



**SHW AG**  
**Aalen**

**– ISIN DE000A1JBPV9 –**  
**– WKN A1JBPV –**

**– ISIN DE 000A2LQ165 –**  
**– WKN A2LQ16 –**

**Ordinary Annual General Meeting of SHW AG**  
**on 8 May 2018**

**at the Congress Centrum Heidenheim, Kleiner Saal, Hugo-Rupf-Platz 1,**  
**89522 Heidenheim, Germany**

**Explanations regarding shareholders' rights in accordance with**  
**Sections 122 (2), 126 (1), 127, 131 (1) of the German Stock Corporation Act**  
**(Aktiengesetz – AktG)**

The announcement to convene the Annual General Meeting includes information regarding shareholders' rights in accordance with Sections 122 (2), 126 (1), 127, 131 (1) AktG. The following information serves as a more detailed explanation.

**1. Shareholders' right to submit supplements to the agenda in accordance with Section 122 (2) AktG**

Shareholders whose combined interests account for more than 5 per cent of the share capital (this corresponds to an amount of € 321,811.00 or 321,811 no-par value shares) or a proportionate amount of the share capital of € 500,000.00 may demand that items are put on the agenda and published. The request shall be submitted in writing to the Management Board of SHW AG. Requests should be submitted to the following address:

SHW AG  
– Management Board –  
Wilhelmstrasse 67  
D-73433 Aalen

The request shall be provided to the Company at least 30 days prior to the Annual General Meeting. The day of receipt and the day of the Annual General Meeting shall not be included in this computation. The last-possible time of receipt is therefore Saturday, 7 April 2018, 24:00 hours. An explanation or a draft proposal shall be included with each new item for the agenda. A reason or a draft resolution must be included with each new item for the agenda. In addition, the applicants must prove that they have held the shares for at least 90 days prior to the receipt of the request and that they will hold the shares until the management board decides upon the request. Notification of confirmation from the custodian credit institution suffices as evidence in this case. Section 70 AktG shall also be taken into consideration when calculating the shareholding period.

Under this regulation, certain other periods should also be assessed as the shareholding period if applicable.

Unless made public at the time of the Notice of Shareholders' Meeting, requests for amendments to the agenda that are required to be disclosed are published immediately upon receipt in the Federal Gazette (*Bundesanzeiger*) and submitted to those media for publication which may be presumed to distribute the information throughout the European Union.

The German Stock Corporation Act (AktG) regulations on which these shareholder rights are based are as follows:

*Section 122 AktG Calling of a meeting at the request of a minority (excerpt – paragraphs 1 and 2)*

- (1) *<sup>1</sup>The Annual General Meeting shall be called if shareholders whose holding in aggregate equals or exceeds one-twentieth of the share capital, demand such meeting in writing, stating the purpose and the reasons of such meeting; such demand shall be addressed to the management board. <sup>2</sup>The articles may provide that the right to demand an Annual General Meeting shall require another form or the holding of a lower proportion of the share capital. <sup>3</sup>The shareholders who have made the demand shall provide evidence to the effect that they have held the shares for at least 90 days prior to the receipt of the demand and that they will hold the shares until the management board decides upon the demand. <sup>4</sup>Section 121 (7) shall apply accordingly.*
- (2) *<sup>1</sup>In the same manner, shareholders whose shares amount in aggregate to not less than one-twentieth of the share capital or represent an amount of the share capital corresponding to 500,000 euros, may demand that items are put on the agenda and published. <sup>2</sup>Each new item shall be accompanied by an explanation or a draft proposal. <sup>3</sup>The demand in the sense of Sentence 1 shall be provided to the company at least 24 days, in case of listed companies at least 30 days, prior to the meeting; the day of receipt shall not be included in this computation.*

