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Agenda item 7
Remuneration system for the members of the Executive Board

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1. Remuneration system for the members of the Executive Board of Schweizer Electronic AG

A. Principles of the remuneration system

The remuneration system for the members of the Executive Board of Schweizer Electronic AG (SCHWEIZER) makes an important contribution to promoting the company's business strategy. The structure of the remuneration system additionally motivates the members of the Executive Board to achieve key strategic Group objectives - in particular increasing the company's value and expanding its market position in the PCB industry.

When determining the remuneration of the Executive Board, the Supervisory Board is guided by the following principles:

Promotion of the corporate strategy

The remuneration of the members of the Executive Board is geared towards the long-term and sustainable development of the company. The remuneration system as a whole makes a significant contribution to the promotion and implementation of the business strategy by defining sustainable performance criteria based on the long-term success of the company.

The inclusion of key financial figures in the Executive Board remuneration is intended to incentivise SCHWEIZER's long-term and sustainable growth as well as increasing profitability and return on investment. In addition, performance that contributes to the strategic, technical and structural development of SCHWEIZER is also to be recognised. The variable remuneration is predominantly calculated on a multi-year basis. In particular, by taking into account the share price over a multi-year period, the long-term incentive (LTI) is geared towards a continuous and sustainable increase in the value of the company and can therefore make a significant contribution to the positive, long-term development of the company.

As part of the long-term variable remuneration, non-financial target criteria that support sustainable corporate development are also agreed with the members of the Executive Board.

Appropriateness of the remuneration

The remuneration of the members of the Executive Board should be commensurate with their duties and performance and take into account the complexity and economic situation of the company. Compared to comparable companies, the remuneration is in line with the market and at the same time competitive.

Linking performance and remuneration
The remuneration of the members of the Executive Board is linked to their performance by making the variable remuneration components dependent on the achievement of certain target criteria. This means that special performance is appropriately remunerated, while failure to fulfil the specified targets leads to a significant reduction in remuneration.

Harmonisation with shareholder and stakeholder interests
The remuneration system makes a key contribution to linking the interests of the Executive Board with the interests of shareholders and other stakeholders. The majority of the variable remuneration is linked to the performance of the company.

Consistency of the remuneration system
The remuneration system for the members of the Executive Board is based on the remuneration system for managers in the Group, sets comparable incentives and thus specifies standardised targets.

B. Procedure for establishing, implementing and reviewing the remuneration system

The Supervisory Board determines the Executive Board remuneration system in accordance with the statutory requirements in Sections 87 (1), 87a (1) and (2) of the German Stock Corporation Act (AktG). The Supervisory Board is supported in this by its Audit Committee. Taking into account the guidelines presented in section A. and the recommendations of the German Corporate Governance Code ("GCGC") as amended, the Audit Committee develops recommendations on the Executive Board remuneration system, which are discussed in detail by the Supervisory Board when it adopts its resolutions. Both the Audit Committee and the Supervisory Board can call in external consultants as required, whose independence from the Executive Board and the company is taken into account when appointing them. The applicable provisions of the German Stock Corporation Act and the GCGC as well as the Supervisory Board's rules of procedure for dealing with conflicts of interest on the Supervisory Board are also observed in the procedure for determining, implementing and reviewing the remuneration system. According to the Supervisory Board's rules of procedure, each member of the Supervisory Board should disclose conflicts of interest to the Supervisory Board. The Supervisory Board decides how to deal with an existing conflict of interest on a case-by-case basis. In particular, a Supervisory Board member affected by a conflict of interest may not participate in a meeting or individual deliberations and resolutions of the Supervisory Board.

The remuneration system adopted by the Supervisory Board is submitted to the Annual General Meeting for approval. If the Annual General Meeting does not approve the remuneration system put to the vote, a revised remuneration system will be presented for approval at the following Annual General Meeting at the latest in accordance with Section 120a (3) AktG.

The Audit Committee prepares the regular review of the remuneration system for members of the Executive Board by the Supervisory Board. If necessary, it recommends changes to the system to the Supervisory Board. Every time a significant change is made to the remuneration system, but at least every four years, the remuneration system is submitted to the Annual General Meeting for approval in accordance with Section 120a (1) sentence 1 AktG.

