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Remuneration Report



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1. GENERAL INFORMATION

Reporting company and business model

PVA TePla AG, Wettenberg (hereinafter referred to as "PVA TePla AG" or "the Company") is a stock corporation under German law. The Company is registered in the Commercial Register at the Local Court of Giessen under number HRB 6845 and has its registered office in 35435 Wettenberg, Germany. PVA TePla AG's shares have been listed in the Prime Standard segment of the Frankfurt Stock Exchange since June 21, 1999 (ISIN: DE0007461006).

PVA TePla AG and the subsidiaries it controls (hereinafter "PVA TePla Group") produce systems in which customers manufacture and refine materials that are used, among other things, in the semiconductor industry. The focus of the operating activities of the PVA TePla Group is on the development, manufacture and sale of high-temperature and vacuum systems, crystal growing systems and quality inspection systems for fine-structured objects. The PVA TePla Group maintains global business relationships through its locations in Germany, Italy, the USA, the PR China, Taiwan and Singapore. For further explanations of the Group's business model, please refer to the explanations in the combined management report of PVA TePla AG for the fiscal year 2021 in section "2. Fundamentals of the Group".

Basis of presentation and review by the Supervisory Board

PVA TePla AG is required to prepare a remuneration report in accordance with Section 162 of the German Stock Corporation Act (AktG). The following remuneration report describes the main features of the new remuneration system and explains the amount and structure of the remuneration of the Management Board as well as the remuneration of the Supervisory Board of PVA TePla AG for the fiscal year 2021 in accordance with the Articles of Association. The remuneration of the individual members of the Management Board and the Supervisory Board is disclosed in the remuneration report. The remuneration report complies with the requirements of the disclosures under stock corporation law pursuant to Section 162 AktG. In addition, the compensation report is based in particular on the recommendations of the German Corporate Governance Code (GCGC) and the requirements of the German Stock Corporation Act (AktG).

The Board of Management and the Supervisory Board are responsible for the preparation of the compensation report, including the related disclosures, which complies with the requirements of Section 162 AktG. They are also responsible for such internal control as they determine is necessary to enable the preparation of the remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error. The information presented in this Compensation Report has been formally audited by Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Frankfurt am Main, to determine whether all disclosures required by Section 162 (1) and (2) AktG are made in the Compensation Report. In addition, this remuneration report for fiscal year 2021 was reviewed by the Supervisory Board of PVA TePla AG, approved at its balance sheet meeting on March 18, 2022 and released for publication on the PVA TePla AG website.

Distinction between parent company and group

In order to clarify which disclosures relate to the parent company and which relate to the group of companies, "PVA TePla AG" is always used for the parent company and "PVA TePla Group" or "group of companies" for disclosures relating to the group. Where the above distinctions do not apply and no other separate references are made, the information relates equally to the group of companies and the parent company.

Business year

The fiscal year 2021 of PVA TePla AG began on January 1, 2021 and ended on December 31, 2021. Accordingly, the corresponding prior-year period (hereinafter also abbreviated to "PY") comprises the period from January 1, 2020 to December 31, 2020.

Rounding differences

For computational reasons, rounding differences of +/- one unit (EUR thousand, %, etc.) may occur in the information presented in this report.

2. MAIN FEATURES OF THE NEW COMPENSATION SYSTEM

2.1. Remuneration system for the members of the Management Board of PVA TePla AG

Starting in fiscal year 2021, a new remuneration system ("new remuneration system") has been introduced for the Management Board of PVA TePla AG, which will apply to all new contracts of the Company's Management Board. The remuneration system is determined by the Supervisory Board, which may consult external, independent advisors if necessary. The aim of the remuneration system is to promote the sustainable and long-term development of PVA TePla AG. The remuneration system includes both short-term and long-term variable remuneration and is linked to various performance criteria. In addition, there are fixed remuneration components in the form of a fixed annual salary, fringe benefits and pension contributions. The new remuneration system for the members of the Management Board of PVA TePla AG described below complies with the current requirements of the German Stock Corporation Act (AktG) and applies to all new contracts of service for the Management Board to be concluded or extended. In the event of significant changes, but at least every four years, the remuneration system adopted by the Supervisory Board is submitted to the Annual General Meeting for approval. The previous compensation system continued to be applied to existing Executive Board contracts ("previous compensation system"). In this respect, reference is made to the explanations in section "6. Remuneration Report" in the combined management report of PVA TePla AG for the 2020 fiscal year.

Determination of maximum compensation for members of the Board of Management, Section 87a (1) sentence 2 no. 1 AktG, and procedure for determining target total compensation

The total compensation to be granted for a financial year, understood as the sum of all compensation contributions expended by the Company for the respective financial year, including fixed salary, variable compensation, pension contributions, fringe benefits and any recognition bonus, is limited in the sense of a maximum compensation. This maximum compensation amounts to EUR 900 thousand for the Chairman of the Board of Management or CEO and EUR 700 thousand for the other members of the Board of Management. The maximum compensation relates to the expenses of the Company for a financial year, irrespective of when the actual payment of the respective amounts is made.

If remuneration benefits expire at a previous employer due to the change to PVA TePla AG (for example, commitments of long-term variable remuneration or pension commitments), the Supervisory Board can promise compensation in the form of pension commitments or cash payments for the year of entry of the new Management Board member, which may exceptionally lead to the maximum remuneration being exceeded.

If the maximum compensation is exceeded for any reason other than the promise of compensation for forfeited compensation benefits from the previous employer, the compensation components will be reduced in the following order to ensure that the total compensation is capped in terms of the maximum compensation:

1. Variable compensation
2. Fixed salary

The maximum compensation stipulated by stock corporation law merely sets an absolute upper limit to avoid disproportionately high compensation in the event of unforeseen developments. It does not represent the level of compensation sought by the Supervisory Board for Executive Board members.

