

GUIDE

REMUNERATION POLICY

**SAY-ON-PAY ON EXECUTIVE REMUNERATION
IN AUSTRIA**

May 2020



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Preface

Say-on-pay from 2020 onwards will put a spotlight on executive remuneration of listed companies. Pursuant to the incorporation of the Shareholders Rights Directive (SRD) into Austrian law, supervisory boards of publicly traded companies have to establish a remuneration policy. The policy shall provide a comprehensive overview of the company's principles applied to executive remuneration. The policy shall be put forward to the shareholders for vote, whereby Austrian law, however, provides for such shareholders' vote to be advisory not binding.

The national as well as the European law on executive compensation have evolved and grown over time. In particular, the statute put a strong focus on long-term and sustainable development of a company. Such long-term focus for executive compensation was already incorporated in the Stock Corporation Act in 2012 in the aftermath of the financial crisis. The SRD puts an even stronger long-term emphasis with the requirement that remuneration shall contribute to the business strategy, long-term interests and sustainability of the company and shall not be linked entirely or mainly to short-term objectives.

There is also strong investor focus on executive compensation with pay-for-performance alignment as one of the core underlying principles as well as emphasis on long-term shareholder value. Executive compensation is one of the key instruments for companies and shareholders to align their interests with those of the executive board members.

The advanced regulation and the intensified investor focus on executive compensation also led to increased duties imposed on the members of supervisory boards of stock corporations and members of board committees responsible for executive remuneration.

This first edition of the Guide on Remuneration Policy from the lawyers of bpv Huegel focus on the establishment of a remuneration policy for the executive board to be submitted for vote to the shareholders' meeting. The guide shall support the members of the supervisory board and the members of a remuneration committee to comply with their duties imposed upon them.

We have also undertaken to describe in some detail other areas relevant with respect to the determination of executive remuneration such as obtaining advice from advisors, considerations on proxy advisory firms and pulled together the numbers for executive remuneration by ATX and certain Prime Market issuers from the reporting season 2018 and 2019.

Although the guide focuses on considerations for publicly traded companies and the shareholders' vote on the remuneration policy is only mandatory for those companies the principles discussed in this guide may – in full or in part – have broader application, however.

Please note that this guide is a general overview, does not address all of the relevant details on remuneration matters, and cannot deal with particular facts and circumstances of a specific company or industry. We strove to collect data and to write this guide with due care; however, we cannot accept any liability in that respect. This guide is not intended as legal advice.

It is planned that this guide will evolve in the coming years to include further remuneration relevant topics such as the remuneration report to be submitted to the shareholders' meeting next year, remuneration requirements at financial institutions (CRD IV), considerations on tax treatment and other upcoming legal and commercial developments as well practical experiences with say-on-pay votes.

In the meantime, of course we welcome any questions that may arise.

Chapter 1

Corporate bodies responsible for executive remuneration

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Corporate bodies responsible for executive remuneration

Supervisory board

The Stock Corporation Act concentrated the entire complex of remuneration of the executive board members so far solely with the supervisory board or a remuneration committee of the supervisory board. The latter regularly is established to determine the executive compensation in line with the statutory requirements, exercise business judgement in the best interest of the company as well as to conclude the agreements with members of the executive board.

Remuneration committee of the supervisory board

1. Establishment and composition of the committee

According to C-Rule 43 of the Austrian Code of Corporate Governance (CCG) the supervisory board shall set up a remuneration committee. Where supervisory boards have not more than six members (including employees' representatives) the CCG allows that all members of the supervisory board may assume the function jointly.

The remuneration committee deals with the relations between the company and the executive board members and may be established without co-determination rights of employees' representatives. The one-third parity rule on employees' representatives in the supervisory board applies to all committees of the supervisory board, except for meetings and votes relating to the relationship between the company and the executive board members, however, with the exception for resolutions on the appointment or revocation of an appointment executive board members and on the granting of options on stocks of the company to executive board members (sec 92 para 4 Stock Corporation Act).

Requirements on the composition of the remuneration committee (C-Rule 43 CCG):

- The chairperson of the remuneration committee shall always be the chairperson of the supervisory board.
- At least one member of the remuneration committee shall be required to have knowledge and experience in the area of remuneration.

2. Chairperson and communication with shareholders and investors on remuneration matters

On the one hand, it has to be noted that reporting or communication duties of the chairperson of the supervisory board or the remuneration committee with respect to executive remuneration matters are limited. Currently the chairperson of the supervisory board, who according to C-Rule 43 CCG also serves as chairperson of the remuneration committee, shall inform the shareholders' meeting once a year of the principles of the remuneration system.

On the other hand, the dialogue with the shareholders became more and more important over the last years. As far as executive compensation topics are concerning institutional investors often expect the chairperson of the supervisory board/ remuneration committee to communicate on executive compensation matters. Thus, it is to be anticipated that it will be necessary that chairpersons get into more intensive and frequent contact with institutional investors in that respect.

3. Duties of the remuneration committee

The duties of the remuneration committee depend on the tasks delegated by the supervisory board to the remuneration committee. Under the current practice of supervisory boards, which are subject to the co-determination rights of employees' representatives, all matters with respect to the relations between the company and the executive board members, in particular remuneration matters, are delegated to the remuneration committee. In general only matters are excluded which mandatorily are to be dealt with a co-determined board or committee, i.e. resolutions on the appointment or revocation of an appointment of a member of the executive board and on the granting of options on stocks of the company to executive board members (sec 92 para 4 Stock Corporation Act).

According to Art 43 CCG the remuneration committee shall deal with the contents of employment contracts with executive board members, it shall ensure the implementation of the remuneration relevant C-Rules (27, 27a and 28) and shall regularly review the remuneration policy applicable to executive board members.

This leads to the question whether the establishment of the remuneration policy of the executive board members (sec 78a para 1 Stock Corporation Act) to be put forward to the shareholders' meeting may be delegated as sole competence to a remuneration committee of the supervisory board.

4. Establishment of the remuneration policy may be delegated to the remuneration committee

According to sec 78a para 1 Stock Corporation Act the supervisory board shall draw up the principles for remuneration of the members of the executive board (remuneration policy). The statute does provide any explicit provisions with respect to a delegation to a committee of the supervisory board.

Full delegation to the remuneration committee admissible

In the course of incorporating the SRD into Austrian law, the statutory rules with respect to the delegation of duties and competences of the supervisory board to one of its committees remain unchanged. The principle of the self-organisation of the supervisory board also applies to the new task remuneration policy (plenum/committee).

Further, prior to the change of the statute according to the C-Rule 43 CCG the remuneration committee already was in charge for reviewing the remuneration policy on a regular basis.

The content of a remuneration policy essentially does not go beyond what remuneration committees of Austrian stock corporations have always decided: the content of employment contracts for executives or their remuneration-relevant parts, whereas the remuneration policy forms the basis for the remuneration of the executive board members (section 78b para 2 Stock Corporation Act).

On that basis, we consider it admissible that a supervisory board may delegate all matters with respect to the remuneration policy to a remuneration committee. Such remuneration committee can be established without co-determination rights of employees' representatives (see above).

The competence to render a motion to the shareholders' meeting rests with the full supervisory board

However, the competence to render proposals for resolutions to the shareholders' meeting rests explicitly with the full supervisory board. According to sec 108 para 1 of the Stock Corporation Act, the supervisory board shall provide to the shareholders meeting a proposal for a motion on the remuneration policy. This particular duty to render a motion to the shareholders' meeting is one of

the non-delegable duties of the full supervisory board (plenum) (section 104 para 1 Stock Corporation Act).

Based on a remuneration policy established and resolved upon by a remuneration committee put in charge by the supervisory board the full supervisory board (plenum) must then resolve upon a corresponding proposal for resolution on the remuneration policy to be put forward for resolution by the shareholders' meeting.

Prior to such resolution the supervisory board shall review whether the remuneration policy comprises all of the items statutorily required and may request changes from the remuneration committee, if that is not the case. However, the supervisory board shall not review any of the remuneration items subject to discretion by the board or resolve upon changes of the remuneration policy without prior withdrawing the delegation to the remuneration committee.

Existing appropriate delegation to the committee is sufficient

If there is a comprehensive delegation of "executive board matters" or "executive board remuneration matters" to a remuneration committee in place such delegation in general already covers the establishment of the remuneration policy. In this case, no new resolution of the supervisory board plenum together with a corresponding anchoring in the supervisory board's rules of procedure is required.

In cases, however, where no respective allocation of matters to the remuneration committee has been made, a new resolution of the supervisory board will be required, if the remuneration committee shall be in charge of the policy.

Of course, one must evaluate depending on the individual facts. Rules of procedures as well as resolutions of the supervisory board on the allocation of powers to a committee are to be interpreted objectively, based on their wording and purpose, whereby the subjective will of the rule makers is to be taken into account.

Rules of procedures do not have to repeat the legal provisions. Hence dynamic references work. For reasons of clarity, it may be appropriate to repeat the statutory provisions so that a complete set of rules of procedure provides a quick overview. If this is the case, however, it is evident that the rules of procedure must be adapted in the event of changes to the law.

New competence of the shareholders' meeting

The meeting of the shareholders so far in general was not involved in executive board remuneration matters. Only in the specific cases of stock option plans with underlying shares from conditional capital or authorised capital shareholder resolutions on the capital measurement have been required, respectively.

In this context, it has to be noted that the Austrian Corporate Governance Code (C-Rule 28) requires a shareholders' resolution with respect of stock option schemes and stock transfer programmes of executive board members.

