.

The final number of virtual shares is determined based on the achievement of the following targets: the relative Total Shareholder Return (TSR) as compared to the peer group index (MDAX) (target weighting: 70%), the "Group operating EBIT margin" which is the EBIT (*Earnings before Interest and Taxes, excluding charges for past aquisitions, valuation in-creases and charges for relevant M&A transactions*) adjusted only for amortisation/depreciation on non-cash PPA, valuation increases and external charges for relevant M&A transactions and divided by sales (target weighting: 20%), and the ESG targets (target weighting: 10%). The payout amount corresponds to the final number of virtual shares multiplied by the average share price over the 60 trading days prior to the end of the performance period. The Company will disburse the payout amount from the LTI in cash. The payout amount is limited to a maximum of 150% of the conditionally granted virtual shares and 200% of the target amount.

For each annual tranche, the Supervisory Board sets a target value for the Group operating EBIT margin and the ESG targets based on a 100% target achievement level ("Target Value"). The threshold and maximum values are derived linearly from the Target Value. The threshold value is 70% of the Target Value set by the Supervisory Board, and the maximum value is 130% of the Target Value set by the Supervisory Board. A payout factor is calculated based on the target achievement level. The payout factor is 0% if the threshold value is not met, and 50% if the target achievement level is equal to the threshold value. If the target achievement level is equal to or more than the maximum value, the payout factor is 150%. If the Target Value is achieved, the payout factor is 100%. Linear interpolation is used to determine the target achievement level and payout factor between the threshold value and the Target Value, and between the Target Value and the maximum value.

Table 2 shows how the target achievement level determines the payout factor for the Group operating EBIT margin and the ESG targets.

	Threshold value	Target Value	Maximum value
Target achievement level	70%	100%	130%
Payout factor	50%	100%	150%

Table 2

For the ESG targets, the Supervisory Board can set deviating threshold and maximum values as well as associated payout factors for the respective fiscal year if the threshold and maximum values specified in the remuneration system are, in the Supervisory Board's opinion, not suitable for ensuring that the respective ESG target is appropriately achieved.

Based on its size (sales and number of employees), global reach, diversification of its product portfolio and its own aspirations, NORMA Group SE is closer to the MDAX companies than the SDAX companies. The Supervisory Board has therefore selected the MDAX companies as the benchmark for the "relative Total Shareholder Return". The Supervisory Board may adjust the peer group if the MDAX companies no longer appear suitable for this purpose in future fiscal years.

The threshold and maximum values for target achievement and the payout factors for the relative Total Shareholder Return are listed below:

For the relative Total Shareholder Return, the TSR of NORMA Group SE is linked to the TSR of the MDAX benchmark index as follows:

- The payout factor is 0% if the relative TSR is less than -20 percentage points.
- The payout factor is 50% if the relative TSR is -20 percentage points.
- The payout factor is 100%, if the TSR of NORMA Group SE matches the TSR of the benchmark index.
- The payout factor is 150% if the relative TSR is +20 percentage points or more.

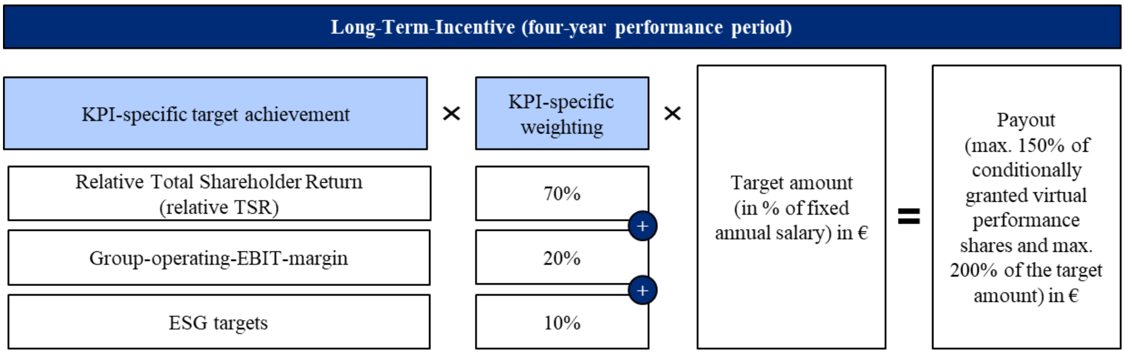

Figure 4

If the employment contract begins or ends during the performance period, the payout amount will be reduced pro rata temporis in relation to the four-year term.

4. Obligation to retain shares (share ownership guidelines)

In line with market practice, share ownership guidelines have been laid down for the CEO and the ordinary Management Board members with a share purchase and retention obligation of 100% of the annual base salary. The share retention obligation must be fulfilled over four years according to a specified purchase plan. An STI payout made in the following year may also be used to purchase shares. Should the obligation to purchase shares not be fulfilled, the LTI may be reduced.

IV. Opportunities for the Company to reclaim variable remuneration components (section 87a(1), sentence 2, no. 6 German Stock Corporation Act)

The Company is entitled to adjust and reclaim the payout amounts from the variable remuneration at its due discretion if the audited consolidated financial statements and/or the basis for determining other targets on which the calculation of the variable remuneration is based need to be corrected retrospectively because they prove to be objectively incorrect, and the error has led to an incorrect calculation of the variable remuneration. The claim for repayment consists of the difference between the payout amounts actually paid by the Company and the payout amounts that should have been paid out according to the regulations on variable remuneration based on the corrected calculation bases.

In the event of a grossly negligent or intentional breach by a member of the Management Board of one of his or her material duties of care within the meaning of section 93 German Stock Corporation Act or a material principle of action of an internal guideline issued by the Company and a resulting risk to the business success or reputation of NORMA Group SE or one of its companies (“Compliance Malus”), the Supervisory Board may reduce the variable remuneration components in part or in full (down to zero). In the event of a Compliance Malus, the Supervisory Board may also withhold or reclaim variable remuneration components that have already been paid out.

