

Remuneration Report

The remuneration report describes the structure and level of remuneration of the Executive Board and the Supervisory Board. It takes into account the legal requirements and recommendations of the German Corporate Governance Code. It is a component of the annual financial statements and the management reports of the company and the Group.

Remuneration of the Executive Board

The Supervisory Board is responsible for setting Executive Board remuneration according to the German law on the appropriateness of Executive Board remuneration ("VorstAG"). The Supervisory Board routinely advises on and monitors the structure of the remuneration system and its specific form. In particular, criteria for the appropriateness of the remuneration of the Executive Board include the tasks of the respective member of the Executive Board, their personal performance, the overall performance of the Executive Board as well as the economic condition, success and future prospects of the company compared to its peer group.

The total remuneration of the Executive Board members continues to consist of several remuneration components, which are both based on performance and not based on performance. The nonperformance-based parts consist of a fixed base salary, fringe benefits and pension commitments, while the performance-based components are based on the company's business performance.

The fixed component is paid out as a salary on a monthly basis as nonperformance-based basic remuneration. In addition, the Executive Board members receive non-cash fringe benefits, which primarily consist of insurance premiums and the private use of a company car.

Although in principle all members of the Executive Board are equally entitled to these fringe benefits as a part of remuneration, each Executive Board member is individually responsible for paying taxes on them.

The calculation of variable remuneration is based on the company's business performance, specifically the achieved EBIT, which is defined as net income for the year before interest and taxes in the SNP Group's consolidated statement of financial position. This calculation is made by applying a percentage set by the Supervisory Board to EBIT in each fiscal year. This bonus is capped. If the company's EBIT results in a bonus calculation below a certain lower limit, this leads to a complete loss of the variable bonus for the fiscal year.

With the goal of having sustainable business performance, long-term remuneration components were agreed upon, effective January 1, 2015. They are oriented toward sales, the EBIT margin and the company's share price. Their weighting and target-attainment levels are uniformly defined; the target date was December 31, 2016.

On March 13, 2017, the Supervisory Board set the remuneration of the Executive Board for the 2016 fiscal year.

Executive Board Remuneration in the 2016 Fiscal Year

The total remuneration granted to Executive Board members in the 2016 fiscal year amounted to € 1,577,309.25 (previous year: € 1,034,210.93). The following tables itemize the remuneration of each individual in the Executive Board in the 2016 fiscal year and in the previous year.

Table 1: Remuneration of the Executive Board in 2016 (benefits)

Dr. Andreas Schneider-Neureither				
CEO / joined: December 1, 1994				
In €	2015 Initial value	2016 Initial value	2016 Minimum	2016 Maximum
Fixed remuneration	220,000.00	240,000.00	240,000.00	240,000.00
Variable remuneration	21,467.28	6,942.36	6,942.36	6,942.36
Total	241,467.28	246,942.36	246,942.36	246,942.36
One-year variable remuneration	180,000.00	200,000.00	0.00	400,000.00
Multi-year variable remuneration	-	200,000.00	0.00	300,000.00
Total	180,000.00	400,000.00	0.00	700,000.00
Pension expenses	20,428.71	20,684.16	20,684.16	20,684.16
Total sum	441,895.99	667,626.52	267,626.52	967,626.52

Jörg Vierfuß				
CFO / joined: April 1, 2014				
In €	2015 Initial value	2016 Initial value	2016 Minimum	2016 Maximum
Fixed remuneration	120,000.00	120,000.00	120,000.00	120,000.00
Variable remuneration	18,621.00	18,626.28	18,626.28	18,626.28
Total	138,621.00	138,626.28	138,626.28	138,626.28
One-year variable remuneration	80,000.00	80,000.00	0.00	160,000.00
Multi-year variable remuneration	-	100,000.00	0.00	150,000.00
Total	80,000.00	180,000.00	0.00	310,000.00
Pension expenses	4,408.58	4,594.03	4,594.03	4,594.03
Total sum	223,029.58	323,220.31	143,220.31	453,220.31

