

Publication of the resolution to approve the system of remuneration for members of the Management Board in accordance with § 120a (2) AktG et seq.

A resolution to approve the system of remuneration for members of the Management Board was presented to the VERBIO AG ordinary virtual annual general meeting held on February 4, 2022 (agenda item no. 7).

The resolution to approve the system of remuneration for members of the Management Board was approved as follows:

Valid votes were cast in respect of 53,611,182 shares (representing 84.85% of the total share capital), with 48,764,150 (90.96%) votes in favour and 4,847,032 (9.04%) votes against.

Remuneration system for the members of the Management Board

A. Basic principles of the VERBIO AG system of remuneration for members of the Management Board

The system of remuneration for members of the Management Board of VERBIO AG is aligned to the sustainable and long-term development of the business. Accordingly, it contributes to the Company's business strategy and to its long-term success.

The Supervisory Board is responsible for the determination of the structure of the remuneration system. On the basis of the remuneration system, the Supervisory Board determines the specific remuneration payable to the individual members of the Management Board. To the extent permitted by law, the Supervisory Board intends to remunerate the members of the Management Board at market rates, while offering competitive remuneration that will enable VERBIO AG, currently and in future, to recruit and retain outstanding personalities.

In determining the specific remuneration of the Management Board the Supervisory Board takes account of the following framework conditions:

- The remuneration paid to the members of the Management Board shall be reasonably commensurate to the tasks and performance of the respective members and to the situation of VERBIO AG, and shall be consistent with customary market conditions.

- The remuneration of members of the Management Board shall not exceed customary market conditions without good reason.
- The consistency of the remuneration compared to customary market conditions will be assessed by the Supervisory Board based on a review of the remuneration paid by comparable businesses (horizontal comparison) and based on a review of the remuneration paid to the senior officers and employees of VERBIO AG as a whole (vertical comparison), taking account of changes over time.
- For the purposes of performing the horizontal comparison, the Supervisory Board will examine the remuneration paid by companies comparable to VERBIO AG with sales revenue of up to one billion euros and with an EBITDA margin of 10–15%. For the purposes of the vertical comparison, senior officers are defined as persons holding management positions with the highest level of responsibility and decision-making powers (managing directors and the highest executive officers).
- The variable remuneration, which is based on the achievement of long-term targets, shall exceed the short-term remuneration component in order to specifically align the remuneration payable to members of the Management Board to the Company's long-term objectives.
- Appropriate consideration shall be made of the individual performance of each member of the Management Board. In so doing, remuneration shall be paid to reward success.
- The failure to achieve targets shall be reflected in an appropriate reduction of variable remuneration. The structure of the remuneration system shall, however, not provide an incentive to accept inappropriate risks.

To date, conflicts of interest have not arisen for individual members of the Supervisory Board concerning decisions made in respect of the remuneration system for members of the Management Board. Should a conflict of interest concerning the determination, implementation and examination of the remuneration system arise, the Supervisory Board will resolve the conflict of interest using the same procedures that apply to other conflicts of interest applicable to members of the Supervisory Board, with the effect that the affected member of the Supervisory Board shall not have a vote on the resolution, or, in the case of a severe conflict of interest, shall not participate in discussions on the matter. Should a long-term, irreconcilable conflict of interest arise, the affected member of the Supervisory Board shall resign from office.

B. Participation in the annual general meeting, application and examination of the remuneration system

The system of remuneration approved by the Supervisory Board shall be submitted to the annual general meeting for approval. Should the annual general meeting not approve the proposed system of remuneration, an amended system of remuneration shall be proposed for approval no later than by the next ordinary annual general meeting.

The appropriateness of the remuneration components will be examined on a regular basis by the Supervisory Board. If needed, the Supervisory Board may employ external remuneration experts to develop and maintain the remuneration system and to assess the appropriateness of remuneration. Such experts shall be independent of VERBIO AG and its Management Board. The remuneration system shall be approved by the annual general meeting when a significant change in the system is made, and no less frequently than once every four years.