*Section 70 AktG Computation of the period of shareholding*

*<sup>1</sup>If the exercise of rights arising from a share requires that the shareholder has been the holder of such share for a certain period of time, the right to demand transfer of title from a credit institution, a financial services institute, or an enterprise operating under Section 53 (1) Sentence 1 or Section 53b (1) Sentence 1 or (7) of the Banking Act shall be deemed equivalent to ownership. <sup>2</sup>The period during which the share was owned by a predecessor shall be attributed to the shareholder, provided that he has acquired the share without consideration from his fiduciary, as a successor in legal interest by operation of law, in connection with the liquidation of a community of interest, or as a result of a transfer of assets pursuant to Section 13 of the Insurance Supervision Act (VAG) or Section 14 of the Building Loan Associations Act (BauSparkG).*

## **2. Countermotions and election proposals by shareholders in accordance with Section 126 (1) and Section 127 AktG**

Each shareholder has the right to submit countermotions at the Annual General Meeting against proposals by the Management Board and/or Supervisory Board for specific agenda items as well as to submit proposals for the election of Supervisory Board members or auditors stipulated on the agenda. In accordance with Section 124 (4) Sentence 2 AktG, the countermotion or election proposal does not need to be submitted to the Company in advance or announced.

In addition, each shareholder is entitled to have its countermotions and election proposals made available on the Company's website in accordance with the more detailed provisions of Section 126 (1) and Section 127 AktG if they are submitted to the Company in time before the Annual General Meeting at the corresponding address stated in the invitation to the Annual General Meeting. Countermotions, including the reason for them, and election proposals should be submitted to the following address:

SHW AG  
– Investor Relations –  
Wilhelmstrasse 67  
D-73433 Aalen  
Fax: +49 (0)7361/502-674

Countermotions, including the reason for them, and election proposals including the shareholder's name, the reason and any statements by the administration will be immediately be made available at

<https://en.shw.de/investor-relations/annualgeneralmeetings/annual-general-meeting-2018/>

if they are received by the Company at the above address at least 14 days before the Annual General Meeting. The day of receipt and the day of the Annual General Meeting should not be included in the computation. The last-possible time of receipt is therefore Monday, 23 April 2018, 12:00 hours. Countermotions and election proposals sent to a different address as well as countermotions that do not include a reason will not be considered; election proposals do not need to include a reason.

Even if the aforementioned requirements are fulfilled, the Company can opt not to make some or all of the information available if the circumstances cited in Section 126 (2) AktG are present. In addition, an election proposal does not have to be made available if it does not include the information cited in Section 127 Sentence 3 AktG. Furthermore, the Company can combine countermotions, the reasons for them and election proposals based on the provisions in Section 126 (3) AktG.

Even if countermotions and election proposals have been submitted to the Company in advance, they will only be dealt with at the Annual General Meeting if they are submitted again there verbally. The right of shareholders to submit countermotions or election proposals at the Annual General Meeting without submitting them in advance to the Company is not affected.

The AktG regulations on which these shareholder rights are based and which also stipulate the circumstances whereby the Company can opt not to make countermotions, the reasons for them and selection proposals available are as follows:

*Section 126 AktG Motions by shareholders*

(1) <sup>1</sup>Motions by shareholders together with the shareholder's name, the grounds and any position taken by the management shall be made available to the persons entitled pursuant to Section 125 (1)–(3) under the conditions stated therein if at least 14 days before the meeting the shareholder sends to the address indicated in the notice convening the meeting a motion counter to a proposal of the Management Board and Supervisory Board as to an item on the agenda. <sup>2</sup>The date of receipt shall not be taken into account. <sup>3</sup>In the case of listed companies, access shall be provided via the Company's Internet page. <sup>4</sup>Section 125 (3) shall apply accordingly.