Henry Göttler				
COO / joined: July 1, 2014				
In €	2015	2016	2016	2016
	Initial value	Initial value	Minimum	Maximum
Fixed remuneration	180,000.00	180,000.00	180,000.00	180,000.00
Variable remuneration	22,454.76	22,569.24	22,569.24	22,569.24
Total	202,454.76	202,569.24	202,569.24	202,569.24
One-year variable remuneration	120,000.00	120,000.00	0.00	240,000.00
Multi-year variable remuneration	-	150,000.00	0.00	225,000.00
Total	120,000.00	270,000.00	0.00	465,000.00
Pension expenses	785.72	398.72	398.72	398.72
Total sum	323,240.48	472,967.96	202,967.96	667,967.96

Table 2: Remuneration of the Executive Board in 2016 (allocations)

In €	Dr. A. Schneider-Neureither		Jörg Vierfuß		Henry Göttler	
	CEO from December 1, 1994		CFO from April 1, 2014		COO from July 1, 2014	
	2016	2015	2016	2015	2016	2015
Fixed remuneration	240,000.00	220,000.00	120,000.00	120,000.00	180,000.00	180,000.00
Variable remuneration	6,942.36	21,467.28	18,626.28	18,621.00	22,569.24	22,454.76
Total	246,942.36	241,467.28	138,626.28	138,621.00	202,569.24	202,454.76
One-year variable remuneration	219,277.11	201,810.73	88,206.55	89,693.66	132,309.82	134,540.49
Multi-year variable remuneration	232,755.99	-	116,378.00	-	174,566.99	-
Total	452,033.10	201,810.73	204,584.55	89,693.66	306,876.81	134,540.49
Pension expenses	20,684.16	20,428.71	4,594.03	4,408.58	398.72	785.72
Total Sum	719,659.62	463,706.72	347,804.86	232,723.24	509,844.77	337,780.97

In addition to general insurance benefits and pension commitments, the company has arranged Directors and Officers (D&O) liability insurance on behalf of the Executive Board members. The annual insurance premium of € 7,021.00 (€ 5,900.00 plus 19% insurance tax) also includes the D&O insurance of the Supervisory

Board members and senior executives. The corresponding D&O insurance of SNP America Inc. similarly grants pro rata coverage for the CEO of SNP AG, who is also Chairman of the Board of SNP America Inc., as well as for the CFO of SNP AG, who is also Vice President for Finance of SNP America Inc. The total amount

of the specified D&O insurance amounts to an annual insurance premium of € 2,951.41. The insurance benefits table contains the pro rata insurance premium paid per person for the period of activity.

The remuneration of the Executive Board is once again disclosed in the 2016 fiscal year in individualized form on the basis of the uniform model tables recommended by the German Corporate Governance Code. The essential feature of these model tables is the separate disclosure of the benefits granted (Table 1) and the actual allocations (Table 2). In terms of benefits, the target figures (payment upon 100% target attainment) and the attainable minimum and maximum figures are also stated.

Advances or Loans to Executive Board Members or Contingent Liabilities Incurred on Behalf of These Persons

As of December 31, 2016, no loans, credits or advances were granted to any members of the Executive Board. Furthermore, SNP AG did not incur any contingent liabilities on behalf of Executive Board members in the reporting year.

Provisions for Pension Commitments to Members of the Executive Board

SNP AG has made provisions for the pension commitments to Dr. Andreas Schneider-Neureither and Ms. Petra Neureither (CFO until May 19, 2011) totaling € 256 thousand (previous year: € 201 thousand), in accordance with IFRS. A reinsurance policy was arranged for the pension obligations.

