



SHW AG
Aalen, Germany

– ISIN DE000A1JBPV9 –
– WKN A1JBPV –

Ordinary Annual General Meeting of SHW AG
on 10 May 2016

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) 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 interests together account for 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 can request that items be placed on the agenda and announced. The request should 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
73433
Germany

Aalen

The Company must receive the request at least 30 days before the Annual General Meeting. The day of receipt and the day of the Annual General Meeting should not be included in this calculation. The last-possible time of receipt is therefore Saturday, 9 April 2016, 12 a.m. A reason or a draft resolution must be included with each new item for the agenda. Under the current legal regulations, applicants must also provide evidence that they have been the bearer of the required number of shares for at least three months (Section 122 (1) sentence 3 and (2) AktG in the version applicable until 30 December 2015 in conjunction with Section 142 (2) sentence 2 AktG). It is not explicitly clear whether this three-month minimum shareholding period should be calculated back from the day on which the supplementary request is received by the Company (the generally held view) or from the day of the Annual General Meeting (the counter-view). The new le-

gal regulation for the minimum shareholding period following the legal act to amend the AktG dated 22 December 2015 (AktG amendment 2016) is not applicable for this Annual General Meeting. The Company will use the last-mentioned, applicant-friendly interpretation of the currently applicable regulation and therefore consider proper requests if applicants provide evidence that they have been the bearer of the required number of shares for at least three months prior to the day of the Annual General Meeting. When calculating this period, the day of the Annual General Meeting should not be included. Applicants must therefore have held the shares since 10 February 2016, 12 a.m. at the latest. Section 70 AktG must 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.

Supplements to the agenda which require announcement will be announced immediately after the request is received in the German Federal Gazette (Bundesanzeiger) – as will the announcement to convene the Annual General Meeting – insofar as they were not already announced with the latter. These announcements will also be forwarded for publication to media outlets, which, it can be assumed, will disseminate the information throughout the EU.

The AktG regulations on which these shareholder rights are based are as follows:

*Section 122 AktG Convening of the Annual General Meeting at the request of a minority interest (in the version applicable until 30 December 2015)^a
(excerpt – paragraphs 1 and 2)*

- (1) *¹The Annual General Meeting is to be convened if shareholders whose combined interests account for one twentieth of the share capital request in writing that it be convened, citing the purpose and reasons. The request is to be submitted to the Management Board. ²The Articles of Association can link the right to request that the Annual General Meeting be convened to another form and to the ownership of a smaller percentage of the share capital. ³Section 142 (2) sentence 2 shall apply accordingly.*
- (2) *¹In the same way, shareholders whose combined interests account for one twentieth of the share capital or the proportionate amount of € 500,000 can request that items be placed on the agenda and announced. ²A reason or a draft resolution must be included with each new item. ³The request pursuant to sentence 1 must be received by the Company at least 24 days – in the case of listed companies, at least 30 days – before the meeting; the day of receipt should not be included in the calculation.*

*Section 142 AktG Appointment of the special auditors
(excerpt – paragraph 2)*

- (2) *¹If the Annual General Meeting rejects a motion to appoint special auditors to audit an action during the foundation of the Company or an action by executive management which occurred less than five years ago, the court must appoint special auditors at the request of shareholders whose combined interests at the time that the motion is submitted account for one hundredth of the share capital or a proportionate amount of € 100,000 if there are circumstances which justify the suspicion that the*

^a Section 122 AktG in the version of the legal act to amend the AktG dated 22 December 2015 (AktG amendment 2016) will first apply to requests to convene the Annual General Meeting and supplementary requests which the Company receives on 1 June 2016 (Section 26h (4) Introductory Act to the German Stock Corporation Act (EgAktG)). Section 122 AktG in the version applicable until 30 December 2015 will continue to apply to requests to convene the Annual General Meeting and supplementary requests which the Company receives before 1 June 2016.

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action involved dishonesty or gross violations of the law or of the Articles of Association; this also shall apply to actions which occurred less than ten years ago insofar as the Company was listed at the time that the action occurred. ²The applicants must provide evidence that they have been the bearer of the shares for at least three months prior to the day of the Annual General Meeting and that they will retain the shares until the decision regarding the motion. ³Section 149 shall apply accordingly to any agreement to prevent such a special audit.