1. Say-on-pay by the shareholders' meeting

The role and influence of the shareholders' meeting with respect to executive compensation will significantly increase with say-on-pay.

Beginning with the year 2020 the supervisory board of companies with shares listed on regulated markets has to establish a remuneration policy for the executive board, which shall be put forward

to the shareholders for a vote at least every four years and also in case of a material change of the remuneration policy (sec 78a Stock Corporation Act).

Advisory vote on the remuneration policy

The shareholders' vote on the remuneration policy shall be advisory, meaning that companies shall pay remuneration to their executive board members only in accordance with a compensation policy that has been submitted to such a vote at the shareholders' meeting, but the shareholders' meeting shall not pass a binding resolution on the content of the remuneration policy.

In any case the company shall pay remuneration to their executive board members only in accordance with a remuneration policy that has been submitted to such a vote at the shareholders' meeting (sec 78a para 2 Stock Corporation Act).

In case of rejection – basis of remuneration as per rejected or existing approved policy

In case the shareholders' meeting rejects the proposed remuneration policy, the supervisory board shall submit a revised policy to a vote at the following shareholders' meeting.

What is the basis for the remuneration in the meantime?

According to the statute the company shall pay remuneration to their executive board members only in accordance with a remuneration policy that has been submitted to a vote at the shareholders' meeting (sec 78a para 2 Stock Corporation Act). This applies to both, an existing (approved) policy, as well as to a newly submitted, but rejected policy. However, derived from the purpose of the say-on-pay vote it can be argued that still the existing (old), but approved, policy shall form the basis. Further, Art 9a para 2 Shareholders Rights Directive with respect to binding votes of general meetings provides that where an approved remuneration policy exists and the general meeting does not approve the proposed new policy, the company shall continue to pay remuneration to its directors in accordance with the existing (approved) policy (and shall submit a revised policy for approval at the following general meeting).

The same reasoning holds true, if already the first remuneration policy submitted get rejected. Again Art 9a para 2 Shareholders Rights Directive with respect to a binding vote of the general meeting refers to the existing practice to continue to pay remuneration to its directors, in case no remuneration policy has been approved and the general meeting does not approve the proposed policy.

Using a rejected policy as basis for concluding long-term executive payment packages may also come with liability risks of the supervisory board members. Entering into long-term contracts on such basis may collide with the obligation to submit a revised policy to a vote at the following shareholders' meeting.

New kind of shareholders' resolutions

The advisory votes on the remuneration policy (as well as on the remuneration report) establish a new kind of shareholders' resolutions carrying the following characteristics:

- The resolutions may only be passed in the annual ordinary shareholders' meetings (sec 104 para 2a Stock Corporation Act).
- The minority right of shareholders holding at least 5% of the share capital to call an extraordinary shareholders meeting (sec 105 para 3 Stock Corporation Act) to request agenda items "resolution on the remuneration policy" or "resolution on the remuneration report" is not applicable (sec 109 para 3 Stock Corporation Act).

- Further the right of shareholders holding at least 1% of the share capital to render motions to each item of the agenda (sec 110 para 1 Stock Corporation Act) does not apply with respect to the agenda items.
- Resolutions on the remuneration policy (and the remuneration report) only have an advisory character and cannot be subject to an action of opposition (sec 78b para 1 and 78d para 1 of the Stock Corporation Act).

Proxy advisors request shareholder engagement if certain approval threshold is not met

The proxy advisor Glass Lewis (page 14 of the Glass Lewis European Voting Guidelines) “enforces” say-on-pay votes of shareholders’ meeting by way of negative voting recommendations on all members of the remuneration committee (that served during the relevant time period) *inter alia*

- if the committee failed to address shareholder concerns following majority shareholder rejection of the say-on-pay proposal in the previous year; and/or
- the say-on-pay proposal was approved but there was a significant shareholder vote (i.e., greater than 20% of votes cast) against the proposal in the prior year, and there is no evidence that the board responded accordingly to the vote including actively engaging shareholders on this issue.

2. No mandatory amendment to existing contracts with executives

Pacta sunt servanda applies also to the contractual relationship between executive board members and the company. Neither the SRD nor the Austrian law regulates the right or obligation to amend agreements with executive board members already in place based on a newly established remuneration policy or a say-on-pay vote. Hence, an amendment to achieve compliance with the remuneration policy is not mandatory.

It can be argued, that there is an obligation by the supervisory board to strive for required amendments of the contracts (as the case may be) by mutual agreement, which corresponds to the approach taken for the regulated banking industry (sec 103o Banking Act).

However, once a remuneration policy has been submitted to vote any discretion under the existing agreements may only be exercised in accordance with such remuneration policy.

Chapter 2

Decision-making process on remuneration matters by the supervisory board and committees

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Decision making process on remuneration matters by the supervisory board and committees

Duty of care – safe harbour under the business judgement rule

Business decisions supervisory board members and members of a remuneration committee are obliged to act with the duty of care of a prudent and diligent manager (sections 84 para 1, 99 Stock Corporation Act). The requirements for prudent decisions are set out in section 84 para 1a Stock Corporation Act along the general criteria for the business judgement rule.

Compliance with the business judgment rule establishes a safe harbour for the board member of a prudent and diligent business decision. In any event, a member of the management board acts in accordance with the diligence of a prudent and diligent manager if, when making a business decision, he is not guided by extraneous interests and may assume, on the basis of appropriate information, that he is acting in the best interests of the company (sec 84 para 1a Stock Corporation Act).

As a general principle board members shall not be liable towards the company, if an action is based on a resolution of the shareholders' meeting (sec 84 para 4 Stock Corporation Act). From this, it could be derived that a supervisory board member or committee member shall in no case be liable, if the executive remuneration is awarded based on a remuneration policy approved by the shareholders' meeting. However, only the supervisory board is entitled to determine the content of the remuneration policy and the shareholders' resolution on the remuneration policy qualifies just as advisory vote (sec 78d para 1 Stock Corporation Act) and the shareholders are neither entitled to put forward motions nor to challenge a shareholders' resolution on the remuneration policy. On that basis, it is unclear whether the approval of the remuneration policy by the shareholders' meeting in the statutory form of an advisory vote offers the same release from liability with respect to executive compensation as for actions based on common shareholders' resolutions.

Compliance with the business judgement rule

The determinations on executive compensation matters by the supervisory board or the remuneration committee is fundamentally a business decision in which the board/committee has a margin of appreciation.

1. The business judgement rule requirements

- Consideration and compliance with the responsibilities of the respective corporate bodies.
- In the context of say-on-pay, the supervisory board or the remuneration committee shall establish a remuneration policy to be put forward for vote to the shareholders' meeting and shall only award executive compensation based on such remuneration policy (see above Chapter 1).
- The business judgement is restricted in cases where the statute set out a certain conduct or requirements, excluding or limiting the discretion of the board.

Therefore the determination of the executive compensation shall comply and shall not be contrary to the statutory requirements as well as the principles of the Code of

Corporate Governance (if not excluded by explanation), such as adequacy and long-term focus, contribution to the company's business strategy and development of the company, clear and comprehensive criteria for variable remuneration.

However, how this is achieved by the executive remuneration, i.e. structure of the remuneration, amount of compensation, metrics for variable remuneration, etc., is all subject to board discretion and carries the margin of appreciation typically for business decisions.

- Board members shall pass decisions free from interests which are not related to the subject matter, in particular from own interests.
- The decision shall be taken based on adequate information on which the board member may assume that he is acting in the best interests of the company.

The latter is the essential prerequisite of business judgements, i.e. the legitimate exercise of discretion, requiring a careful preparation of decisions based on adequate information. The board, however, is not obliged to procure all conceivable information, but such information is required, which enables sufficient preparation and an appropriate assessment of the matter to be decided. The emphasis lies on the process and the evidence that the board undertook a careful, educated decision-making process.

2. Best practice for board members

Accordingly, for the determination of the remuneration policy and in general in the course of business decisions, boards and board members should:

- become accustomed with all material information reasonably available in order to make an informed decision;
- take reasonable time to prepare decisions and to consider, evaluate and weigh available alternatives and their impact; and
- consider to obtain independent expert advice (for instance from legal counsel or compensation consultant) where appropriate as well as review and challenge the expert's findings and underlying facts and input parameters.

Use of advisors by the supervisory board or committee

1. General

Regarding business judgement and considering the complexity of compensation matters advice from external advisors, in particular compensation consultants may be considered.

However, from a recent empirical analysis carried out in 2019 by the German law firm Hengeler Müller together with the German Supervisory Board Working Group, on remuneration issues involving more than 300 supervisory board members, no clear trend towards compensation advice was identified. Only slightly less than half (47.5%) of the boards of the surveyed companies employ compensation consultants.¹

¹ Aufsichtsratsstudie 2019 – Vergütung im Mittelpunkt, https://www.hengeler.com/fileadmin/medien/broschueren/2019-09_AR-Studie-2019.pdf (in German).

2. Considerations on advisors – Drawbacks and advantages

Drawbacks

It is obvious that retention of advisors incur expenses for the company, which have to be justified by added value with respect to the decision at hand, which in general will be the case given the complexity of compensation matters. Further, the duration of the decision-making process may be extended by including advisors in the process. In any case, members of the supervisory board members or remuneration committee have to avoid any bias towards or inappropriate reliance on rendered advice. Expert findings and recommendations shall be reviewed and challenged by the board or committee and members shall make their own analysis and draw their conclusions.

