Compensation system for members of the Managing Board of Manz AG

Table of contents

Preamble

The Supervisory Board of Manz AG has enacted the following system for compensating the members of the Managing Board of Manz AG. It conforms to the regulations of the Stock Corporation Act, and observes the recommendations of the German Corporate Governance Codex (DCGK) in the version enacted by the governmental commission on the German Corporate Governance Codex on December 16th, 2019, which went into force on March 20th, 2020.

The compensation system represents the foundation for the Managing Board compensation system. The following section describes the individual compensation components and stipulates the maximum compensation for members of the Managing Board. Furthermore, it explains possibilities for reducing (malus) and returning (clawback) variable compensation components, as well as the regulations on the terms and ending of employment contracts with members of the Managing Board

(Managing Board contracts) and severance payments. It also describes the process for vertical and horizontal comparisons. Finally, it describes the process for enacting, implementing and reviewing the compensation system.

A. Basic principles of the compensation system

With years of expertise in the areas of automation, laser processing, vision and metrology, wet chemistry, and roll-to-roll processes, Manz AG is a global, high-tech equipment manufacturer which offers manufacturers and their suppliers innovative production solutions in the areas of photovoltaics, electronics and lithium-ion battery technology. The core of the company's strategy is to make use of the technology portfolio across all industries and regions. This cross-segment exchange of technology and expertise not only offers a high level of flexibility in the realization of individual customer solutions, but also the possibility of generating internal synergies and making economic use of them.

Manz AG's goal is to achieve a sustained increase in competitiveness with earnings-oriented growth. With a strong focus on the development, production and marketing of modules and fully linked, individual system solutions and equipment, as well as the expansion of the worldwide customer base, we intend to increase our competitiveness and profitability. The cross-regional use of technological expertise and its standardization beyond industry boundaries significantly reduces development effort and time and continuously creates new unique selling points, creating opportunities for additional possible applications. In addition, continuous targeted organizational, procedural and process improvements in all segments of the Group are intended to contribute to further increasing the competitiveness and profitability of the company.

Economic success and responsible behavior must not be in conflict with each other. Therefore, both when developing new products and services and when operating production equipment, the company must keep negative impacts on the environment and climate to a minimum by handling resources as responsibly as possible and using resources as sparingly as possible, as well as by avoiding the use of any substances of very high concern and conflict materials when manufacturing our machines. We believe that our actions in these areas render a significant contribution to the positive performance of the company over the long term.

The Managing Board compensation system is closely linked to this strategy, and plays an important part in helping us achieve the corporate objectives described here. Based on this, the aim of the compensation system is to compensate the members of the Managing Board commensurately according to their area of activity and responsibility, taking into account not only the personal performance of each respective Managing Board member, but also the company's overall situation and business success.

Integrating the main management indicators of Manz AG into the Managing Board compensation incentivizes increasing earning power and profitability, as well as the long-term financing power and appreciation in value of Manz AG. Furthermore, it should also incentivize performance that contributes to the strategic, technical and structural development of Manz AG. Therefore, non-financial factors, in particular from the environment, social & governance areas – "ESG" – also play an important role in Managing Board compensation. The objective is to unite the interests of the Managing Board and shareholders with other stakeholders as well.

Therefore, when developing this Managing Board compensation system, the Supervisory Board based its considerations in particular on the following guidelines:

- Promoting the long-term and sustainable corporate development of Manz AG, and supporting the corporate strategy

- Conforming to the regulatory specifications of the Stock Corporation Act and the recommendations of the German Corporate Governance Codex
- Strictly tracking performance in compensation through ambitious, yet realistic objectives (pay for performance)

- Considering the interests and needs of relevant shareholders

- Supplementing environmental, social & governance (ESG) criteria to promote sustainable corporate development

- Transparent communication regarding Managing Board compensation both internally and externally

- Ensuring internal corporate objectives are synchronized and consistent in order to harmonize incentives for the Managing Board and upper management

- Considering modern and common elements and mechanisms for the market

B. The compensation system in detail

I. Compensation components

1. Overview of the compensation components and their relative shares of compensation

The compensation paid to members of the Manz AG Managing Board consists of fixed and variable components. Non performance-related components as fixed compensation components include the annual salary, benefits, and company pension plan. Performance-related components as variable components include short-term incentives (STI) and long-term incentives (LTI).