Rather, the Supervisory Board determines the amount of the target total compensation for each Executive Board member for the upcoming fiscal year on the basis of the compensation system. This is in each case the sum of fixed compensation (fixed annual salary, fringe benefits, pension contributions) and variable compensation based on 100% target achievement. It should be commensurate with the duties and performance of the Executive Board member and at the same time take into account the economic situation and performance of the Company. In addition, the market standard is verified on the basis of an internal and an external appropriateness test, with these comparisons being subjected to a critical appraisal in order to avoid an automatic upward trend. The amount of the target total compensation takes into account the function and area of responsibility of the Executive Board member in each case.

Contribution of the compensation to the promotion of the business strategy and the long-term development of the Company, Sec. 87a (1) Sentence 2 No. 2 AktG

The new remuneration system for the members of the Management Board of PVA TePla AG contributes to the promotion of the business strategy and the long-term development of the Company. Through the strong weighting of variable remuneration components and ambitious targets, the Management Board remuneration system helps to motivate the Management Board to effectively implement the business strategy. By defining a multi-year performance criterion based on the long-term success of the company in the form of market capitalization, and by predominantly weighting the long-term elements within the variable compensation components, the compensation system also makes a significant contribution to the long-term and sustainable development of the Group.

The short-term variable compensation is based on the economic performance target of developing (positive) Group operating profit before interest and taxes (EBIT) and on the achievement of individual performance targets by the respective Executive Board member. Group operating profit (EBIT) is one of the key performance indicators in the Group. The short-term variable compensation component promotes the implementation of the business strategy, as a key element of the business strategy is to operate profitably and efficiently, and the compensation system contains an incentive for this by focusing on Group operating profit (EBIT) as a performance target.

In addition to Group operating profit (EBIT), the individual performance targets also take into account key objectives for the sustainable development of the company, such as customer and employee satisfaction.

The long-term variable compensation contributes to the long-term development of the Company through its multi-year assessment basis. The share price orientation of the long-term variable remuneration component links the remuneration of the Management Board to shareholder interests. The long-term variable remuneration rewards the long-term success of the company in comparison to the competition as well as the long-term positive development of the PVA TePla share price.

Information on all fixed and variable compensation components and their respective relative share of compensation, Section 87a (1) sentence 2 no. 3 AktG

Overview of compensation components and their relative shares of total compensation

The compensation of the members of the Executive Board is composed of fixed and variable compensation components. The former comprise the fixed annual salary and various fringe benefits and pension contributions.

The variable compensation components are a component linked to a short-term annual target (short-term incentive) (hereinafter referred to as the "STI component") and a long-term variable compensation (long-term incentive) (hereinafter referred to as the "LTI component"). In addition, there is the possibility of a recognition bonus for special performance.

Viewed on the basis of the target total compensation, the fixed compensation (annual fixed salary, fringe benefits and pension contributions) is expected to account for around 40%, the STI component for around 30% and the LTI component for around 30%. The possibility of a recognition bonus is not included in the calculation here because it can only be considered in the case of very exceptional performance. Due to annual fluctuations in the fringe benefits granted or pension contributions, the Supervisory Board determines a target total compensation whose components lie within the following percentage ranges:

- Fixed remuneration: 35% to 45
- STI component: 25% to 35
- LTI component: 25% to 35

Fixed remuneration

Each Executive Board member receives fixed basic compensation paid out in 12 monthly installments. It may vary for individual Executive Board members. In addition, the Executive Board members are granted contractually agreed fringe benefits. The Company provides each Executive Board member with an appropriate company car, also for private use. Furthermore, allowances are granted in the amount of the employer's maximum share of contributions to statutory health and long-term care insurance and statutory pension insurance or an alternative pension scheme or life insurance. Finally, the premiums for accident insurance and D&O insurance are covered.

Variable compensation components

STI component: The STI component is granted to Executive Board members as performance-related compensation with a one-year assessment period. The performance criterion here is, on the one hand, consolidated operating profit (EBIT) in accordance with IFRS principles, increased by any Executive Board bonuses and other bonuses included as expense. The Executive Board member receives a direct percentage share. Payments under the STI component are conditional on a threshold level of Group operating earnings (EBIT) in accordance with IFRS principles being reached in the respective fiscal year (hereinafter "STI threshold"). The percentage shareholding and the STI threshold are either already regulated in the Executive Board service contract or determined for the respective upcoming fiscal year by the Supervisory Board at its due discretion. A further performance criterion for the STI component is the individual performance of the Executive Board member, which in principle also includes non-financial indicators. The Supervisory Board sets new performance criteria for each Executive Board member for the respective upcoming fiscal year and assesses their achievement after the end of the fiscal year. The Group operating profit (EBIT) and individual performance components are weighted 60% to 40% based on the target compensation within the STI component. The total amount paid out under the STI component is limited (capped) to an amount equal to the fixed compensation of the respective Executive Board member for the respective fiscal year.

Recognition bonus: The Supervisory Board may grant a recognition bonus to members of the Board of Management in individual cases for very exceptional performance in a fiscal year.

LTI component: The LTI component is granted to Executive Board members as performance-related compensation with a multi-year assessment period.

Disclosures on all financial and non-financial performance criteria for the granting of variable compensation components, Section 87a (1) Sentence 2 No. 4 of the German Stock Corporation Act (AktG).

In the following, the respective performance criteria of the variable compensation components are named and their connection to the business strategy and the long-term development of the company is explained. In addition, the methods used to assess the achievement of the performance criteria are also described.

STI component

The STI component rewards the contribution made in the financial year to the operational implementation of the business strategy of operating profitably and efficiently, and thus ultimately also contributes to the long-term development of the Company. The STI component is a performance-related remuneration with a one-year assessment period. The STI component depends both on a key economic performance target for the Company, Group operating profit (EBIT), and on the individual performance of the respective Executive Board members, which includes financial and non-financial performance criteria.