The current system of remuneration of members of the Management Board applies to “old” members of the Management Board in the version effective since July 1, 2020, and shall apply to “new” members of the Management Board from July 1, 2021. In addition, it shall also apply to all new employment contracts entered into with members of the Management Board. The Supervisory Board can, in accordance with legal requirements, reduce the remuneration of the members of the Management Board should there be a significant deterioration in the position of VERBIO AG. Generally, no changes are made to the targets and target amounts during the periods set out for the achievement of those targets.

C. Remuneration components

The VERBIO AG remuneration system consists of the following non-performance-related and performance-related remuneration components.

For simplification purposes Claus Sauter, Prof. Dr. Oliver Lüdtkke, Theodor Niesmann and Bernd Sauter are referred to as the “old” Management Board, and Stefan Schreiber is referred to as the “new” Management Board.

Performance-related remuneration	Non-performance-related remuneration
Annual one-year bonus <i>Short Term Incentive (STI)</i>	Fixed remuneration
Long-term (multi-year) bonus <i>Long Term Incentive (LTI)</i>	Other benefits
	Loyalty bonus (only for "old" Management Board)

This remuneration represents compensation for all activities performed for the Company and, unless agreed otherwise, for activities performed for affiliated companies of the Company in accordance with § 15 et seq. as well as for roles performed at industry associations. The acceptance of Supervisory Board positions requires the approval of the Supervisory Board. As part of this procedure the Supervisory Board will decide if and the extent to which any remuneration paid shall be offset.

1 Non-performance-related remuneration components

1.1 Fixed remuneration (basic annual salary)

Each member of the Management Board receives a non-performance-related fixed remuneration paid in twelve equal instalments.

1.2 Other benefits

In addition to a fixed salary, members of the Management Board are provided with other benefits. These take the form of a company car and an e-bike that may also be used for private purposes. All the costs of use and maintenance are borne by VERBIO AG. In addition, the Company reimburses expenses and travel costs that are incurred by members of the Management Board in connection with performing their employment obligations based on the relevant current company guidelines. The tax burden arising on other benefits provided is borne by the respective member of the Management Board.

1.3 Loyalty bonus

The members of the "old" Management Board are awarded an additional loyalty bonus, which is awarded in lieu of a traditional pension plan arrangement.

Half of the loyalty bonus is paid in the form of VERBIO AG shares. The other half can, at the discretion of the Management Board, be paid in cash or also be paid in shares. To calculate the number of shares to be issued, the loyalty bonus to be paid in shares is divided by the

weighted three-month average VERBIO share price noted in the closing auction in the Xetra trading system of the Deutsche Börse AG (or, in its place, an appropriate successor system) (Xetra share price). The last three months of the respective financial year (April to June) are relevant for the purposes of this calculation. The members of the Management Board may only dispose of the VERBIO AG shares after the termination of their respective employment contracts (vesting period).

If a member of the Management Board's employment period ends during the year, the award is made on a pro rata basis. VERBIO AG is entitled to demand the return of all or a portion of the shares awarded under the loyalty bonus of a member of the Management Board if the member's employment contract is ended as a result of gross breach of duty. However, there is no right to demand the return of shares issued to a member of the Management Board based on the exercise of an option right exercised by that member.

2 Performance-related remuneration

2.1 Annual bonus (STI)

All members of the Management Board are awarded an annual bonus. However, there are different arrangements for determining the bonuses payable to "old" and "new" members.

The annual bonus for the "old" Management Board amounts to 1 percent of the positive consolidated net income for the period to the extent that it exceeds EUR 16,000,000, whereby the total annual bonus payable to all members of the Management Board shall not be taken into consideration for this purpose. The annual bonus of a member of the "old" Management Board is limited to a maximum of half of the annual fixed remuneration (annual bonus cap).

