

Schramberg
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Information on agenda item 6 Remuneration system for members of the Executive Board

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 also motivates the members of the Executive Board to achieve significant strategic Group objectives - in particular, to increase the value of the company and to strengthen 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 toward 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 related to the long-term success of the company.

The inclusion of important financial figures in the Executive Board remuneration is intended to incentivise the long-term and sustainable growth as well as the increasing profitability and viability of SCHWEIZER. In addition, it should also consider services that contribute to the strategic, technical and structural development of SCHWEIZER. Variable remuneration is predominantly based on a multi-year assessment. The long term incentive (LTI) is aimed at a continuous and sustainable increase in the company's value, more specifically by taking into account the share price over a period of several years, and can thus make a significant contribution to a positive, long-term development of the company.

In the context of 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 remuneration

The remuneration of the members of the Executive Board should be proportionate to their duties and performance and should take into account the complexity and economic situation of the company. Compared to comparable companies, remuneration is in line with market conditions 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 outstanding performances are remunerated appropriately, while failure to meet 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 largest proportion 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 builds on the remuneration system for managers in the Group, sets comparable incentives and thus sets uniform targets.

B. Procedures for defining, implementing and reviewing the remuneration system

The Supervisory Board defines the system of Executive Board remuneration in accordance with the legal requirements in Sections 87 (1), 87a (1) and (2) of the German Stock Corporation Act (Aktiengesetz). The Supervisory Board is supported by its Personnel and Finance Committee. Taking into account the guidelines presented under section A. and the recommendations of the German Corporate Governance Code ("GCGC") in its currently applicable version, it develops recommendations on the system of Executive Board remuneration, which is discussed in detail by the Supervisory Board in the course of its resolution. Both the Personnel and Finance Committee and the Supervisory Board may, if necessary, involve external consultants whose mandates are based on their independence from the Executive Board and the company. The current regulations of the German Stock Corporation Act (AktG) and the German Corporate Governance Code (GCGC) as well as the rules of procedure of the Supervisory Board regarding the handling of conflicts of interest in the Supervisory Board are also observed in the procedure for defining, implementing and reviewing the remuneration system. In accordance with the rules of procedure of the Supervisory Board, each member of the Supervisory Board shall disclose conflicts of interest to the Supervisory Board. The Supervisory Board decides on the handling of an existing conflict of interest on a case-by-case basis. In particular, a member of the Supervisory Board who is affected by a conflict of interest may not attend a meeting or individual deliberations and resolutions of the Supervisory Board.

The remuneration system adopted by the Supervisory Board will be submitted to the Annual General Meeting for approval. If the Annual General Meeting does not approve the remuneration system that has been put to the vote in each case, a revised remuneration system will be submitted for resolution at the latest in the subsequent Annual General Meeting in accordance with Section 120a (3) of the German Stock Corporation Act (AktG).

The Personnel and Finance Committee prepares the regular review by the Supervisory Board of the system for remuneration of members of the Executive Board. If necessary, it recommends changes to the system to the Supervisory Board. In the event of any significant change 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 of the German Stock Corporation Act (AktG).

C. Definition 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 coming financial year. To this end, it must be considered that the respective remuneration is proportionate to the duties and performance of the Executive Board member as well as the position of the company, does not exceed the usual remuneration without significant cause and is geared toward long-term and sustainable development of Schweizer Electronic AG. For this purpose, both external and internal comparative observations are conducted:

C.1 Horizontal (external) comparison

The Supervisory Board uses an external independent remuneration consultant to assess the appropriateness and practicality of the actual total remuneration of the Executive Board members compared to other companies, using a suitable comparison group (horizontal comparison). The criteria of this comparison group are: Industry, company size and internationality. The remuneration and employment conditions of 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 the function and area of responsibility of the individual member of the Executive Board into account when calculating the total target remuneration. Function-specific differentiations are therefore permissible at the discretion of the Supervisory Board, taking into account criteria such as market practice, the experience of the respective member of the Executive Board and the Executive Board functions for which they are responsible.

C.3 Maximum remuneration limits

Variable remuneration is intended to ensure a balanced risk/opportunity profile. Therefore, if the set targets are not met, the amount of the variable remuneration paid out may fall to zero. If the targets are significantly exceeded, the amount paid out is limited to 200% of the target amount for both the short-term and long-term variable remuneration components.