The following graphic shows an overview of compensation components and performance periods for the variable components:

Compensation structure

Long-term incentives (LTI) Manz Performance Share Plan	four years
+	
Short-term incentives (STI) Annual cash bonus Non-financial STI	one financial year
+	
Fixed compensation	
=	
Total compensation	

The following table shows an overview of the compensation components as well as the parameters and bases on which they are calculated:

Fixed compensation (non performance-related components)	
Fixed salary	Monthly wages Expected employer contribution to social insurance Payment in cash
Fringe benefits	Private use of company car Insurance (D&O insurance, accident insurance)
Company pension plan	Contributions to the provident fund
Variable compensation (performance-related components)	
Short-term incentives (STI): Annual cash bonus	
Type	Annual target bonus with financial performance criteria
Performance criteria	EBIT margin
Performance period	one year
Limit	160 % of annual fixed salary
Payment	Annually in cash after approval of the consolidated financial statement
Short-term incentives (STI): Non-financial STI	
Type	Annual target bonus with non-financial performance criteria
Performance criteria	Objectives related to strategic, technical and structural development, including ESG criteria according to annual individual targets
Performance period	one year
Limit	30 % of the annual fixed salary
Payment	Annually in cash after approval of the payout amount
Long-term incentives (LTI): Manz Performance Share Plan	
Type	Performance Share Plan (share purchasing rights)
Performance criteria	EBITDA margin (50 %) Development in corporate value (50 %)
Performance period	Four financial years
Waiting period	Four years
Limit	300 % of the value of the performance shares upon allocation
Payment	After the end of the waiting period and approval of the consolidated financial statement for the fourth financial year, generally in shares of Manz AG
Maximum compensation	Fixed maximum amount for each member of the Managing Board

Based on the compensation system, the Supervisory Board established a specific target total compensation for each member of the Managing Board before the start of each financial year. This must be appropriate to the duties and performance of the Managing Board member, as well as the position of the company, and may not exceed customary compensation. The target total compensation is comprised of the total of all compensation components used to determine overall compensation. The target amount for the STI and LTI is based on 100 % target achievement. The percentage of long-term incentives in the target total compensation exceeds the percentage of short-term incentives in the target total compensation.

The percentage of non-performance related components (annual fixed salary and bonuses) is around 41 % of the target total compensation, and the percentage of performance-related components as a variable component is around 59 % of the target total compensation. Therefore, the percentage of the STI target of the target total compensation is around 27 %, of which the percentage of annual cash bonuses makes up around 22 %, and the percentage of non-financial STI makes up around 5 %. The LTI target makes up around 32 % of the target total compensation. The LTI target is around 54 % of the target for total variable compensation, and therefore exceeds the STI target amount (around 46 %).

The following table shows an overview of the relative percentages of fixed and variable compensation components, based on the target total compensation:

<table>
<tr><th>Non performance-related components</th><th colspan="3">Performance-related components</th></tr>
<tr><td>41 %</td><td colspan="3">59 %</td></tr>
<tr><td rowspan="2">Monthly fixed salary
Benefits
Pension plan</td><td colspan="2">Short-term incentives (STI):</td><td>Long-term incentives (LTI):</td></tr>
<tr><td>Annual cash bonus</td><td>Non-financial STI</td><td>Manz Performance Share Plan</td></tr>
<tr><td>41 %</td><td>22 %</td><td>5 %</td><td>32 %</td></tr>
</table>

The relative percentages indicated can deviate slightly based on the future development of costs for bonuses, as well as for new appointments. Furthermore, the percentages indicated may deviate if any payments are granted due to assuming an office or new appointments.

2. Non performance-related components (fixed compensation components)

The fixed components of Managing Board compensation consist of a fixed salary and benefits, as well as contributions to a company retirement scheme.

a) Fixed salary

The fixed salary is an agreed, fixed, non performance-related compensation which is paid retroactively on a monthly basis. The fixed salary functions as a base salary to cover Managing Board members' and their families' ongoing cost of living expenses irrespective of the company's performance. In addition to the fixed salary, members of the Managing Board may be granted an amount paid as the employer contribution to health and care insurance, as well as to statutory pension insurance.

Fixed salaries are reviewed on July 1st of each calendar year to ensure they are appropriate. In this review, the Supervisory Board in particular takes the performance and duties of the Managing Board member in question into account, as well as the quality of their work and the development and position of the company.

b) Benefits

An appropriate company car, which can also be used for private purposes, is provided to Managing Board members as a benefit. In addition, the company concludes accident insurance policies with appropriate benefits for each of the Managing Board members. These policies also cover non-work-related accidents. Furthermore, the members of the Managing Board are insured under the D&O insurance policy for executive bodies, the cost of which is borne by Manz AG.

c) Pension scheme

Monthly contributions are made to a provident fund on behalf of Managing Board members under the company pension scheme.

d) Other fixed compensation components

In individual cases, the Supervisory Board can grant reasonable payments when a new member joins the Managing Board in the year in which they assume office. Such payments are intended primarily to compensate for losses in variable compensation which a Managing Board member suffers from switching to Manz AG from their former employer.

3. Performance-related components (variable compensation components)

The variable compensation components serve as a specific incentive to achieve sustained corporate growth while contributing to the Managing Board members' accumulation of personal assets and financial independence.

