

# Remuneration system for the Executive Board

## Basic information

The system for the remuneration of Executive Board members follows the requirements of Section 87a of the German Stock Corporation Act (Aktiengesetz – AktG) as well as the recommendations of the German Corporate Governance Code (Deutsche Corporate Governance Kodex – DCGK) insofar as no deviations from these recommendations are specified..

### 1. Contribution of remuneration to the promotion of the business strategy and to the long-term development of the company

The remuneration system provides a key contribution to the promotion of our business strategy and to the long-term and sustainable development of the company.

Public transport is currently undergoing a period of profound and highly dynamic change. Climate change in particular counts among the most pressing subjects of our time. In the implementation of our corporate purpose of enabling public mobility for people and goods at a high level, we are aiming to grow our core business, play an accompanying role in electric driving, and advance the digitalisation of our customers. Achieving our financial goals is a key condition for all of our activities. Our processes and our organisation are designed with the customer at the centre, and we work for and with each customer to develop the best product and the best solution for their mobility needs.

The remuneration system encourages the attainment of the aforementioned strategic goals, promotes connections between them, and provides effective incentives for the long-term, value-creating development of the company in consideration of the interests of shareholders, customers, employees and other stakeholders.

### 2. Remuneration components and their respective relative shares of the remuneration

The Executive Board's emoluments consist of fixed/non-performance-based and variable/performance-based components.

The **fixed remuneration** consists of a base salary and ancillary benefits.

The base salary is paid on a monthly basis. The fixed salary serves as compensation for any assumption of mandates at Group companies. In the event that an Executive Board member

assumes Supervisory Board mandates outside the Group, any resulting remuneration will not be counted towards in-house remuneration.

The ancillary benefits particularly include a public transport allowance, the provision of a company car or, alternatively, compensation for a car, and the provision of general security services. There are no provisions on retirement pensions or early retirement which extend beyond the applicable statutory requirements.

The **variable remuneration** is made up of short-term variable remuneration, which consists of a bonus and target-oriented special remuneration, and long-term variable remuneration.

These components are granted on the basis of financial and non-financial performance criteria. The performance criteria are derived from the long-term strategic goals of the company.

The **short-term variable remuneration** (the "Short Term Incentive Plan") in the form of the bonus serves as a reward for the operational success of the company and is based on the average earnings before taxes (EBT) of the company over the past three financial years, whereby the financial year to which the variable remuneration pertains is weighted double relative to the two preceding years. In addition, EBT which is significantly lower in the year to which the variable remuneration pertains than in either of the two preceding years will lead to a further reduction of the bonus. The basis of calculation for EBT is the company's IFRS consolidated income statement for the respective financial year as established by the Supervisory Board at its balance sheet meeting. The bonus is calculated annually with the consolidated financial statements for the respective financial year, and is granted half in cash and half in shares.

The target-oriented short-term variable remuneration is agreed on an elective and individualised basis. It is dependent on the achievement of concrete strategic, long-term and operational challenges for the respective Executive Board member. The method for determining the degree of target attainment is decided in consideration of the specific targets in question. It is paid on an annual basis in the event of target attainment.

The **long-term variable remuneration** ("Long Term Incentive Plan") is based on the long-term performance of the company. The company would like to ensure attractive and sustainable returns for its shareholders over the long term. These returns are expressed in the form of share price development and dividend distributions.

The amount of remuneration is dependent on the development of the IVU share relative to the development of the TecDAX index over a four-year performance period. The basis is the attainment of a target price defined by the Supervisory Board at the beginning of the performance period as of the end of the performance period. All share price quotes are based on price data from the XETRA trading system of the Frankfurt Stock Exchange.

The remuneration is granted in the form of shares at the end of the performance period.

The **total remuneration** is subject to **maximum limits** in terms of amount in regard to its variable remuneration components and thus overall. The short-term variable remuneration is limited to 150% of the base salary. The long-term variable remuneration is limited by an agreed maximum number of shares and a maximum share value. The maximum remuneration is the highest total remuneration an Executive Board member can receive overall for a financial year in the event of optimal business and share price performance. In cases of maximum remuneration, the base salary and ancillary benefits amount to roughly 30% of remuneration, the bonus and target-oriented special remuneration roughly 40%, and the long-term incentive roughly 30%. The maximum remuneration for the entire Executive Board per year is EUR 2,850 thousand.

Fixed remuneration	Base salary	Paid monthly		
	Ancillary benefits	Particularly public transport allowance, provision of a company car		
Variable remuneration	Short-term	Types	Bonus and target-oriented special remuneration	
		Limit / cap	150% of base salary	
		Performance criteria	Bonus: Group EBT in consideration of the EBT of the two preceding years Target-oriented special remuneration: Individualised targets	
		Payment	Annually following establishment of the annual financial statements Bonus: 50% paid in cash, 50% as shares with a three-year lock-up period Target-oriented special remuneration: Paid in cash	
	Long-term	Type	Long Term Incentive	
		Limit / cap	By maximum number and maximum value	
		Performance criteria	Development of the IVU share price relative to the TecDAX over a four-year performance period	
		Payment	After the four-year performance period in the form of shares with a one-year lock-up period	
Malus / clawback	Full or partial clawback of variable remuneration possible			

### **3. Share-based remuneration**

Half of the annual bonus and the full entitlement from the Long Term Incentive Plan are granted to Executive Board members in the form of shares in the company which are subject to a lock-up period.

