

POLYTEC HOLDING AG REMUNERATION REPORT FOR THE 2020 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. A recommendatory resolution was passed with the agreement of 69.22% of the present share capital and the principles were applied in the financial year expired. The Remuneration Report for the 2020 financial year, which was prepared jointly with the Board of Directors, was approved in the plenum of the POLYTEC Holding AG's Supervisory Board during a scheduled meeting of the Supervisory Board held on 15 April 2021.

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 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 to the Annual 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 DEVELOPMENT AND SIGNIFICANT EVENTS DURING THE 2020 FINANCIAL YEAR

During the 2020 financial year, the upheavals emanating from the COVID-19 pandemic confronted the Board of Directors and its management team with unexpected challenges of a scale and type that to date were virtually unknown. In mid-February 2020 the management was faced by the initial effects upon the POLYTEC plant in China, and both the business travel of its personnel and supply chains, especially those relating to China and Italy. The succession of crisis measures and curfews ordered by national governments from mid-March 2020 onwards, which were aimed at halting the pandemic, had a massive economic impact that also extended to the automotive industry. The POLYTEC GROUP was equally subject to the resultant global repercussions, as owing to the fact that at the end of March key accountants initiated a halt to production at their plants, POLYTEC was also forced to cease manufacturing at a considerable number of its locations. A POLYTEC COVID-19 crisis committee, which was formed at the end of February 2020, immediately set about dealing with this situation and in particular, following the implementation of the first lockdown in Austria, with the fastest possible slowdown at major POLYTEC locations. Especially during April, this led to huge losses of revenue and sales in May were also negatively affected by the very gradual plant restart. Sales first began to recover slightly in June, but overall the entire second quarter of 2020 was extremely hard hit by the lockdown and its consequences. During the two months in which the plants of POLYTEC GROUP customers were closed for the summer holidays, sales remained at a low level, but a recovery became tangible in the period from September to December.

During the lockdowns, priority was given to the rapid implementation of measures in the areas of employee protection (hygiene and work safety, home office and digital communications), the securing of plants, the guaranteeing of liquidity and the receipt of the funding provided by the federal government. Owing to the communication tools already installed in recent years and the rolled out IT equipment, the POLYTEC GROUP was able to quickly offer its employees large-scale home office and teleworking. Plant closures were also completed speedily and efficiently with the result that

structural costs were reduced permanently and loans were not required for the support of overcapacities. At the same time, net financial debt was also markedly reduced.

In spite of the enormous volume of work involved in combatting the effects of the COVID-19 pandemic, in intensive cooperation with the management, the Board of Directors also implemented the closure of additional, non-strategic plants and the sale of the Industrial Division at the end of the 2020 financial year. The POLYTEC GROUP was thus equipped on the expenditure side for the closure periods and the general economic slowdown. The numerous plant shutdowns and reduced demand resulted in a fall in sales revenues during the 2020 financial year of EUR 105.1 million from EUR 627.1 million to EUR 522.0 million. However, despite this 16.8% drop in sales revenues, as at 31 December 2020, the various measures taken for the securing of group liquidity produced a reduction of net financial debt to EUR 105.8 million, while the equity ratio levelled off at 42.6%. Owing to the slump in sales revenues, profitability declined in the 2020 financial year. The EBITDA achieved amounted to EUR 48.3 million (2019: EUR 68.4 million), while EBIT totalled EUR 13.0 million (2019: EUR 32.6 million) and thus led to a 2.7 percentage point fall in the EBIT ratio from 5.2% to 2.5%. Average capital employed in the 2020 financial year stood at EUR 404.9 million (2019: EUR 400.4 million), which resulted in a pre-tax return on capital employed (ROCE) in the 2020 financial year of 3.2% that corresponded with a fall of 5.0 percentage points.

III. REMUNERATION OVERVIEW

A. REMUNERATION OF THE BOARD OF DIRECTORS

1. Basic principles

a. Aim of the remuneration of the Board of Directors

The aim of 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 remuneration 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 remuneration 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 (basic salary)

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 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

The members of the Board of Directors are entitled to a success-related, variable salary component. This is dependent upon both the business development of the POLYTEC Group and personal performance and is subject to a ceiling of 100 per cent 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. The economic bonus component therefore constitutes both a short- and long-term performance incentive. As from 1 March 2020, the financial bonus was defined as a certain percentage of EBIT that exceeded a minimum ROCE of 9% (basis).