C. Determination of the specific target total remuneration

In accordance with the remuneration system, the Supervisory Board determines the amount of the target total remuneration for each member of the Executive Board for the upcoming financial year. It must be taken into account that the respective remuneration is commensurate with the tasks and performance of the Executive Board member and the situation of the company, does not exceed the usual remuneration without special reasons and is geared towards the long-term and sustainable development of Schweizer Electronic AG. For this purpose, both external and internal comparative analyses are carried out:

C.1 Horizontal (external) comparison

To assess the appropriateness and customary nature of the specific total remuneration of the members of the Executive Board in comparison to other companies, the Supervisory Board, with the help of an external independent remuneration consultant, uses a suitable peer group (horizontal comparison). The criteria for this peer group are Sector, company size and internationality. The remuneration and employment conditions of the employees were not taken into account when determining the remuneration system.

C.2 Differentiation according to the respective requirement profile

The remuneration system allows the Supervisory Board to take into account the function and area of responsibility of the individual Executive Board member when determining the amount of the target total remuneration. At the dutiful discretion of the Supervisory Board, function-specific differentiations are therefore permitted, taking into account criteria such as market practice, the experience of the respective Executive Board member and the area of responsibility of the Executive Board member.

C.3 Maximum remuneration limits

The variable remuneration is intended to ensure a balanced risk/reward profile. If the targets set are not achieved, the amount paid out as variable remuneration can therefore fall to zero. If the targets are significantly exceeded, the payout for both the short-term and long-term variable remuneration components is limited to 200% of the target amount.

In addition, the Supervisory Board has set a maximum limit for the sum of all remuneration components including fringe benefits and pension expenses (hereinafter "maximum remuneration") in accordance with Section 87a para. 1 sentence 2 no. 1 AktG. The maximum remuneration amounts to EUR 1,400 thousand for the Chairman of the Executive Board and his deputy and EUR 1,000 thousand for each of the other members of the Executive Board. These maximum limits relate to the total of all payments resulting from the remuneration regulations for a financial year. This is the mathematically possible maximum remuneration. The actual remuneration paid out is lower, as can be seen from the remuneration reports for the past financial years.

C.4 Overview of the components and structure of the target total remuneration

The remuneration system provides for fixed non-performance-related and variable performance-related remuneration components.

The fixed, non-performance-related remuneration components comprise the fixed annual salary, fringe benefits and a pension commitment.

The variable remuneration components comprise a remuneration component with a short and medium-term incentive effect (Medium & Short Term Incentive, hereinafter referred to as MSTI) and a remuneration component with a long-term incentive effect and risk character

(Long Term Incentive, hereinafter referred to as LTI). Before the start of each financial year, the Supervisory Board sets target criteria for the variable remuneration components with regard to the strategic objectives, the requirements of Sections 87 and 87a AktG and the GCGC as amended, the degree of achievement of which determines the amount of the actual payment.

Due to the modified system of pension commitments for Executive Board members in 2018, the percentage breakdown of target remuneration for Executive Board members joining before and after 2018 differs.

For members of the Executive Board who joined before 2018, the fixed annual salary contributes between 35 and 45% to the target remuneration. While the variable short and medium-term remuneration components contribute 10 to 15% and the long-term remuneration component 10 to 20% of the target remuneration. Pension costs account for around 30 to 40% of target remuneration and fringe benefits make up around 2 to 5% of target remuneration.

For Executive Board members joining the company from 2018 onwards, the fixed annual salary contributes between 50 and 55% of the target remuneration. While the variable short- and medium-term remuneration component contributes between 10 and 20% and the long-term remuneration component between 20 and 25% of the target remuneration. Pension costs account for around 8 to 10 % of target remuneration and fringe benefits make up around 2 to 5 % of target remuneration.

D. Remuneration components in detail

D.1 Fixed annual salary

The fixed annual salary is a fixed payment relating to the entire financial year, which is paid in twelve equal monthly instalments at the end of each month. The fixed annual salary is reviewed by the Supervisory Board every two years.

D.2 Fringe benefits

Each member of the Executive Board is entitled to at least the following fringe benefits:
- the provision of a company car, which may also be used privately,
- the reimbursement of travelling expenses
- the conclusion of a D&O insurance policy with a deductible in accordance with Section 93 (2) sentence 3 AktG,
- accident insurance and
- Health and long-term care insurance contributions in accordance with § 257 SGB V and § 61 SGB XI.

D.3 Pension benefits

Each member of the Executive Board receives pension benefits in accordance with a pension commitment. The system of pension commitments for company pension benefits for members of the Executive Board who joined the company before 2017 is based on a percentage of the basic salary at the start of the retirement pension from the age of 65, but not before leaving the service of Schweizer Electronic AG. These benefits are outsourced to external pension providers.

The system of pension commitments for new members of the Executive Board was modified in 2018. Newly appointed and future members of the Executive Board receive a defined

contribution commitment for individual pension plans. For this purpose, contractually agreed contributions amounting to a percentage of the base salary are made available.