The variable compensation includes, firstly, an annual component tied to the company's success in the previous year (short-term incentive), consisting of an annual cash bonus and non-financial STI, and, secondly, a share-based component with a multi-year basis for assessment, in the form of purchasing rights to Manz shares (performance shares) granted on an annual basis (long-term incentives (LTI)).

a) Annual cash bonus based on the EBIT margin as a short-term incentive

(1) Calculating the annual cash bonus and payment

The aim of the annual cash bonus is to allow the members of the Managing Board to participate in the company's financial success or failure in the previous fiscal year as a result of their own personal management performance. In accordance with the financial objectives of Manz AG derived from the corporate strategy, it focuses on incentivizing improving the profitability of Manz AG, using the EBIT margin as one of the primary performance indicators at Manz AG for all members of the Managing Board. Moreover, the annual cash bonus is calculated based on the respective fixed salary of the particular Managing Board member for the given previous financial year (fixed annual salary).

The annual cash bonus grant requires that an EBIT margin of at least 0.1 % has been achieved. The Managing Board member receives an annual cash bonus of 1 % of the annual fixed salary with an EBIT margin of 0.1 %. Accordingly, the percentage applicable for calculating the cash bonus increases by one percentage point for each full tenth of a percentage point by which the achieved EBIT margin exceeds an EBIT margin of 0.1 %. The maximum value is set at an EBIT margin of 16 %, at which the annual cash bonus is 160 % of the annual fixed salary.

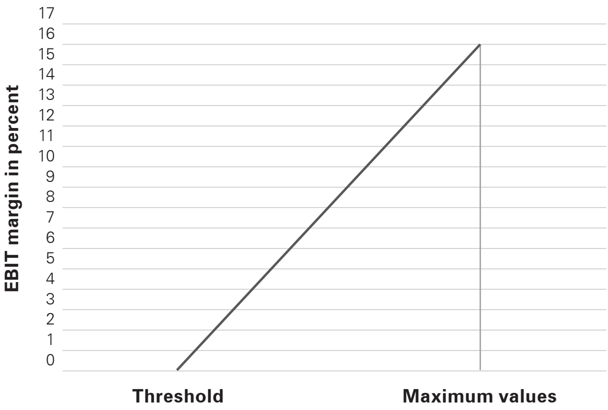
The Supervisory Board determines target achievement and the amount of the annual cash bonus at the end of each financial year based on the consolidated annual statement and annual fixed salary for the Managing Board member in question. Target achievement for performance criteria is calculated based on the target achievement value, and limited to a maximum target achievement of an EBIT margin of 16 %. The payment amount is calculated by multiplying the EBIT margin as a percentage by a factor of 10, and the annual fixed salary, and is therefore limited accordingly to 160 % of the fixed salary.

The following diagram shows an overview of how annual cash bonuses are calculated:

EBIT margin	x	Factor of 10	x	Annual fixed salary	=	Annual cash bonus	Cap: 160 % of the annual fixed salary
Example: 6 %	x	Factor of 10	x	T€ 260	=	T€ 156	Cap: T€ 416

The following graphic shows the target achievement curve for the performance criteria of EBIT margin:

Target achievement curve of the cash bonus



The minimum and maximum values and target achievement for the previous financial year are published retroactively in the compensation report.

Annual cash bonuses make up 22 % of target total compensation.

Annual cash bonuses are paid out in cash, and are due ten days after approval of the Manz AG consolidated financial statement.

(2) EBIT margin performance criteria

The cash bonus is granted annually, depending on the EBIT margin of the previous respective financial year. The EBIT margin is calculated as the ratio of earnings before interest and taxes (EBIT) to total revenues pursuant to the consolidated financial statements of Manz AG in accordance with IFRS. The

EBIT margin serves as a key figure for reflecting the operational earnings of the company, thereby reflecting the earnings power and profitability of the enterprise.

Therefore, directly tying annual cash bonuses to the performance criteria of the EBIT margin incentivizes and focuses the work of the Managing Board on consistently improving the earning power of the Manz Group, thereby ensuring the strategic alignment of the variable compensation. The target is decisive for all Managing Board members together. The financial performance criteria of the EBIT margin is not only used on the Managing Board level, but is also used to strategically align business activities in the individual corporate areas as well.

(3) Leaving the employment relationship

After an employee ends their employment relationship, the stipulated performance criteria and due dates, as well as any compensation claims to annual cash bonuses are retained. If the employee fulfills the requirements for the annual cash bonus, then it is paid out according to applicable regulations; in particular, no advance payment is permitted. If a change of control clause has been agreed, then this may be paid out in advance in deviation of this as part of a severance payment, following termination by the member of the Managing Board due to a change in control (see section IV.2.).

