

POLYTEC HOLDING AG REMUNERATION REPORT FOR THE 2023 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 2022 financial year received the approval of 95.28% (previous year 88.01%) at the 23rd Ordinary General Meeting of POLYTEC Holding AG on 9 June 2023. The principles of the remuneration policy were also applied in the past financial year. At its scheduled meeting on 11 April 2024, the full POLYTEC Holding AG Supervisory Board approved the remuneration report for the 2023 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 2023 FINANCIAL YEAR

In the 2023 financial year, demand for new cars was low compared to the years before the coronavirus pandemic. Many consumers remained cautious in their spending behaviour, which had a particular impact on the automotive industry. The slight increase in sales in 2023 was mainly due to the disruptions in the supply chains of previous years. For the POLYTEC GROUP, the rise in inflation and the high rate of price increases were a determining factor. In the 2023 financial year, POLYTEC GROUP sales totalled EUR 636.0 million and were 5.8% or EUR 34.6 million higher than in the previous year (EUR 601.4 million). At the beginning of the 2023 financial year, the POLYTEC GROUP management still assumed a higher sales target in its outlook for the year. The market recovery and numerous new project start-ups led to significantly higher sales figures in the first half of the year compared to the same period of the previous year. In contrast, there were short-term reductions in call-off volumes in the third quarter. Due to the slowdown in sales development, the original sales forecast was revised downwards. As a result, the short-term call-off cancellations by customers resulting from the reluctance to buy prevented sales from recovering to the pre-Covid level. In operational terms, the Board of Directors dealt with the continuing economic effects of the ongoing transformation towards e-mobility, the challenges arising from the start-up of many technically demanding new orders and intensive customer negotiations due to the ongoing inflation. As a result, the POLYTEC GROUP's EBIT in 2023 amounted to EUR - 6.7 million (previous year: EUR 0.7 million) and was therefore negative for the first time since the 'Lehman year' of 2009. The EBIT margin fell by 1.2 percentage points compared to the previous year, from 0.1% to -1.1%. With average capital employed of EUR 328.7 million (previous year: EUR 326.3 million), ROCE (return on capital employed) before taxes amounted to -2.0% (previous year: 0.22%) in the 2023 financial year, which corresponds to a decrease of around 2.2 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 a 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 regarding corporate success and its scope. Furthermore, the remuneration should be on a competitive level 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 considers 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 2023 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, considering the overall circumstances after the end of the financial year. The resulting remuneration of the Board of Directors is 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		Markus Mühlböck	
	2022	2023	2022	2023	2022	2023 ⁽¹⁾	2022	2023 ⁽²⁾
Fixed remuneration (basic salary)	608 319	651 387	383 753	406 692	370 515	396 695	0	119 721
Basic salary	599 679	642 747	379 913	395 807	361 875	388 055	0	114 759
Fringe benefits	8 640	8 640	3 840	10 885	8 640	8 640	0	4 962
Variable remuneration	0	0	250 000	175 000	90 000	0	0	45 833
Total remuneration	608 319	651 387	633 753	581 692	460 515	396 695	0	165 554
Payment of variable remuneration of previous year	0	0	200 000	250 000	200 000	90 000	0	0
Share of variable remuneration in total remuneration (in %)	0	0	39	30	20	0	0	28
Share of fixed remuneration in total remuneration (in %)	100	100	61	70	80	100	0	72
Change in total remuneration (absolute amount)		43 069		-52 061		-63 820		165 554
Change in total remuneration (in %)		7,08%		-8,21%		-13,86%		
Total amounts	2022	1 825 321						
	2023	1 795 328						

Change in the average remuneration paid to POLYTEC Holding AG employees (in %)	8,15
Change in economic success (consolidated result) in EUR m:	- 7,4
Change in economic success (consolidated result) in %:	n/a

¹⁾ Period from 01.01.2023 to 17.07.2023

²⁾ Period from 17.07.2023 to 31.12.2023

a. General information

The member of the Board of Directors Heiko Gabbert was dismissed from his position as a member of the Board of Directors of POLYTEC Holding AG with immediate effect following the resolution of the Supervisory Board in the extraordinary meeting on 17 July 2023. The employment contract was subsequently terminated with effect of the end of 31 August 2024 and Heiko Gabbert was released from his obligation to perform his duties, taking into account any outstanding holiday entitlements.

Due to the appointment of Board member Markus Mühlböck during the year, POLYTEC Holding AG made a pro rata payment of his remuneration entitlement for the period from 17 July 2023 to the end of the financial year. Due to a partial transfer agreement of Markus Mühlböck to German leading plants of the POLYTEC Group, a part of the total remuneration totalling EUR 165,554 is taken over by a German company and consists of EUR 63,524 basic salary and EUR 4,962 non-cash remuneration, thus totalling EUR 68,486.

b. 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.

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. The costs for accident insurance are included in the non-cash remuneration of the Board members.

c. 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 2023 ROCE amounted to -2,0%. Consequently, owing to the non-achievement of the agreed ROCE, again no variable remuneration based on financial performance was due to the Board of Directors.

Group performance in the past financial year was largely characterised by many technically challenging project start-ups and massive inflation. The Board of Directors and its team implemented the necessary countermeasures, in particular the intensive customer negotiations in an extremely difficult market environment and the stabilisation of the operating areas, in the best possible way and with determination. In addition, the company focussed on further strategically necessary measures to strengthen the company's success, such as a major project to significantly expand business activities in the UK and the refinancing of significant promissory note loans. The POLYTEC GROUP considers itself to be well positioned for the 2024 financial year, even if distortions are still possible in the first few months.

On the occasion of the past financial 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 Markus Mühlböck, 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 87,6 k p.a. (2022: EUR 81 k), which represents an increase of 8.15% (2022: 2.53%) and is mainly due to the actual wage increase of the applicable framework collective agreement. 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 at the second management level. The variable remuneration components are performance-related and subject to economic and personal performance criteria like those on the Board of Directors level.

f. Miscellaneous

No remuneration was paid to members of the Board of Directors and Supervisory Board from affiliated companies in the reporting year - except for the remuneration shares assumed due to the transfer of the Board member Markus Mühlböck in accordance with item a. above. There were no changes to the remuneration policy adopted at the 20th Annual General Meeting. An updated remuneration policy will be submitted to the 24th Annual General Meeting of POLYTEC Holding AG for approval.

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.

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.

During the 2023 financial year, remuneration of the members of the Supervisory Board comprised the following fixed payments:

Supervisory Board Chairperson	EUR 50,000.00
Supervisory Board Deputy Chairperson	EUR 35,000.00
Supervisory Board member	EUR 28,000.00

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. Overview of Supervisory Board remuneration

(Values in EUR k)	Friedrich Huemer		Fred Duswald		Manfred Trauth		Viktoria Kickingner		Reinhard Schwendtbauer	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
Remuneration	45	50	35	35	25	28	25	28	25	28
Total amounts	2022	155								
	2023	169								

C. MISCELLANEOUS

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