Other Transactions

Since December 1, 2010, a lease agreement has existed between a member of the Executive Board and SNP AG for office space and parking spaces. Effective September 1, 2014, two separate agreements were concluded for this purpose (office space and parking spaces) at unchanged conditions. The invoicing of services is done at arm's length conditions as with third parties. In the 2016 fiscal year, related expenses were € 232 thousand (previous year: € 228 thousand); as of December 31, 2016, there were outstanding liabilities of € 1 thousand. In addition, since September 1, 2014, and November 1, 2014, five lease agreements have existed between a company controlled by a member of the Executive Board and SNP AG for office space and parking spaces. The invoicing of services is done at arm's length conditions as with third parties. In the 2016 fiscal year, related expenses were € 150 thousand (previous year: € 157 thousand); as of December 31, 2016, there were outstanding liabilities of € 4 thousand.

Principles of the Remuneration System for the Supervisory Board

The remuneration of Supervisory Board members is based on their responsibility and scope of activity. Pursuant to Section 6 (20) of the articles of association (valid for the fiscal year 2016), the members of the Supervisory Board are receiving for their activities in the 2016 fiscal year a fixed amount of € 10,000 per fiscal year in addition to the reimbursement of their expenses and an attendance fee of € 1,000 per Supervisory Board meeting. The Chairman receives two times the fixed amount and his Deputy one and a half times the fixed amount. Remuneration does not contain any performance-based components. In addition, the members of the Supervisory Board were covered in the performance of their duties by a Directors and Officers (D&O)

loss and liability insurance policy arranged by the company with maximum coverage of € 6,000,000 for each individual insurance claim and for total insurance claims in the period of insurance coverage. No deductible is arranged.

By resolution of the Annual General Meeting dated May 12, 2016, the remuneration of Supervisory Board members for the 2017 fiscal year for the first time was no longer set by the articles of association but instead approved by the General Meeting pursuant to Section 113 (1) (2) second alternative of the AktG. Accordingly, each Supervisory Board member receives a fixed annual remuneration of € 15,000. The Chairman receives a fixed annual remuneration of € 25,000, while the Deputy Chairman receives a fixed annual remuneration of € 20,000. Furthermore, each Supervisory Board member receives – in addition to the reimbursement of do-

ocumented, required expenses – € 1,000 for each meeting of the Supervisory Board. The company arranges a loss and liability insurance policy to cover the members of the Supervisory Board in the performance of their duties. This policy provides maximum coverage of € 6,000,000 for each individual insurance claim and for total insurance claims in the period of insurance coverage. No deductible is arranged.

Supervisory Board Remuneration in the 2016 Fiscal Year

The total remuneration granted to Supervisory Board members in the 2016 fiscal year amounted to € 64,055.35 (previous year: € 57,539.41). There were no loan receivables due from the members of the Supervisory Board. The following table shows individual remuneration per Supervisory Board member:

The 2016 Fiscal Year

In €	Fixed sum	Attendance fee	Other expenses	D&O Insurance	Total
Dr. Michael Drill	20,000.00	5,000.00	1,584.32	243.50	26,827.82
Gerhard A. Burkhardt	15,000.00	5,000.00	947.77	243.50	21,191.27
Rainer Zinow	10,000.00	5,000.00	792.76	243.50	16,036.26
Total	45,000.00	15,000.00	3,324.85	730.50	64,055.35

The 2015 Fiscal Year

In €	Fixed sum	Attendance fee	Other expenses	D&O Insurance	Total
Dr. Michael Drill	20,000.00	4,000.00	125.50	452.97	24,578.47
Gerhard A. Burkhardt	15,000.00	4,000.00	55.00	45.97	19,507.97
Rainer Zinow	10,000.00	3,000.00	0.00	452.97	13,452.97
Total	45,000.00	11,000.00	180.50	1,358.91	57,539.41

The company has arranged Directors and Officers (D&O) liability insurance on behalf of the Supervisory Board members. The annual insurance premium of € 7,021.00 (€ 5,900.00 plus 19% insurance tax) also

includes the D&O insurance of the Executive Board members and senior executives. The table shows the pro rata insurance premium paid per person for the period of activity.