(2) <sup>1</sup>A countermotion and the grounds for this need not be made available, if:

1. the Management Board would by reason of such communication become criminally liable;
2. the countermotion would result in a resolution of the Annual General Meeting which would be illegal or would violate the articles;
3. the grounds contain statements which are manifestly false or misleading in material respects or which are libellous;
4. a countermotion of such shareholder based on the same facts has already been communicated with respect to an Annual General Meeting of the company pursuant to Section 125;
5. the same countermotion of such shareholder on essentially identical grounds has already been communicated pursuant to Section 125 to at least two Annual General Meetings of the company within the past five years and at such Annual General Meetings less than one-twentieth of the share capital represented has voted in favour of such countermotion;
6. the shareholder indicates that he will neither attend nor be represented at the Annual General Meeting; or
7. within the past two years at two Annual General Meetings, the shareholder has failed to make or cause to be made on his behalf a countermotion communicated by him.

<sup>2</sup>The statement of the grounds need not be communicated if it exceeds 5,000 characters.

(3) If several shareholders make countermotions for resolution in respect to the same subject matter, the management board may combine such countermotions and the respective statements of the grounds.

*Section 127 AktG Election proposals by shareholders*

<sup>1</sup>Section 126 shall apply accordingly to a nomination by a shareholder for the election of a member of the Supervisory Board or external auditors. <sup>2</sup>Such nomination need not be supported by a statement of the grounds for this. <sup>3</sup>The Management Board also need not

*communicate such nomination if it fails to contain the particulars required by Section 124 (3) Sentence 4 and Section 125 (1) Sentence 5. The Management Board shall supplement the proposal of a shareholder for the election of Supervisory Board members of listed companies which are subject to the Co-determination Act (MitbestG), the Coal and Steel Co-determination Act (Montan-MitbestG) or the Supplemental Codetermination Act (MitbestErgG) by adding the following information:*

- 1. reference to the requirements pursuant to Section 96 (2);*
- 2. an indication of whether an objection against overall compliance pursuant to Section 96 (2) Sentence 3 was raised; and*
- 3. information about the number of seats in the Supervisory Board which have to be held by women and men, respectively, for the minimum participation requirement pursuant to Section 96 (2) Sentence 1 to be complied with.*

*Section 124 AktG Publication of requests for supplements; proposals for resolutions (excerpt – paragraph 3 Sentence 4 and paragraph 4 Sentence 2)*

- (3) [...] <sup>4</sup>The proposal for the election of members of the Supervisory Board or auditors shall state their name, profession and place of residence. [...]*
- (4) [...] <sup>2</sup>However, no such publication shall be required for the adoption of a resolution on a motion made to call an Annual General Meeting that is made in the meeting, for motions made in respect of items on the agenda, and for deliberations without resolution.*

*Section 125 AktG Communications to shareholders and members of the Supervisory Board (excerpt – paragraph 1 Sentences 1 and 5; paragraph 2 Sentence 1; paragraph 3)*

- (1) <sup>1</sup>The management board shall, at least 21 days before the meeting, communicate to those credit institutions and shareholders' associations which have exercised voting rights on behalf of shareholders in the preceding Annual General Meeting or which have requested such communication and the notice of the meeting. [...] <sup>5</sup>In case of listed companies details on the membership in other supervisory boards to be established pursuant to statutory provisions must be added to any nomination for the election of supervisory board members; details on their membership in comparable domestic and foreign controlling bodies of enterprises should be added.*
- (2) <sup>1</sup>The Management Board shall provide the same information to shareholders who make such request or are registered as shareholders in the company's share register at the beginning of the 14th day before the meeting. [...]*
- (3) Each member of the supervisory board may request that the management board send the same communication to him.*

### **3. Shareholders' right to information in accordance with Section 131 (1) AktG**

All shareholders are entitled to request information at the Annual General Meeting from the Management Board about matters relating to the Company insofar as the information is needed to properly assess an item of the agenda. The information obligation also applies to the Company's legal and business relationships with associated companies as well as the Group's situation and

that of the companies included in the Consolidated Financial Statements. The information must adhere to the principles of conscientious and fair accountability.

Based on certain, more detailed provisions in Section 131 (3) AktG, the Management Board may refuse to provide the information. Furthermore, the chair of the meeting is authorised under Section 18 (3) of the Company's Articles of Association to limit the shareholders' Q&A time appropriately and to stipulate more specific details in this regard.

