

## **VARTA AKTIENGESELLSCHAFT Remuneration System**

### **I. Principles of the remuneration system**

VARTA AKTIENGESELLSCHAFT's remuneration system for the Executive Board contributes to the promotion of the business strategy and the long-term development of the company. It is intended to create incentives for a long-term business strategy focused on achieving lasting value, while at the same time avoiding taking disproportionate risks and encouraging innovation. The structure of the remuneration system is therefore suitable for motivating the members of the Executive Board to pursue and reach the company's strategic goals, namely its sustainable growth.

The new remuneration system is simple, clear and comprehensible, enabling us to provide the Executive Board members with a competitive remuneration package that is in line with market conditions, implements regulatory requirements and promotes the sustainable management of the Executive Board. The newly created system gives the Supervisory Board the necessary freedom to react to organizational changes and to take into account changes in the economic environment as well as in the market situation in the specific structuring of Executive Board remuneration.

### **II. Procedures for determining, implementing and reviewing the remuneration system**

The Executive Board remuneration system is determined by the Supervisory Board in accordance with the legal requirements pursuant to Sections 87 (1) and 87a (1) of the German Stock Corporation Act (AktG). The Supervisory Board is supported by its HR Committee. This Committee develops recommendations for the Executive Board remuneration system, taking into account the guidelines outlined in Section III. and the recommendations of the current version of the German Corporate Governance Code ("DCGK"), which are discussed in detail by the Supervisory Board in the course of its decision-making.

If necessary, external remuneration consultants may be called in by the Supervisory Board or the HR Committee, which are replaced from time to time. When appointing them, attention is paid to their independence from the Executive Board and from the company. The applicable regulations of the German Stock Corporation Act (AktG) and the German Corporate Governance Code (DCGK) as well as the rules of procedure of the Supervisory Board on handling conflicts of interest in the Supervisory Board are also observed in the process of determining, implementing and reviewing the remuneration system.

The remuneration system adopted by the Supervisory Board is submitted to the Annual General Meeting for approval. If the Annual General Meeting does not approve the remuneration system put to a vote, a revised remuneration system is submitted for approval at the latest at the following ordinary general meeting in accordance with Section 120a (3) AktG.

The HR Committee prepares the periodic review of the system for remunerating Executive Board members by the Supervisory Board. Where necessary, it recommends changes to the system to the Supervisory Board. Whenever there is a significant change to the remuneration system, but at

least every four years, the remuneration system is submitted to the Annual General Meeting for approval in accordance with Section 120a (1) sentence 1 AktG.

### **III. Determination of the specific target total remuneration**

The Supervisory Board determines the amount of the target total remuneration for each individual Executive Board member after preparation by the HR Committee in accordance with the remuneration system. The target total remuneration for each Executive Board member is the sum of the fixed remuneration including fringe benefits, the Short-Term Incentive ("STI") for 100% target achievement and the Long-Term Incentive ("LTI") for 100% target achievement.

In addition to being commensurate with the tasks and performance of the members of the Executive Board, in particular the company's economic situation, the market environment and the company's success and future prospects are taken into account. The Supervisory Board places particular importance on ensuring that the target total remuneration is in line with the market. According to the legislator's explanatory memorandum, conformity with the market is to be assessed on the basis of the following parameters:

#### **1. Horizontal (external) comparison**

Remuneration data of German companies listed in the MDAX and SDAX are used to assess the market conformity of the target total remuneration. This horizontal market comparison takes into account the market position, including the size and complexity of the company with special reference to the company's classification in the aforementioned peer group.

#### **2. Vertical (internal) comparison**

In addition, the development of Executive Board remuneration in relation to the remuneration of the company's workforce is taken into account in an internal (vertical) comparison. The ratio of Executive Board remuneration to the remuneration of senior management and the wider workforce is compared. The Supervisory Board specifically differentiates senior management for this purpose. The wider workforce is made up of employees in Germany who are and who are not covered by collective bargaining agreements.

#### **3. Differentiation between the members of the Executive Board**

The remuneration system allows the Supervisory Board to differentiate the specific target total remuneration. The target total remuneration is determined with particular regard to the function of the individual member of the Executive Board. Here, above all, function-specific differentiation is carried out. In particular, the Chairman of the Executive Board receives a higher overall remuneration than the other Executive Board members when this is determined. When a member of the Executive Board is appointed for the first time, a lower total remuneration or a reduction of remuneration components may be determined for their first term of office.

#### **4. Maximum limits of the remuneration**

The maximum total remuneration of each Executive Board member is derived by the Supervisory Board on the basis of the target total remuneration. The maximum annual total remuneration of a member of the Executive Board is the upper limit in terms of amount and therefore the actual maximum accrual, taking into account the fixed remuneration (including fringe benefits), the STI and the LTI. The maximum total remuneration for the Chairman of the Executive Board is EUR 7.3 million. The maximum total remuneration for the other members of the Executive Board is EUR 2.0 million.

