

POLYTEC HOLDING AG REMUNERATION REPORT FOR THE 2021 FINANCIAL YEAR

The basic principles relating to the remuneration of the members of the POLYTEC Holding AG's Board of Directors and Supervisory Board ("remuneration policy") were voted upon at the 20th Ordinary General Meeting of POLYTEC Holding AG on 7 August 2020 and a recommendatory resolution was passed with the agreement of 69.22% of the attending share capital. The remuneration report for the 2020 financial year received the approval of 93.19% at the 21st Ordinary General Meeting of POLYTEC Holding AG on 13 July 2021. The principles of the remuneration policy were also applied in the past financial year. At its scheduled meeting on 7 April 2022, the full POLYTEC Holding AG Supervisory Board approved the remuneration report for the 2021 financial year, which was prepared jointly with the Board of Directors.

I. INTRODUCTION TO THE REMUNERATION REPORT

Pursuant to § 78c Para. 1 of the Austrian Stock Corporation Act, the Board of Directors and the Supervisory Board are obliged to draw up a clear and comprehensible remuneration report, whereby the preparation of information is primarily the task of the Board of Directors. Apart from clarification regarding business development in the respective financial year, the Remuneration Report should provide information to stockholders about the remuneration paid or owed to the Board of Directors and the Supervisory Board, and is to be presented yearly to the General Meeting for voting. During the preparation of the Remuneration Report, the principles of completeness, reliability, clarity, comprehensibility and comparability are to be adhered to. The report must be so designed as to permit the determination that the granted or owed remuneration is covered by the remuneration policy. The recommendations of the Austrian Corporate Governance Code are to be observed.

II. ECONOMIC DEVELOPMENTS AND SIGNIFICANT EVENTS DURING THE 2021 FINANCIAL YEAR

In 2021, the global Covid crisis continued to have many industries firmly in its grip. The biggest challenge faced by the international automotive markets was the shortage of semiconductors. However, supply bottlenecks in the procurement of other pre-products and materials, as well as rising prices for both raw materials and energy, also slowed automotive industry development. As a result, even fewer cars were sold in Europe (EU, EFTA and UK) in the 2021 financial year than in crisis-hit 2020. Moreover, although there were already some isolated positive signs of a recovery in sales at the beginning of 2022, at present it can be assumed that the hostilities in Ukraine will have a prolonged tangible impact on supply chains during the 2022 financial year.

In addition to the unchanged high workload related to combatting the effects of the Covid 19 pandemic, during the 2021 financial year the management carried out intensive negotiations with customers regarding compensation for the considerable increases in prices. However, in particular the semiconductor crisis and the resultant short-term, call-off cancellations by customers prevented sales revenues from recovering to the pre-Covid level. The consolidated sales revenues of the POLYTEC GROUP amounted to EUR 555.9 million in the 2021 financial year and despite the lower comparison basis due to Covid-19, were thus 6.5% or EUR 33.9 million higher than in the previous year (EUR 522.0 million). Group EBIT in 2021 totalled EUR 12.3 million (2020: EUR 13.0 million) and as compared to the preceding year, the EBIT margin fell by 0.3 percentage points from 2.5% to 2.2%. ROCE (return on capital employed) before taxes amounted to 3.7% in the 2021 financial year (2020: 3.7%) with average capital employed of EUR 330.7 million (previous year: EUR 348.8 million) and thus corresponded with the figure for 2020.

III. REMUNERATION REVIEW

A. REMUNERATION OF THE BOARD OF DIRECTORS

1. Basic principles

a. Aim of the remuneration of the Board of Directors

The aim of the remuneration policy is to promote long-term, sustained company development. The total remuneration of the Board of Directors should be proportionate to the assignments and performance of its individual members, the situation of the company and standard payments. In addition, the remuneration policy of the POLYTEC GROUP envisages that the salaries granted to the Board of Directors bear comparison to those paid by other listed, industrial companies in Austria and similar enterprises in Germany, in order that by means of competitive salaries the most suitable and best-qualified persons can be attracted to serve on the POLYTEC GROUP's Board of Directors. The objective of the remuneration is to offer the members of the Board of Directors a salary package that within the regulatory framework is in conformity with the market and competitive.