The following example is provided to illustrate the calculation:

If the reported Group result for the period amounts to EUR 19,840,000 and the remuneration included therein for the annual bonus payable to all members of the Management Board amounts to EUR 160,000, the member of the Management Board receives an annual bonus of EUR 40,000 (EUR 19,840,000 plus EUR 160,000 less EUR 16,000,000 multiplied by 0.01, amounting to EUR 40,000.00).

The annual bonus of the "new" Management Board is based on weighted targets that are set annually by the Supervisory Board. The targets shall be determined by the Supervisory Board and communicated to the "new" Management Board by May 30 of each year for the Company's financial year that follows. At least three and no more than five targets must be

agreed. The weighting by target is made in multiples of 10 percent of between 10 and 50 percent. The total weighting shall equal 100 percent. The financial and non-financial targets may be operating or alternatively strategic targets. For the measurement of the achievement of targets it is necessary to define fulfilment criteria in order to be able to determine whether the target has been exceeded, met, partially met, or not met. The measurement of the achievement of targets results in a weighting of the respective targets based on the level of achievement (exceeded = credited twice, met = simple credit, partially met = credited by half, or not met = no credit). The annual bonus of a member of the “new” Management Board is limited to a maximum of half of the annual fixed remuneration (annual bonus cap).

The annual bonus is then calculated using the following method:

$$\text{Annual bonus} = 50 \% \times \text{fixed remuneration} \times \text{target achievement factor}$$

The target achievement factor is determined based on the weighted assessment of the achievement of targets in accordance with the following example.

	Target weighting (in %)**	a) Target not achieved	b) Target partially achieved	c) Target achieved	d) Target exceeded
Target 1	40			40	
Target 2	30				30
Target 3	10			10	
Target 4	10		10		
Target 5	10	10			
Total		a) 10	b) 10	c) 50	d) 30
Weighting		0	0,5	1	2
Weighted total		a) * 0 0	b) * 0,5 5	c) * 1 50	d) * 2 60
Target total		115			
Target achievement factor		(115/100) = 1.15			

No bonus is payable if the target achievement factor is below 0.5.

With a fixed remuneration of EUR 300,000 the annual bonus is therefore EUR 172,500 (50% of EUR 300,000 x 1.15). However, only EUR 150,000 would then be paid as the annual bonus is limited to half of the fixed remuneration (annual bonus cap).

For both “old” and “new” members of the Management Board the following applies:

The Supervisory Board can increase the annual bonus by awarding an additional, subsequent bonus awarded to recognise special performance in the reference year, where appropriate.

The annual bonus is awarded on a pro rata basis if an employment contracts ends before the end of a financial year.

2.2 *Long-term bonus (LTI)*

The base figure for the long-term bonus for each financial year is half of the annual fixed remuneration (reference bonus amount). The reference period is a period of three years. The long-term bonus shall be awarded to all members of the Management Board.

At September 30 of each year (the effective date) the reference bonus is converted into a number of fictional shares of the Company (fictional shares) for the preceding financial year by dividing the reference bonus by the weighted three-month average of the VERBIO share price in the closing auction in the Xetra trading system of the Deutsche Börse AG (Xetra price or price quoted on an appropriate successor system) (Xetra share price). The last three months of the respective financial year are relevant for the purposes of this calculation.

Three years after the respective effective date, i.e. on September 30 of the respective following year (payment year), the related fictional shares are reconverted into a sum of money such that the number of fictional shares is multiplied by the Xetra share price for the period of the last three months of the latest financial year before payment.

The long-term bonus for each reference year is limited to double the fixed remuneration for the “old” Management Board, and to the amount of the annual fixed remuneration for the “new” Management Board (long-term bonus cap).

The calculation can be illustrated using the following example:

If the applicable Xetra share price in the months of April to June 2022 is EUR 50 and the reference bonus is EUR 200,000, the conversion of the reference bonus at September 30, 2021 results in 4,000 fictional shares in VERBIO AG (EUR 200,000.00 divided by EUR 50 per share, which amounts to 4,000 shares).