If the management contract ends during a financial year, or if the company releases the Managing Board member from their duties during a financial year, then their annual cash bonus shall be reduced for the financial year in which they leave the company on a pro rata temporis basis. If the company terminates the management contract for good cause, then the claim to the annual cash bonus will be void for the year in which termination takes effect.

b) Non-financial STI as a short-term incentive

(1) Calculating the non-financial STI and payment

In addition to the annual cash bonus, the short-term variable compensation also includes a non-financial STI according to the non-financial performance criteria. The non-financial corporate and ESG division targets are used to assess the individual performance of Managing Board members. The non-financial STI is calculated based on the respective fixed salary of the particular Managing Board member for the given previous financial year (fixed annual salary).

The Supervisory Board calculates target attainment and the amount of the non-financial STI for the Managing Board member in question after the end of the financial year. Overall target attainment for the stipulated non-financial performance criteria is calculated based on the level of target attainment, and is limited to a maximum of 200 %. The non-financial STI is applied based on previously defined criteria stipulated by the Supervisory Board before the start of the financial year, and is 15 % of the annual fixed salary if all goals are achieved. The payment amount, therefore, is calculated by multiplying total target attainment by the annual fixed salary, as well as a factor of 15 %. The payment amount is limited to a maximum of 30 % of the annual fixed salary.

The following diagram shows an overview of how non-financial STIs are calculated:

Target attainment (up to 200 %)	x	Annual fixed salary	x	Factor 15 %	=	Non-financial STI	Cap: 30 % of the annual fixed salary
Example: 100 %	x	T€ 260	x	15 %	=	T€ 39	Cap: T€ 78

Target attainment of non-financial performance criteria makes up 5 % of the target overall compensation.

The non-financial STI is paid out in cash as soon as possible after the payment amount is calculated by the Supervisory Board, and at the latest within three months after the end of the financial year.

(2) Performance criteria

Before the start of the financial year, the Supervisory Board selects relevant non-financial performance criteria to assess the Managing Board member for the financial year, based on the following criteria:

- long-term strategic, technical or structural corporate development
- portfolio measures, primarily successful mergers & acquisitions and relevant inte-gration measures
- successfully tapping into new growth markets, expanding market position
- optimizations, efficiency programs/increases, restructuring measures

- successfully completing key projects
- increasing innovative capacity and delivery capability
- performance in the ESG area (environment, social & governance)

The Supervisory Board defines up to three specific goals and their proportional weights. Unless otherwise indicated, the Supervisory Board stipulates ESG targets from the diversity area (social) and sustainability area (environment); however, the Supervisory Board is entitled to stipulate other ESG targets.

The purpose of non-financial performance criteria is to improve the competitiveness of Manz AG over the long term according to corporate objectives. In addition, the criteria should help align Managing Board activities to foster the technical and structural development of the company, including in environmental, social and governance areas. These are individual targets of the individual Managing Board members.

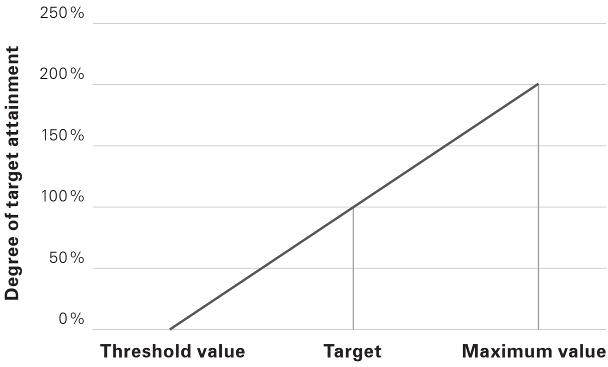
The ESG targets are defined as non-financial, quantitative and qualitative performance criteria in the environmental, social & governance areas. These include, for example, contributing to global climate protection (such as the goal of CO_2 neutrality by 2030) or promoting diversity at Manz AG, which positively influences innovation, employee engagement and the financial performance of Manz AG. Clearly linking ESG targets to the business and sustainability strategy and to current market demands helps manage the company on a long-term basis so as to benefit all stakeholders. Therefore, the ESG targets are important for harmonizing the interests of the Managing Board with those of other stakeholders, as well as for achieving long-term corporate success.

(3) Defining the targets

Before the start of each financial year, the Supervisory Board defines relevant criteria for each Managing Board member with a target attainment value of up to 200 %, thereby stipulating the target compensation for the non-financial STI. At target attainment of 100 %, this is defined by multiplying the annual fixed salary by a factor of 15 %.

The following graphic shows the target attainment curve for the non-financial performance criteria:

Target attainment curve for non-financial STI



The minimum, target, and maximum values and target attainment for the previous financial year are published retroactively in the compensation report.