In addition, in accordance with Section 87a (1) sentence 2 no. 1 of the German Stock Corporation Act (AktG), the Supervisory Board has set a maximum amount for the sum of all remuneration components, including ancillary benefits and pension costs (hereinafter referred to as "maximum remuneration"). The maximum remuneration for the Executive Board Chair and their deputy amounts to EUR 1,400 thousand and for other members of the Executive Board to EUR 1,000 thousand. These caps apply in each case to the sum of all payments resulting from the remuneration regulations for a financial year. This is the maximum possible calculated remuneration. The remuneration actually paid out is lower, as can be seen from the remuneration reports for the last financial years.

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

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

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

The variable remuneration components comprise a remuneration component with a 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). Prior to the beginning 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, 87a of the German Stock Corporation Act (AktG) and the GCGC in their respective versions, the degree of achievement of which determines the amount of the actual payment.

The annual salary contributes 35-45% to the target remuneration. While the variable short- and medium-term remuneration component contributes 10-15% and the long-term remuneration component 15-20% to the target remuneration. Pension costs make up about 25-30% of the target remuneration and ancillary benefits make up about 2-5% of the target remuneration.

D. Remuneration components in detail

D.1 Annual salary

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

D.2 Ancillary benefits

Each member of the Executive Board is entitled to at least the following ancillary benefits:

- the provision of a company car, which may also be used privately
- reimbursement of travel expenses
- the conclusion of a D&O insurance policy with an excess in accordance with Section 93 (2) sentence 3 of the German Stock Corporation Act (AktG)
- accident insurance
- contributions to the employer's liability insurance association
- health and long-term care insurance contributions in application of Section 257 SGB V and Section 61 SGB XI.

D.3 Pensions

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 up to 2017 refers to a percentage of the base salary at the start of the retirement pension upon reaching the age of 65, but not before leaving the service of Schweizer Electronic AG. These benefits are outsourced to external pension fund institutions.

The system of pension commitments for new Executive Board members was modified in 2018. Newly appointed and future Executive Board members receive a defined contribution plan within the meaning of the German Occupational Pensions Act. Contractually agreed contributions are paid to reinsured provident funds in the amount of a percentage of the base salary.

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

D.4.1 Main features

In the employment contract, the Supervisory Board agrees on a target amount for Medium & Short Term Incentive (hereinafter "MSTI target amount") for each member of the Executive Board, which is granted if the target is 100% achieved.

In the event of 100% target achievement, the MSTI amounts to 30% of the annual salary. The maximum amount of MSTI to be paid is limited to 200% of the target amount, i.e. 60% of the annual salary.

D.4.2 Financial performance criteria

The origin and amount of the MSTI depends on the achievement of certain individual and/or company- or department-related objectives. 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 of the German Stock Corporation Act (AktG):

-EBITDA - Earnings before interest, taxes, depreciation and amortization

-Free cash flow - The difference between the cash flow from operating activities and the cash flow from investing activities.

In order to calculate the MSTI, the degree of achievement of the currently defined targets – the EBITDA target of 60% and the free cash flow target of 40% – is weighted.

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

D.4.3 Achievement of financial performance criteria

For each financial performance criterion, the target value for achieving a target of 100% corresponds to the value resulting from the planning for the respective financial year. Each year, the Supervisory Board determines the values for achieving the targets of 0% to a maximum of 200% for each financial performance criterion.

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

A subsequent change of the target values and the comparison parameters is excluded - subject to the regulation in point E.3.

The MSTI is payable after the annual financial statements have been adopted.

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 Executive Board's long-term commitment to the company and its sustainable growth. It is a compensation component with a long-term incentive effect and risk element, which is rolled over in annual tranches each with a 4-year term (performance period). The amount of the LTI is determined by the performance of the share price (start share price and end share price in the respective performance period), the target achievement of a determined key figure (currently Return on Capital Employed (ROCE)) and a corporate factor determined by the Supervisory Board. In order to respond to the respective company's situation, the Supervisory Board may change the 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 promoting Schweizer's sustainable growth strategy. With regard to the corporate factor, the Supervisory Board determines to what extent individual targets of the

individual members of the Executive Board or targets applicable for all members of the Executive Board are decisive.

The target amount is converted into virtual shares and paid out 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 for the purpose of calculating the LTI tranche. The start share price is decisive for the conversion (calculation of the start number of virtual shares). The start share price is the price value on the basis of the average of the closing price of the company's shares in the Xetra trading system of Deutsche Börse AG on the last 60 trading days before the start of the respective performance period.

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

D.5.2 Achievement of financial and non-financial performance criteria

The calculation of the LTI payout amount is shown below based on the currently defined key figure ROCE. The LTI payout amount is calculated for each LTI tranche using the following formula: Start number of virtual shares x ROCE target achievement factor x corporate factor = final number of virtual shares x end share price = LTI payout amount.

