

Remuneration system for the members of the Board of Management of technotrans SE

Preliminary remark

Pursuant to Section 120a (1) AktG in the version in force since January 1, 2020, after the entry into force of the Shareholder Rights Directive Implementation Act (ARUG II) dated December 12, 2019, the Annual General Meeting of a listed company is to decide on the approval of the remuneration system for the Board of Management members each time the system is materially changed, but at least every four years.

On February 2, 2021 the Supervisory Board resolved a new remuneration system for the Board of Management members that meets the requirements of ARUG II and takes account of the recommendations in the amended German Corporate Governance Code 2019 version.

The Supervisory Board submitted the remuneration system for the members of the Board of Management described below to the Annual General Meeting on May 7, 2021 under agenda item 6 for resolution.

The Annual General Meeting approved this remuneration system with a majority of 83.18%.

Basic features of the remuneration system, aims and components

The aim of the remuneration system for the Board of Management agreed by the Supervisory Board of technotrans SE in February 2021 is to remunerate the individual Board of Management members appropriately in line with their duties and areas of responsibility and to reflect the performance of each Board of Management member as well as the success of the company as a whole. It seeks to incentivise a sustainable increase in the corporate value of technotrans SE and successful, performance-led corporate governance. It also aims to support attainment of the corporate targets through the defined parameters. The Board of Management remuneration system thus contributes to the promotion of the evolved Group strategy “Future Ready 2025”. Under the umbrella brand technotrans, the Group aims to increase profitability and revenue further in the coming years, with particular focus on four target markets.

To that end, the contractually embedded remuneration system of the Board of Management uses a variety of parameters, including the size of technotrans SE and the technotrans Group, the economic environment in both regional and competitive terms, the complexity of the Board of Management activities and the current economic position of the company and its subsidiaries, as well as the performance of the overall Board of Management and the experience and performance of the individual Board member. To take appropriate account of these factors, the remuneration policy is continuously examined by the Supervisory Board.

The remuneration of the Board of Management members comprises the following elements:

- Fixed remuneration that is assessed for the full business year and is payable pro rata monthly,
- Variable, performance-related remuneration that comprises
 - a short-term, variable remuneration component (short term incentive – STI) that is linked to an EBIT target and is modified by attainment of individual, collective and ESG targets, and
 - A long-term, variable remuneration component (long term incentive – LTI) based on an ROCE target, as well as

- Fringe benefits, in particular a company car, accident and D&O insurance cover, as well as contributions to the personal pension scheme for the Board of Management member.

The precise objectives for the individual Board of Management members for the short-term and long-term remuneration components are fixed on the basis of resolutions by the whole Supervisory Board in target agreements reached between the company, represented by the Supervisory Board Chair, and the respective Board of Management member.

For full target attainment, disregarding the fringe benefits the split between fixed remuneration and variable remuneration is 60:40. The split between short-term and long-term performance-related pay where targets are fully attained is 45:55. Depending on the actual level of attainment of personal targets and the attainment of targets for financial ratios, there may naturally be departures from these splits.

In percentage terms the individual components are made up approximately as follows, based on the fringe benefits currently granted:

| Remuneration component as share of annual target remuneration | |
|---|----------------|
| Fixed remuneration | approx. 54 % |
| Short-term performance-related pay | approx. 16,2 % |
| Long-term performance-related pay | approx. 19,8 % |
| Fringe benefits | approx. 10 % |
| Total | 100 % |

The following aspects in particular were heeded in determining the composition of the target remuneration for the Board of Management:

- The fixed remuneration is a central component of Board of Management remuneration. Its level in each case reflects the areas of responsibility and duties of the individual Board of Management members. When the target remuneration is achieved, it should equally exhibit a ratio of 60:40 to variable remuneration and constitute over half of all remuneration components, including fringe benefits.
- In the case of variable remuneration, which provides additional incentives that depend on the overall success of the company and rewards individual performance, the balance is skewed towards long-term performance-related pay in preference to short-term performance-related remuneration components. The aim here is to reinforce long-term sustainable corporate development. This also reflects the Group strategy for the coming years. The short-term performance-related remuneration components consider both the success of the company and individual targets of the recipient, for example by way of incentivising outstanding success in one-off projects. It is also possible to specify targets that support sustainability and ESG aspects.
- In addition to fixed remuneration and variable remuneration the Board of Management members receive fringe benefits that are of secondary monetary importance compared with the other remuneration components. They are granted independently of performance and are intended to usefully complement the other remuneration components.
- For the individual level of Board of Management remuneration, a differentiated view is taken for each Board of Management member depending on their task area and function.

The Supervisory Board has called upon outside support in developing the remuneration model. Information on the remuneration level of the workforce and on remuneration of management boards in the market environment was also obtained.