#### **5. Overview of the components and structure of the target total remuneration**

The remuneration system generally provides for fixed non-performance-related and variable performance-related remuneration components.

- The fixed non-performance-related remuneration components comprise the annual fixed salary and fringe benefits.
- The variable performance-related remuneration components include a short-term remuneration component (STI) and long-term remuneration components (LTI).

At the beginning of each fiscal year, the Supervisory Board sets target criteria for the variable remuneration components on the basis of the strategic goals, the requirements of Sections 87 and 87a AktG and the current version of the German Corporate Governance Code, the level of attainment of which determines the amount actually paid out.

The annual fixed salary for the Chairman of the Executive Board including fringe benefits is approximately 36%, the STI is approximately 32% and the LTI is approximately 32% of the target total remuneration. The annual fixed salary for the other members of the Executive Board including fringe benefits is approximately 53%, the STI is approximately 23.5% and the LTI is approximately 23.5% of the target total remuneration. No pension commitments have been made.

### **IV. Details of remuneration components**

#### **1. Annual fixed salary**

Each member of the Executive Board receives a fixed gross remuneration. It is paid in twelve equal monthly instalments.

#### **2. Fringe benefits**

Each member of the Executive Board also receives fringe benefits. These include

- the contribution to private pension insurance,
- accident insurance,
- legal expenses insurance,
- the provision of a company car that may also be used privately as well as

- health and long-term care insurance contributions in application of Section 257 of Book Five of the German Social Code (SGB V) and Section 61 of Book Eleven of the German Social Code (SGB XI).

### **3. Short-Term Incentive**

The STI is dependent on the company's business performance in the past fiscal year. To this end, the Supervisory Board sets targets for certain key performance indicators at the beginning of each fiscal year. Up to two financial targets are set. The company's key performance indicators can be EBITDA, ROCE, turnover, free cash flow, working capital or net financial debt.

The Supervisory Board sets up to five individual non-financial targets for each Executive Board member at the beginning of a fiscal year. The individual targets are designed to promote the company's long-lasting success, the interests of shareholders and employees, environmental and social responsibility or the company's compliance culture. The individual targets take into account the sustainable and long-term development of the company within the meaning of Section 87 (1) sentence 2 AktG. Individual targets may include, in particular, aspects relating to the environment, social issues, employee development, governance/compliance, implementation of reorganization or efficiency improvement projects as well as specific operational and/or strategic objectives that are crucial to the company's long-term and sustainable development.

The weighting of the targets is determined by the Supervisory Board together with the targets at the beginning of the fiscal year. Financial targets are weighted by the Supervisory Board at 50% to 90%. Individual goals account for between 10% and 50% of the overall target. The STI is determined by the level of target attainment in a range from 0% to 200%. This structuring of the remuneration system allows the Supervisory Board to react to individual developments and to flexibly adjust the key indicators and their weighting.

The performance criteria are intended to incentivize the Executive Board members to create value and to achieve or exceed the economic targets. The Supervisory Board has the opportunity to positively influence the business strategy and the company's development by setting individual targets. Here, it can take an ad hoc/departmental approach and do the independent management of the respective department justice.

The company's Supervisory Board determines the target attainment and the resulting STI amount by no later than the end of the calendar month following the adoption of the audited consolidated financial statements. Insofar as the company's Supervisory Board has room for interpretation when determining the targets, it shall be at its reasonable discretion. The STI amount is due for payment at the end of the month following the adoption of the audited financial statements.

### **4. Long-Term Incentive**

The target attainment of the LTI is determined according to the rules applicable to the STI. The LTI target amount (100%) is determined specifically for the Chairman of the Executive Board and for each of the other members of the Executive Board. The LTI is determined by the level of target attainment ranging from 0% to 200%.

To ensure that the Executive Board's activities are focused on a long-term, sustainable commitment to the company, the Executive Board member must invest the LTI amount in company shares, which are subject to a four-year minimum holding period. The shares are purchased by an external service provider within a defined period after settlement and provision of the amount in a blocked security deposit in compliance with the respective applicable legal provisions, in particular the provisions on insider dealing (Art. 7 et seqq. of the EU Market Abuse Regulation (MAR)) and managers' transactions (Art. 19 Market Abuse Regulation). In this way, the company's sustainable growth can be promoted and incentives can be provided for lasting value creation.

Once the respective holding periods have expired, the Executive Board member can freely dispose of the respective shares - in compliance with the insider dealing regulations.