Group operating profit (EBIT): Payment from this part of the STI component is conditional on a threshold level of Group operating profit (EBIT) being reached in the respective fiscal year. The specific STI threshold is set in the Executive Board service agreement or by the Supervisory Board at its due discretion for the respective upcoming fiscal year.

The consolidated operating result (EBIT) is linked to a key performance indicator that is essential for the strategic orientation of PVA TePla AG. The amount of the payouts from this part of the STI component depends on the STI threshold being reached or exceeded. If the STI threshold is reached, the amount of the payout from this part of the STI component is a certain percentage of the consolidated operating result (EBIT) to the extent that the consolidated operating result (EBIT) exceeds the STI threshold. Thus, only the portion of Group operating profit (EBIT) in excess of the STI threshold is used as the basis for calculating the amount of the payout. The specific percentage is set out in the Executive Board service contracts for the respective Executive Board members or in a separate agreement.

Individual performance: In addition to the financial criterion of Group operating profit (EBIT), the STI component is also based on the individual performance of the Executive Board member, which in principle also includes non-financial indicators. Individual performance allows differentiation depending on the respective responsibility and specific strategic challenges of the individual Executive Board members. To this end, the Supervisory Board sets new performance criteria for the individual Executive Board members each year for the upcoming fiscal year. Possible key performance indicators include in particular:

- Business development
- Optimization/efficiency increase
- Employee satisfaction
- Customer satisfaction
- Environmental protection

After the end of the fiscal year, the Supervisory Board assesses the achievement of the specified annual target on the basis of the attainment of the performance criteria defined for the respective members of the Management Board and the attainment of the STI threshold on the basis of the consolidated operating result (EBIT) according to the approved consolidated financial statements of PVA TePla AG. The payment amount is due for payment within one month of the resolution of the Supervisory Board regarding the approval of the consolidated financial statements. In the event of entry or exit during the year, the STI component is granted pro rata temporis.

LTI component

The Management Board is required to make a long-term commitment to the Company and to promote its sustained growth. Against this background, a significant portion of the variable remuneration is linked to the long-term performance of PVA TePla shares. The performance criterion for the LTI component is therefore the market capitalization of PVA TePla AG. The LTI component is a performance-related remuneration based on a three- to five-year assessment period. The performance criterion is the increase in market capitalization. For each Executive Board member, the Supervisory Board determines in the Executive Board service agreement or at its due discretion a percentage relating to the increase in market capitalization which is the basis for calculating the payout from the LTI component. The increase in market capitalization is determined by comparing the market capitalization at the beginning of the assessment period with the market capitalization at the end of the assessment period.

The average closing price of the XETRA share in the six months prior to the start of the Executive Board service contract (this day included) is used to determine the initial market capitalization. This applies accordingly to the final market capitalization, which is determined on the basis of the six-month period prior to the end of the measurement period (including this day). The amount paid out under the LTI component is a certain percentage of the increase in market capitalization. Special effects, e.g. increases in market capitalization due to capital increases, are deducted. After the end of the assessment period, the Supervisory Board assesses the achievement of the performance criterion of the increase in market capitalization on the basis of the increase in market capitalization that occurred in the assessment period and the specified percentage. The Supervisory Board determines the amount to be paid out under the LTI component within one month of the end of the assessment period. The amount determined is due for payment within six weeks after the end of the assessment period. The amount paid out under the LTI component is capped at a total of 1.0 times the fixed compensation of the respective Executive Board member for the first full fiscal year of the respective Executive Board service contract. In the event of regular termination of the Executive Board service contract, any outstanding variable compensation components will be paid out in accordance with the recommendation of the GCGC in line with the originally agreed targets and only on the respective due dates specified in the Executive Board service contract. If the employment contract is terminated for good cause for which the Executive Board member is responsible, no payments will be made to the Executive Board member.

Recognition Award

In addition to the STI component and the LTI component, Executive Board members can be compensated by a recognition bonus for exceptional performance in a reference year. This provides a further incentive to promote the business strategy through special performance. By its nature, no criteria are defined in advance for this, and the award is at the due discretion of the Supervisory Board.

Deferral periods for the payment of compensation components, Sec. 87a (1) Sentence 2 No. 5 AktG

The payment amount from the LTI component is not due until after the end of the three- to five-year assessment period. There are no provisions for postponing the due date of an entitlement that has already arisen beyond normal payment periods.

Possibilities of the Company to reclaim variable remuneration components, Section 87a (1) Sentence 2 No. 6 AktG

There is no provision for compensation components already paid out having to be repaid to the Company as a result of subsequent events.

Special disclosures for share-based payment, Section 87a (1) sentence 2 no. 7 AktG

The members of the Board of Management are not remunerated with real or virtual shares or stock options.

However, if share-based compensation is understood as all such compensation components where the amount of the monetary benefit granted is linked to the value of the Company's shares, the LTI component can also be subsumed under this, as the amount of this compensation component is based on the increase in market capitalization in the assessment period. The level of market capitalization is also largely determined by the value of the Company's shares. Because the compensation does not consist of real or virtual shares or stock options, there are no typical periods of share-based compensation, such as waiting periods (in the sense of a certain period until the shares can be exercised), exercise periods, holding or blocking periods (in the sense of a period from acquisition during which the share may not be sold) or vesting periods (during which the share-based compensation is first accrued). There is only a three- to five-year assessment period within which the development of the level of market capitalization is determined. This also means that, by their very nature, there are no conditions for holding shares after acquisition. The LTI component leads to greater alignment of the interests of Executive Board members and shareholders and, due to the multi-year assessment period, promotes the strategic goal of increasing the value of the Group in the long term.