b. Remuneration structure

The remuneration of the Board of Directors is composed of several differing components. Apart from a fixed amount (basic salary), a variable bonus is agreed, which is constituted by a combination of financial and personal elements.

c. Fixed remuneration

The fixed remuneration is paid in fourteen instalments independent of performance and consists of a basic salary and fringe benefits. The basic salary covers all overtime, travel times and the assumption of executive functions within the POLYTEC GROUP.

During the assessment of the appropriate amount of the basic salary, various factors are taken into consideration such as the fundamental assumption of the mandate as a Managing Director, the related overall responsibility of the individual Board members and both the importance of the remit with regard to corporate success and its scope. Furthermore, the remuneration should be on a competitive level in order to attract and retain qualified board members to the group.

d. Variable remuneration components

While the variable remuneration component of the Chairman of the Board of Directors is based exclusively on economic targets, the other Board members are entitled to a performance-related, variable remuneration component that is dependent upon both the economic development of the POLYTEC GROUP and the personal performance of the respective Board member and is capped at a total of 100% of the basic salary. The focus of the variable remuneration components is upon the return on capital employed (ROCE) performance indicator, which defines the relationship between the company's operative earnings before interest and taxes (EBIT) and takes into account sustainable and appropriate capital investment (capital employed). The economic bonus component therefore constitutes both a short- and long-term performance incentive. In March 2020 and until further notice, the financial bonus was defined as a certain percentage of EBIT that exceeded a minimum ROCE (basis).

The Supervisory Board established the multi-year target agreement, which is also relevant for the 2021 reporting period, in the first quarter of 2020. After reporting by the Chairman of the Board of Directors, the Supervisory Board assessed the fulfilment of the financial and personal performance criteria, taking into account the overall circumstances after the end of the financial year. The performance criteria used and their assessment are presented in detail below.

2. Overview of the remuneration to the Board of Directors

(Values in EUR, unless stated otherwise)	Markus Huemer		Peter Bernscher		Heiko Gabbert		Peter Haidenek	
	2020	2021	2020	2021	2020	2021	2020	2021
Fixed remuneration (basic salary)	478,567	588,640	336,573	371,080	333,693	358,640	237,038	241,078
Basic salary	469,857	580,000	324,983	368,200	324,983	350,000	225,448	229,558
Fringe benefits	8,710	8,640	11,590	2,880	8,710	8,640	11,590	11,520
Variable remuneration	0	0	100,000	200,000	100,000	200,000	15,000	30,000
Total remuneration	478,567	588,640	436,573	571,080	433,693	558,640	252,038	271,078
Payment of variable remuneration of previous year	0	0	100,000	100,000	100,000	100,000	30,000	15,000
Share of variable remuneration in total remuneration (in %)	0	0	23	35	23	36	6	11
Share of fixed remuneration in total remuneration (in %)	100	100	77	65	77	64	94	89
Change in total remuneration (absolute amount)		110,073		134,507		124,947		19,041
Change in total remuneration (in %)		23.00		30.81		28.81		7.55
Total amounts	2020	1,600,870						
	2021	1,989,438						

Change in the average remuneration paid to POLYTEC Holding AG employees in %: 7.58
 Change in economic success (consolidated result) in EUR k: -700
 Change in economic success (consolidated result) in %: -0.30

a. Fixed remuneration

In accordance with the basic principles of the remuneration policy, as opposed to his colleagues on the Board, the Chairman receives a variable salary, which is oriented entirely upon the business development of the company and subject to a ceiling of 100% of the basic salary paid out in the respective financial year (please see the information subsequently included under c.).

b. Fringe benefits

The stated benefits based on taxation principles relate to the company cars of the members of the Board of Directors. These are provided to each Board member in line with performance and may be used privately. With effect from 1 April 2021, the Board member, Peter Bernscher waived the provision of a company car and will receive a lump sum payment for this in the salary statement. The costs for accident insurance are included in the non-cash remuneration of the Board members.

c. Variable remuneration

According to the group's financial statements, in 2021 ROCE amounted to 3.7%. Consequently, owing to the non-achievement of the agreed ROCE, no variable remuneration on the basis of financial performance was due to the Board of Directors.