If the applicable Xetra share price used to convert the fictional shares in the months of April to June 2025 averages EUR 60, the conversion of the 4,000 fictional shares results in the payment of a cash award of EUR 240,000 (EUR 60 multiplied by 4,000 fictional shares, amounting to EUR 240,000).

The Supervisory Board is entitled to replace monetary payments and instead grant the Management Board member the respective number of fictional shares in place of such payments. The Supervisory Board is entitled to exercise the substitution right for all fictional shares in a specific year; if the right is exercised the Supervisory Board can only exercise the power uniformly for all fictional shares attributable to that year. If shares are allocated to the Management Board member, the member is only permitted to sell them after the expiration of a vesting period of a further period of one year after the allocation, but not before the end of the members' employment contract. VERBIO AG shall ensure compliance with this provision. The long-term bonus cap does not apply to the exercise of the substitution right.

The reference bonus for the old Management Board is calculated on a pro rata basis if an employment contract ends before the end of a financial year.

The due dates for payment and vesting periods continue to apply for a long-term bonus that is not yet paid by the date that an employment contract ends. This ensures that the reference period of three years and a vesting period of a further period of one year on the issue of shares are also applied to periods subsequent to the end of an employment contract.

No long-term bonus is awarded if the employment contract of the member of the "new" Management Board is ended prematurely or in case of non-temporary leave of absence.

D. Other conditions

Compensation in the case of temporarily inability to perform employment duties

If a member of the Management Board is temporarily unable to perform his or her employment duties as a result of illness, accident or for other reasons for which that member

is not responsible, the member of the Management Board retains the right to receive the same fixed remuneration for a period of up to six months without interruption, but not, however, beyond the date of termination of his or her employment contract.

Remuneration on contact termination

The employment contracts entered into with the members of the Management Board provide for limits on termination payments in cases when the Management Board activity is prematurely ended when such termination is not based on a termination of the employment contract on acceptable important grounds. Under these provisions, termination payments may not exceed the amount of two years' salary (based on the total remuneration for the preceding financial year and, where applicable, on the expected total remuneration for the current financial year) (termination payment cap) and the remuneration for the remaining period to maturity under the employment contract. In addition, there is a further overall upper limit on termination payments for the "old" Management Board of EUR 1,500,000.

"Change of control" provisions

In the event of an early termination of Management Board activity resulting from a change in control, the Management Board member has a one-off special right of termination. On exercising this right the member may make a claim for a termination payment that is calculated by capitalisation of the expected total remuneration for the remaining contract term. However, this amount may not exceed the amount of three years' remuneration consisting of the fixed and variable contractual components.

E. Determination of target remuneration and the maximum remuneration payable to the individual members of the Management Board

The maximum amounts of remuneration payable to the respective members of the Management Board is the total of all of the individual remuneration components for the respective financial year, taking into account the annual bonus cap and the long-term bonus caps. The maximum remuneration is determined as follows:

- Basic remuneration and
- STI up to 0.5 times the fixed remuneration and
- LTI up to 2x ("old" Management Board) or 1x ("new" Management Board) the amount of fixed remuneration

- Loyalty bonus (only “old” Management Board)
- Other benefits

The total amount of remuneration payable to the Management Board, consisting of five members, may not exceed EUR 7.9 million (maximum remuneration).

The Supervisory Board sets a target total remuneration for each member of the Management Board. The target total remuneration is an amount which is awarded for a 100 percent performance achievement. The target total remuneration is calculated as the total of the fixed remuneration, the STI and the LTI, based on the respective performance targets, the loyalty bonus and the other benefits. For the “old” Management Board the STI is based on the business planning approved for the respective financial year. For the “new” Management Board it is based on the agreed targets for that period. For the LTI, the respective reference bonus is included, based on a 100 percent achievement.