Disclosures regarding compensation-related legal transactions, Section 87a (1) Sentence 2 No. 8 AktG

Initial appointments are made for a maximum period of three years; subsequent appointments are limited to a maximum period of five years. In the event of premature termination of Executive Board membership, payments to the Executive Board member including fringe benefits will not exceed the value of two years' compensation ("severance payment cap") and will not compensate more than the remaining term of the employment contract. The severance payment cap is calculated on the basis of the total compensation for the past fiscal year and, where appropriate, also the expected total compensation for the current fiscal year. If the employment contract is terminated for good cause for which the Executive Board member is responsible, no payments will be made to the Executive Board member.

In line with the requirements of stock corporation law, the Executive Board service contracts do not provide for any ordinary termination option; the right of both parties to terminate the Executive Board service contract without notice for good cause remains unaffected. Compensation for joining or leaving the Executive Board during the year is calculated pro rata temporis. This does not apply to compensation in the event of extraordinary termination of the Executive Board member's contract by the Company for good cause for which the Executive Board member is responsible; in this case there is no entitlement to payment of the variable compensation for the fiscal year of departure. If members of the Executive Board hold Supervisory Board mandates within the Group or take on activities in associations or honorary offices, no separate compensation is generally paid. If, in exceptional cases, compensation is granted, it is offset against the compensation of the Executive Board member. If members of the Supervisory Board assume Supervisory Board mandates outside the Group, the Supervisory Board decides whether and to what extent the compensation is to be offset.

Consideration of employee compensation and employment conditions when determining the compensation system, Section 87a (1) Sentence 2 No. 9 AktG

The appropriateness of the compensation of the members of the Executive Board is regularly reviewed by the Supervisory Board. This also includes a comparison with the company's internal compensation structure (so-called vertical comparison). This includes the compensation of both senior executives in the Group and the total workforce employed in Germany at the level of the stock corporation and its Group companies. The vertical comparison also includes, in particular, the ratio of Executive Board compensation to this peer group over time.

Procedures for establishing, implementing and reviewing the compensation system, Section 87a (1) Sentence 2 No. 10 AktG

In accordance with the statutory requirement under Section 87a (1) sentence 1 AktG, the Supervisory Board shall adopt a clear and comprehensible compensation system for the members of the Executive Board. As the Supervisory Board consists of three members and no compensation committee or other committee responsible for personnel matters has been formed, this is the responsibility of the full Supervisory Board. In accordance with § 120a (1) sentence 1 of the German Stock Corporation Act (AktG), the Supervisory Board submits the compensation system to the Annual General Meeting for approval whenever there is a significant change, but at least every four years. The compensation shall in principle be determined in accordance with the system submitted to the Annual General Meeting for approval, Section 87a (2) sentence 1 AktG. However, the Supervisory Board may temporarily deviate from the remuneration system if this is necessary in the interests of the long-term welfare of the Company and the remuneration system specifies the procedure for deviation and the components of the remuneration system from which deviation is possible, Section 87a (2) sentence 2 AktG. Pursuant to Section 87a (2) sentence 2 AktG, the Supervisory Board of PVA TePla AG may, at its due discretion, temporarily deviate from the following components of the remuneration system: Maximum remuneration, structure of target remuneration, performance targets and assessment methods for variable remuneration, relevant periods for determining variable remuneration and payment dates for variable remuneration. Under the aforementioned circumstances, the Supervisory Board has the right, for example, to grant special payments to newly appointed Executive Board members to compensate for salary losses from a previous employment relationship, which may also temporarily lead to a deviating amount of the maximum compensation.

A deviation from the compensation system is only possible on the basis of a corresponding Supervisory Board resolution establishing the exceptional circumstances and the necessity for a deviation. This must then be explained in the compensation report in accordance with Art. 162 par. 1 sentence 2 no. 5 AktG. If the Annual General Meeting does not approve the system presented, the Supervisory Board shall present a reviewed system to the Annual General Meeting for approval at the latest at the next ordinary Annual General Meeting. The Supervisory Board regularly reviews the compensation system and the appropriateness of Executive Board compensation at its due discretion. In addition to the vertical compensation comparison already described above, it also carries out a horizontal compensation comparison.

This means that the compensation level and compensation structure of a defined peer group of companies are considered which are generally also listed on the stock exchange, belong to the same industry and have a comparable market position. The Supervisory Board may consult independent external advisors as required. The Supervisory Board shall ensure that any conflicts of interest of Supervisory Board members in the deliberations and decisions on the Executive Board compensation system are identified and adequately addressed. These shall be disclosed without delay and, depending on the assessment, provision may be made for the member concerned not to participate in the deliberations and to abstain from voting on the decision.

2.2. Remuneration system for the members of the Supervisory Board of PVA TePla AG

The compensation of the Supervisory Board is structured as purely fixed compensation. This is in line with suggestion G.18 sentence 1 of the German Corporate Governance Code. On the basis of the new version of Art. 14 par. 1 of the Articles of Association proposed to this Annual General Meeting, the members of the Supervisory Board receive fixed annual compensation of EUR 25k. As recommended by G.17 of the German Corporate Governance Code, the compensation for the Chairman and Vice Chairmen of the Supervisory Board is higher and amounts to EUR 70k and EUR 40k, respectively. Furthermore, the compensation arrangement also takes into account, in accordance with G.17 of the German Corporate Governance Code, the higher time commitment for the chairmanship and membership of committees of the Supervisory Board. For chairing a committee, the Supervisory Board member receives additional annual compensation of EUR 10 thousand and for membership of a committee of EUR 5 thousand.

Remuneration for memberships in committees

If a member of the Supervisory Board is the Chairman and/or a member of several Supervisory Board committees, the additional compensation is paid only once, and for the committee for which he or she receives the highest compensation, so that the amount of the increase is limited to EUR 10 thousand per year if the Supervisory Board member is the Chairman of at least one committee and to EUR 5 thousand per year if the Supervisory Board member is a member of one or more committees but not the committee Chairman. In the event of changes to the Supervisory Board or its committees during the year, the compensation is paid pro rata temporis, rounding up to full months. The maximum fixed compensation can therefore be EUR 80 thousand per year for the Chairman of the Supervisory Board, EUR 50 thousand per year for his deputies, and EUR 35 thousand per year for other members of the Supervisory Board. The remuneration is payable after the end of the financial year.