Advantages

On the other hand, expert advice with respect to compensation brings many advantages for professional decision-making processes. In particular, input, analysis and recommendations from outside advisors may serve as a useful basis and starting point for the consideration by the board or committee and later on in the process proposals and decisions of the board or committee may be verified and confirmed by outside advisors in order to secure compliance under various rules and regulations.

- Adequate information for the business judgement

As a starting point, it has to be noted that business judgement shall be executed based on adequate information. If a board or committee cannot draw on a particular expertise of one of its members, reasonable business judgement requires obtaining of expert advice in order to secure an educated decision-making process.

- Peer group data access and preparation

According to sec 78 para 1 Stock Corporation Act the total compensation of management board members shall inter alia be set in a reasonable proportion to customary remuneration (i.e. peer group).

Hence, remuneration policies as well as the decisions to set individual compensation levels require peer group compensation data to back test and justify compensation levels. Compensation consultants may assist with respect of required peer group data and are able to provide tailor-made comparisons for the positions and roles of the executives of the company.

- Advice on trends and best practice on compensation structure and design

Consultants may support the assist with the determination of best practices and trends on the structure and design of executive compensation of public companies.

- Legal compliance

The regulation and disclosure requirements on executive compensation already reached a particular level of complexity and by obtaining legal advice regulatory compliance can be safeguarded. Legal counsel can assist with the corporate matters in connection with say-on-pay of the shareholders as well as on the market standards of executive service contracts including respective drafting. In addition, a particular legal input is required on stock option and other equity based compensation programs.

- Proxy advisor and institutional investor perception

With respect to say-on-pay vote of the shareholders, it is important to consider the voting guidelines and view of proxy advisors as well as institutional investors on compensation matters. Respective advice can help to understand and anticipate the respective impact on say on pay voting or on the approval of an equity compensation plan.

3. Considerations on engaging advisors

The supervisory board or the remuneration committee may retain advisors with respect to compensation matters directly. It is also common, however, that advisors of the company engaged by the executive board provides, directly or indirectly, advice to the supervisory board or the committee.

Of course, the supervisory board or a remuneration committee may turn to the management board to assist for the engagement of advisors on remuneration matters. In any case, the corporate body obtaining expert advice must pay attention on potential conflict of interests of an advisor and in connection with an assistance of the management board in the process it must be ensured that the advisor is aware of its role as advisor retained by the supervisory board or remuneration committee on behalf of company.

- Compensation consultants

For the services of compensation consultants C-Rule 43 CCG excludes consultants for services to the remuneration committee that also renders advice to the management board on remuneration matters.

- Outside legal counsel

With respect to external legal counsels it is common that advisors are retained by the management board on behalf of the company to advice on executive compensation legal issues and that the external legal counsel provides advice to the company on which the supervisory board and/or committee then relies.

Involvement of such management-retained outside legal counsel will often be the most efficient approach. However, in general or under specific circumstances, in particular to exclude any conflict of interests the supervisory board and/or committee may also engage another or additional outside legal counsel to assist on compensation matters.

- Proxy solicitation firms

The say-on-pay in the shareholders' meetings will increase the impact of proxy advisors such as ISS and Glass Lewis and there is a strong focus of investors on compensation matters given that executive compensation is one of the key instruments for companies and shareholders to align their interests with those of the executive board members.

It may be advisable to engage proxy solicitation firms to analysis and advice with respect to voting guidelines and the approach to voting recommendations and voting decisions of proxy advisors as well as institutional investors on remuneration matters, respectively, and to assist on shareholder engagement in that respect.

In addition, an outside legal counsel may be well equipped to assist on the application of voting guidelines and to ensure conformity of remuneration policies with voting guidelines of proxy advisors and institutional investors.

Chapter 3

Remuneration policy

Chapter 3

Remuneration policy

Legal basis

According to Art 9a para 1 of the Shareholders Rights Directive publicly listed companies shall establish a remuneration policy as regards directors and that shareholders have the right to vote on the remuneration policy at the general meeting.

The Shareholders Rights Directive was incorporated into Austrian Law with the Stock Corporation Law Amendment Act 2019 (*Aktienrechtsänderungsgesetz 2019* – BGBl I 2019/63).

The provisions on the remuneration policy for executive board members are set out in sec 78a et. seq. Stock Corporation Act. Those for the policy of the supervisory board members in sec 98a also referring to sec 78a Stock Corporation Act. This Guide on Remuneration Policy focuses on the policy for the executive board.

Remuneration policy as ex ante framework combined with ex post remuneration report

The remuneration policy is designed as ex ante framework with respect to all of the components of the executive board compensation. It may be established as a frame within which the pay of directors is to be held (see recital 29 Shareholders Rights Directive). It shall be clear and understandable and describe the different components of fixed and variable remuneration, including all bonuses and other benefits in whatever form, which can be awarded to executive board members.

The company shall pay remuneration to their executive board members only in accordance with a remuneration policy that has been submitted to vote at the shareholders' meeting (sec 78b para 2 Stock Corporation Act).

To ensure that (i) the implementation of the remuneration policy and (ii) the actually awarded remuneration in the last year complies with the remuneration policy, the management board together with the supervisory board shall draw up a remuneration report, providing a comprehensive overview of the remuneration. The remuneration report for the last financial year shall be submitted to the shareholders' meeting for voting (sec 78d para 1 Stock Corporation Act).

The Commission is authorized to adopt guidelines in order to ensure a more comparable and consistent presentation of the remuneration report. A draft of these guidelines has been disclosed (https://ec.europa.eu/info/sites/info/files/rrg_draft_21012019.pdf). The current draft of the guidelines on the remuneration report are included as Annex.

The content of the Commission's guidelines may also affect the content of the remuneration policy due to the fact that each section to be addressed in the remuneration report must be linked with a respective component of the remuneration policy. Thus, it is recommended to take the required content of the remuneration report into consideration for establishing the remuneration policy and to monitor the further adoption process of these guidelines on the remuneration report.

General statutory requirements on executive remuneration

The general requirements and principles on executive compensation provided in sec 78 Stock Corporation Act remain unaffected by the Shareholders Rights Directive and have not been changed on the occasion of incorporating the Directive into Austrian law either.

The total remuneration of members of the management board (salaries, shares in profits, expense reimbursements, insurance premiums, commissions, incentive-linked remuneration commitments and any other type of payments) shall be commensurate with

- the tasks and performance of each individual member of the management board;
- the situation of the company; as well as
- the customary level of remuneration (understood as peer group comparison).

The remuneration shall provide long-term incentives for sustainable development of the company.

This long-term focus for executive compensation has already been incorporated in the sec 78 Stock Corporation Act in 2012 in the aftermath of the financial crisis. Further C-Rule 27 already provides that variable remuneration components shall be linked, above all, to sustainable, long-term and multi-year performance criteria.

The Shareholders Rights Directive puts an even stronger emphasis on the long-term focus with the requirement that the remuneration policy shall contribute to the business strategy, long-term interests and sustainability of the company (Art 9a para 6 Shareholders Rights Directive) and shall not be linked entirely or mainly to short-term objectives (see recital 29 Shareholders Rights Directive).

Items to be addressed by the remuneration policy

1. General principles for the remuneration policy

Alignment with business strategy

The remuneration policy shall contribute to the company's business strategy and the long-term development of the company and shall explain how that is done (sec 78a para 2 Stock Corporation Act).

The starting point is therefore the company's business strategy. It has to be noted that the responsibility for the determination of the company's business strategy rests with the executive board whereby the Supervisory Board must be involved in determining the business strategy. Pursuant to section 70 para 1 Stock Corporation Act with respect to strategic decisions "the best interests of the company, taking into account the interests of shareholders and employees, as well as the public interest requires it" must be taken into account. In turn, the company's interest is generally defined as safeguarding the existence of the company's business as well as the achievement of a sustainable operating result, taking into account the long-term development of the company. The so determined business strategy of the company is the basis of the remuneration policy.

The remuneration policy must describe how the policy contributes to this business strategy.

Contribution to long-term interest and sustainability of the company

The Shareholders Rights Directive puts a strong emphasis that the remuneration policy contributes to the long-term development and sustainability of the company.

This requirement concerns various elements of the executive remuneration and the incentives associated therewith, for example:

- The ratio between annual base salary (fix remuneration) and variable remuneration (at risk) shall incentivise the executive and align its interest with those of the company and

the shareholders' interests, but should not encourage inappropriate risk taking by executives.

- The appropriate split of the variable remuneration between a short-term incentive (typically annual) and a long-term component. Given the link to a long-term development of the company, the form of a long-term compensation program based on performance rather time-based vesting criteria seems the preferable route and is also in the focus of institutional investors and proxy advisors.

However, from legal point of view also annual incentives based on a performance metrics set for and measured over a multi-year period or waiting periods or malus rules depending on multi-year performance criteria or floors are feasible to address the long-term development.

- The specific performance metrics of the variable remuneration (short-term as well as long-term) are of particular importance to achieve a contribution to long-term development. The performance metrics have to be relevant with respect to the business development and supportive to the company's business strategy and the actual target figures shall be significant in that respect. In other words the remuneration plans must be tailored to the challenges of the company and encourage the board members to take appropriate risk.
- Further structural elements on incentivising long-term focus of executives include stock ownership requirements and malus-/clawback policy.

These elements will be explained in more detail later on with the relevant components (see Structure and components of executive remuneration).

Comprehensive and clear description

The remuneration policy shall be clear and understandable and shall describe the different components of fixed and variable remuneration, including all bonuses and other benefits in whatever form, which can be awarded to executive board members.

