

## **Remuneration policy for the Management Board of S&T AG**

The remuneration policy defines the principles that are applied when determining the remuneration of the Executive Board of S&T AG within the S&T Group.

The primary objective of the remuneration policy is to promote long-term and sustainable corporate development, primarily in the interests of the shareholders. The Supervisory Board adopted these principles for the first time on May 20, 2020 and submitted them to the 21st Annual General Meeting of S&T AG on June 16, 2020 for resolution in accordance with Section 78 of the Austrian Stock Corporation Act.

The Remuneration Committee of the Supervisory Board reviews the remuneration policy annually, taking into account, among other things, personnel changes in the business environment, the economic situation and strategy of the Company, suggestions from investors, and changes and trends in international and national corporate governance standards.

In the course of the annual review by the Remuneration Committee and on the basis of its resolution and recommendation of May 5, 2021, the Supervisory Board has decided to amend the remuneration policy for the Executive Board adopted by the Annual General Meeting on June 16, 2020 and to submit an adapted remuneration policy to the Annual General Meeting for resolution at the next Annual General Meeting on June 8, 2021. The amendments relate in particular to the deletion of the possibility for the Supervisory Board to grant special bonuses, the adjustment of the short-term incentive to more extensive financial indicators, and the creation of a medium-term incentive that also includes sustainability aspects.

The principles set out below form the framework which the Supervisory Board will follow when drawing up the employment contracts with members of the Management Board and the performance-based variable compensation for executives. These have already been implemented in part in the Executive Board contracts concluded; any further adjustments will be discussed and agreed with the Executive Board members and presented in the compensation report for the Annual General Meeting in 2022.

### **Remuneration policy principles**

The Remuneration Committee, as a subcommittee of the Supervisory Board, is responsible for the development, regular review and implementation of the remuneration policy for the Management Board. If necessary, support is provided by an external compensation consultant. In order to avoid conflicts of interest, the Supervisory Board ensures that any consultant used does not at the same time advise the Executive Board on compensation issues.

The following principles apply to the structure of compensation for the members of the Management Board of S&T AG:

- Compensation should promote a balance between the conduct, actions and performance of the members of the Management Board and the expectations and interests of all stakeholders of S&T AG and the S&T Group, in particular the shareholders and investors of S&T AG.
- Compensation should be consistent with, reflect and support the short-, medium and long-term strategic, financial and sustainability objectives of the Company and the Group.
- The compensation should reflect the scope of responsibility and performance of each member of the Management Board.

- The relationship between the various remuneration components should be reasonable and balanced.
- The total remuneration should be based on that of the companies in the peer group.
- The remuneration should be transparent and easy to understand.

The remuneration of the Management Board is generally made up of a fixed remuneration (basic salary) and a variable performance bonus. In addition, all members of the Management Board have the opportunity (as well as selected executives) to participate in a stock option program that is based on a sustainable share price and earnings performance of the Company. In determining the remuneration of the Management Board, a distinction is made between the individual Management Board members with regard to the variable remuneration components in respect to the overall responsibility of the Management Board and the economic relationship between the individual business segments. The decisive factors are the own business segment and its significance. With regard to the fixed salary components, the Supervisory Board takes into account the tasks and professional experience of the individual members of the Management Board, the situation of the company and the customary level of remuneration. The Chairman generally receives higher total remuneration due to his special responsibility and importance for the company. By means of a horizontal compensation comparison with other Austrian and German companies, a market-conform and competitive compensation of the Management Board has to be achieved in order to attract, motivate and retain the most qualified Management Board members for the Company. Furthermore, the remuneration and employment conditions of the Company's employees are taken into account in order to set the remuneration of the Management Board in a reasonable relation to the remuneration structure of the Company.

With regard to Section G.11 of the German Corporate Governance Code (GCGC), to which S&T AG is committed as a company listed in Frankfurt, Germany, the remuneration policy provides that the company may reclaim variable remuneration components in justified cases.

### **Basic salary**

The basic salary consists of an annual fixed salary, which is paid in 12 or 14 equal instalments depending on the country of residence of the member of the Management Board. This remuneration covers all overtime, travel and travel time as well as benefits that are provided in addition to the normal working hours applicable to employees of the Company. It also covers the assumption of board functions in the Group.

The base salary represents a fixed salary at a competitive level, which encourages the members of the Management Board to act in the best interests of the Company and with due regard to the interests of shareholders and employees and the public interest. The other remuneration mainly relates to taxable remuneration in kind for company cars.

The remuneration policy should express in a simple and clear manner the incentive of the Management Board to improve the earnings situation, which is important for the further development of the Group, and should be easy to understand: If this is necessary due to an extremely poor economic development, the Supervisory Board will approach the members of the Board of Management to persuade them to reduce the fixed remuneration.

### Short- and medium-term incentives

The variable component was previously based exclusively on the reported operating profit (EBITDA) of the respective area of responsibility; there were no non-financial criteria that were decisive for the variable compensation.

On the basis of stakeholder suggestions, the Supervisory Board resolved on May 5, 2021 to link the short-term incentive to the achievement of further financial indicators and to anchor a medium-term incentive, which takes into account both financial and non-financial targets, in the compensation policy and to submit it to the Annual General Meeting on June 8, 2021 for resolution.

