

REMUNERATION REPORT 2021



REMUNERATION REPORT

In accordance with the Act Implementing the Second Shareholder Rights Directive (ARUG II), the Executive Board and Supervisory Board of Schweizer Electronic AG (SCHWEIZER) are required for the first time for the 2021 financial year to prepare a remuneration report in accordance with Section 162 AktG and submit it to the Annual General Meeting for approval. The auditor has audited the remuneration report in accordance with Section 162 (3) sentences 1 and 2 AktG and prepared a note on the audit of the remuneration report. The audit note is enclosed with the remuneration report.

I. REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD

At its meeting on 12 April 2021, the Supervisory Board of Schweizer Electronic AG approved a new remuneration system for the members of the Executive Board that meets the requirements of Section 87a (1) AktG and takes into account the recommendations of the German Corporate Governance Code. The Annual General Meeting approved the remuneration system on 25 June 2021 with a majority of 95.12% of votes cast.

There were no personnel changes in the Executive Board in the 2021 financial year. The Chairman of the Executive Board, Mr Nicolas-Fabian Schweizer, was appointed as a member of the Executive Board for a further five years by an early resolution of the Supervisory Board dated 7 July 2021 and was once again appointed Chairman of the Executive Board. By means of a supplemental agreement concluded on 1 August 2021, the existing contract of service between the company and Mr Schweizer was amended with effect from 1 January 2021.

Likewise, the existing contract of service between the company and Mr Marc Bunz was amended with effect from 1 January 2021 by means of a supplemental agreement concluded on 1 August 2021. Mr Bunz has been appointed as a member of the Executive Board until 31 March 2023.

1. PRINCIPLES OF THE REMUNERATION SYSTEM

The remuneration system for the members of the Executive Board of Schweizer Electronic AG makes an important contribution to furthering 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, performance that contributes to the strategic, technical and structural development of SCHWEIZER should also be taken into account. 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.

2. 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:

a) Horizontal (external) comparison

The Supervisory Board uses an external independent remuneration consultant to assess the appropriateness and customary level 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 comparison group of other companies used by the Supervisory Board to assess the appropriateness of the Executive Board remuneration in financial year 2021 included, for example, Sick AG (Waldkirch), Harting Stiftung & Co. KG (Espelkamp) and Manz AG (Reutlingen). The remuneration and employment conditions of employees were not taken into account when determining the remuneration system.

b) 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) 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 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.

In the 2021 financial year, the maximum remuneration actually contractually agreed was EUR 1,100 thousand for Mr Nicolas-Fabian Schweizer and EUR 1,000 thousand for Mr Marc Bunz. The remuneration granted and owed to the two members of the Executive Board in the 2021 financial year (see the details in section a) below) was below the amounts specified, which is why the maximum remuneration was complied with in each case.

d) 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.

The following overview provides a brief description of the key remuneration components, which are explained in detail in the following sections, as well as explanations of how the remuneration furthers the long-term development of the company and the corporate strategy:

Compensation component	Structure	Strategy reference
Non-performance-related remuneration		
Annual fixed salary	Fixed remuneration, paid in twelve equal monthly instalments at the end of each month.	Attracting and retaining qualified Executive Board members by providing competitive remuneration
Ancillary benefits	Company car, reimbursement of travel expenses, D&O insurance, accident insurance, employer's liability insurance association contribution, health and nursing care insurance contributions	
Pension commitment	Pension benefits in accordance with a pension commitment	
Variable remuneration		
Medium and short-term incentive.	<ul style="list-style-type: none"> Remuneration granted annually with short and medium-term incentive effect Cap: 60% of the annual fixed salary Financial performance criteria EBITDA (weight: 60%), free cash flow (weight: 40%) Cash payment after adoption of the annual financial statements 	Incentive to increase SCHWEIZER's profitability and viability
Long-term incentive	<ul style="list-style-type: none"> Variable remuneration with long-term incentive effect and risk character, which is rolled over in annual tranches with a term of four years each (performance period) Cap: 80% of the annual fixed salary Depending on financial (ROCE) and non-financial (corporate factor) performance criteria as well as share price performance Cash payment after the end of the respective performance period 	Incentives to promote SCHWEIZER's long-term and sustainable growth strategy and to create sustainable value in the interests of shareholders
Other		
Malus regulation	Possibility of full or partial reduction of variable remuneration	Incentive to ensure sustainable business development and to avoid taking inappropriate risks
Maximum compensation	Maximum amount of all remuneration components	Limitation of Executive Board remuneration to ensure the appropriateness of the remuneration of the Executive Board and to avoid disproportionately high costs for the company