(4) Leaving the employment relationship

After an employee ends their employment relationship, the stipulated performance criteria and due dates, as well as any compensation claims to non-financial STIs are retained. If the employee fulfills the requirements for the non-financial

STI, then it is paid out according to applicable regulations; in particular, no advance payment is permitted. If the management contract ends during a financial year, or if the company releases the Managing Board member from their duties during a financial year, then their non-financial STI shall be reduced for the financial year in which they leave the company on a pro rata temporis basis. If the company terminates the management contract for good cause, then the claim to the non-financial STI will be void for the year in which termination takes effect.

c) Manz Performance Share Plan as a long-term incentive (LTI)

The long-term incentive (LTI) is a performance share plan with a four-year performance period. The purpose of the variable compensation component, which acts as a long-term incentive, is to encourage the Managing Board member to improve internal and external corporate value over the long term by granting performance shares each year to purchase shares in Manz AG. This helps to effectively tie their interests to those of the shareholders, as well as those of other stakeholders.

The LTI makes up 32 % of target total compensation.

(1) Function and specifications for the Manz Performance Share Plan

Based on the authorization of the Annual General Meeting, the Supervisory Board grants members of the Managing Board the right to purchase shares in Manz AG (“performance shares”). The wait time to exercise the performance shares ends four years after the time at which the right is issued, and is therefore over four years. When performance shares are exercised, shares in Manz AG are issued to the exercising individual at the lowest legally prescribed issue amount of 1.00 EUR per share.

The performance shares can be exercised if and insofar as the respective performance target was achieved. The stipulated performance targets for exercising performance shares are the EBITDA margin and corporate development of Manz AG. The EBITDA margin performance target is calculated as the average of the EBITDA margins according to Manz AG's consolidated financial statements during the performance period of four financial years beginning with the financial year in which Performance Shares are granted. The development of the enterprise value performance target is calculated as the increase in the market capitalization of Manz AG during the performance period of four calendar years beginning with the start of the issue period in which the Performance Shares are granted.

The following table shows an overview of the performance targets and target corridor for the performance targets EBITDA margin and growth in enterprise value:

Target	**Objective** 100 % target attainment	**Target corridor**	
		Minimum value 0 % target attainment	**Maximum value** 200 % target attainment
EBITDA margin	10 %	5 %	15 %
Growth in enterprise value	20 %	> 0 %	30 %

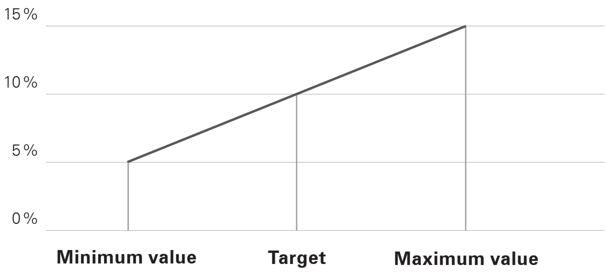
The EBITDA margin and growth in the enterprise value success target are each assigned a weighting of 50 % for measuring the total degree of target attainment. There is an "objective," a "minimum value," and a "maximum value" for each performance target. The objective defines the value at which the degree of target attainment for the respective performance target is 100 %. The minimum value designates the lower limit of the target corridor at or below which the degree of target attainment for the respective performance target is 0 %. The maximum value defines the value at or above which the degree of target attainment is 200 %.

For the EBITDA margin target, the minimum value for an EBITDA margin is 5 %. The objective is an EBITDA margin of 10 %. The maximum value for the EBITDA margin target is reached with an EBITDA margin of 15 %. The minimum value for the performance target of growth in enterprise value is positive growth in enterprise value, meaning that the enterprise value increases by more than 0 %. The objective is 20 % growth in enterprise value. The maximum value for this performance target is 30 % growth in the enterprise value.

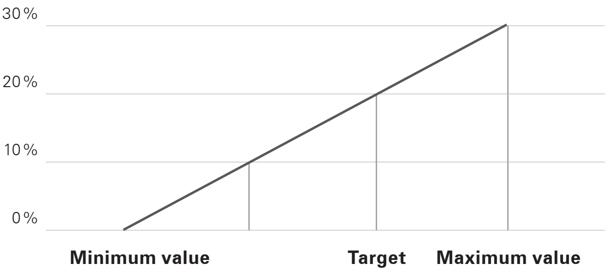
The degree of target attainment for the target is determined through linear interpolation between the minimum value for the target and the target specification, or between the target specification and maximum value for the target. The total degree of target attainment is the average for the degrees of attainment for the two performance targets. If the value attained equals or exceeds the maximum value with respect to a target, the degree of target attainment is 200 %.

The following graphics show the target attainment curves for the performance criteria of EBITDA margin and growth in enterprise value:

EBITDA margin



Growth in enterprise value



The target attainment for the previous financial year is published retroactively in the compensation report.