It should be emphasised once again that the company shall pay remuneration to their executive board members only in accordance with the remuneration policy (sec 78b para 2 Stock Corporation Act). Meaning that all components of the remuneration as well as any of the relevant criteria for the performance metrics has to be included in the remuneration policy. It is unlawful to award executive remuneration on a basis or criteria not included in the remuneration policy.

No absolute maximum to be determined, but relative

It is not regulated by the statute that a fixed maximum limit for the total compensation has to be included in the remuneration policy. Although also a relative cap is not explicitly regulated, such cap is indirectly derived from the requirement to indicate the relative proportion of all of the remuneration components (i.e. fix, variable).

A maximum award limit must be set for the variable remuneration component, either as a fixed amount or as a percentage from the fix remuneration according to C-Rule 27 CCG. Further, a maximum award limit is standard market practice and also included in the voting guidelines of the proxy advisors (maximum award limit to be defined (ISS); disclosure of the potential maximum pay-out (Glass Lewis))

Indication of relative proportion of remuneration items

The remuneration policy shall indicate the relative proportion of remuneration items (sec 78 para 2 Stock Corporation Act). The indication of the relative proportion of the fixed remuneration to the variable remuneration, based on a certain performance assumed to be achieved, is sufficient. Derived from this obligation to disclose the relative proportion only, it is not required to include fix amounts or bandwidths with respect of the fixed remuneration.

Further, in our opinion it is also statutorily required to include the sub-proportion of the short-term variable compared to a long-term variable component. In any case, there is a clear investor information demand with respect to this ratio (see e.g. the appropriate short-term/long-term allocation required by ISS, Glass Lewis).

The Compensation Policy has to include an indication of the range of the relative proportion of all remuneration components. In particular the ratio between fix and variable compensation and further, if applicable, the ratio between short-term and long-term variable components should be set out.

Such indication of the relative proportion should be based on a 100% achievement of the respective long-term and short-term performance criteria. Further long-term incentives that would be paid upon achievement of the respective goals at the end of the performance period should be broken down to a yearly amount.

It is unclear whether a relative proportion has to be specified also for fringe benefits (such as company cars for private use or insurance coverage) as part of the remuneration. Given that, in the remuneration report only the ratio between the fix and variable remuneration has to be included, it can be argued that it is also sufficient for the remuneration policy to specify the relative proportion of fix and variable remuneration, unless the value of such fringe benefits is material compared to the fix or variable component. In this case, fringe benefits themselves would have to be qualified as either fix or, depending on the characteristics, as variable remuneration item.

Pay and employment conditions of employees

The remuneration policy shall explain how the pay and employment conditions of employees of the company were taken into account when establishing the remuneration policy (sec 78a para 3 Stock Corporation Act).

The explanatory notes of the statute refer to an internal, vertical appropriateness criteria for the executive remuneration (section 78 Stock Corporation Act). However, is not required to specify an executive/employee-pay ratio or maximum pay-ratio. It is required to explain how the pay and employment conditions have been taken into account.

As alternatives to a comparison of payment levels, the following can be considered. Comparable design of variable remuneration systems for employees (as the case may be); or consideration of non-financial (ESG) performance criteria relating to employees (e.g. gender pay equality, diversity and inclusion, wage level, and various worker safety and training metrics) (see below for details on the performance metrics and ESG criteria in that respect).

It has to be noted that the statute refers to the pay and employment conditions on the company level (stand-alone), not to a group-level.

However, the remuneration report may require to address the group level to describe the annual change of the executive remuneration and of average remuneration on a fulltime equivalent basis of employees of the company over at least the five most recent financial years (presented together in a manner which permits comparison) (sec 78c para 2 no 2 Stock Corporation Act). Although the

statute again refers to the company (solo level), the Consultation on the remuneration report highlights potential transparency requirements:

Information including all the employees of the 'company' (i.e. the reporting company). Additionally, where companies consider it appropriate or more meaningful or informative, they may also provide numeric information including the employees of the entire group of companies, on a consolidated basis. This information could be relevant when the performance of the company is also presented by metrics that take into account the performance of the entire group.

2. Competences and responsibilities, avoidance or management of conflicts of interest

Decision-making process

The remuneration policy shall explain the decision-making process followed for its determination, review and implementation, including, measures to avoid or manage conflicts of interests and, where applicable, the role of the remuneration committee or other committees concerned (sec 78a para 7 Stock Corporation Act).

The general procedures for determining, reviewing and implementing of the remuneration policy shall be described, in particular

- Governing bodies of the company involved, in particular the role of the remuneration committee or other committees (see Chapter 1).
- It is advisable to disclose, whether compensation consultants were involved and their role.
- The use of peer group comparisons (customary level of peer-group remuneration).
- The approach and process taken on the evaluation of the remuneration policy.

Avoid or manage conflicts of interests

The remuneration policy shall include measures to avoid or manage conflicts of interests with respect of the determination, review and implementation of the remuneration policy.

For example:

- Composition of the supervisory board and the remuneration committee with independent board members according to the Code of Corporate Governance.
- Methods to objectify basis and figures for variable remuneration.
- Use of relative performance criteria (e.g. peer group, sector index).

Structure and components of executive remuneration

Neither the Shareholders Rights Directive nor the Stock Corporation Act provide specific methods or required components that should be considered with respect to the executive remuneration. According to C-Rule 27 CCG the remuneration contains fixed and variable components. As described the Stock Corporation Act even more emphasised by the Shareholders Rights Directive provides a clear long-term focus. In general, to achieve a long-term incentive the remuneration must include appropriate variable components.

The prevalent model for executive remuneration combines three elements: a base cash salary, an annual cash bonus (usually referred to as “short-term incentive” (STI) and an equity-based or equity related element usually referred to as “long-term incentive” (LTI).

1. Fixed remuneration

Fixed remuneration is a customary component of executive remuneration (C-Rule 27 CCG). The policy must describe if a fixed remuneration component can be awarded to executive board members.

The remuneration policy shall indicate the relative proportion of remuneration items (sec 78 para 2 Stock Corporation Act). Derived from this obligation to disclose the relative proportion only, it is not required to include fix amounts or bandwidths with respect to the fixed remuneration. The policy should further include the optionality to differentiate for the fixed amount awarded, in particular with reference to executive board functions. Such differentiation is market standard with respect to the CEO and other executive board members, but may also be (although not in all cases) appropriate among the other executive board members.

An appropriate fixed remuneration avoids inappropriate "risk appetite" for variable remuneration components and thus supports indirectly the long-term development of the company.

2. Variable remuneration

Legal basis

Where a company awards variable remuneration, the remuneration policy shall set clear, comprehensive criteria for the award of the variable remuneration (sec 78a para 4 Stock Corporation Act).

The policy shall

- indicate the financial and non-financial performance criteria,
- including, where appropriate, criteria relating to corporate social responsibility,
- explain how the criteria contribute to the company's business strategy and long-term interests,
- explain the methods to be applied to determine to which extent the performance criteria have been fulfilled
- specify information on any deferral periods, and
- specify information on the possibility for the company to reclaim variable remuneration.

The variable remuneration components shall be linked, above all, to sustainable, long-term and multi-year performance criteria, shall also include non-financial criteria and shall not entice persons to take unreasonable risks (C-Rule 27 CCG).

3. Further components

The remuneration policy shall further describe as part of the remuneration all bonuses and other benefits in whatever form, which can be awarded to the members of the executive board (sec 78a

para 2 Stock Corporation Act). This covers in particular fringe benefits, provided insurance coverage.

Further, the remuneration policy shall indicate the main characteristics of supplementary pension or early retirement schemes (as the case may be) (sec 78a para 6 Stock Corporation Act).

Variable remuneration components

1. Long-Term focus

Statute, Code of Corporate Governance, Investors

There is clear long-term focus in the statute, the Code of Corporate Governance as well as with the proxy advisory and main parts of the institutional investors:

- Remuneration shall provide long-term behavioural incentives for sustainable corporate development (sec 78 para 1 Stock Corporation Act)
- The remuneration shall promote the long-term development of the company (sec 78a para 2 Stock Corporation Act)
- Performance criteria shall include sustainable, long-term and multi-year performance criteria (C-Rule 27 CCG)
- Appropriate short-term/long-term allocation required (ISS, Glass Lewis)
- No inappropriate focus on short-term (ISS)
- Higher long-term portion expected with variable compensation (e.g. BlackRock)

Concepts to achieve long-term incentive

There are different concepts to achieve the required long-term incentive.

In that respect, a long-term incentive program in addition to the short-term variable component can be considered as market standard.

However, long-term incentive from legal point of view may also be achieved by

- (annual) variable remuneration component with performance metrics set and measured on a multi-year basis;
- (annual) variable remuneration with performance metrics combined with waiting periods or malus rules depending on multi-year performance metrics or performance floors.

The "Norges Model" proposes a substantial portion of the annual remuneration to be allocated in shares combined with minimum five years lock-up, independent of any termination of the executive mandate (resignation, expiry) (see Norges Bank, CEO Remuneration Position Paper; Norges Bank, Remuneration of the CEO, Asset Manager Perspective, 01/2017, <https://www.nbim.no/en/the-fund/responsible-investment/our-voting-records/position-papers/ceo-remuneration/>).

2. Performance metrics and objectives

The following remarks on the performance metrics and relevant content of the remuneration policy relates to both, short-term incentive as well as long-term incentive, considered as the two standard components of variable remuneration. Specific requirements on long-term incentive plans are described thereafter.

Determined with respect to the company and its business model

The performance metrics must be determined with respect to each company and its specific business model and strategy.