Regulation on reimbursement of expenses, VAT reimbursement and D&O insurance

A provision on the reimbursement of expenses is no longer provided for on the basis of the proposed repeal of Art. 14 par. 2 of the Articles of Association at this Annual General Meeting. However, even without such a provision, the members of the Supervisory Board are entitled to reimbursement of their necessary and reasonable expenses.

Furthermore, the Company reimburses the Supervisory Board members for any value-added tax payable on their compensation and assumes the amounts of any directors' and officers' liability insurance (D&O insurance) taken out by the Company for the members of the Supervisory Board, including any income tax payable thereon.

Determination of the fixed remuneration

The structure as pure fixed remuneration promotes the neutral advisory and monitoring function of the Supervisory Board. In this way, it promotes the long-term development of PVA TePla AG. The amount of the fixed remuneration is regularly reviewed by the Supervisory Board on the basis of the statutory requirements. In this context, it also includes the Supervisory Board remuneration in comparable companies (by industry, market position and market capitalization) in the review. However, due to the special nature of the Supervisory Board's activities, namely monitoring and advising the Executive Board in its management of the Company, no comparison is made with the compensation of employees of the Company and other Group companies, in line with standard practice. If necessary, the Supervisory Board can make use of the services of an independent, external compensation consultant. If the review reveals a need for adjustment, the Supervisory Board and Executive Board will submit a corresponding proposal for compensation adjustment to the Annual General Meeting. Irrespective of this, the Annual General Meeting resolves on the compensation of the Supervisory Board, including the underlying compensation system, in accordance with Section 113 (3) of the German Stock Corporation Act (AktG) at least every four years, although a resolution confirming the compensation is also possible. Due to these responsibilities, it is in the nature of things that the members of the Supervisory Board are involved in the structuring of their compensation system, but any conflicts of interest resulting from this are taken into account by the fact that the decision on the compensation and the compensation system on which it is based is made by the Annual General Meeting by operation of law and only a resolution proposal by both the Supervisory Board and the Executive Board is submitted to it in this regard.

Compensation-related agreements

There are no compensation-related agreements between the Company and the members of the Supervisory Board that go beyond the provisions of the Articles of Association on compensation.

Term

Subject to any other stipulation of the term of office at the time of election, the members of the Supervisory Board shall be appointed for the period until the end of the Annual General Meeting which resolves on their discharge for the fourth financial year after the beginning of the term of office. The fiscal year in which the term of office begins is not included. Supervisory Board members may be dismissed by the Annual General Meeting in compliance with the requirements of stock corporation law. They may resign from office without serious cause by giving four weeks' notice. The right to resign from office for good cause without notice, provided the resignation is not untimely, remains unaffected.

There is no further compensation in the event of resignation as a member of the Supervisory Board, nor is there any agreement concerning compensation for Supervisory Board members after the end of their term of office.

3. COMPENSATION OF THE MEMBERS OF THE BOARD OF MANAGEMENT

Application of the new remuneration system

With the approval of the Annual General Meeting on June 18, 2021, a new remuneration system for the Management Board of PVA TePla AG was introduced ("new remuneration system"). The new remuneration system for the Management Board of PVA TePla AG introduced in fiscal year 2021 is in line with the content requirements of ARUG II and is based on the recommendations of the new German Corporate Governance Code in the version dated December 16, 2019 (DCGK 2020), which came into force on March 20, 2020. The new remuneration system will apply to all new contracts of the Management Board of PVA TePla AG. With a view to the fiscal year 2021, however, all contracts of the Management Board of PVA TePla AG are still based on the previous remuneration system ("previous remuneration system"). For details regarding the previous remuneration system, please refer to the relevant explanations in section "6. Remuneration Report" in the combined management report of PVA TePla AG for the fiscal year 2020. The specific remuneration of the Management Board for fiscal year 2021 is presented below and detailed information on the total remuneration of the Management Board as well as individualized information on the remuneration of the individual members of the Management Board (without exception based on the previous remuneration system) is provided.

Application of the previous remuneration system

The previous compensation system was applied in fiscal year 2021 to the contracts of:

- Alfred Schopf (CEO), Member of the Executive Board from April 2017 to June 2021
- Manfred Bender (CEO), Executive Board member since January 2021, appointed until 2024
- Jalin Ketter (CFO), Executive Board member since June 2020, appointed until 2023
- Oliver Höfer (COO), Executive Board member since December 2013, appointed until 2025
- Dr. Andreas Mühe (CTO), Executive Board member since June 2020, appointed until 2023

3.1. Total compensation for fiscal 2021

The total remuneration of the Board of Management for the financial year 2021 amounted to EUR 2,936 thousand (PY: EUR 1,893 thousand).

Non-performance-related compensation (incl. pension subsidies)

The non-performance-related fixed remuneration of the Management Board for the financial year 2021 totaled EUR 1,114 thousand (PY: EUR 716 thousand). Of this amount, EUR 965 thousand (PY: EUR 644 thousand) relates to the fixed annual salary, EUR 70 thousand (PY: EUR 32 thousand) to fringe benefits, and EUR 79 thousand (PY: EUR 40 thousand) to pension contributions.

The pension allowances are part of the non-performance-related fixed compensation of the Executive Board. The members of the Executive Board in office in fiscal year 2021 do not have individual pension commitments, so no pension provisions are recognized. Instead, pension subsidies for the members of the Executive Board are paid out with their salaries or paid into an insurance policy with a provident fund commitment.