(2) Final number of performance shares and limits

The initial number of performance shares in an installment is multiplied by the degree of overall target attainment, resulting in the final number of performance shares.

The final number of performance shares is limited to 200 % of the initial number of performance shares (cap on number of units).

If the requirements for exercising the right apply, then Managing Board members are entitled to purchase Manz shares at an issue price of 1.00 EUR per share, within the scope of the final number of performance shares. Therefore, they can purchase up to two Manz AG shares for each number or partial number of performance shares, according to the overall degree of target attainment.

However, the value of the performance shares, which is calculated based on the share price of the Manz share before the end of the wait period, is limited to 300 % of the value determined based on the share price of Manz shares before issuance; if this is exceeded, the final number of performance shares is reduced accordingly (cap).

In case of extraordinary developments, the Supervisory Board is furthermore entitled to limit the ability to exercise the performance shares granted at their discretion, in particular to ensure that compensation is appropriate in the sense of Section 87 (1) Sentence 1 Stock Corporation Act (AktG).

(3) Performance criteria

The performance target EBITDA margin is calculated based on the ratio of earnings before interest, taxes, depreciation and amortization on property, plant and equipment and amortizations on intangible assets (EBITDA) on the revenues indicated in the Manz AG group financial statement under the IFRS. The EBITDA margin serves as a key figure for assessing operational cash flow before taxes, and therefore for the long-term financing capacity of the company.

The performance target of growth in enterprise value corresponds to the percentage of growth in Manz AG's enterprise value at the end of the waiting period to exercise the performance shares, in relation to the enterprise value when they were issued. The enterprise value is calculated by multiplying the share price of Manz shares by the number of total shares issued by Manz AG at the time in question, and therefore corresponds to the respective market capitalization, and therefore the enterprise value of Manz AG measured by the share price.

Connecting the performance shares to the equally weighted performance criteria of EBITDA margin and growth in enterprise value over the performance period of four financial years or four calendar years therefore incentivizes aligning the work of the Managing Board towards increasing the financing capability and enterprise value of Manz AG over the long-term. Doing so thereby ensures the strategic focus of long-term variable compensation. The targets are decisive for all Managing Board members.

The financial performance criteria of the EBITDA margin and growth in enterprise value are not only used on the Managing Board level, but are also used to strategically align business activities in the individual corporate areas as well. In particular, Manz AG grants annual performance shares to selected members of the general management of affiliated companies as well, and to selected managers in key positions at Manz AG and in affiliated companies below the general management.

(4) Payment

The Supervisory Board defines the final number of performance shares and how they are to be exercised, following approval of the group financial statement for the last financial year, before the end of the waiting period and the end of the respective waiting period. The performance shares can then be exercised by Managing Board members within a limited time period after the time at which both the group financial statement for the last financial year has been approved before the end of the wait time, and after the wait time has expired. The Manz shares to be issued based on the exercised performance shares are transferred to the Managing Board member in return for payment of the exercise price.

Manz AG can fulfill exercised performance shares by issuing new shares from the conditional capital available for the purpose. Manz AG is also authorized to deliver treasury shares. Furthermore, in lieu of delivering shares, Manz AG is entitled to pay out the value of the shares that would have to be delivered following the exercise of Performance Shares, minus the exercise price.

There is no obligation not to sell the Manz shares issued due to the exercise of performance shares (holding period).

(5) Leaving the employment relationship

After an employee ends their employment relationship, the stipulated performance criteria and due dates, as well as any performance shares granted are retained. If the employee fulfills the requirements for the performance shares, then they can be exercised according to applicable regulations; in particular, no advance exercise or payment is permitted. If the employment relationship is terminated by the Managing Board member or the company for good cause, or if a cancellation agreement is concluded, then the performance shares shall expire without compensation if they are not able to be exercised at the time the employment relationship ends.

d) Change in performance criteria

There is no possibility to subsequently change the performance criteria or the requirements for calculating the compensation components of the STI or LTI, or the applicable limits for these in the Managing Board contracts or plan conditions. However, in case of extraordinary circumstances or developments, in particular if the scope of business activities of Manz AG changes significantly, for instance due to the acquisition or sale of company divisions, the Supervisory Board can adjust the compensation components of the STI and LTI appropriately at its own discretion through agreements with the Managing Board members for the following period.

II. Maximum compensation

The total compensation to be granted to the Managing Board member for a financial year as the total of all compensation amounts provided for the financial year in question, including the annual fixed salary, benefits and variable compensation components does have a maximum upper limit (“maximum compensation”), regardless of the time at which these amounts are paid out. The maximum compensation for the CEO is 1,800,000 EUR, and for full Managing Board members 1,500,000 EUR each.