The Supervisory Board has set the following target total remuneration for financial year 2021:

Target remuneration 2021	Nicolas-Fabian Schweizer		Marc Bunz	
In EUR thousands	Chair of the Board since 9/4/2020		Deputy Chair of the Board since 9/4/2020	
	2021	2020	2021	2020
Annual fixed salary	322	280	298	270
Ancillary benefits	16	28	24	22
Pensions ¹⁾	231	189	235	195
Total fixed non-performance-related target remuneration	569	497	557	487
MSTI	97	84	89	81
LTI	129	112	119	108
Total variable target remuneration	225	196	209	189
Total target remuneration	794	693	766	676

¹⁾ Contributions to external pension providers in accordance with pension commitments for the company pension scheme.

3. APPLICATION OF THE REMUNERATION SYSTEM IN FINANCIAL YEAR 2021

a) Annual fixed 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.

In financial year 2021, Mr Nicolas-Fabian Schweizer was granted an annual fixed salary of EUR 322,000 and Mr Marc Bunz EUR 298,000.

b) Ancillary benefits

The following ancillary benefits were granted to the members of the Executive Board in financial year 2021:

- 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 AktG. D&O insurance is group insurance for all directors and officers of the Group and is not included in the amount of benefits granted and owed.
- accident insurance,
- contributions to the employer's liability insurance association, and
- health and long-term care insurance contributions in application of Section 257 SGB V (German Social Security Code V) and Section 61 SGB XI.

c) 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 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. The pension commitment for Mr Nicolas-Fabian Schweizer amounts to 67% of the basic salary and for Mr Marc Bunz 48%. The commitment for occupational disability and surviving dependants' benefits relate to the occurrence of the underlying event (occupational disability and death). These benefits are outsourced to external retirement funds and are based on the company contributions contractually promised to the Executive Board members paid to the reinsured, defined benefit pension fund.

The following table lists the earned paid by the company to the pension fund for 2021 and the annual pension entitlements acquired as at 31. December in the event of expected retirement of the age of 65 for the members of the Executive Board.

Pensions of the Executive Board members

In EUR thousands	Financial year	Allocated to provident funds	As at 31/12 annual earned pension entitlement
Executive Board members in office			
Nicolas-Fabian Schweizer	2021	231	80
Marc Bunz	2021	235	86
Total	2021	466	166

If a Board member leaves the Company before the age of 65, the entitlement is reduced to the entitlement earned up to the time of departure. The contributions to the provident funds are adapted accordingly upon departure from the Company.

For the benefit of the two former Executive Board members, Dr Maren Schweizer and Bernd Schweizer, the following reduced contributions will continue to be paid in 2021 to the provident funds.

Former members of the Executive Board	Financial year	Allocated to provident funds	As at 31/12 annual earned pension entitlement
Dr Maren Schweizer (until 2/2017)	2021	47	91
Bernd Schweizer (until 5/2015)	2021	16	38
Total	2021	63	129

d) Variable remuneration component (Medium & Short Term Incentive (MSTI))

aa) Essential 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.

bb) 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 amortisation
- 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.

cc) 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.

For financial year 2021, the Supervisory Board has set a target of EUR -2,518 thousand (= 100% target) and a performance corridor of between EUR -5,610 thousand and EUR 791 thousand for both Executive Board members for the financial performance criterion of EBITDA. The actual EBITDA value achieved amounts to EUR -8,580 thousand. This results in a target achievement of 0%.

For the financial performance criterion of free cash flow, the Supervisory Board has set a target of EUR -20,308 thousand (=100% target) and a performance corridor of between EUR -23,400 thousand and EUR -16,999 thousand for both members of the Executive Board for the 2021 financial year. The actual free cash flow value achieved amounts to EUR -13,641 thousand. This results in a target achievement of 200% (cap).

In accordance with the weighting of the two KPIs explained above, the target achievement rate for calculating the MSTI is 80%.

MSTI 2021 is reported as remuneration granted and paid to Executive Board members in financial year 2022 once the annual financial statements have been adopted.