If the correction of the basis for calculating the variable remuneration or the Compliance Malus affects several variable remuneration components that have been paid out, payout amounts for all variable remuneration components can be reclaimed. The entitlement to repayment exists for a period of three years after payment of the respective variable remuneration component.

V. Remuneration-related legal transactions (section 87a(1), sentence 2, no. 8 German Stock Corporation Act)

1. Term of, prerequisites for and consequences of terminating remuneration-related legal transactions

The employment contracts of the Management Board members apply for the duration of their appointments as Management Board members. First-time appointments are generally limited to three years, in accordance with the GCGC. The term of office for Management Board members who are reappointed may not exceed five years. All employment contracts end when the appointment ends. In the event of re-appointment, the employment contracts 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) German Stock Corporation Act which is also good cause for termination of the Management Board member's contract without notice pursuant to section 626 German Civil Code, the employment contract will end automatically.

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

All claims under the STI from a current fiscal year and from current tranches of the LTI expire without replacement or compensation if the employment contract of the Management Board member is terminated by the Company during the relevant fiscal year or performance period for good cause pursuant to section 626 German Civil Code or the appointment of the Management Board member is revoked before the end of the fiscal year or performance period due to a gross breach of duty or the appointment of the Management Board member ends as a result of resignation without the resignation being caused by a breach of duty by the Company or health impairments of the Management Board member or health impairments of a close family member.

2. Severance payments, change of control and compensation for observing a post-contractual non-compete covenant

Should the employment contract be terminated other than for good cause, any severance, including fringe benefits, paid to the respective Management Board member is limited to a maximum of two years' annual remuneration and, in the event that the remaining term of the employment contract is less than two years, may not exceed the contractually agreed remuneration for the remaining term (Severance Payment Cap). The calculation of the Severance Payment Cap is generally based on the total remuneration for the past fiscal year and, if applicable, also on the expected total remuneration for the current fiscal year. 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 is responsible, no severance will be paid.

In accordance with the recommendations and suggestions of the German Corporate Governance Code, there are no deviating commitments to pay severance if the employment contract is terminated in the event of a change of control.

The Supervisory Board is entitled to agree a post-contractual non-compete covenant with the Management Board members and to grant compensation for observing this covenant. Should a post-contractual non-compete covenant be agreed, any severance payment will be set off against the compensation for observing this covenant.

VI. Taking account of employees' remuneration and employment conditions when determining the remuneration system (section 87a(1), sentence 2, no. 9 German Stock Corporation Act)

When structuring and determining the remuneration system for the Management Board members, the Supervisory Board also took into consideration the remuneration and employment conditions of the groups of employees defined internally as "senior managers and other employees", in particular also how these conditions have changed over recent years. To this end the Supervisory Board has, following the recommendations of the German Corporate Governance Code, defined the groups "senior managers" and "other employees" in a manner consistent with past years and, when considering the remuneration of the Management Board members as compared to that of the senior managers and other employees, carefully checked and ensured that the remuneration of the Management Board members does not increase to a greater extent than that of the senior managers and other employees. It was also checked and ensured that the remuneration and fringe benefits systems for the Management Board members are consistent with those for the senior managers and all other employees in such a way as to comprehensively support the strategic orientation and management of NORMA Group SE and its companies.

VII. Procedures for determining, implementing and reviewing the remuneration system (section 87a(1), sentence 2, no. 10 German Stock Corporation Act)

The Supervisory Board will adopt a clear and understandable remuneration system for the Management Board members. The competent Supervisory Board committee (currently the Executive and Nomination Committee) will prepare the Supervisory Board's resolution and provide the Supervisory Board at regular intervals with all the information required by it to review the remuneration system. The Supervisory Board will review the remuneration system at its due discretion, but in any event every four years.

The Supervisory Board will review the level of the fixed annual salary at least every two years in order to ensure that it is appropriate. To do so, the Supervisory Board will carry out a market comparison and also take particular account of changes to the business environment, the overall economic situation and strategy of the Company, changes to and trends in national and international corporate governance standards, as well as changes to the employees' remuneration and employment conditions. If necessary, the Supervisory Board will consult external remuneration experts and other advisors. The Supervisory Board will ensure that these external remuneration experts and advisors are independent of the Management Board and take precautions to avoid conflicts of interest. Should the Management Board members hold supervisory board mandates within the Group, the remuneration for these will be set off. Should the Management Board members assume supervisory board mandates outside the Group, the Supervisory Board will decide whether and to what extent the remuneration is to be set off.

The Supervisory Board will submit the adopted remuneration system 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 will submit a revised remuneration system to the general meeting for approval at the latest at the next annual general meeting.

The Supervisory Board and the competent Supervisory Board committee will take appropriate measures to ensure that possible conflicts of interest affecting the Supervisory Board members involved in the discussions and decisions on the remuneration system are avoided and, if necessary, resolved. Each Supervisory Board member is obliged to notify the chairperson of the Supervisory Board of conflicts of interest. The chairperson of the Supervisory Board will disclose any conflicts of interest affecting him or her to the Supervisory Board or the competent committee. The Supervisory Board or the competent committee will 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 discussions and decisions of the Supervisory Board or the competent committee.

The Supervisory Board may adopt a resolution to temporarily deviate from the remuneration system (procedure and regulations on remuneration structure) and its individual components 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 will reserve such deviations for exceptional circumstances, for example an economic or Company crisis, and will take into account both the proportionality of the remuneration to other measures taken under these circumstances and the interests of the shareholders.