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

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 of this performance period. If the average ROCE target achievement is 100%, a 100% payout is made. The annual ROCE targets for the performance period and the corresponding target achievement curve are defined in advance by the Supervisory Board for each performance period.

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

The end share price is measured on the basis of the average closing price of the company's shares in the Xetra trading system of Deutsche Börse AG on the last 60 trading days before the end of the respective performance period.

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

D.5.3 Early termination of employment

If the employment contract ends before the end of the respective performance period, the respective LTI tranches remain pro-rata at that time and will be remunerated pro-rata temporis. No claim to payment of an LTI, including payment of a pro-rata LTI, shall exist if (i) the Company terminates the employment contract prematurely with good cause or (ii) cancels the appointment of the Executive Board member due to gross breaches of duty for good cause or (iii) the

Executive Board member resigns from office or terminates the employment contract without significant reason or without 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 achievement of targets.

E. Other regulations relevant to remuneration

E.1 Malus regulation

If an Executive Board member in their role as a member of the Executive Board demonstrably commits a gross violation of one of their duties of due diligence within the meaning of Section 93 of the German Stock Corporation Act (AktG), against an essential principle of action of the internal guidelines issued by the company, the Supervisory Board may, at its discretion, reduce, in part or in full to zero, the variable remuneration to be granted for the financial year in which the gross violation occurred (hereinafter "Malus regulation"). The remuneration system does not provide opportunities for the company to recover variable remuneration components (so-called clawback).

Any claims for damages by Schweizer Electronic AG against the Executive Board member, in particular from Section 93 (2) of the German Stock Corporation Act (AktG), remain unaffected by the agreement of a Malus regulation.

E.2 Term and termination options

When appointing members of the Executive Board and during the term of the Executive Board contracts, the Supervisory Board complies with the statutory provisions of Section 84 of the German Stock Corporation Act (AktG) and the recommendations of the GCGC. In the event of an initial appointment to the Executive Board, the term of the appointment and the term of the employment contract are generally three years. In the event of re-appointments or in the event of an extension of the term of office, the maximum duration of the employment contract is five years.

The employment contracts do not provide for an ordinary termination option; the mutual right to extraordinary termination of the employment contract for good cause remains unaffected. In the event of a member of the Executive Board becoming permanently incapable of work during the term of the employment contract, the employment contract shall cease at the end of the third month after determining the permanent incapacity for work.

Payments to a member of the Executive Board in the event of premature termination of his or her Executive Board duties without good cause, including ancillary benefits, do not exceed the value of two years' remuneration but do not remunerate more than the remaining term of the employment relationship (severance pay cap). If the employment contract is terminated for good cause for which the Executive Board member is responsible, no payments shall be made to the Executive Board member. The total remuneration of the past financial year and, if applicable, the estimated total remuneration for the current financial year form the basis for the calculation of the severance payment cap.

A post-contractual non-competition clause is agreed with each member of the Executive Board for a period of 24 months. Appropriate compensation (compensation for non-competition) amounting to 55% of his or her final average contractual compensation is granted for this period. Any severance payment must 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 their Executive Board position and terminate the employment contract with three months' notice. The company is also entitled to this right of termination. If the office and the employment contract ends due to a change of control, the member of the Executive Board is entitled to compensation and a severance payment. The Executive Board member is entitled to compensation in the amount of 100% of their average annual remuneration (gross), consisting of annual salary, MSTI and LTI, earned over the last three financial years prior to the departure for the remaining term of their employment contract. The compensation payments amount to a maximum of the value of two annual salaries. In addition, the Executive Board member shall receive a severance payment of one year's remuneration. Combined compensation and severance benefits are limited to a maximum of three times the annual remuneration of the Executive Board member.

E.3 Dealing with extraordinary events and developments

In exceptional cases and on the proposal of the Personnel and Finance Committee, the Supervisory Board may temporarily deviate from the components of the Executive Board remuneration system if this is appropriate and necessary to maintain the incentive effect of the remuneration of the Executive Board member in the interest of the long-term well-being of the company, if the remuneration of the Executive Board member continues to be geared towards sustainable and long-term development of the company and the financial performance of the company is not overburdened. Exceptional developments may include, for example, exceptional and far-reaching changes in the economic situation (for example, due to a severe economic crisis), which render obsolete the initial target criteria and/or financial incentives of the remuneration system, insofar as these or their specific effects were not foreseeable. Generally unfavourable market developments are not explicitly considered to be extraordinary developments.

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

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