The lock-up period for shares transferred as part of the bonus is three years. The lock-up period for shares transferred in accordance with the provisions of the Long Term Incentive Plan is one year. Due to the preceding four-year performance period, this remuneration component thus takes 5 years to become disposable.

The shares transferred to Executive Board members are entitled to voting rights and dividends during the lock-up period.

### **4. Malus / clawback**

In the event that an Executive Board member commits severe breaches of duty or violations of the company's internal conduct guidelines which the Executive Board member was or ought to have been aware of at the time of the violation, either with wilful intent or out of gross negligence, the company may fully or partially reclaim the variable remuneration components paid/transferred for a period of up to thirty-six months, calculated from the time of the violation, from the Executive Board member for the purpose of compensating for any damages incurred due to the breach of duty.

The company may also reclaim payments of variable remuneration components in cases where the amount of the payments was calculated on the basis of incorrect information. The company is entitled to reclaim the difference between the recalculated amount and the payments/transfers carried out. The company must demonstrate that the information used to calculate the remuneration was incorrect and that the Executive Board member's variable remuneration was too high for this reason. The clawback is subject to the requirement that the auditor or accounting firm who audited the consolidated financial statements containing the incorrect information or on which the incorrect information was based must subsequently determine that the consolidated financial statements were incorrect.

An Executive Board employee's entitlement to the transfer of shares under the Long Term Incentive Plan may be fully or partially cancelled in the context of certain termination scenarios depending on the reason for termination. There is no promise to provide severance payment.

In the event of the termination of an Executive Board position before the end of the regular term of appointment, any potential severance or other benefits to be paid to the Executive Board member in connection with the termination of the employment contract, including all ancillary benefits, shall not cumulatively total more than the value of two annual remunerations or more than the value of the residual term of the employment agreement (severance cap).

## **5. Determination of total emoluments**

When determining the total emoluments of an individual Executive Board member, the Supervisory Board seeks to ensure that these are appropriate in relation to the tasks and performance of the Executive Board member and the situation of the company and do not exceed the typical remuneration without particular reasons. In this context, the Supervisory Board takes the remuneration and employment conditions of the employees of the company into consideration.

In the context of the external comparison of the total emoluments, a group of companies from Germany which are appropriate in regard to the market position of the company (particularly in terms of sector, size and country) is used as reference.

In the context of the internal comparison, the Supervisory Board takes the remuneration of the upper management and the overall workforce in Germany into consideration. This takes place by means of a comparison of the ratio of Executive Board remuneration to the remuneration of the defined groups of people. The upper management consists of the management including the level of management below the Executive Board.

In the event of significant changes in the ratios of the Executive Board's remuneration to those of the other comparative groups, the Supervisory Board shall review the causes and potentially, in the event of a lack of objective grounds, make adjustments to the remuneration of the Executive Board.

The remuneration system grants the Supervisory Board the flexibility to take the function and area of responsibility of individual Executive Board members into consideration in the amount of the total remuneration. The system allows for function-specific differentiations – e.g. for the chair of the Executive Board – in accordance with the Supervisory Board's due discretion.

## **6. Description of the procedure for the definition, implementation and review of the remuneration system, including the role of any committees involved and measures for preventing and addressing conflicts of interest**

The definition of the remuneration system is carried out by the Supervisory Board in accordance with Section 87(1) AktG. In this context, the Supervisory Board provides advice and adopts resolutions on the recommendations of the General Committee. The General Committee prepares recommendations on the system for the remuneration of the Executive Board. In doing so, it bases its deliberations on the business strategy, on the long-term and sustainable development of the company and on the recommendations of the DCGK.

When necessary, the General Committee and Supervisory Board can make use of advice from external remuneration experts who are replaced from time to time. In such cases, care will be taken to ensure the independence of these experts from the Executive Board and the company. In regard to the handling of conflicts of interest of members of the Supervisory Board, the recommendations of the DCGK and the provisions of the rules of procedure of the

Supervisory Board and its committees shall be observed including in the context of the definition, review and implementation of the remuneration system. Conflicts of interest must be disclosed to the Supervisory Board, which must report them and the manner in which they are addressed to the Annual General Meeting. In the event of a conflict of interest, the Supervisory Board or committee member concerned shall not participate in the Supervisory Board or General Committee's discussions or decisions regarding the matter.

The remuneration system adopted by the Supervisory Board shall be submitted to the Annual General Meeting for endorsement.

The regular review of the remuneration system is carried out by the Supervisory Board. It is supported in this task by the General Committee, which prepares the review and makes recommendations. The Supervisory Board shall adopt amendments as needed. In accordance with Section 120a(1) AktG, the remuneration system shall be presented to the Annual General Meeting in the event of significant amendments but no less often than once every four years.

In the event that the Annual General Meeting does not endorse the remuneration system, it must be presented with a revised remuneration system no later than the following Annual General Meeting in accordance with Section 120a(2) AktG for endorsement by resolution.

Berlin, May 2021

**The Supervisory Board**