D.4 Variable remuneration component (Medium & Short Term Incentive (MSTI))

D.4.1 Main features
In the employment contract, the Supervisory Board agrees a target amount for medium and short-term incentives (hereinafter "MSTI target amount") for each Executive Board member, which is granted if 100% of the target is achieved.

If 100% of the target is achieved, the MSTI amounts to 30% of the fixed annual salary. The maximum amount of the MSTI to be paid out is limited to 200 % of the target amount, i.e. 60 % of the fixed annual salary.

D.4.2 Financial performance criteria
The accrual and amount of the MSTI depend on the achievement of certain individual and/or company or divisional targets. The Supervisory Board currently defines the following two key figures as financial performance criteria within the meaning of Section 87a (1) sentence 2 no. 4 AktG:

-EBITDA - Earnings before interest, tax, depreciation and amortisation
-Free cash flow - difference between cash flow from operating activities and cash flow from investing activities.

To calculate the MSTI, the degree of achievement of the currently defined targets - the EBITDA target is weighted at 60% and the free cash flow target at 40%.

There are currently no non-financial performance criteria for the granting of the MSTI.

D.4.3 Achievement of the financial performance criteria
The target value for target achievement of 100% for each financial performance criterion corresponds to the value resulting from the planning for the respective financial year. The Supervisory Board sets the values for target achievement of 0% to a maximum of 200% for each financial performance criterion on an annual basis.

The degree of target achievement is determined by the target curve defined for the respective key figure. The targets and the corresponding target curves are determined in advance by the Supervisory Board.

Subsequent changes to the target values and the comparison parameters are excluded - subject to the provision in point E.3.

The MSTI is due for payment after the annual financial statements have been approved.

D.5 Variable remuneration component (Long Term Incentive (LTI))

D.5.1 Main features
The long-term incentive (hereinafter "LTI") is intended to promote the long-term commitment of the Executive Board to the company and its sustainable growth. This is a remuneration component with a long-term incentive effect and risk character that rolls over in annual tranches, each with a four-year term (performance period). The amount of the long-term incentive is determined by the development of the share price (starting share price to final

share price in the respective performance period), the achievement of a defined Group key performance indicator (currently return on capital employed (ROCE)) and a corporate factor defined by the Supervisory Board. In order to take account of the respective company situation, the Supervisory Board may change the Group key figure before the start of the respective tranche.

The corporate factor takes into account the sustainable development of the company as a whole and thus contributes to the promotion of SCHWEIZER's sustainable growth strategy. With regard to the corporate factor, the Supervisory Board determines the extent to which individual targets of the individual Executive Board members or targets for all Executive Board members together are decisive.

The target amount is converted into virtual shares and paid out in cash at the end of the respective performance period, i.e. each LTI tranche after four years.

The LTI target amount is converted into a conditional number of virtual shares granted for the purpose of calculating the LTI tranche. The conversion (calculation of the starting number of phantom shares) is based on the starting share price. The starting share price is the share price based on the average closing price of the company's share, preferably in the Xetra trading system of Deutsche Börse AG or an equivalent trading platform, on the last 60 trading days prior to the start of the respective performance period.

If 100% of the target is achieved, the LTI amounts to 40% of the fixed annual salary. The maximum amount of the LTI to be paid out is limited to 200% of the target amount, i.e. 80% of the fixed annual salary.

D.5.2 Achievement of financial and non-financial performance criteria
The calculation of the LTI payout amount is shown below using the currently defined ROCE indicator. The LTI payout amount is calculated for each individual LTI tranche using the following formula: Starting number of virtual shares x target achievement factor ROCE x company factor = final number of virtual shares x final share price = LTI payout amount.

The target achievement of ROCE and the corporate factor is determined at the end of each four-year performance period.

ROCE targets are agreed for each year within a performance period. The target achievement value at the end of the performance period corresponds to the average of the individual target achievement values for this performance period. If the average ROCE target achievement corresponds to 100%, a 100% payout is made. The annual ROCE targets for the performance period and the corresponding target achievement curve are determined in advance for each performance period by the Supervisory Board.

The Supervisory Board decides on the level of the company factor (degree of target achievement), which is generally determined on the basis of non-financial criteria for each tranche. The related targets and their weighting are determined at the beginning of each performance period for its term. The company factor influences the LTI amount in a range between plus and minus 20%, i.e. it amounts to a factor of between 0.8 and 1.2.

The final share price is calculated on the basis of the average closing price of the company's shares, preferably in the Xetra trading system of Deutsche Börse AG or on an equivalent trading platform on the last 60 trading days before the end of the respective performance period.

Payment is made as a gross amount after the end of the respective performance period.