The performance criteria shall be or linked to the relevant key performance indicators for the business operations and strategy of a company (sec 78a para 4 Stock Corporation Act). The remuneration policy has to explain how the criteria contribute accordingly. This means a clear connection between company performance, strategy and the respective value drivers and the performance metrics (remuneration structure) is required and shall be explained in the remuneration policy.

The metrics may also include performance criteria relating to and reflecting the individual performance of an executive compared to the overall company performance achieved collectively by the whole board.

Specific considerations:

- With respect to the short-term and long-term variable components it is market practice that different set of performance metrics are applied in order to avoid double-incentives.
- It is market practice that long-term incentives are based on two or more performance criteria, whereby at least one shall be a relative performance metric that compares the company's performance to a relevant peer group or index.
- In this context certain investors (e.g. BlackRock) are stressing a preference not to use only output metrics, such as earning per share (EPS) or absolute/relative total shareholder return (TRS), but input metrics (within management's control), such as return of invested capital (ROIC) or cost of capital.

Financial and non-financial criteria

The remuneration policy shall indicate the financial and non-financial performance criteria. According to C-Rule 27 CCG the variable remuneration components shall also include non-financial criteria (comply or explain).

Non-financial criteria may include key sustainability parameters, such as innovation, ecological impact of business operation, customer and employee satisfaction (compare guidelines for sustainable executive compensation, www.leitlinien-vorstandsverguetung.de)

However, the current main investor focus rests with financial criteria (e.g. BlackRock requiring minimum 60 percent quantitative).

Environmental, social and governance factors (ESG)

The statute does not require that ESG-factors are included with respect to variable remuneration. According to sec 78a para 4 the policy shall describe (as the case may be) criteria relating to corporate social responsibility.

However, investors and companies have become increasingly focused on ESG issues. Recent months have seen institutional investors and other stakeholders, notably BlackRock (please refer to the letter of Larry Fink (CEO of BlackRock) to CEOs, <https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter>) and State Street (please refer to the CEO's Letter on the 2020 Proxy Voting Agenda of State Street, <https://www.ssga.com/at/de/institutional/etfs/insights/informing-better-decisions-with-esg>) stressing the importance of comparable and decision-relevant ESG disclosures. In January 2020

the World Economic Forum released a Consultation Draft of common ESG metrics for investor communications highlighting the growing pressure for disclosure of ESG metrics (please refer to *Toward Common Metrics and Consistent Reporting of Sustainable Value Creation*, <https://www.weforum.org/whitepapers/toward-common-metrics-and-consistent-reporting-of-sustainable-value-creation>).

It is already market standard in parts of the developed markets to incorporate ESG-related metrics in remuneration programs, although such metrics are often included within qualitative or individual performance components of the remuneration and are frequently of limited weight and ESG goals have been employed primarily in short-term incentive programs. However, the necessarily long-term view on sustainability may potentially make them suitable for long-term incentive plans.

However, it is expected that the ESG movement continue to gain momentum so that there will be a requirement for business development as well as stronger investor demand on the utilization of ESG goals in the remuneration design. Therefore, the prevalence of ESG measures will most likely grow in the years to come.

An implementation of ESG related metrics must start with an assessment of which ESG issues are most relevant to the company and how such key factors can be quantified and measured. Devising objective criteria for measurement will be one key challenge for companies. Although current initiatives and movements (see above) on the disclosure of metrics may facilitate establishment of such criteria by standardizing measurements and making peer data more readily available.

Pay and employment conditions of employees

Although not as a mandatory performance criteria, the statute refers to the human capital factor as ESG-factor to be addressed. The remuneration policy shall explain how the pay and employment conditions of employees of the company were taken into account when establishing the remuneration policy (sec 78a para 3 Stock Corporation Act).

The consultation draft by the World Economic Forum of common ESG metrics for investor communications (see <https://www.weforum.org/whitepapers/toward-common-metrics-and-consistent-reporting-of-sustainable-value-creation>) identifies "People" as one of four core areas, including within that topic standards related to gender pay equality, diversity and inclusion, wage level, and various worker safety and training metrics.

Explanation of the performance metrics

The remuneration policy shall explain how the variable criteria contribute to the company's business strategy and long-term interests and explain the methods to be applied to determine to which extent the performance criteria have been fulfilled (sec 78a para 4 Stock Corporation Act).

Hence, the policy shall describe the performance metrics and criteria and their particular relevance for the company and its business operations as key performance indicator as well as the market the company is operating. In particular the relevance of the performance metrics to contribute to the business strategy and long-term development of the company.

The policy shall describe, how and by which means the performance criterion/key performance indicator is determined. If applicable, any potential adjustment of the key performance indicator in case of extraordinary events or non-standard significant developments (e.g. acquisitions, disposals, changes to IFRS standards, etc.).

In order to realize this principle the focus of the variable remuneration shall be on long-term criteria that cover a period of at least three years. The members of the Executive Board shall participate in the long-term development and long-term value creation of the company. In addition, short-term components containing annual targets to be achieved may be implemented in the variable

remuneration system if such short-term incentives are appropriate to increase the stakeholder value. In other words: Short-term windfalls that do not match the business strategy or sustained interests of the stakeholders should be avoided.

Link to published figures or explanatory description of the relevant figure

It is not required that the performance criteria for variable remuneration are derived from or must be reconcilable to external published figures.

The relevant criteria, however, must be clearly and comprehensively set out in the remuneration policy and the methods for determining the compliance with the criteria shall be provided. The remuneration report shall state how the performance criteria have been applied.

Thus, the relevant performance criteria and how they are derived must be presented in a comprehensible manner in the remuneration policy with an explanatory description on the parameter, if necessary. This requirement follows indirectly from the subsequent reporting obligation in the remuneration report how the performance criterion is applied and measured. The remuneration report has to describe the set goals (and their fulfilment).

3. Determination of the specific performance targets

Decision-making process followed for the implementation of the policy

The remuneration policy shall explain the decision-making process followed for the implementation of the remuneration policy (sec 78a para 7 Stock Corporation Act). For the variable remuneration components, measurable performance criteria shall be fixed in advance (C-Regel 27 CCG), meaning prior to the relevant performance period.

Based on that the following shall be included in the remuneration policy:

- Description of the process how the specific performance targets are determined.

It is not required to include specific targets already in the remuneration policy. However, the remuneration report has to describe the specific targets set as well as their fulfilment.
- Relevant weighting of the performance criteria for the variable awards or description of the process for the determination.
- Minimum required and maximum degree allowed and/or respective corridors for the potential target achievement.
- Process to determine target achievement, including assessment basis and time line.
- Responsible corporate bodies for the determination and evaluation (supervisory board/remuneration committee).

Avoidance or management of conflicts of interests

Further, the remuneration policy shall include measures to avoid or manage conflicts of interests with respect to the process. Conflicts of interests can inter alia be avoided or managed by involving corporate bodies comprising independent members and/or deploying objective key performance indicators also as relative figure to peer-group or sector indexes.

Any deferral periods and rights to reclaim variable remuneration - Claw-back and malus

The remuneration policy shall specify information on any deferral periods and on the possibility for the company to reclaim variable remuneration (sec 78a para 4 Stock Corporation Act).

Precautions shall be taken to ensure that the company can reclaim variable remuneration components if it turns out that these were paid out only based on obviously incorrect data (C-Rule 27 CCG), whereby in such cases as a rule of law the entitlement in most cases anyhow falls away, irrespective of a specific agreement.

- Clawback provisions provide companies with the ability to recoup incentive-based remuneration in certain circumstances.
- Malus compared thereto allows companies to reclaim unvested variable compensation components due to poor performance. Part of the variable remuneration paid is deferred (at risk) subject to a malus to be paid out at a later point in time depending on achieved performance targets or a minimum performance floor in subsequent years (performance adjustments).

The scope of clawback provisions used in the market is in general broader than required by the CCG (see above) and includes events as financial restatement or commission of an act detrimental to the company.

Clawback provisions inter alia aim to enhance shareholder confidence in executive accountability, promoting the accuracy of financial statements and alignment of risks and rewards. Of course, there are also countervailing considerations. If inappropriately designed, clawback policies can result in unfair treatment of executives and can put pressure on board members to enforce clawbacks in all cases.

Clawback provisions have increased in prevalence, mostly structured as discretionary feature and not mandatory. Common clawback triggers not only relate to awards based on incorrect data (as provided by C-Rule 27 CCG), but also events of financial restatement and events of significant misconduct.

Long-Term Incentive

1. Legal basis

Content of the remuneration policy

Where the company awards share-based remuneration, the policy shall specify

- vesting periods;
- where applicable retention of shares after vesting;
- and explain how the share based remuneration contributes to the company's business strategy and long-term interests (sec 78a Stock Corporation Act).

See above on the general requirements on the performance metrics for variable remuneration to be set out in the remuneration policy.

Structural requirements provided by statute and Code of Corporate Governance

The remuneration shall provide long-term behavioural incentives for sustainable corporate development (sec 78 para 1 Stock Corporation Act) and shall promote the long-term development of the company (sec 78a para 2 Stock Corporation Act). The performance criteria shall include sustainable, long-term and multi-year performance criteria (C-Rule 27 CCG).

C-Rule 28 CCG provides the following requirements for stock option programmes or programmes for the preferential transfer of stocks proposed for executive board members:

- Programmes shall be linked to measurable, long-term and sustainable criteria.
- It shall not be possible to change the criteria afterwards (no repricing).
- For the duration of such programmes, but at the latest until the end of the executive board member's function on the executive board, the executive board member shall hold an appropriate number of shares in the company (ownership requirement).
- In the case of a stock option programme, a waiting period of at least three years must be set. A waiting and/or holding period of a total of at least three years shall be defined in stock transfer programmes (waiting/holding period).