Setting target attainment for variable remuneration

For the remuneration system of the Board of Management, two fundamentally distinct target-setting approaches are adopted:

- For short-term variable remuneration, the starting point is annual target-setting based on EBIT. For every 1% above or below the target, the target amount is reduced/increased by 3% with the result that a negative target difference of more than 33.33% means the remuneration component lapses altogether, and a positive target difference of more than 33.33% produces no further increase in the remuneration component. The annually fixed personal targets, collective targets and ESG targets act as modifiers. Depending on how far these targets are deemed to have been attained, the target amount from the EBIT achieved is multiplied by 0.8 to 1.2. The targets are set annually. Target attainment is established by the Supervisory Board after the end of the financial year, for example by reference to the financial ratios determined. The amount earned falls due and is payable at the end of the month in which the Supervisory Board approves the annual and Consolidated Financial Statements for the respective preceding year.
- Long-term variable remuneration is determined based on a planning-oriented ROCE target. The ROCE target is set with a +/- range of 1.5%. If the lower limit is reached the target is deemed 50% undershot, and if the upper limit is reached it is deemed 50% exceeded. If the figure achieved is below this range the remuneration component lapses, and if the range is exceeded there is no further increase to the remuneration component. The amount assessed from target attainment is payable after the relevant financial statements for the financial year in question have been established/approved. The Board of Management is then to invest the paid-out amount in shares in the company that must be held for at least four years, after which they may then be freely sold in accordance with the statutory provisions.

Maximum remuneration

Taking all remuneration components into account, the Supervisory Board has specified a remuneration structure for each individual Board of Management member that reflects their specific duties. The maximum remuneration is capped at EUR 850.000.00. This figure refers to the entitlements accrued during a calendar year, not to the payments actually made. If the cap is arithmetically exceeded, entitlements of the Board of Management member lapse (in whole or part) initially in respect of the short-term portion of the variable remuneration, and then if necessary in respect of the fixed remuneration. These amounts lapse without replacement, but only to the point where the maximum remuneration is reached.

Deferral periods and scope for clawback

As referred to above, deferral periods apply in respect of the sale of the shares acquired based on the long-term variable remuneration. The sale of these shares is only permissible after four years have elapsed.

In addition, the Board of Management employment contracts contain provisions under which, for material derelictions of duty, breaches of contractual obligations or breached of material principles of action, remuneration granted but not yet paid out for the financial year in which the breach occurs may be reduced in part or whole to zero (“penalty”). In addition, there is contractual scope under which variable remuneration components that have already been paid out can be clawed back.

There is also scope for clawback if the variable remuneration was incorrectly calculated due to defective company accounts and corrected, audited company accounts indicate a different payout amount.

Share-based remuneration

As already indicated, remuneration components are not paid out in the form of shares. However, the amount of long-term variable remuneration calculated according to the above principles and paid out must be – demonstrably – invested by the Board of Management member in question in shares in the company. These shares must be held by the Board of Management member for at least four years. The Board of Management member may thereafter dispose freely of the shares, subject to the statutory provisions.

Remuneration-based transactions and their termination

The Board of Management remuneration system is implemented through corresponding agreements with the individual Board of Management members in their employment contracts, in addition to the target agreements and the Supervisory Board's findings on attainment of the respective targets.

For this purpose the fundamental term of the corresponding remuneration arrangements in the employment contracts corresponds to the term of the contracts or the term of office.

The contract with Mr Finger runs until December 31, 2023.

The contract with Mr Hirsch runs until December 31, 2022.

The contract with Mr Engel, which was concluded based on the previous remuneration system, ends on July 31, 2021.

However, it is possible to adjust the remuneration agreements by mutual agreement within the respective periods, for example to reflect changes in the law. The Board of Management employment contracts with Mr Hirsch and Mr Finger were thus recently adjusted to implement the new remuneration system described above.

There is also scope for terminating the employment contracts for cause.

The contracts do not envisage pension or early retirement arrangements under the current remuneration system.

Special arrangements for the termination of Board of Management mandates in special cases

The Board of Management employment contracts have fixed terms but may be terminated for cause. If the employment contract is ended by termination for cause, all entitlements to payment of variable remuneration lapse where they were not already due and payable at the time that termination takes effect. If appointment as member of the Board of Management is revoked and the company does not give effective notice to terminate the contract for cause, the continuing entitlements for the remainder of the term are replaced with an entitlement to a one-off severance payment (severance payment cap). Special arrangements apply in cases where that the Board of Management member has not yet completed a full financial year in office or the remaining term of the Board of Management employment contract is less than one year. Equally, special arrangements are agreed with the Board of Management members if the appointment is revoked due to illness or being prevented from carrying out duties due to other reasons.

Determination of the remuneration system and individual remuneration of Board of Management members

The Board of Management remuneration system is determined by the Supervisory Board based on the proposal of the Personnel Committee.

Equally, the features and level of individual remuneration of Board of Management members are determined by the Supervisory Board – on the proposal of the Personnel Committee – through the individual contracts with the Board of Management members and through target agreements.

The Supervisory Board reviews the remuneration system and individual contractual agreements on a regular basis. It will call on remuneration consultants or legal advisors for support to the extent that it deems necessary. The Supervisory Board has drawn on relevant outside expertise in determining the current remuneration of the Board of Management. Where data from the company is required, e.g. with regard to the financial ratios or employee remuneration, the information in question is prepared and presented to the Supervisory Board by the Board of Management.

Where conflicts of interest arise, they are to be disclosed in accordance with the fundamental requirements for the Board of Management and Supervisory Board. No such conflicts can currently be identified with regard to how the remuneration system and individual Board of Management employment contracts are determined, nor the target agreements. The general supervisory duties of the Supervisory Board include reviewing any risks and responding where conflicts arise.

Sassenberg, May2021