Performance-related remuneration

The performance-related variable compensation of the Management Board for the financial year 2021 totaled EUR 1,822 thousand (PY: EUR 1,177 thousand). Of this amount, EUR 1,040 thousand (PY: EUR 788 thousand) relates to the short-term oriented variable compensation component (STI component) and EUR 782 thousand (PY: EUR 389 thousand) to the long-term oriented variable compensation component (LTI component).

Stock option programs

Stock options are neither part of the previous compensation system nor of the new compensation system described above. As in the previous year, the members of the Executive Board were not granted or promised any shares or stock options pursuant to Section 162 (1) sentence 2 no. 3 AktG as part of the long-term performance-related variable compensation (LTI) in the financial year 2021. To this extent, the members of the Executive Board are not compensated with real or virtual shares or stock options. However, if share-based compensation is understood as all such compensation components where the amount of the monetary benefit granted is linked to the value of the shares of the Company, the LTI component can also be subsumed under this, as the amount of this compensation component is based on the increase in market capitalization in the assessment period. The level of market capitalization is also largely determined by the value of the Company's shares. Because the compensation does not consist of real or virtual shares or stock options, there are no typical periods of share-based compensation, such as waiting periods (in the sense of a certain period until the shares can be exercised), exercise periods, holding or blocking periods (in the sense of a period from acquisition during which the shares may not be sold) or vesting periods (during which the share-based compensation is first accrued). There is only a three- to five-year assessment period within which the development of the level of market capitalization is determined. This also means that, by their very nature, there are no conditions for holding shares after acquisition. The LTI component leads to greater alignment of the interests of Executive Board members and shareholders and, due to the multi-year assessment period, promotes the strategic goal of increasing the value of the Company in the long term.

Benefits in connection with the termination of service on the Executive Board

No benefits were paid in connection with the termination of service on the Board of Management (e.g. severance payments) either in the financial year 2021 or in the previous year 2020.

Deviations from the remuneration system

In fiscal year 2021, there were no deviations from and no adjustments to the compensation system compared to the Annual General Meeting resolution on the compensation system dating from June 2020.

Claw-back information

There is no provision for PVA TePla AG to reclaim variable remuneration components already paid to members of the Management Board due to subsequent events within the meaning of Section 87a (1) sentence 2 no. 6 AktG (claw-back clause).

3.2. Individualized disclosure of compensation for fiscal year 2021

The following tables show the remuneration granted or owed to the active members of the Management Board of PVA TePla AG for fiscal year 2021 (including the previous year) in accordance with Section 162 (1) sentence 1 AktG. The table columns "Remuneration granted or owed" contain all legally binding remuneration components promised by PVA TePla AG to the individual members of the Management Board that are related to services rendered in the respective fiscal years. The allocation is generally made to the fiscal year in which the legal entitlement to remuneration arose, irrespective of whether payment was also made in the same period ("granted remuneration") or whether payment is only made in arrears ("remuneration owed"). In addition, the individual possible minimum and maximum values of the compensation for the financial year 2021 are disclosed. In addition to the compensation amounts, the relative share of all fixed and variable compensation components in total compensation must also be disclosed in accordance with section 162 (1) sentence 2 no. 1 AktG. The relative proportions stated here at the end of each table relate to the compensation components granted and owed in the respective financial year in accordance with section 162 (1) sentence 1 AktG.

The short-term variable remuneration under the previous remuneration system amounts to 3% p.a. pro rata temporis for the Management Board members Alfred Schopf and Manfred Bender and 2% p.a. for the Management Board members Oliver Höfer, Jalin Ketter and Dr. Andreas Mühe of the operating result (EBIT) for the PVA TePla Group according to the IFRS consolidated financial statements (increased by Management Board bonuses and other bonuses included therein as expenses) and is paid in cash. The applicable base amount for the fiscal year 2021 is as follows for

- Alfred Schopf to EUR 1 million;
- Manfred Bender to EUR 3 million;
- Jalin Ketter to EUR 3 million;
- Oliver Höfer to EUR 1 million;
- as well as
- Dr. Andreas Mühe to EUR 3 million.

The base amount is the minimum amount that must be reached for the respective Management Board member to receive the short-term variable remuneration from PVA TePla AG.

Once the base amount has been reached, the amount paid out is a certain percentage of the consolidated operating result (EBIT) to the extent that the consolidated operating result (EBIT) exceeds this base amount. Thus, only the portion of consolidated operating profit (EBIT) in excess of the base amount is used as the basis for calculating variable compensation. The short-term variable compensation may not exceed the amount of the fixed annual salary of the respective Executive Board member (expense cap).

In total, the remuneration of the Management Board ("remuneration granted and owed") for the financial year 2021 amounted to EUR 2,936 thousand (PY: EUR 1,893 thousand) and thus corresponded to the maximum possible amount (expense cap) for the members of the Management Board in the financial year 2021. For the former Executive Board member Peter Abel, the compensation (pension payments) in the financial year 2021 amounted to EUR 43 thousand (PY: EUR 43 thousand).

Alfred Schopf CEO (until retirement on June 30, 2021) [in EUR thousand]		Compensation granted or owed				Inflow	
		2020	2021	2021 (target achievement minimum)	2021 (Target achievement Maximum)	2020	2021
success independent Compensation	Annual fixed salary	260	130	130	130	260	130
	Ancillary services	13	16	16	16	13	16
	Retirement benefits	20	20	20	20	20	20
	Total	293	166	166	166	293	166
success- dependent Remuneration	Short-term variable remuneration (STI)	410	205	-	205	372	410
	STI 2019	-	-	-	-	372	-
	STI 2020	410	-	-	-	-	410
	STI 2021	-	205	-	205	-	-
	Long-term variable remuneration (LTI)	83	-	-	-	500	-
	LTI 2017-2020	83	-	-	-	500	-
LTI 2023-2024	-	-	-	-	-	-	
Total compensation	786	371	166	371	1,165	576	
Thereof in %	Proportion of non-performance-related remuneration	37%	45%	100%	45%	25%	29%
	Share of performance-related compensation	63%	55%	0%	55%	75%	71%