Further C-Rule 28 CCG requires that the shareholders' meeting shall pass any resolutions and/or changes to stock option schemes and stock transfer programmes for executive board members. This will take place pursuant to the say-on-pay vote anyhow.

Granting physical-settled stock options to executive board members triggers a specific reporting requirement. This reporting requirement is applicable in relation to all relevant capital measurements for underlying shares: conditional capital - sec 159 para 2 no 3; treasury shares - sec 95 para 6; ordinary share capital increase - sec 153 para 4; and authorised capital - sec 171 para 1, referring to sec 159 para 2 no 3 Stock Corporation Act, respectively.

The supervisory board shall submit a written report to the shareholders' meeting or publish the report prior to the respective board resolution (as the case may be), which must at least contain the following points (sec 159 para 2 no 3 Stock Corporation Act):

- the principles and performance incentives underlying the structure of the stock options;
- the number and distribution of the options to be granted and already granted to executives and individual members of the executive bodies; stating the number of shares that can be subscribed to in each case;
- the material terms and conditions of the stock option agreements, in particular the exercise price or the basis or formula for its calculation; the term as well as the exercise period; and
- transferability of the options and any retention period for shares subscribed to.

2. Common types of equity-based or equity-related awards

There are various equity-based models used for remuneration approaches. The list provides an overview of equity-based remuneration models and their specific characteristics. The described types are not mutually exclusive alternatives and it may be considered to establish a mix of types of remuneration based on the business needs of a company.

- **LTIP** - The current prevailing model is referred to as long-term incentive plan (LTIP), whereby incentives can be structured to match performance targets, equity is awarded and vests at a future date conditional on achievement of metrics (performance-based vesting vs time-based vesting).

For details on a typical LTIP-structure, please refer to Chapter 5 (Overview on the concept of executive remuneration).

LTIP carry a great flexibility in contract design. In particular, with respect to the structure or combination of the applied performance criteria, which can be equity-return driven or based on operational and/or financial criteria. The flexibility also tends to create complexity, in particular set of metrics, relative to index/peer group, matching schemes, vesting schedules and holding requirements and often multiple LTIP vintages.

- **Stock Options** - Right to buy a fixed number of shares within a fixed period of time at an ex-ante fixed price that is in most cases linked to the stock price on the date of grant (at-market), typically following the satisfaction of service-based and/or performance-based vesting conditions.

Stock options create a benefit for the holder in case of an increase of the company share price which should encourage measures to increase the share price sustainably; but may also incentivise to take more risks. The incentive is asymmetrical. Carries as disadvantages a strong incentive to manage share price down at award date (at-market) and up at exercise date.

- **Stock Appreciation Rights (SAR)** - SARs entitle the grantee to receive the appreciation in the underlying stock over the exercise price; they are essentially stock options with a mandatory net settlement feature. Upon exercise of the SARs, the grantee receive cash, stock or a combination of both in the amount of the increase of the stock price.

The exercise of SARs does not require the holder to pay an exercise price. SARs are settled in cash instead of stock and will not result in equity dilution, but require an outlay of cash by the company. Further, cash-settlement will not increase the executive holding of shares in the company.

- **Stock Transfer Programme / Restricted Stock** – Restricted stock is an award of actual of shares of the company subject to specified vesting condition, typically service/time-based and/or performance-based, and limitations on transfer.

Restricted stock share the upside and the downside of an increase or decrease of the share price, which directly aligns the interests with shareholders. Because the award consists of actual outstanding shares, restricted stock is entitled to any voting and dividend rights. However, voting and dividend rights can be limited pursuant to particular award conditions (e.g. dividends are accrued and paid only upon ultimate vesting of the underlying shares).

Restricted stock will realize value even if the share price decreases during or after the vesting period and may thus have greater retentive value than stock options in a down market and may not encourage too risky strategies, as could be the case with stock options or SARs. However, it may be considered as drawback as some value from restricted stock is received even if the share performs poorly.

Key elements of the contracts with the executive board members

The remuneration policy shall indicate the duration of the contracts with executive board members and the applicable notice periods as well as the terms of termination and payments linked to termination (e.g. early termination terms or termination due to a change of control).

Opt-out for a deviation from the Remuneration Policy in exceptional circumstance

According to sec 78 para 8 Stock Corporation Act a company is allowed to temporarily derogate from the remuneration policy under the following prerequisites:

- › The remuneration policy includes the procedural conditions under which the derogation can be applied.
- › The remuneration policy specifies the elements of the policy from which a derogation is possible.
- › An exceptional circumstance occur, which shall cover only situations in which the derogation from the remuneration policy is necessary to serve the long-term interests and sustainability of the company as a whole or to assure its viability.

In our view it is not necessary to describe specific sorts of exceptional circumstances or provide a general description in the policy, as exceptional circumstances are defined by law as prerequisite for the deviation of the policy. I.e. situations in which the derogation from the remuneration policy is necessary to serve the long-term interests and sustainability of the company as a whole or to assure its viability. Such description would also have practical limitations, as circumstances potentially relevant at a later point in time are difficult to foresee.

In the *ex-post* remuneration report any deviations from the remuneration have to be addressed, including the explanation of the nature of the exceptional circumstances and the indication of the specific elements derogated from.

Revision of the Remuneration Policy

Companies shall submit the remuneration policy to a vote by the shareholders' meeting at every material change and in any case at least every four years. The revision of the remuneration policy is in particular required, if the submitted remuneration policy has not been approved by the shareholders' meeting.

Where the policy is revised, it shall describe and explain all significant changes and how it takes into account the votes and views of shareholders on the remuneration policy and remuneration reports since the most recent vote on the remuneration policy by the shareholders' meeting.

Chapter 4

Consideration on proxy advisors

Chapter 4

Consideration on proxy advisors

Background

Many institutional investors and asset managers use the services of proxy advisors who provide research, advice and recommendations on how to vote in general meetings of listed companies. While proxy advisors to a certain extent play an important role in corporate governance by contributing to reducing the costs of the analysis related to company information, they may also have an important influence on the voting behaviour of investors. In particular, investors with highly diversified portfolios and many foreign shareholdings rely more on proxy recommendations (see Recital 25 Shareholders Right Directive).

Institutional Shareholder Services, Inc. (ISS) is the largest proxy advisory firm by a considerable margin, with the next largest being Glass, Lewis & Co., LLC (Glass Lewis). Some ISS and Glass Lewis clients follow the voting recommendations without further review, while others do additional research and analysis to supplement the information from the firms.

The advisory firms review the agenda and the proposed motions of shareholders' meetings and then make a recommendation either "for" or "against" the proposals by the boards of the company. This of course also relates to the say-on-pay proposal, i.e. the submitted remuneration policy. Compensation-related voting sanctions, in addition to the say-on-pay-vote, can be adverse voting recommendations on the re-election of remuneration committee members (chair) or the discharge of board members.

Company boards should consider the voting policies of the proxy advisory firms in order to avoid negative voting recommendations, where such is achievable in the best interest of the company and its shareholders. In any case, an ongoing company engagement with investors and the ability to quickly review and respond to proxy advisory firm recommendations is essential to counteract (as the case may be) adverse ISS or Glass Lewis voting recommendations.

Approach on compensation

1. ISS

Principles

The main global principles followed by ISS on executive compensation are:

- Provide shareholders with clear, comprehensive compensation disclosures;
- Maintain appropriate pay-for-performance alignment with emphasis on long-term shareholder value;
- Avoid arrangements that risk "pay for failure;"
- Maintain an independent and effective compensation committee;

ISS will review compensation-related items on a case-by-case basis. ISS will generally recommend a vote against a company's compensation-related proposal if such proposal fails to comply with one or a combination of several of the global principles (see above) and their corresponding rules set out in their voting guidelines² (please also refer to the Annex for the remuneration relevant extracts of the guidelines).

² <https://www.issgovernance.com/file/policy/active/emea/Europe-Voting-Guidelines.pdf>

Equity-based compensation. Further, principles are applicable with respect to equity-based compensation with the general requirements that the plan(s) are in line with long-term shareholder interests and the award is aligned with shareholder value. This assessment includes, but is not limited to, the following factors:

- Volume must not be excessive (shares reserved for the plan may not exceed 5% of the share capital, except high-growth companies (or particularly well-designed plans) dilution of between 5%-and 10%, with challenging performance criteria);
- sufficiently long-term with minimum vesting period three years from date of grant;
- Granted at market price; discounts, if any, mitigated by performance criteria or other justifying features
- Performance standards (if applicable) must be fully disclosed, quantified, and long-term, with relative performance measures preferred.

Pay for Performance

Where relevant, ISS will take into account their European Pay for Performance Model outcomes within a qualitative review of a company's remuneration practices.

ISS annually conducts a pay-for-performance analysis to measure the alignment between pay and performance over a sustained period addressing

- Peer Group Alignment, alignment between the company's annualised TSR rank and the CEO's annualized total pay rank within a peer group, each measured over a three-year period and the multiple of the CEO's total pay relative to the peer group median.
- Absolute Alignment – the absolute alignment between the trend in CEO pay and company TSR over the prior five fiscal years – i.e., the difference between the trend in annual pay changes and the trend in annualized TSR during the period.

ISS provided significant detail on Evaluating Pay for Performance Alignment. Please refer to ISS, Europe-Evaluating Pay for Performance Alignment, Implementing a P4P Model³ and respective FAQs⁴.