D.5.3 Premature termination of the employment relationship
If the service contract ends before the end of the respective performance period, the respective LTI tranches remain in place on a pro rata basis at this time and are remunerated pro rata temporis. There is no entitlement to payment of an LTI, including payment of a pro rata LTI, if (i) the company terminates the service contract prematurely for good cause or (ii) revokes the appointment of the Executive Board member for good cause due to gross breach of duty or (iii) if the Executive Board member resigns from office or terminates the service contract without good cause or a change of control.

D.6 Remuneration report
In the remuneration report for the past financial year, the Supervisory Board reports on the performance criteria defined for this financial year and the respective target achievement.

E. Further regulations relevant to remuneration

E.1 Malus regulation
If a member of the Executive Board, in their function as a member of the Executive Board, demonstrably and knowingly commits a gross breach of one of their duties of care within the meaning of Section 93 of the German Stock Corporation Act (AktG), of a material principle of the internal guidelines issued by the company or of one of their other contractual duties, the Supervisory Board may, at its discretion, reduce the variable remuneration to be granted for the financial year in which the gross breach occurred, in part or in full, to zero (hereinafter referred to as the "malus rule"). The remuneration system does not provide for the company to reclaim variable remuneration components (clawback).

Any claims for damages by Schweizer Electronic AG against the Executive Board member, in particular under Section 93 (2) AktG, remain unaffected by the agreement of a malus regulation.

E.2 Terms and termination options
When appointing members of the Executive Board and determining the term of their contracts, the Supervisory Board observes the provisions of Section 84 AktG and the recommendations of the GCGC. In the case of a first-time appointment to the Executive Board, the term of appointment and the term of the service contract are generally three years. In the case of reappointments or an extension of the term of office, the maximum term of the service contract is five years.

The service contracts do not provide for ordinary termination; the mutual right to extraordinary termination of the service contract for good cause remains unaffected. If a member of the Executive Board becomes permanently incapacitated for work during the term of the employment contract, the employment contract shall end at the end of the third month after the permanent incapacity for work is established.

Payments to a Executive Board member in the event of premature termination of their contract without good cause, including fringe benefits, do not exceed the value of two years' remuneration but do not compensate more than the remaining term of the employment contract (severance payment cap). If the employment contract is terminated for good cause for which the Executive Board member is responsible at, no payments are made to the

Executive Board member. The severance payment cap is calculated on the basis of the total remuneration for the past financial year and, if applicable, the expected total remuneration for the current financial year.

A post-contractual non-competition clause is agreed with each member of the Executive Board for a period of 24 months. For this period, appropriate compensation (compensation for non-competition) amounting to 55% of the last contractual benefits received is granted annually. Any severance payment is to be offset against the compensation for non-competition.

In the event of a change of control, the Executive Board member has the right to resign from the Executive Board and terminate the employment contract subject to three months' notice. The company is also entitled to this right of cancellation. If the office and the employment contract end due to a change of control, the Executive Board member is entitled to compensation and a severance payment. The Executive Board member is entitled to severance payments amounting to 100% of his average annual remuneration (gross) earned in the last three financial years prior to leaving the company, consisting of annual fixed salary, MSTI and LTI, for the remaining term of his service contract. The compensation benefits amount to a maximum of the value of two years' remuneration. In addition, the Executive Board member receives a severance payment totalling one year's salary. Taken together, settlement and severance payments are limited to a maximum of three years' remuneration for the Executive Board member.

E.3 Dealing with extraordinary events and developments

At the proposal of the Audit Committee, the Supervisory Board may temporarily deviate from the components of the Executive Board remuneration system in special exceptional cases if this is appropriate and necessary to maintain the incentivising effect of the Executive Board member's remuneration in the interests of the long-term well-being of the company, the Executive Board member's remuneration continues to be geared towards the sustainable and long-term development of the company and the company's financial capacity is not overstretched. Exceptional developments include, for example, extraordinary and far-reaching changes in the economic situation (e.g. due to a severe economic crisis) that render the original target criteria and/or financial incentives of the remuneration system invalid, provided that these or their specific effects were not foreseeable. Generally unfavourable market developments are expressly not considered exceptional developments.

In the event of extraordinary developments on the part of the company (e.g. measures under transformation law or capital measures, acquisition and/or sale of companies, realisation of hidden reserves or change of control) that have a significant impact on the achievability of the MSTI and/or LTI target values, the Supervisory Board is entitled to adjust the contractual conditions and parameters.

A deviation from or addition to the remuneration components is only possible by means of a corresponding Supervisory Board resolution based on a prior proposal by the Audit Committee, which determines the exceptional circumstances and the need for a deviation or addition.