Section 70 AktG Calculation of the shareholding period

¹If the exercising of rights arising from the share is dependent on the shareholder having been the bearer of the share during a certain period, ownership is deemed equivalent to any claim to the transfer of ownership against a credit institution, financial services institution or company operating in accordance with Section 53 (1) sentence 1 or Section 53b (1) sentence 1 or Section 53 (7) of the German Banking Act (KWG). ²The ownership period of a legal predecessor will be assigned to the shareholder if he/she acquired the share at no charge from his/her trustee, as the general legal successor, as part of settlement of an association or transfer of a portfolio in accordance with Section 13 of the German Insurance Supervision Act (VAG) or Section 14 of the German Building Society Act (BauSparkG).

2. Counter-motions and election proposals by shareholders in accordance with Section 126 (1), Section 127 AktG

All shareholders have the right to submit counter-motions 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 counter-motion or election proposal does not need to be submitted to the Company in advance or announced.

In addition, all shareholders are entitled to have their counter-motions and election proposals made available on the Company's website in accordance with the more detailed provisions of Sections 126 (1), 127 AktG if they are submitted to the Company in time before the Annual General Meeting at the corresponding address provided in the announcement to convene the Annual General Meeting. Counter-motions, including the reason for them, and election proposals should be submitted to the following address:

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

Counter-motions, 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

www.shw.de/cms/de/investor_relations/hauptversammlungen/

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 calculation. The last-possible time of receipt is therefore Monday, 25 April 2016,

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12 a.m. Counter-motions and election proposals sent to a different address as well as counter-motions which 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 (3) AktG. Furthermore, the Company can combine counter-motions, the reasons for them and election proposals on the basis of the provisions in Section 126 (3) AktG.

Even if counter-motions 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 counter-motions 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 counter-motions, the reasons for them and election proposals available are as follows:

Section 126 AktG Motions by shareholders

- (1) *¹Motions by shareholders including the shareholder's name, the reason and any statements by the administration are to be made available to the authorised parties mentioned in Section 125 (1) through (3) under the corresponding requirements if the shareholder has submitted a counter-motion, including the reason for it, against a proposal by the Management Board and Supervisory Board regarding a certain item of the agenda at least 14 days before the Company's meeting to the corresponding address provided in the announcement to convene the meeting. ²The day of receipt should not be included in the calculation. ³For listed companies, the information must be made available on the Company's website. ⁴Section 125 (3) shall apply accordingly.*
- (2) *¹A counter-motion and the reason for it do not have to be made available*
 1. *if doing so would make the Management Board liable to prosecution,*
 2. *if the counter-motion would result in an Annual General Meeting resolution which is illegal or in breach of the Articles of Association,*
 3. *if key aspects of the reason contain details which are clearly incorrect or misleading or the reason contains insults,*
 4. *if a counter-motion based on the same circumstances has already been made available for an Annual General Meeting of the Company in accordance with Section 125,*
 5. *if the same counter-motion with essentially the same reason has already been made available for at least two Annual General Meetings of the Company in the last five years in accordance with Section 125 and less than one twentieth of the share capital represented at the Annual General Meeting voted in favour of it,*
 6. *if the shareholder discloses that he/she will not be attending the Annual General Meeting and will not be represented at it, or*

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7. *if the shareholder submitted a counter-motion for two Annual General Meetings in the last two years but did not present the counter-motion at the Annual General Meetings or have it presented on his/her behalf.*

²The reason does not have to be made available if it contains more than 5,000 characters.

- (3) *If more than one shareholder makes counter-motions for the same resolution item, the Management Board can combine the counter-motions and reasons for them.*

Section 127 AktG Election proposals by shareholders

¹Section 126 shall apply analogously to a shareholder's proposal for the election of Supervisory Board members or auditors. ²A reason does not have to be provided for the election proposal. ³The Management Board does not have to make the election proposal available if the proposal does not include the information in accordance with Section 124 (3) sentence 4 and Section 125 (1) sentence 5. The Management Board must add the following information to a shareholder's proposal for the election of Supervisory Board members in listed companies to which the German Co-determination Act (MitbestG), the German Coal and Steel Co-determination Act (Montan-MitbestG) or the German Co-determination Supplementary Act (MitbestErgG) apply:

1. *Indication to the requirements of Section 96 (2),*
2. *Disclosure of whether the general compliance in accordance with Section 96 (2) sentence 3 was contradicted and*
3. *Disclosure of the minimum number of seats on the Supervisory Board which must be filled by women and men respectively in order to comply with minimum quota required under Section 96 (2) sentence 1.*

Section 124 AktG Announcement of supplementary requests; proposals for resolution (excerpt – paragraph 3 sentence 4 and paragraph 4 sentence 2)