Manfred Bender CEO (since January 1, 2021)		Compensation granted or owed				Inflow	
		2020	2021	2021 (Target achievement Minimum)	2021 (Target achievement Maximum)	2020	2021
[in EUR thousand]							
success independent Compensation	Annual fixed salary	-	260	260	260	-	260
	Ancillary services	-	11	11	11	-	11
	Retirement benefits	-	35	35	35	-	35
	Total	-	306	306	306	-	306
success-dependent Remuneration	Short-term variable remuneration (STI)	-	260	-	260	-	-
	STI 2019	-	-	-	-	-	-
	STI 2020	-	-	-	-	-	-
	STI 2021	-	260	-	260	-	-
	Long-term variable remuneration (LTI)	-	305	-	305	-	-
	LTI 2017-2020	-	-	-	-	-	-
	LTI 2023-2024	-	305	-	305	-	-
Total compensation	-	871	306	871	-	306	
Thereof in %	Proportion of non-performance-related remuneration	-	35%	100%	35%	-	100%
	Share of performance-related compensation	-	65%	0%	65%	-	0%

Jalin Ketter CFO Member of the Board of Management since June 2020		Compensation granted or owed				Inflow	
		2020	2021	2021 (Target achievement Minimum)	2021 (Target achievement Maximum)	2020	2021
[in EUR thousand]							
success independent Compensation	Annual fixed salary	87	170	170	170	87	170
	Ancillary services	7	15	15	15	7	15
	Retirement benefits	6	8	8	8	6	8
	Total	100	193	193	193	100	193
success-dependent Remuneration	Short-term variable remuneration (STI)	85	170	-	170	-	85
	STI 2019	-	-	-	-	-	-
	STI 2020	85	-	-	-	-	85
	STI 2021	-	170	-	170	-	-
	Long-term variable remuneration (LTI)	88	159	-	159	-	-
	LTI 2017-2020	-	-	-	-	-	-
LTI 2023-2024	88	159	-	159	-	-	
Total compensation	273	522	193	522	100	278	
Thereof in %	Proportion of non-performance-related remuneration	37%	37%	100%	37%	100%	69%
	Share of performance-related compensation	63%	63%	0%	63%	0%	31%

Oliver Höfer COO Member of the Board of Management since December 2013		Compensation granted or owed				Inflow	
		2020	2021	2021 (Target achieve- ment Minimum)	2021 (Target achieve- ment Maximum)	2020	2021
[in EUR thousand]							
success independent Compensation	Annual fixed salary	202	220	220	220	202	220
	Ancillary services	5	18	18	18	5	18
	Retirement benefits	10	8	8	8	10	8
	Total	217	246	246	246	217	246
success- dependent Remuneration	Short-term variable remuneration (STI)	200	220	-	220	200	220
	STI 2019	-	-	-	-	200	-
	STI 2020	200	-	-	-	-	200
	STI 2021	-	220	-	220	-	-
	Long-term variable remuneration (LTI)	130	159	-	159	250	-
	LTI 2017-2020	42	-	-	-	250	-
LTI 2023-2024	88	159	-	159	-	-	
Total compensation	547	625	246	625	667	446	
Thereof in %	Proportion of non-perfor- mance-related remuneration	40%	39%	100%	39%	33%	55%
	Share of performance-re- lated compensation	60%	61%	0%	61%	67%	45%

Dr. Andreas Mühe CTO Member of the Board of Management since June 2020 [in EUR thousand]		Compensation granted or owed				Inflow	
		2020	2021	2021 (Target achievement Minimum)	2021 (Target achievement Maximum)	2020	2021
success independent Compensation	Annual fixed salary	95	185	185	185	95	185
	Ancillary services	7	10	10	10	7	10
	Retirement benefits	4	8	8	8	4	8
	Total	106	203	203	203	106	203
success-dependent Remuneration	Short-term variable remuneration (STI)	93	185	-	185	-	93
	STI 2019	-	-	-	-	-	-
	STI 2020	93	-	-	-	-	93
	STI 2021	-	185	-	185	-	-
	Long-term variable remuneration (LTI)	88	159	-	159	-	-
	LTI 2017-2020	-	-	-	-	-	-
LTI 2023-2024	88	159	-	159	-	-	
Total compensation	287	547	203	547	106	296	
Thereof in %	Proportion of non-performance-related remuneration	37%	37%	100%	37%	100%	69%
	Share of performance-related compensation	63%	63%	0%	63%	0%	31%

3.3. Comparative presentation of the annual change in the remuneration of the members of the Management Board with the earnings performance of the PVA TePla Group and the average remuneration of the employees of the main Group companies

The following table shows a comparison of the percentage change in the remuneration of the members of the Management Board with the earnings performance of PVA TePla AG and the PVA TePla Group and with the average remuneration of employees on a full-time equivalent basis compared with the previous year (fiscal year 2021 versus fiscal year 2020). The remuneration of the members of the Management Board included in the table reflects the remuneration granted and owed to the respective Management Board members in fiscal year 2021 and fiscal year 2020, respectively, and thus corresponds to the amounts stated in the preceding remuneration tables in the column "remuneration granted or owed" within the meaning of Section 162 (1) sentence 1 AktG. Where members of the Board of Management were only compensated on a pro rata basis in individual financial years, for example due to joining or leaving the company during the year, the compensation for this financial year was extrapolated to a full year (annualized) to ensure comparability.

The development of earnings is generally presented on the basis of the development of the net income of PVA TePla AG in accordance with Section 275 (3) No. 16 of the German Commercial Code (HGB).

Since the remuneration of the members of the Management Board is also significantly dependent on the business performance of the PVA TePla Group, the development of sales revenue, operating result (EBIT) and earnings after tax for the PVA TePla Group is also stated.