The AktG regulations on which these shareholder rights are based and which also stipulate the circumstances whereby the Company can opt not to provide information, as well as the relevant regulations of the Company's Articles of Association, are as follows:

*Section 131 AktG Shareholders' right to information*

- (1) *<sup>1</sup>Each shareholder shall upon request be provided with information at the Annual General Meeting by the Management Board regarding the company's affairs, to the extent that such information is necessary to permit a proper evaluation of the relevant item on the agenda. <sup>2</sup>The duty to provide information shall also extend to the company's legal and business relations with any affiliated enterprise. <sup>3</sup>If a company makes use of the simplified procedure pursuant to Section 266 (1) Sentence 3, Section 276 or Section 288 of the German Commercial Code (Handelsgesetzbuch – HGB), each shareholder may request that the Annual Financial Statements be presented to him at the Annual General Meeting on such Annual Financial Statements in the form which would have been used if such simplifications were not applied. <sup>4</sup>A parent enterprise's (Section 290 (1) and (2) of the HGB) Management Board's duty to inform in the Annual General Meeting that considers the Consolidated Financial Statement and Consolidated Management Report shall extend to the outlook of the Group and the enterprises included in the Consolidated Financial Statement.*
- (2) *<sup>1</sup>The information provided shall comply with the principles of conscientious and accurate accounting. <sup>2</sup>The Articles of Association or the Rules of Procedure pursuant to Section 129 may authorise the chairperson of the meeting to limit the number of questions and speaking time of shareholders as appropriate and to lay down general rules thereon.*
- (3) *<sup>1</sup>The Management Board may refuse to provide information:*
- 1. to the extent that providing such information is, according to sound business judgment, likely to cause material damage to the company or an affiliated enterprise;*
  - 2. to the extent that such information relates to tax valuations or the amount of certain taxes;*
  - 3. with regard to the difference between the value at which items are shown in the Annual Balance Sheet and the higher market value of such items, unless the Annual General Meeting is to approve the Annual Financial Statements;*
  - 4. with regard to the methods of classification and valuation, if disclosure of such methods in the notes suffices to provide a clear view of the actual condition of the Company's assets, financial position and profitability within the meaning of Section 264 (2) of the German Commercial Code; the foregoing shall not apply if the Annual General Meeting is to approve the Annual Financial Statements;*

5. *if provision thereof would render the Management Board criminally liable;*
6. *if in the case of a credit institution or financial services institution information about the applied balance sheet and valuation methods or calculations made in the Annual Financial Statements, the Management Report, the Consolidated Annual Financial Statement or the Group's Management Report need not be given;*
7. *if the information is continuously available on the Company's internet page seven or more days prior to the Annual General Meeting as well as during the meeting.*

<sup>2</sup>*The provision of information may not be denied for other reasons.*

- (4) <sup>1</sup>*If information has been provided outside an Annual General Meeting to a shareholder by reason of his status as a shareholder, such information shall upon request be provided to any other shareholder at the Annual General Meeting, even if such information is not necessary to permit a proper evaluation of an item on the agenda. <sup>2</sup>The management board may not refuse to provide such information on the grounds of (3) Sentence 1 Nos. 1 to 4. <sup>3</sup>Sentences 1 and 2 shall not apply if a subsidiary (Section 290 (1), (2) HGB), a cooperative enterprise (Section 310 (1) HGB) or an affiliate (Section 311 (1) HGB) provides the information to a parent company (Section 290 (1), (2) HGB) for the purpose of inclusion in the Consolidated Annual Financial Statement of the parent company and the information is required for this purpose.*
- (5) *A shareholder who has been denied information may request that his question and the reason for which the information was denied be recorded in the minutes of the meeting.*

*Section 18 of the Articles of Association of SHW AG  
(excerpt – paragraph 3)*

- (3) *The chair of the meeting is authorised to limit the shareholders' Q&A time appropriately and to stipulate more specific details in this regard.*

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