With regard to the MSTI, the following target achievement and disbursement amounts result for the members of the Executive Board:

MSTI 2021	Target amount	EBITDA		Free Cashflow		Overall target achievement	Disbursement amount
	EUR thousands	Weighting	Target achievement	Weighting	Target achievement		EUR thousands
Nicolas-Fabian Schweizer Chair of the Board	97	60%	0%	40%	200%	80%	77
Marc Bunz Deputy Chair of the Board	89	60%	0%	40%	200%	80%	72

e) Variable remuneration component (Long Term Incentive (LTI))

aa) Essential 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 the individual targets of particular Executive Board members or targets applicable for all Executive Board members jointly 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.

bb) 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. The LTI remuneration is reported as remuneration granted at the end of the respective performance period and is paid out in the following year after the annual financial statements have been adopted. At the end of the 2021 financial year, no end of a performance period was reached and therefore no payment of an LTI tranche was granted.

In order to compensate for the conversion of the previous contractual regulations, a transitional arrangement (LTI-TA) was also agreed for 2019, 2020 and 2021. For these three years, the performance period of the LTI-TA is one year, for each of which an intermediate ROCE target has been defined and agreed in the first 4-year tranche.

In the 2021 financial year, the intermediate ROCE target defined for the transitional arrangement (LTI-TA) was not achieved. With regard to the 2021 LTI-TA, there are thus no disbursement amounts for Executive Board members that must be disclosed as remuneration granted.

4. OTHER REGULATIONS RELEVANT TO REMUNERATION

a) 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.

In the 2021 financial year, there were no circumstances justifying the application of the Malus regulation. The Supervisory Board has therefore not exercised the option to reduce the variable remuneration.

b) 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.

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.

There was no change to the Executive Board in financial year 2021, which is why no benefits were granted or owed in the event that a member of the Executive Board leaves the company.

5. NO THIRD-PARTY SERVICES

In the 2021 financial year, no Executive Board member was promised or granted remuneration by third parties with regard to their activity as Executive Board member.

6. REMUNERATION GRANTED AND OWED IN FINANCIAL YEAR 2021

a) Current Executive Board members

The following table details the remuneration granted and owed to the Executive Board members in office in the 2021 financial year in accordance with Section 162 (1) sentence 1 AktG. Accordingly, the table contains all amounts actually received by the members of the Executive Board in the 2021 financial year (in fact) (remuneration paid) as well as all remuneration components due but not yet received (remuneration owed).

Remuneration granted and owed	Nicolas-Fabian Schweizer				Marc Bunz			
	Chair of the Board since 9/4/2020				Deputy Chair of the Board since 9/4/2020			
In EUR thousands								
	2021	In % of total remuneration	2020	In % of total remuneration	2021	In % of total remuneration	2020	In % of total remuneration
Annual fixed salary ¹⁾	322	78%	259	67%	298	76%	250	68%
Ancillary benefits	16	4%	28	7%	24	6%	22	6%
Other remuneration ²⁾	-	0%	98	25%	-	0%	95	26%
Total fixed non-performance-related remuneration	338	81%	385	100%	322	82%	367	100%
MSTI	77	19%	0	0%	72	18%	0	0%
LTI-TA 2021	0	0%			0	0%		
LTI-TA 2020			0	0%			0	0%
Total variable remuneration	77	19%	0	0%	72	18%	0	0%
Total remuneration	415	100%	385	100%	394	100%	367	100%

¹⁾ In 2020: voluntary waiver of 30% of the contractually agreed remuneration from April to June.

²⁾ In 2020: turnaround bonus not dependent on the development of financial key figures.

b) Former members of the Executive Board

As part of a court settlement, a severance agreement was concluded with former member of the Executive Board Dr Maren Schweizer at the Rottweil Regional Court, from which Dr Schweizer was granted a total amount of EUR 81,632.65 in financial year 2021 as severance pay, payable in monthly instalments of EUR 16,326.53 gross. The amount provided for the total liability is EUR 2,875 thousand.

In addition, pension payments of EUR 281 thousand were granted to former members of the Executive Board in the 2021 financial year. Against the background of a voluntary waiver by some former members of the Executive Board, the total amount in the 2020 financial year was EUR 262 thousand. In accordance with Section 162 (5) AktG, the personal details of former members of the Executive Board may not be disclosed if they left the Executive Board before 31 December 2011.

II. REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD

The remuneration of the members of the Supervisory Board is set out in Section 13 of the company's Articles of Association. The Annual General Meeting confirmed the remuneration of the members of the Supervisory Board provided for in Section 13 of the company's Articles of Association and the remuneration system underlying the remuneration with the information pursuant to Sections 113 (3) sentence 3, 87a (1) sentence 2 AktG on 25 June 2021 with a majority of 95.07% of votes cast.

Supervisory Board members receive a fixed remuneration for their work, the amount of which depends on the duties assumed by the Supervisory Board and its committees. In addition, the members of the Supervisory Board receive performance-related remuneration based on the amount of the dividend.

The system for the remuneration of the members of the Supervisory Board, which forms the basis of the regulations of the Articles of Association, is based on the legal requirements and takes into account the recommendations of the German Corporate Governance Code:

- In addition to a fixed remuneration, the system for the remuneration of the members of the Supervisory Board provides for performance-related remuneration, which is based on the dividend distributed to the shareholders for the respective financial year. In addition, the members of the Supervisory Board shall receive reimbursement of expenses for training and further education measures up to an amount of EUR 2,500.00 per year. In addition, the members of the Supervisory Board shall receive reimbursement of their expenses and any value added tax to be paid on the remuneration. No attendance fee is granted.
- The Supervisory Board remuneration consists of the following components: Members of the Supervisory Board receive a fixed remuneration of EUR 15,000.00 for each financial year, the Chairman of the Supervisory Board receives twice this amount, i.e. EUR 30,000.00, and the Deputy Chairman receives one and a half times this amount, i.e. EUR 22,500.00. In accordance with recommendation G.17 of the German Corporate Governance Code, the higher time expenditure of the Chairman and Deputy Chairman of the Supervisory Board is taken into account in the remuneration. The same applies to chairing and membership of committees. For membership of a committee of the Supervisory Board, members of the Supervisory Board receive an additional remuneration of EUR 15,000.00 per financial year and per committee membership. The Chairman of a committee receives twice this amount, i.e. EUR 30,000.00, as additional remuneration, while the deputy Chairman receives one and a half times this amount, i.e. EUR 22,500.00.
- In addition, the members of the Supervisory Board receive variable remuneration. The only criterion for the granting and amount of variable remuneration is the amount of the dividend distributed to the shareholders for the respective financial year. The members of the Supervisory Board receive a performance-related remuneration of EUR 300.00 for each EUR 0.01 profit share decided by the Annual General Meeting, which is distributed to the shareholders in addition to a profit share of EUR 0.40 per share with full profit entitlement. If preferred shares are issued, the performance-related remuneration is based on the profit share per ordinary share. The variable remuneration is limited to a maximum amount of EUR 18,000.00. The regulation on performance-related remuneration deviates from recommendation G.18 Clause 2 of the German Corporate Governance Code. The Executive Board and the Supervisory Board believe

that the existing compensation arrangement provides the members of the Supervisory Board with sufficient incentive to orient the exercise of their duties towards the long-term, successful development of the company. Dividend payments are also a key performance indicator for the shareholders. The orientation of the performance-related remuneration of the members of the Supervisory Board to this performance indicator contributes to the long-term promotion of the company's success.

- The upper limit for the remuneration of the members of the Supervisory Board is the sum of the fixed remuneration, the amount of which depends in detail on the tasks assumed by the Supervisory Board and its committees, the maximum amount of performance-related remuneration and the maximum amount for the reimbursement of expenses for training and further training measures. Conversely, there is no quantified maximum remuneration figure for the members of the Supervisory Board.
- The amount and structure of the Supervisory Board remuneration is in line with the market and enables the company to continue to be able to recruit qualified candidates for the Supervisory Board in the future. This is a prerequisite for the best possible exercise of the advisory and monitoring activities by the Supervisory Board, which in turn makes a significant contribution to the promotion of the business strategy and the long-term development of the company.
- The fixed remuneration is due for payment at the end of the respective financial year. The performance-related remuneration is due at the time of a corresponding resolution of the Annual General Meeting on the appropriation of the balance sheet profit. There are no deferral periods for the payment of remuneration components.
- The remuneration of the members of the Supervisory Board is conclusively regulated in the Articles of Association; there are no ancillary or supplementary agreements. Remuneration is linked to the duration of the appointment as a member of the Supervisory Board. If members of the Supervisory Board resign from the Supervisory Board or one of its committees during the course of a financial year, they shall receive pro rata remuneration. There are no commitments to dismissal compensation, pension and early retirement schemes.