In the first quarter of 2020, the Supervisory Board determined the target agreement covering several years, which was of relevance for the 2020 reporting period. Following a report from the Chairman of the Board of Directors and after the expiry of the financial year, the Supervisory Board completed an assessment of both the financial and personal performance criteria, which took the overall circumstances into account. The performance criteria employed and their evaluation in the remuneration report, are subsequently described in detail.

2. Review of the remuneration to the Board of Directors

(Values in EUR, unless stated otherwise)	Markus Huemer		Peter Bernscher		Heiko Gabbert		Peter Haidenek	
	2019	2020	2019	2020	2019	2020	2019	2020
Fixed remuneration (basic salary)	470 276	478 567	287 761	336 573	282 469	333 693	235 531	237 038
Basic salary	460 286	469 857	276 171	324 983	276 171	324 983	223 941	225 448
Fringe benefits	9 990	8 710	11 590	11 590	6 298	8 710	11 590	11 590
Variable remuneration	0	0	100 000	100 000	100 000	100 000	30 000	15 000
Total remuneration	470 276	478 567	387 761	436 573	382 469	433 693	265 531	252 038
Payment of variable remuneration of previous year	169 599	0	100 000	100 000	30 000	100 000	60 000	30 000
Share of variable remuneration in total remuneration (in %)		0		23		23		6
Share of fixed remuneration in total remuneration (in %)		100		77		77		94
Total amounts	2019	1 506 037	2020	1 600 870				

a. Fixed remuneration

In line with the stipulations of the Remuneration Report, during the year under report the basic salaries of the Board were adjusted to match the standard market remuneration and with effect from March 2020 were subject to a moderate increase. Owing to the emerging COVID-19 crisis, in the period from March to the end of May 2020, the member of the Board of Directors voluntarily waived 20% of their monthly salary and the Chairman of the Board also relinquished the entire basically agreed raise to his basic salary up to the end of 2020.

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.).

The basic salary is increased in accordance with the rise in the actual salary granted to white-collar personnel belonging to the highest salary category within the collective wage agreement of the chemical industry.

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. In addition, the benefits granted to the members of the Board of Directors include the costs for accident insurance amounting to some EUR 70 per year.

c. Variable remuneration

According to the group's financial statements, in 2020 ROCE amounted to 3.2%. Consequently, owing to the non-achievement of the agreed ROCE of 9%, no variable remuneration on the basis of financial performance was due to the Board of Directors.

Group performance in the financial year expired was influenced largely by the effects of the COVID-10 crisis. Nonetheless, in an extremely problematic environment, 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 for the future. Therefore, the Supervisory Board decided that in view of the degree to which personal performance criteria and targets were met, bonuses should be granted to the members of the Board of Directors in the described amount.

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 66 k p.a. (2019: EUR 66 k). 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 Managing Director 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 Annual 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 do justice to 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.

The remuneration to the members of the Supervisory Board currently includes the following fixed payments per calendar year, whereby should a member leave the Board in the course of a year, payment is made on a pro rata basis:

Supervisory Board Deputy Chairperson	EUR 35,000.00
Supervisory Board Deputy Chairperson	EUR 28,000.00
Supervisory Board member	EUR 22,000.00 to 25,000.00

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. Review of Supervisory Board remuneration

(Values in TEUR, unless stated otherwise)	Fred Duswald		Manfred Trauth		Viktoria Kickingner		Robert Büchelhofer		Reinhard Schwendtbauer	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Remuneration	35	35	28	28	22	22	25	17	22	22
Total amounts	2019	132								
	2020	124								

Having reached the stipulated age limit, Dr. Robert Büchelhofer, a member of the Supervisory Board, stepped down from his appointment with effect from the 20th Ordinary Annual General Meeting and therefore in this case a pro rata payment was made.

C. MISCELLANEOUS

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