2. Glass Lewis

Principles

No one fits all approach. In general Glass Lewis highlights the given complexity of most companies' remuneration programs, so that Glass Lewis applies a highly nuanced approach when analysing executive remuneration with review on both a qualitative basis and a quantitative basis, taking into consideration the context of industry, size, financial condition, historic pay-for-performance practices, ownership structure and any other relevant internal or external factors.

In addition, any significant changes or modifications, and associated rationale, made to a company's remuneration structure or award levels, including base salaries, will be reviewed.

³ <https://www.issgovernance.com/file/policy/active/emea/European-Pay-for-Performance-Methodology-Overview.pdf>

⁴ <https://www.issgovernance.com/file/policy/active/emea/European-Pay-for-Performance-Methodology-FAQ.pdf>

Glass Lewis will closely review changes to companies' remuneration policies to determine whether the changes will benefit shareholders and therefore whether shareholders should support the proposals.

Nevertheless, where a proposed policy represents a significant improvement over the existing policy, we may recommend voting for the proposal, even when the proposed policy contains some deficiencies.

Disclosure with link to the company's strategy. Glass Lewis requires that the remuneration policy should provide clear disclosure of an appropriate framework for managing executive remuneration and provide an explicit link to the company's strategy, further set appropriate quantum limits along with structural safeguards to prevent excessive or inappropriate payments and particularly any reward for failure.

Troubled items list. Glass Lewis also set out a list of potentially troubling issues that might lead to a negative voting recommendation:

- Policy allows for high pay (as compared to the company's benchmark) that is not subject to relevant and challenging performance targets over the period or has not otherwise been merited by outstanding company performance over the period;
- Overall remuneration structure or the balance between short- and long-term incentive plans is considered as not appropriate or not in shareholders' best interests;
- Pay levels are benchmarked above median without sufficient justification;
- Performance targets are not sufficiently challenging, or not aligned with business strategy;
- Failure to sufficiently disclose the terms of the policy; and
- Substantial changes to the existing policy have been proposed and have not been adequately explained or justified, a negative vote against the policy may be recommended on this basis, if the changes mark a worsening of the overall structure.

Further details on short-term bonus, remuneration relative to peers and ownership-structure and equity based remuneration plans are set out in the published voting guidelines⁵ (please also refer to the Annex for the remuneration relevant extracts of the voting guidelines).

Pay for Performance

Regarding the vote on the remuneration report Glass Lewis will pay particular attention to the alignment between performance and pay outcomes, and the committee's level of disclosure regarding any application of discretion.

Long-term Incentives

Elements required as common to most well-structured long-term incentive plans, include

- No re-testing or lowering of performance conditions;
- Two or more performance metrics;
- At least one relative performance metric that compares the company's performance to a relevant peer group or index;

⁵ https://www.glasslewis.com/wp-content/uploads/2016/11/Guidelines_Continental_Europe.pdf

- Performance periods of at least three years;
- Stretching targets that incentivise executives to strive for outstanding performance;
- Individual limits expressed as a percentage of base salary; and
- Holding requirements for executives, preferably extending through the duration of their tenure.

Shareholder engagement required if say-on-pay vote falls below certain approval threshold

1. Glass Lewis

Board responsiveness on items with 20% votes against

Where relevant Glass Lewis “enforces” say-on-pay votes of shareholders’ meeting by way of negative voting recommendations on all members of the remuneration committee (that served during the relevant time period) inter alia

- if the committee failed to address shareholder concerns following majority shareholder rejection of the say-on-pay proposal in the previous year; and/or
- the say-on-pay proposal was approved but there was a significant shareholder vote (i.e., greater than 20% of votes cast) against the proposal in the prior year, and there is no evidence that the board responded accordingly to the vote including actively engaging shareholders on this issue.

Assessment of board responsiveness

The evaluation of board responsiveness involves the review of publicly available disclosures released following the date of the company’s last annual meeting with focus on:

- Board level – any changes in directorships, committee memberships, disclosure of related party transactions, meeting attendance, or other responsibilities;
- Revisions to the company’s articles of incorporation, bylaws or other governance documents;
- Press or news releases indicating changes in, or the adoption of, new company policies, business practices or special reports;
- Modifications made to the design and structure of the company’s remuneration program; and
- Modifications made to the company’s capital management powers such as issuance of shares authority or buy-back programs.

2. ISS

ISS takes a similar approach, if a company is deemed to have failed to respond to significant shareholder dissent on remuneration-related proposals.

An adverse vote recommendation could be applied to any of the following on a case-by case basis:

1. The re-election of the chair of the remuneration committee or, where relevant, any other members

of the remuneration committee; 2. The re-election of the board chair; 3. The discharge of directors; or 4. The annual report and accounts. This recommendation could be made in addition to other adverse recommendations under existing remuneration proposals (if any).

Recommended actions in the process of voting recommendations

Members of the supervisory board/ remuneration committee should be aware of the strong influence proxy advisors are having on institutional investors as well as the public perception of say-on-pay or other proposals to the shareholders' meetings.

Thus, boards should consider certain actions with respect of voting policies and recommendations of proxy advisors in the best interest of the company, its shareholders and investor base. This may include the following:

Analyse the shareholder structure

Analyse the company's institutional shareholder base and determine the degree of influence that proxy advisors. I.e. each of ISS and Glass Lewis will have how shareholders will vote.

Analyse prior reports

Reports issued by ISS and Glass Lewis in respect of prior years should be analysed in order to address any specific concerns raised.

Shareholder engagement

Conduct adequate shareholder engagement efforts also on remuneration matters to facilitate investors' understanding of the company's remuneration arrangements. Process and results from shareholder engagement should be documented. The engagement should solicit reactions to the company's existing executive remuneration program as well as views regarding any concerns raised by proxy advisers or others.

Run pay for performance analyses

Deploying the pay for performance models of proxy advisors to check any disconnection of actual paid compensation and the company's performance (see above on the ISS pay for performance model).

Review "troubled items" lists

In the course of establishing the remuneration policy the board should be aware, if compensation factors are determined that typically cause the proxy advisors to issue a negative voting recommendation.

Further, board should consider items driving good corporate governance and alignment of the remuneration policy with shareholder interest, including share ownership requirements, clawback, malus and anti-hedging rules.

Careful drafting of the remuneration policy

The board should allow for appropriate preparation and drafting of the remuneration policy and consider required input from legal, human resources, finance, as well as external legal counsel as well as compensation consultants.

Beside the legal requirement of a clear and understandable description, the remuneration policy should be used to "tell the story" of the company's approach on remuneration. This may involve

using tables, charts and graphs and other user-friendly presentation. Specific requirements or concerns of the proxy advisors or institutional investors may be highlighted.

Review proxy advisor reports (also if positive)

Upon receipt, proxy advisor reports should be carefully reviewed, even in case of positive recommendation, in order to ensure that all details of the remuneration policy and plans have been described accurately in the report. If that is not the case, the proxy advisor firms should be contacted with corrections as soon as possible.

Ready to respond swiftly and consider shareholder engagement

Reports are in general issued just a few weeks prior to the date of the shareholders' meeting. Response and addressing any factual errors or concerns with institutional shareholders is time critical.

In case of negative recommendations, to issue a rebuttal statement or other materials to take the matter directly to the shareholders should be considered.

Chapter 5

Overview of remuneration concept for executives

Chapter 5

Overview of remuneration concept for executives*

The following table presents an overview of the key parameters of a market standard remuneration package addressing the requirements according to Stock Corporation Act (SCA), CCG as well as proxy voting guidelines of ISS and Glass Lewis. At some points, the overview include a reference to the voting guidelines of Norges, BlackRock, Vanguard, Fidelity and Allianz.

Parameter	Explanation	SCA/CCG	ISS	Glass Lewis	Others
1. General Structure					
Components Fixed, Variable	Fixed and variable remuneration components	Remuneration contains fixed and variable components (C-27)	Variable elements	Short/Long-term remuneration components	
Relation Fixed/Variable	Proportionate allocation of the components as starting point ¹ . [fixed] : [variable]	Disclosure of the ratio of the fixed to the variable components (C-30)			
Relation Variable	The basis for the pay structure is a proportionate one ² . [fixed] : [short term] : [long term]	Disclosure of the principles applied by the company for granting variable remuneration (C-30)	- Appropriate (short-/long-term) - Avoid disproportionate focus on short-term variable elements	Mix of performance-based short- and long-term incentives	<u>Blackrock</u> ³ : larger portion of variable pay based on sustained performance over a multi-year period expected

* Extract of BlackRock, Proxy voting guidelines for European, Middle Eastern, and African securities, January 2019

¹ Taking into account an assumed degree of target achievement.

² Taking into account an assumed degree of target achievement.

³ BlackRock, Proxy voting guidelines for European, Middle Eastern, and African securities, January 2019, S 10 (<https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-guidelines-emea.pdf>).