The following table shows the remuneration granted and owed to the members of the Supervisory Board in financial year 2021:

In EUR thousands	Fixed remuneration	in % ¹⁾	remuneration Committee work	in %	Variable remuneration	in %	Total remuneration
Christoph Schweizer	30	50%	30	50%	0	0	60
(2020)	30	50%	30	50%	0	0	60
Dr Stephan Zizala	23	50%	23	50%	0	0	45
(2020)	23	50%	23	50%	0	0	45
Michael Kowalski²⁾	8	50%	8	50%	0	0	15
(2020)	15	50%	15	50%	0	0	30
Dr Stefan Krauss³⁾	8	50%	8	50%	0	0	15
Chris Wu	15	100%	-	-	0	0	15
(2020)	15	100%	-	-	0	0	15
Petra Gaiselmann	15	100%	-	-	0	0	15
(2020)	15	100%	-	-	0	0	15
Jürgen Kammerer	15	100%	-	-	0	0	15
(2020)	15	100%	-	-	0	0	15
Total for 2021	113	63%	68	37%	0	0	180
(Total for 2020)	113	63%	68	37%	0	0	180

¹⁾ Share of total remuneration

²⁾ Supervisory Board member until 25 June 2021

³⁾ Supervisory Board member since 25 June 2021

III. COMPARATIVE PRESENTATION OF EARNINGS PERFORMANCE AND ANNUAL REMUNERATION

In accordance with Section 162 (1) sentence 2 no. 2 AktG, the following table shows SCHWEIZER'S earnings performance, the annual change in remuneration of the members of the Executive Board and the Supervisory Board as well as the annual change in the average remuneration of employees on a full-time basis over the last five financial years.

The earnings performance is shown using the Group's EBITDA figure. As a key performance indicator, the Group EBITDA is also part of the financial objectives of the MSTI and thus has a significant influence on the amount of remuneration paid to the members of the Executive Board. In addition, the development of Schweizer Electronic AG's net income for the year is presented.

For the members of the Executive Board and the Supervisory Board, the remuneration granted and owed in the respective financial year within the meaning of Section 162 (1) sentence 1 AktG is presented.

For the presentation of the average remuneration of employees, SCHWEIZER'S workforce in Germany (including trainees) is used, which included an average of 517 employees (full-time) in the 2021 financial year. In comparison, the SCHWEIZER Group had around 1,100 employees and trainees worldwide as of 31 December 2021. The average remuneration of employees includes personnel expenses for wages and salaries, for fringe benefits, for employer contributions to social security and for any short-term variable remuneration components attributable to the financial year. Thus, consistent with the remuneration reported for the Executive Board and the Supervisory Board, employee remuneration also complies in principle with the remuneration components granted and owed as defined in Section 162 (1) sentence 1 AktG.

The following table shows the values in a manner that allows comparison:

Financial year	2017	2018	Change in %	2019	Change in %	2020	Change in %	2021	Change in %
Earnings performance									
(in EUR millions)									
EBITDA ¹⁾	8.4	9.2	+10%	0.1	-99%	-9.5	n/a	-8.5	+11%
Net income for the year in accordance with HGB ²⁾	5.1	3.1	-39%	-2.8	-190%	-9.1	n/a	+2.8	n/a
Average employee remuneration									
(in EUR thousands)									
Employees in Germany	57	58	+2%	53 ³⁾	-9% ³⁾	60 ⁴⁾	+12% ⁴⁾	63 ⁵⁾	+7% ⁵⁾
Executive Board remuneration⁶⁾									
(in EUR thousands)									
Nicolas-Fabian Schweizer Chair of the Board since 9 April 2020	617	443	-28%	563	+27%	385 ⁷⁾	-32% ⁷⁾	415	+8%
Marc Bunz Deputy Chair of the Board since 9 April 2020	637	421	-34%	535	+27%	367 ⁷⁾	-31% ⁷⁾	394	+7%
Supervisory Board remuneration									
(in EUR thousands)									
Christoph Schweizer Deputy Chair of the Supervisory Board and the Personnel and Finance Committee until 7 July 2017. Chair of the Supervisory Board and the Personnel and Finance Committee since 28 June 2019	23	-	-	30	-	60	+100%	60	0%
Dr. Stephan Zizala Deputy Chair of the Supervisory Board and the Personnel and Finance Committee since 7 July 2017	30	45	+50%	45	0%	45	0%	45	0%
Dr. Stefan Krauss Member of the Supervisory Board and the Personnel and Finance Committee since 25 June 2021	-	-	-	-	-	-	-	15	-
Michael Kowalski Chair of the Supervisory Board and the Personnel and Finance Committee until 28 June 2019. Member of the Supervisory Board and the Personnel and Finance Committee from 28 June 2019 to 25 June 2021	60	60	0%	45	-25%	30	-33%	15	-50%
Chris Wu Member of the Supervisory Board since 7 July 2017	8	15	+100%	15	0%	15	0%	15	0%
Petra Gaiselmann Member of the Supervisory Board since 28 June 2019	-	-	-	8	-	15	+100%	15	0%
Jürgen Kammerer Member of the Supervisory Board since 28 June 2019	-	-	-	8	-	15	+100%	15	0%