- In accordance with the recommendation of the Remuneration Committee of May 5, 2021 and the Supervisory Board resolution of May 17, 2021 based on this recommendation, the operating cash flow is also to be used as a target for the short-term variable Executive Board compensation. The upper limit of the variable performance bonus is set at 75% of the fixed annual salary of the respective Executive Board member.
- The medium-term incentive is to be introduced in line with the current medium-term plan of the S&T Group, Agenda 2023, and is to be based on 2 key performance indicators (KPIs):
  - > The communicated EBITDA of FY 2023 (at least EUR 220m) with a weighting of 50% is to be used as the financial indicator.
  - > Furthermore, the focus is to be placed on improving the current ESG rating of the S&T Group (currently "B" based on MSCI). The aim is to improve the ESG rating to at least level "BBB" by 2023 or to bring it closer to the best in the peer group. The ESG target is also to be weighted at 50%.

The bonus entitlement resulting from the achievement of the financial performance criteria may be increased for exceptional performance not reflected in the financial criteria. This can be particularly relevant when it comes to the establishment and integration of new business areas, the achievement of special goals to increase sustainability or the implementation of far-reaching restructuring measures. Such bonuses may be granted irrespective of the achievement of financial performance criteria but may in no case exceed the above limit (maximum 75% of the annual fixed salary).

The Supervisory Board reserves the right, under special circumstances (in particular in a phase of corporate restructuring), to supplement the financial performance criterion with alternative performance criteria such as gross profit, organic growth, free cash flow, or EBIT/net profit margin. This is intended to enable management to focus on the respective KPIs in critical company phases, taking profitability development into account. The time and amount limits remain unaffected.

### Long-term incentives through stock option programs

As a further variable, but long-term, component, the Management Board (as well as senior executives) have already been granted stock options or stock warrants in the past, which provide for additional variable long-term remuneration in the event of a positive development of the S&T AG share price.

When designing the stock option programs 2020, 2021 and 2022, the sustainability aspect was taken into account by providing for a 36-month waiting period from the granting of the warrants and the criterion of an increase of at least 80% compared to the price of the S&T share at the time the option was granted. The warrants can only be exercised after the end of the waiting period and if this target (80% increase in the S&T AG share price) is achieved. If these criteria are not met, the warrant expires

without replacement. The term of the warrants is limited to 60 months. S&T AG is free to choose whether to settle the warrants in cash or by means of new or treasury shares.

The bonus scheme and the stock option program align the interests of the Management Board with those of shareholders and other stakeholders. This enables a comprehensive and balanced assessment of the performance of the members of the Management Board. The financial targets are objective and transparent and can hardly be influenced significantly by short-term measures, thus promoting the business strategy and the long-term development of the company.

### **Special gratuities and bonuses**

The Supervisory Board has so far reserved the right to grant special bonuses for special achievements over and above the variable performance bonuses, provided that these special achievements have resulted in a future-related benefit for the Company, in particular in the areas of sustainability and "Health & Safety". Any special bonuses were intended to motivate the Executive Board members to manage the company on a long-term and sustainable basis and were limited to the simple fixed salary for one year. It was also possible to grant the Executive Board members sign-on and stay bonuses. Neither right was ever exercised in the past and accordingly no special bonuses were paid to Executive Board members. At the suggestion of the shareholders, the Supervisory Board resolved on May 17, 2021 to propose to the Annual General Meeting on June 8, 2021 that the passage on granting special bonuses for special performance be deleted without replacement.

### **Remuneration in kind and other benefits**

The Company may take out a "Directors and Officers" (D&O) insurance policy for members of the Management Board, an accident insurance policy and other insurance policies required for the activity as a member of the Management Board, such as a legal expenses or foreign travel health insurance. The Company may provide the members of the Management Board with a company car. In addition, the Management Board members may be reimbursed for reasonable service expenses associated with their position as Management Board members as well as for their travel expenses (in accordance with S&T AG's guidelines for business travel). Social security contributions are divided between the members of the Management Board and the Company in accordance with the statutory key, and the Company either pays the legally required contribution to a staff provision fund or provides severance payments in accordance with section 23 of the Austrian Employee Act or a comparable regulation if the Management Board member is resident abroad.

### **Derogation from the remuneration policy in exceptional circumstances**

In exceptional circumstances, the Compensation Committee of the Supervisory Board may temporarily deviate from this compensation policy in order to ensure the long-term development of the Company or its profitability, while safeguarding contractual entitlements.

In the event that a member of the Supervisory Board takes over a Management Board mandate on an interim basis, which is only possible in a special exceptional situation, the variable remuneration components may be determined differently in order to provide the Management Board member delegated from the Supervisory Board with an incentive commensurate with the situation.

### **Terms of office of the members of the Management Board**

As a rule, Management Board mandates are limited to three years, and to two years for first-time appointments.

### **Termination of a Management Board mandate**

The employment contracts of the members of the Management Board are concluded for a limited period of time. They can only be terminated at any time without notice for important reasons, in

particular those of § 27 of the Austrian Salaried Employees Act (grounds for dismissal within the meaning of the Labour Law) as well as gross breach of duty. In case of permanent occupational disability and after more than six months of illness, the employment contract may be terminated with three months' notice to the end of the month. In this case, the entitlement to the fixed salary remains for the remaining term of the contract, but for no longer than 6 months. This also applies in the event of premature termination of the Executive Board appointment in the absence of good cause.