

POLYTEC HOLDING AG REMUNERATION REPORT FOR THE 2022 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 2021 financial year received the approval of 88.01% (previous year 93.19%) at the 22nd Ordinary General Meeting of POLYTEC Holding AG on 1 July 2022. The principles of the remuneration policy were also applied in the past financial year. At its scheduled meeting on 12 April 2023, the full POLYTEC Holding AG Supervisory Board approved the remuneration report for the 2022 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 2022 FINANCIAL YEAR

The biggest challenges faced by the international automotive markets in the 2022 financial year were, in particular, the shortages resulting from the outbreak of war in Ukraine and the economic impact of increased material and energy prices. It can currently be assumed that the Ukraine crisis and the further, essentially inflation-driven, price development will continue to have a tangible impact on the group's financial and profit situation.

In addition to the effects of the continuing difficult logistics situation in the entire value chain, the measures taken by the Board of Directors focused on the massive short-term reductions in call-offs by customers and the ongoing follow-up of customer negotiations resulting thereof. However, in particular the short-term call-off cancellations by customers resulting from the shortage prevented sales revenues from recovering to the pre-Covid level. The consolidated sales revenues of the POLYTEC GROUP amounted to EUR 601.4 million in the 2022 financial year and were 8.2% or EUR 45.5 million higher than in the previous year (EUR 555.9 million); the increase is mainly due to inflation-related price increases. Group EBIT in 2022 totalled EUR 0.7 million (2021: EUR 12.3 million) and as compared to the preceding year, the EBIT margin fell by 2.1 percentage points from 2.2% to 0.1%. ROCE (return on capital employed) before taxes amounted to 0.22% in the 2022 financial year (2021: 3.7%) with average capital employed of EUR 326.3 million (previous year: EUR 330.7 million), which represents a decline of around 3.5 percentage points.

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 2022 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	
	2021	2022	2021	2022	2021	2022	2021	2022
Fixed remuneration (basic salary)	588,640	608,319	371,080	383,753	358,640	370,515	241,078	122,735
Basic salary	580,000	599,679	368,200	379,913	350,000	361,875	229,558	116,975
Fringe benefits	8,640	8,640	2,880	3,840	8,640	8,640	11,520	5,760
Variable remuneration	0	0	200,000	250,000	200,000	90,000	30,000	0
Total remuneration	588,640	608,319	571,080	633,753	558,640	460,515	271,078	122,735
Payment of variable remuneration of previous year	0	0	100,000	200,000	100,000	200,000	15,000	30,000
Share of variable remuneration in total remuneration (in %)	0	0	35	39	36	20	11	0
Share of fixed remuneration in total remuneration (in %)	100	100	65	61	64	80	89	100
Change in total remuneration (absolute amount)		19,679		62,673		-98,125		-148,343
Change in total remuneration (in %)		3,34%		10,97%		-17,56%		-54,72%
Total amounts	2021	1,989,438						
	2022	1,825,322						

Change in the average remuneration paid to POLYTEC Holding AG employees (in %)	2,53
Change in economic success (consolidated result) in EUR m:	-11,60
Change in economic success (consolidated result) in %:	-94,31

a. Fixed remuneration

The fixed remuneration increased in the past financial year in accordance with the actual wage increase of the framework collective agreement for employees in the chemical industry. Due to the fact that Board of Directors member Peter Haidenek left the company during the year, his remuneration entitlement was paid out pro rata.

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 September 2022, the Board member Peter Bernscher was provided a company car again instead of paying a lump sum. The costs for accident insurance are included in the non-cash remuneration of the Board members.

b. Variable 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.

According to the group's financial statements, in 2022 ROCE amounted to 0.22%. Consequently, owing to the non-achievement of the agreed ROCE, again no variable remuneration on the basis of financial performance was due to the Board of Directors.

Group performance in the financial year expired was characterized both by the geopolitical effects of the Ukraine war and the resulting inflation-related price rises. Together with its team, the Board of Directors had implemented the necessary countermeasures, in particular the intensive customer negotiations, in an extremely difficult market environment in the best possible and determined manner. In addition, the group was very successful with other strategically necessary measures to strengthen the group's success, such as in particular a very thriving acquisition activity and innovative customer projects. The POLYTEC GROUP is therefore very well positioned for the future.

On the occasion of the past crisis year, 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.

c. 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).

d. 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 81 k p.a. (2021: EUR 79 k), which represents an increase of 2.53% (2021: 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.

e. 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 or other remuneration 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 has been 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.

As announced in the 2021 financial year due to the reorganization of the Supervisory Board, a function-related adjustment to the Supervisory Board remuneration was made in the 2022 financial year. During the 2022 financial year, remuneration of the members of the Supervisory Board comprised the following fixed payments:

Supervisory Board Chairperson	EUR 45,000.00	(2021: EUR 35 k)
Supervisory Board Deputy Chairperson	EUR 35,000.00	(2021: EUR 35 k)
Supervisory Board member	EUR 25,000.00	(2021: EUR 22 k to 28 k)

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 Kickinger		Reinhard Schwendtbauer	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Remuneration	18	45	35	35	28	25	22	25	22	25
Total amounts	2021	125								
	2022	155								

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 in the 2021 financial year.

C. MISCELLANEOUS

Apart from the above adjustment of the remuneration of the Supervisory Board, no further changes were made to the remuneration policy agreed during the 20th Ordinary General Meeting.