- (3) *[...] ⁴The proposal for the election of Supervisory Board members or auditors must include their name, practised profession and residence. [...]*
- (4) *[...] ²No announcement is needed for the resolution regarding the motion presented at the meeting to convene an Annual General Meeting, for motions which are placed as items on the agenda, and for discussions which do not include a resolution.*

Section 125 AktG Notifications for the shareholders and to Supervisory Board members (excerpt – paragraph 1 sentence 1 and 5; paragraph 2 sentence 1; paragraph 3)

- (1) ¹*The Management Board must notify the credit institutions and the shareholders' associations which exercised voting rights on behalf of shareholders at the last Annual General Meeting or which requested notification that the Annual General Meeting has been convened at least 21 days before the meeting takes place. [...]* ⁵*For listed companies, a proposal to elect Supervisory Board members must include disclo-*

tures regarding their membership of other legally required supervisory boards; disclosures regarding their membership of similar domestic and foreign controlling bodies of commercial companies should be included.

- (2) *¹The Management Board must issue the same notification to the shareholders who request it or who are entered as a shareholder in the Company's share register at the start of the 14th day prior to the Annual General Meeting. [...]*
- (3) *Supervisory Board members can also request the Management Board to send them the same notifications.*

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 affiliated 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.

On the basis of 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) *¹All shareholders are entitled to request information at the Annual General Meeting from the Management Board about matters relating to the Company insofar as it is needed to properly assess the item of the agenda. ²The information obligation shall apply to the Company's legal and business relationships with an affiliated company. ³If a Company makes use of the simplifications in accordance with Section 266 (1) sentence 3, Section 276 or Section 288 of the German Commercial Code (Handelsgesetzbuch - HGB), shareholders can request that the annual financial statements be made available to them at the Annual General Meeting for the annual financial statements in the form that they would appear without these simplifications. ⁴The information obligation of a parent company's Management Board (Section 290 (1), (2) Handelsgesetzbuch) at the Annual General Meeting which the consolidated financial statements and Group management report are presented to shall apply to the Group's situation and that of the companies included in the consolidated financial statements.*
- (2) *¹The information must adhere to the principles of conscientious and fair accountability. ²The Articles of Association or the Rules of Procedure in accordance with Section 129 can authorise the chair of the meeting to limit the shareholders' Q&A time appropriately and to stipulate more specific details in this regard.*
- (3) *¹The Management Board may refuse to provide the information*

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1. *if, on the basis of sound commercial judgement, providing the information is capable of putting the Company or an associated company at a considerable disadvantage;*
2. *if the information relates to tax amounts or the amount of specific taxes;*
3. *about the difference between the value at which items have been recognised in the balance sheet and a higher value for these items, unless the Annual General Meeting adopts the annual financial statements;*
4. *about the accounting and valuation principles if the disclosures about these principles in the notes to the financial statements is sufficient to give a true and fair view of the Company's results of operations, net assets and financial position in accordance with Section 264 (2) HGB; this does not apply if the Annual General Meeting adopts the annual financial statements;*
5. *if doing so would make the Management Board liable to prosecution;*
6. *if a credit institution or financial services institution does not need to make disclosures about accounting and valuation principles applied and netting transactions conducted in the annual financial statements, management report, consolidated financial statements or Group management report;*
7. *if the information is continuously available on the Company's website for at least seven days before and during the Annual General Meeting.*

²*Refusal to provide information for other reasons is not permitted.*

- (4) ¹*If a shareholder has been provided with information outside of the Annual General Meeting due to his/her status as a shareholder, this information must also be provided to all other shareholders at the Annual General Meeting if they so request, even if it is not needed in order to properly assess the item of the agenda. ²The Management Board may not refuse to provide the information in accordance with paragraph (3) sentence 1 No. 1 through No. 4. ³Sentences 1 and 2 do not apply if a subsidiary (Section 290 (1), (2) Handelsgesetzbuch), a joint venture (Section 310 (1) Handelsgesetzbuch) or an associated company (Section 311 (1) Handelsgesetzbuch) provides the information to a parent company (Section 290 (1), (2) Handelsgesetzbuch) for the purpose of including the company in the parent company's consolidated financial statements and requires the information for this purpose.*
- (5) *If a shareholder is refused information, he/she can request that his/her question and the reason for refusing to provide the information are included in the transcript of the discussion.*

*Section 18 AktG 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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This version of the Explanations regarding shareholders' rights in accordance with Sections 122 (2), 126 (1), 127, 131 (1) German Stock Corporation Act (*Aktiengesetz - AktG*) prepared for the convenience of English-speaking readers, is a translation of the German original. For purposes of interpretation the German text shall be authoritative and final.

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