The maximum compensation can deviate from the stipulated maximum compensation if a new Managing Board member is appointed during the year of their appointment, if the Supervisory Board grants the newly appointed Managing Board member payments to compensate for lost funds from the previous employment relationship when they take office, in an exceptional case. In this case, the maximum compensation for this one financial year for the CEO will be increased by up to 50 %, and the maximum compensation for full board members will be increased by up to 25 %.

III. Possibilities of reducing (malus) and returning (clawback) variable compensation components

The Managing Board contracts contain regulations that permit the reduction (malus) or return (clawback) of variable compensation that has not yet been paid out or that has been paid out, under certain conditions. These regulations apply to all variable components of Managing Board compensation, including both the STI and LTI.

If a Managing Board member has violated the obligations of Section 93 Stock Corporation Act (AktG) either intentionally or through gross negligence, then the Supervisory Board can consider the individual circumstances and weigh the interests of both contractual payments, and partially reduce or fully deny the STI payment amount, and the ability to exercise performance shares according to the LTI for the financial year in which the breach of duty occurred. If a breach of duty becomes known later on, an STI already paid out for the financial year in which the violation occurred can be requested for either a full or partial return, as long as not more than three years have passed since the payment (clawback). The Supervisory Board will make a decision in such cases at its own discretion. The Supervisory Board will, in particular, take the importance of the violated obligation, the weight of the amount caused by the party involved, and the amount of any damages into account in its decision. The Supervisory Board shall first reduce or deny the ability to exercise performance shares under the LTI before deciding to reduce or request return of the STI. The gross amount of the STI and LTI will be used to determine the amount of the reduction, the amount denied or the amount requested for return.

In addition, the Supervisory Board reserves the right to assert any other claims under the Managing Board contract and the law, such as claims for damages. This also applies if variable compensation was paid out or granted illegitimately, in particular because it was calculated based on incorrect data.

IV. Compensation-related legal transactions

1. Terms and regulations for ending management contracts

The terms of the management contracts are determined based on the time for which the member of the Managing Board is appointed, and are extended each time the member is re-appointed by the duration of the re-appointment. Generally, Managing Board members are initially appointed for three years. The regular re-appointment period is five years.

Because the managing contracts have a fixed term, they generally do not offer an option for ordinary termination, or termination without good cause. The rights of both parties to extraordinary termination for good cause in the sense of Section 626 of the German Civil Code (BGB) remain unaffected.

The management contracts end at the end of the month in which the Managing Board member turns 65.
The Supervisory Board can agree in management contracts that the Managing Board member is entitled to terminate the management contract within six months after a change of control, with a notice period of three months to the end of a calendar month, thereby leaving their office as member of the Managing Board at the same time. A change of control in the sense of such a change of control clause exists if the company receives notification that the notifying entity has reached or exceeded at least 25 % of the voting rights from company shares belonging or attributed to it. In this case, there may also be an agreement that the Managing Board member is entitled to a severance payment (see the following section 2.)

2. Severance payments

If a Managing Board member leaves office and their employment relationship prematurely, and there is no good cause, then severance payments to Managing Board members including benefits shall not exceed the amount of two year's annual compensation (severance cap), and not compensate more than the remaining term of the employment relationship. The total compensation for the last financial year, as well as the projected total compensation for the financial year at the time the relationship is ended prematurely, if applicable, shall be used to calculate the severance cap.

If management contracts contain a change of control clause (see above under section 1.), the Supervisory Board can agree that the Managing Board member is entitled to a severance at the end of their employment relationship following termination of the management contract. In this case, the severance shall generally amount to the fixed wages and annual cash bonus (STI) for the remaining term of the employment relationship if it were not terminated, whereby the average of the last financial year before termination and the projected EBIT margin for the current financial year, based on company budgetary figures, shall be used to calculate the severance payment. However, the severance is generally limited to twice the annual compensation amount (severance cap) and limited to compensation for the remaining term of the employment relationship. In deviation from this, the Supervisory Board can agree in the Managing Board member's management contract that the severance shall be limited to three times the annual compensation amount (150 % of the severance cap). Furthermore, if the remaining term of the employment relationship at the time termination goes into effect is over two years, they can agree that the severance should be reduced by 75 % if it is granted for the excess time period. The amounts to be considered in calculating the severance are subject in every case to 3 % interest p.a.

The Supervisory Board can agree to a post-contractual noncompetition agreement in management contracts, according to which the Managing Board member is prohibited from competing with the company for 24 months after ending their employment relationship. In this case, the company can undertake to pay the Managing Board member compensation for the duration of the post-contractual non-competition agreement; for each month of the prohibition, this shall be half of the monthly total compensation most recently paid out to the Managing Board member. In general, any severance payment agreed due to the premature end of the employment relationship shall be offset against the non-competition compensation. This also applies to severance payments due to termination following a change of control, according to a change of control clause.