If a member of the Executive Board resigns at the request of the Supervisory Board for reasons unrelated to the conduct of the Executive Board member or the Executive Board member himself or herself, all outstanding LTI tranches will be paid out as normal at the end of the scheduled performance period. The same applies if a member of the Executive Board resigns from the Executive Board for other reasons for which they are not responsible (e.g. due expiry or mutually agreed termination of the employment contract or other contractually recognised reasons for leaving). This also includes early retirement as well as the rejection of a re-appointment offer by the Executive Board member.

In the event that the company terminates the employment relationship with a member of the Executive Board for good cause or a member of the Executive Board terminates their employment relationship without cause ("bad leaver"), provision may be made for the forfeiture of all outstanding LTI awards that have not completed the four-year performance period.

## **6. Other remuneration-related regulations provisions**

### **a. Malus and clawback provisions**

The Supervisory Board has the option of withholding or reclaiming the short-term and long-term variable remuneration in the event of a serious breach of duty.

In cases of gross negligence or intentional breach of the duties of care of a diligent and conscientious manager pursuant to Section 93 (1) AktG by a member of the Executive Board, the company is in particular entitled to demand the full or partial return of paid variable remuneration components (STI and/or LTI) from the Executive Board member for the respective assessment period in which the breach of duty occurred, or to withhold such components if they have not yet been paid.

If the variable remuneration components linked to the attainment of certain targets were wrongly paid out on the basis of incorrect data, the company is entitled to reclaim the difference resulting from the recalculation of the amount of the variable remuneration compared to the payment made, provided that this amount exceeds 10%. The company must demonstrate that the remuneration calculation was wrong due to incorrect data and that the variable remuneration was too high as a result. The possibility of recovery also exists if the office or the employment

relationship with the Executive Board member has already ended at the time of the recovery. Claims for damages against the Executive Board member remain unaffected and can be asserted independently.

#### **b. Term and termination options**

When appointing members of the Executive Board and when determining the term of Executive Board contracts, the Supervisory Board observes the provisions of Section 84 AktG and the recommendations of the German Corporate Governance Code. The term of appointment and the term of the service contract for a first-time appointment to the Executive Board shall generally be three years. In case of reappointment or extension of the service contract, the maximum duration of the service contract is five years.

The service contracts can only be terminated without notice for good cause. If a member of the Executive Board becomes permanently incapacitated during the term of the service contract, the company may terminate the service contract with one month's notice effective at the end of the quarter.

In the event of the permanent occupational disability of a member of the Executive Board, the company is entitled to terminate the service contract with one month's notice effective at the end of the quarter. In the event of the death of the Executive Board member during the term of the service contract, their widow(er), or alternatively the eligible children, shall be entitled to continued payment of the salary for the month of death and the two following months. In this case, claims to variable remuneration in the current assessment period will be settled and paid (pro rata) at the end of service with a target attainment of 100%.

In the event of early termination of service on the Executive Board without good cause, any payments to be agreed upon for the member of the Executive Board, including fringe benefits, may not exceed the value of two years' remuneration (severance payment cap) or the value of the remuneration for the remaining term of the service contract. For the calculation of the severance payment cap, the total remuneration of the past fiscal year and, if applicable, also the expected total remuneration for the current fiscal year shall be taken into account.

The remuneration system does not provide for special regulations in the event of a change of control or promises of termination compensation.

A post-contractual non-competition clause is agreed with each member of the Executive Board for a period of two years. For this period, a waiting allowance in the amount of 50% of the last fixed salary received as well as the STI in the case of a target attainment of 100% is granted annually. Any severance payment shall be credited against the waiting allowance.

#### **c. Extraordinary events and developments**

At the suggestion of the HR Committee, the Supervisory Board may, in exceptional cases, temporarily deviate from the components of the Executive Board remuneration system if this is appropriate and necessary to maintain the incentive effect of the Executive Board member's remuneration in the interests of the long-term welfare of the company, the Executive Board

member's remuneration continues to be geared to the long-term and sustainable development of the company and the company's financial performance is maintained. Exceptional developments include, for example, extraordinary and far-reaching changes in the economic situation (for example, due to a severe economic or corporate crisis) that render the original target criteria and/or financial incentives of the remuneration system obsolete, provided that these or their actual effects could not have been foreseen. Generally unfavorable market developments are not considered exceptional developments.

The components of the remuneration system that can be derogated from are the procedure, the rules on the remuneration structure and amount as well as the individual remuneration components. If an adjustment of the existing remuneration components is insufficient to restore the incentive effect of the remuneration of the Executive Board member, the Supervisory Board has the right to temporarily grant additional remuneration components in case of extraordinary developments under the same conditions.

A deviation from or addition to the remuneration components is only possible through a corresponding Supervisory Board resolution on the prior recommendation of the HR Committee, which determines the exceptional circumstances and the need for a deviation or addition.

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