The comparison with the development of average employee remuneration is based on the average remuneration of the workforce of the parent company PVA TePla AG and its material subsidiaries. This peer group was also used in the review of the appropriateness of the remuneration of the members of the Management Board.

Comparison of annual change in Executive Board compensation pursuant to § 162 (1) no. 2 AktG

Annual change (in %)	Comparison of fiscal year 2021 with fiscal year 2020
Executive Board compensation (non-performance-related compensation and STI)	
Alfred Schopf *	+5%
Manfred Bender **	-
Oliver Höfer	+12%
Jalin Ketter ***	+1%
Dr. Andreas Mühe ***	+1%
Earnings performance of PVA TePla AG and the PVA TePla Group	
Sales revenue of the PVA TePla Group (IFRS)	+14%
Operating result (EBIT) of the PVA TePla Group (IFRS)	-1%
Earnings after taxes of the PVA TePla Group (IFRS)	-5%
Net income of PVA TePla AG (HGB)	-42%
Average annual change in employee compensation over the last five years	
Annual change in employee remuneration (employees of the main PVA TePla Group companies)	0% (2018 to 2017)
	2% (2019 to 2018)
	1% (2020 to 2019)
	2% (2021 to 2020)

*** Member of the Executive Board until June 30, 2021, therefore amount for 2021 annualized

*** Member of the Executive Board since January 1, 2021, therefore no information possible

*** Member of the Board of Management as of June 26, 2020, therefore amount for 2020 calculated annualized

3.4. Outlook for the application of the new compensation system for fiscal 2022

The existing compensation system will continue to be applied to the existing contracts of the members of the Executive Board in the 2022 financial year. In this respect, there will be no significant changes in fiscal year 2022 compared with fiscal year 2021.

According to the information provided in section "5. Forecast Report" of the combined management report of PVA TePla AG for fiscal year 2021, the Management Board expects revenue in the range of EUR 170 - 180 million and operating earnings before interest, taxes, depreciation and amortization (EBITDA) of between EUR 25 and 27 million for fiscal year 2022 in view of the existing project structure in the order backlog. Assuming that this forecast development of the PVA TePla Group is achieved, the short-term oriented variable remuneration component (STI component) for all members of the Management Board is also expected to amount to the maximum achievable remuneration (expense cap) in fiscal year 2022. This would correspond to total compensation for the STI component in the 2022 financial year of an expected EUR 835 thousand (2021: EUR 1,040 thousand). The achievement of the long-term oriented variable remuneration component (LTI component) depends on the future development of the market capitalization of PVA TePla AG. Since market capitalization is also influenced by exogenous factors outside the control of the management of the PVA TePla Group, a forecast is only possible to a limited extent due to the current considerable uncertainties with regard to the overall economic situation (caused, among other things, by the COVID 19 pandemic and the Ukraine crisis).

4. COMPENSATION OF THE MEMBERS OF THE SUPERVISORY BOARD

4.1. Total compensation for fiscal 2021

The remuneration of the Supervisory Board is governed by Section 14 of the Articles of Association of PVA TePla AG. The currently valid new remuneration system for the Supervisory Board was last approved by the Annual General Meeting on June 18, 2021 and has been applied since August 2021. For details regarding the previous remuneration system applied until July 2021, please refer to the relevant explanations in section "6. Remuneration Report" in the combined management report of PVA TePla AG for fiscal year 2020. In the following, the specific remuneration for the members of the Supervisory Board for the fiscal year 2021 is presented and detailed information on the total remuneration of the Supervisory Board as well as individualized information on the remuneration of the individual members of the Supervisory Board (without exception based on the new remuneration system) is provided.

The total remuneration for the members of the Supervisory Board for the financial year 2021 amounted to EUR 123 thousand (PY: EUR 100 thousand).

Members of the Supervisory Board who are only members of the Supervisory Board for part of the financial year or who chair or deputy chair the Supervisory Board or Audit Committee shall receive pro rata temporis one-twelfth of the above-mentioned remuneration for each month or part thereof of the corresponding activity on the Supervisory Board.

PVA TePla AG also assumes the contribution charges, including the income tax thereon, for a pecuniary loss liability insurance policy (D&O insurance) for the members of the Supervisory Board to cover liability risks arising from Supervisory Board activities. Reference is made to the further explanations in section 5.

4.2. Individualized disclosure of compensation for fiscal year 2021

The compensation paid to the individual members of the Supervisory Board in the 2020 and 2021 financial years is shown in the following table. As in previous years, no compensation was paid for personal services rendered by members of the Supervisory Board in the 2021 financial year.

Members of the Supervisory Board of PVA TePla AG	[in EUR thousand]	Total compensation of the members of the Supervisory Board	
		2021 fixed remuneration	2020 fixed remuneration
Alexander von Witzleben, Erlenbach (Switzerland) - Chairman of the Supervisory Board - Vice Chairman of the Audit Committee		60	50
Prof. Dr. Gernot Hebestreit, Leverkusen - Vice Chairman of the Supervisory Board - Chairman of the Audit Committee		35	25
Prof. Dr. Markus H. Thoma, Schöffengrund - Member of the Audit Committee		27	25
Total		123	100

Performance-related components are not included in the compensation of the Supervisory Board.

5. DIRECTORS & OFFICERS INSURANCE (D&O)

In accordance with the requirements of Section 93 (2) of the German Stock Corporation Act (AktG), PVA TePla AG has taken out D&O insurance for all members of the Management Board against risks arising from their professional activities for the Company, which provides for a deductible of at least 10% of the damage up to at least one and a half times the fixed annual remuneration of the Management Board member in the respective year. The deductible applies exclusively to the satisfaction of justified claims for damages asserted by the Company. For the members of the Supervisory Board of PVA TePla AG, the Company has taken out D&O insurance policies that also provide for a corresponding deductible.