Otherwise, the management contracts do not grant any severance payments in case of a premature end to the employment relationship.

C. Enacting and implementing, as well as reviewing the compensation system

I. Enactment by the Supervisory Board and submission for approval by the Annual General Meeting

In accordance with Section 87a (1) Stock Corporation Act (AktG), the Supervisory Board shall enact a clear and easy to understand compensation system for Managing Board members – as well as compensation for the individual Managing Board members. The economic committee of the Supervisory Board is responsible for preparing the resolutions of Supervisory Board regarding the compensation system and regularly reviewing the compensation system.

If the Supervisory Board consults with an external compensation expert in order to develop the compensation system and evaluate whether compensation is appropriate, it shall ensure the expert is independent from the Managing Board and the company, and shall take precautionary measures to avoid conflicts of interest.

With respect to the compensation system, the Supervisory Board shall work to synchronize and streamline internal company goals between the Managing Board and upper management, in order to ensure uniform incentives throughout the management of Manz AG.

The Supervisory Board shall submit the compensation system it has enacted to the Annual General Meeting for approval each time there is a significant change, and at least every four years. If the Annual General Meeting does not approve the submitted system, then the Supervisory Board shall submit a revised compensation for approval to the Annual General Meeting at the latest during the following ordinary Annual General Meeting. All management contracts to be amended, extended or newly concluded shall be based on this compensation system.

II. Independence and avoiding and managing conflicts of interest

The Supervisory Board and its economic committee take suitable measures to ensure that potential conflicts of interest are avoided and resolved, if necessary by the Supervisory Board members involved in consultations and decisions regarding the compensation system. Each Supervisory Board member must notify the Board of any conflicts of interest. The Supervisory Board decides on how to handle conflicts of interest in each individual case. In particular, a Supervisory Board member with a conflict of interest may not take part in a meeting or individual consultations and decisions of the Supervisory Board and its economic committee.

III. Implementing the compensation system

This compensation system applies for all members of the Manz AG Managing Board appointed after the Supervisory Board enacted the compensation system.

The compensation system shall apply for Managing Board members already in office at this time effective as of the 2021 financial year. To implement the compensation system, the Supervisory Board of the company intends to agree with Managing Board members to relevant adjustments to their current employment contracts (management contracts).

IV. Reviewing the appropriateness of Managing Board compensation

Compensation for members of the Managing Board is based on the customary amounts and structure of management compensation at comparable companies, in accordance with the law and the recommendations of the German Corporate Governance Codex, as well as based on the economic position and future prospects of the company. In addition, the duties and performance of the Managing Board member in question and the salary structure within the company are taken into consideration.

In order to ensure compensation is appropriate, the Supervisory Board conducts regular horizontal and vertical comparisons.

The horizontal assessment involves comparing the compensation for Managing Board members at Manz AG with compensation at comparable companies. To do so, the Board uses compensation data for companies included in the Prime Standard at the Frankfurt Stock Exchange that are active in similar business areas to Manz AG.

A vertical assessment is undertaken in addition to the horizontal evaluation. During this assessment, the internal company compensation structure is evaluated by comparing the compensation of the Managing Board to the compensation of upper management and the workforce as a whole. The Supervisory Board has defined upper management for this purpose, including upper managers worldwide (heads of the business units and area managers, as well as managing directors of the subsidiary companies). The Supervisory Board has included employees of Manz AG in Germany who are not upper management for the vertical comparison of the entire workforce. In addition to the status quo, this assessment also considers the development of ratios over time.

D. Possibility for temporary deviation from the compensation system

In certain, extraordinary circumstances, for instance if there is a severe financial or economic crisis, the Supervisory Board can temporarily deviate from the compensation system in accordance with Section 87a (2) Sentence 2 Stock Corporation Act (AktG), if this is necessary for the long-term good of Manz AG. However, this does not take disadvantageous market developments into consideration. The economic committee of the Supervisory Board is responsible for reviewing and assessing whether such a temporary deviation is necessary. The committee reports to the Supervisory Board, which can determine whether deviations are required.

Even if there is a deviation from the Managing Board compensation system, member compensation must be designed to ensure the long-term, sustainable development of the company and take Managing Board performance into consideration. The possibility for short-term deviations is limited to the compensation structure, performance criteria and weights of the STI and LTI, as well as bandwidths for possible target attainment. If it is not possible to make the compensation system a sufficient incentive by adjusting the existing components, the Supervisory Board also has the right – under the same conditions – to temporarily replace individual compensation components with other ones, or grant additional compensation components.

Manz AG shall report on any deviations from the compensation system according to Section 162 (1) no. 5 Stock Corporation Act (AktG) in the compensation report, and explain why the deviations were required and/or indicate the compensation components that were deviated from.