¹⁾ Group EBITDA is a key performance criterion for determining the MSTI.

²⁾ The indicator net income for the year of Schweizer Electronic AG (German Commercial Code, HGB) is not relevant for the variable remuneration of the members of the Executive Board.

³⁾ Excluding short-time allowance (period of partial short-time work: March to July 2019).

⁴⁾ Excluding short-time allowance (period of partial short-time work: April to December 2020) | Voluntary waiver of fixed remuneration and special payments from some of the employees taken into account.

⁵⁾ Excluding short-time allowance (period of partial short-time work: January to February 2021).

⁶⁾ Fixed and variable remuneration components.

⁷⁾ Voluntary waiver of 30% of the contractually agreed fixed remuneration from April to June 2020

Schramberg, 11. April 2022

Schweizer Electronic AG

For the Executive Board
(Nicolas-Fabian Schweizer)

(Marc Bunz)

For the Supervisory Board
(Christoph Schweizer)

AUDIT OPINION

NOTE FROM THE INDEPENDENT AUDITOR ON THE AUDIT OF THE REMUNERATION REPORT PURSUANT TO SECTION 162(3) AKTG (IDW PS 870)

To Schweizer Electronic AG

Audit opinion

We have formally examined the remuneration report of Schweizer Electronic AG, Schramberg, for the financial year from 1 January to 31 December 2021 to determine whether the information pursuant to Section 162(1) and (2) of the German Stock Corporation Act (AktG) was provided in the remuneration report. In accordance with Section 162(3) AktG, we have not audited the content of the remuneration report.

In our opinion, the information pursuant to Section 162(1) and (2) AktG has been provided in all material respects in the attached remuneration report. Our audit opinion does not extend to the content of the remuneration report.

Basis for the audit opinion

We conducted our audit of the remuneration report pursuant to Section 162(3) of the German Stock Corporation Act (AktG), taking into account the IDW auditing standard: The remuneration report was reviewed pursuant to Section 162 (3) AktG (IDW PS 870). Our responsibility under this regulation and this standard is further described in the "Responsibility of the auditor" section of our report. As the auditing practice, we applied the requirements of the IDW quality assurance standard: Requirements for quality control in audit firms (IDW QS 1). We have complied with the professional duties in accordance with the German Public Auditors' Ordinance and the professional statutes for auditors/sworn accountants, including the requirements for independence.

Responsibility of the Executive Board and the Supervisory Board

The Executive Board and the Supervisory Board are responsible for preparing the remuneration report, including the related information, which complies with the requirements of Section 162 AktG. In addition, they are responsible for the internal controls that they have determined to be necessary to permit the preparation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

Responsibility of the auditor

Our objective is to obtain reasonable certainty whether the information pursuant to Section 162(1) and (2) AktG has been provided in all material respects in the remuneration report and to issue an audit opinion in a note on this.

We planned and performed our audit in such a way that we were able to determine the formal completeness of the remuneration report by comparing the information provided in the remuneration report with the information required in Section 162(1) and (2) AktG. In accordance with Section 162(3) AktG, we have not audited the accuracy of the content of the information, the completeness of the content of the individual disclosures or the appropriate presentation of the remuneration report.

Freiburg im Breisgau, 14 April 2022

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft [Audit firm]

Nietzer
Auditor

Busser
Auditor

The English version is for convenience only - should there be discrepancies between the German and English version of the report, the German version shall prevail.

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