Group performance in the financial year expired was again influenced by the effects of the Covid-19 crisis, supply bottlenecks and price rises. Nonetheless, in an extremely problematic market environment, together with its team, the Board of Directors implemented the necessary measures in the best possible, determined and timely manner, averted greater damage to the group, systematically pursued the corporate strategy and mission of the POLYTEC GROUP, and prepared the concern for the future. Therefore, the Supervisory Board decided that in view of the extent to which their personal performance criteria and targets were met, bonuses should be granted to the members of the Board of Directors, Peter Bernscher and Heiko Gabbert, in the amount described.

d. Insurance

The members of the Board of Directors have Austrian social, health, accident and pension insurance. The social insurance contributions are divided between the Board members and the company according to the applicable legal key and in addition the company pays the legally prescribed contribution to an employee pension fund. Apart from accident insurance, the costs of which are reported under the fringe benefits, the members of the POLYTEC Holding AG Board of Directors are included in the cover provided by the group-wide insurance for directors and officers (D&O).

e. Average remuneration of other employees

If the blue- and white-collar workers of affiliated companies are excluded, the average remuneration of the other POLYTEC Holding AG employees on a full-time equivalent basis, amounts to EUR 71 k p.a. (2020: EUR 66 k), which represents an increase of 7.58%. In terms of a full-time basis, the monthly basic salary of a member of the Board of Directors is in a reasonable ratio to the remuneration of POLYTEC Holding AG employees. Variable remuneration is foreseen for personnel in managerial positions and its components are performance-related and subject to economic and personal performance criteria like those on the Board of Directors level.

f. Miscellaneous

No special bonuses or payments from affiliated companies to members of the Board of Directors and the Supervisory Board were granted in the year under review. No changes were made to the remuneration policy agreed during the 20th Ordinary General Meeting.

B. REMUNERATION OF THE SUPERVISORY BOARD

1. General principles

The remuneration of the Supervisory Board is intended to promote the sustained and long-term development of the company and the implementation of its corporate strategy. Equally, the remuneration should reflect the responsibilities, tasks and scope of activities of the individual Board members and correspond with the economic position of the company. Variable bonuses, etc. are not foreseen.

In order to achieve the market conformity and competitiveness of Supervisory Board remuneration, a horizontal comparison of the payments made by other Austrian industrial companies is undertaken with the aim of attracting qualified candidates by means of the remuneration system. In the event of a member joining or leaving during the year, remuneration is paid on a pro rata basis.

During the financial year, remuneration of the members of the Supervisory Board basically comprised the following fixed payments:

Supervisory Board Deputy Chairperson	EUR 35,000.00
Supervisory Board Deputy Chairperson	EUR 35,000.00
Supervisory Board member	EUR 22,000.00 to 28,000.00

An adjustment to the remuneration is planned for the current financial year. The members of the Supervisory Board are included in the cover provided by the group-wide insurance for directors and officers (D&O). The premiums are borne by the group.

2. Overview of Supervisory Board remuneration

(Values in EUR k)	Friedrich Huemer		Fred Duswald		Manfred Trauth		Viktoria Kickingner		Robert Büchelhofer		Reinhard Schwendtbauer	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Remuneration	0	18	35	35	28	28	22	22	17	0	22	22
Total amounts	2020	124										
	2021	125										

Friedrich Huemer was appointed as a member of the Supervisory Board with effect from the 21st Ordinary General Meeting of POLYTEC Holding AG and as its Chairman at the constituent meeting of the Supervisory Board held on the same day. For this reason, a pro rata payment was made.

C. MISCELLANEOUS

No changes were made to the remuneration policy agreed during the 20th Ordinary General Meeting.