Parameter	Explanation	SCA/CCG	ISS	Glass Lewis	Others
Fixed	[...]	-	Generally, the level of pay should not be excessive relative to peers, company performance and market price.	Pay ratio considering median	<u>Blackrock</u> ⁴ : determined by the tasks; consideration of the pay ratio
2. Variable (short-term incentive)					
Performance metrics Weighting	<ul style="list-style-type: none"> - Financial and non-financial criteria - Relevant criteria and key-performance indicators for business operations - Weighting of the specific performance criteria 	<ul style="list-style-type: none"> - Contribution to the development of the company. - Sustainable, long-term and multi-year performance criteria, including non-financial criteria (C-27) 	<ul style="list-style-type: none"> - Clear link between the company's performance and variable awards - No significant discrepancies between the company's performance and real executive pay-outs 	<ul style="list-style-type: none"> - Financial/non-financial⁵ - Relevant key-performance indicators to measure a company's performance/strategy 	<ul style="list-style-type: none"> - <u>Blackrock</u>⁶: STI/LTI based on different sets of performance metrics; - Majority financial - At least 60% should be based on quantitative criteria
Targets	<ul style="list-style-type: none"> - Process and parameters for setting targets prior to relevant period. - Determination based on company/budget planning; targets above pure budget fulfilment. 			<ul style="list-style-type: none"> - Based on quantifiable performance against disclosed targets - Stretching performance targets for the maximum award to be achieved (sufficiently challenging)⁷. 	

⁴ BlackRock, Proxy voting guidelines for European, Middle Eastern, and African securities, January 2020, S 11.

⁵ Glass Lewis: Non-financial factors such as those related to employee turnover, safety, environmental issues, and customer satisfaction.

⁶ BlackRock, Proxy voting guidelines for European, Middle Eastern, and African securities, January 2020, S 14.

⁷ Glass Lewis: Shareholders should expect stretching performance targets for the maximum award to be achieved.

Parameter	Explanation	SCA/CCG	ISS	Glass Lewis	Others
Degree of target achievement Target corridors	<u>Determination of degrees of target achievement:</u> - [performance criterion]: from [0%] to [●%] - [performance criterion]: from [0%] to [●%] etc. - [non-financial targets] ⁸ : from [0%] to [●%] <u>Determination of target corridors:</u> [●%] to [●%]		- Avoidance of guaranteed or discretionary compensation	Disclosure if financial metrics used to determine pay-outs have been adjusted, such as to exclude exceptional items or other costs; including how the calculation differs from reported accounting figures, and a rationale for these adjustments	
Determination of target achievement	Results (after any adjustments)	Disclosure of methods according to which the fulfilment of the performance criteria is determined		Disclosure if financial metrics used to determine pay-outs have been adjusted, such as to exclude exceptional items or other costs; including how the calculation differs from reported accounting figures, and a rationale for these adjustments.	
Maximum limits	Determination of maximum limits (amounts or as percentage of the fixed remuneration) Annual maximum of STI [EUR ●] / [●%] of the fixed remuneration components	For variable remuneration components, maximum limits for amounts or as percentage of the fixed remuneration components shall be fixed in advance. (C-27)	Maximum award limit must be included.	Potential maximum pay-outs should be disclosed.	

⁸ Non-financial targets: Key sustainability parameters, such as innovation, ecological impact of business activities, customer and employee satisfaction (see guidelines for sustainable Management Board remuneration systems, <http://www.guidelines-executivecompensation.de>).

Parameter	Explanation	SCA/CCG	ISS	Glass Lewis	Others
“Malus” Provisions	Reclaim of part of unvested variable compensation components due to poor future performance. Percentage of short-term variable Performance adjustments: performance targets/ performance floor in subsequent years.			At least a portion of bonuses should be subject to „malus“; reclaim unvested bonuses based on poor performance.	<u>Blackrock</u> ⁹ : Consideration of performance adjustments (referred to as malus) or clawback provisions; to allow awards to be forfeited before vesting or for executives to be required to repay rewards
Clawback	Define claw-back triggers and process to reclaim. Claw back triggers may include, financial restatement, significant misconduct detrimental to the company.	Reclaim of variable remuneration components if it becomes clear that these were paid out only based on obviously false data. (C-27)		„Clawback“ provision should be implemented whereby any bonus awarded may be recouped in the event of misstatement, material fraud or misconduct by the recipient	
3. Variable (long-term incentive)					
General - Pay-for-Performance Plan or	Structuring either as - „Pay-for-Performance Plan“ – Target value (Bonus) dependent on long-term targets or		Equity based: - Awards must be granted at market price (Discounts must be mitigated by performance criteria or other features to be justified).	- Stock options should be granted at fair market value (unless a discount is sufficiently justified and explained).	<u>Norges</u> ¹¹ : simple/transparent structures; determined and settled in cash and shares locked in for a long period, regardless of resignation or retirement ¹² .

⁹ BlackRock, Proxy voting guidelines for European, Middle Eastern, and African securities, January 2020, p 12.

¹¹ Norges Bank, Global voting guidelines, 2019, p 7 (https://www.nbim.no/contentassets/d71470877bc94f05872e895ce99cbc32/votingguidelines_web.pdf).

¹² Norges Bank states that the performance conditions of standard long-term incentive plans are often ineffective and may result in unbalanced outcomes. A substantial proportion of total annual remuneration should be provided as shares that are locked in for at least five and preferably ten years, regardless of resignation or retirement. (Norges Bank, CEO Remuneration Position Paper; Norges Bank, Remuneration of the CEO, Asset Manager Perspective, 04/2017 (<https://www.nbim.no/en/the-fund/responsible-investment/our-voting-records/position-papers/ceo-remuneration/>)).

Parameter	Explanation	SCA/CCG	ISS	Glass Lewis	Others
- Equity Based Compensation	- <u>Equity based</u> ¹⁰ LTI: Cash settlement or physical shares awards		- If applicable, performance standards must be fully disclosed, quantified, and long-term, with relative performance measures preferred.		
Basic concepts Target and performance periods	- Annual allocation of a fixed number of share awards/PSU and entitlement depending on the degree of target achievement over a long-term performance period; or - Annual allocation of share awards/PSUs based on target achievement combined with long-term clawback and waiting periods	Support of the long-term development of the company (L-26a)	- Sufficient disclosure of (i) the exercise price/strike price (options), (ii) discount on grant, (iii) grant date/period, (iv) exercise/vesting period; and, if applicable (v) performance criteria		- <u>Blackrock</u> ¹³ : Rejection of the vesting of long-term awards if there is no mention of the use of performance criteria; except restricted stock schemes with vesting/holding period min of five years.
Basis - Target value - Number of PSUs - Number of shares per year	[amount/number] LTI share price dependent [amount/number] [divided/multiplied] by average share price at grant („Initial Reference Price“).		- Appropriate including dilution, vesting period - Equity based: Shares reserved for all share plans may not exceed 5% of a company's issued share capital.		

¹⁰ Share price dependence effected by target value, number of PSUs adjusted by comparative value between price at grant and expiry of performance period (regularly plus dividend payments). In the case of physical shares/ stock awards, stock price development will be directly reflected.

¹³ BlackRock, Proxy voting guidelines for European, Middle Eastern, and African securities, January 2020, p 11, 15.

Parameter	Explanation	SCA/CCG	ISS	Glass Lewis	Others
Period - Waiting period - Performance period	No less than 3 years	In the case of a stock option programme, a waiting period of at least three years must be fixed. (C-28)	- LTI – appropriate vesting period - Equity based: min vesting period must be no less than 3 years from date of grant.	Performance periods of at least three years	<u>Fidelity</u> ¹⁴ , <u>Allianz</u> ¹⁵ : LTI period of at least three years
Performance criteria Weighting	- Performance criterion, relative to peer group/index, weighting with [●%] - Performance criterion, weighting with [●%]	- Contribution to the development of the company - Sustainable, long-term and multi-year performance criteria (C-27)	- Equity based: relative performance measures preferred - Clear link between shareholder value and awards - Stringent performance-based elements	- Two or more performance metrics ¹⁶ . - At least one relative performance metric that compares the company's performance to a relevant peer group or index - Key value drivers of the company's business	- <u>Blackrock</u> ¹⁷ : Not only „output“ metrics (EPS, TSR); preference for „input“ metrics (within management's control) (ROIC, cost of cap). TSR on a relative basis or cogent explanation
Degree of target achievement Target corridors	Determination of degrees of target achievement: from [0%] to [●%] Determination of target corridors: [●%] to [●%] over period of performance				

¹⁴ Fidelity Proxy Voting Guidelines, March 2019, p 5 (https://www.fidelity.com/bin-public/060_www_fidelity_com/documents/Full-Proxy-Voting-Guidelines-for-Fidelity-Funds-Advised-by-FMRCo-and-SelectCo.pdf).

¹⁵ Allianz: Minimum performance period of 3 years, but the consideration of a 5 year performance period or introduction of an additional holding period is encouraged (<https://www.allianzgi.com/-/media/allianzgi/globalagi/our-firm/ouresgapproach/update-april/allianzgi-global-corporate-governance-guidelines.pdf>).

¹⁶ Glass Lewis: Performance metrics that cannot be easily manipulated by management.

¹⁷ BlackRock, Proxy voting guidelines for European, Middle Eastern, and African securities, January 2020, p 11, 15.

Parameter	Explanation	SCA/CCG	ISS	Glass Lewis	Others
Issue of LTI-shares Pay-out LTI	After the expiry of the performance period: - [amount/number] multiplied by degree of target achievement; and - (if LTI share price dependent) [amount/number] [divided/multiplied] by average share price at grant („Initial Reference Price“). - [plus accumulated dividends during the performance period].				
Holding requirements of company shares	- Adequate investment in shares [•%] of [annual] [fixed subscription] [fixed and STI] - Development over performance period/waiting period - Inclusion of existing shares	For the duration of stock option programme/program for the preferential transfer of stocks, an appropriate volume of shares in the own company should be held. (C-28)	-	Holding requirements (preferably extending through the duration of tenure)	<u>Fidelity</u> ¹⁸ : Own investment/amount taken into consideration <u>Blackrock</u> ¹⁹ : Requirement at least at the level of maximum annual variable pay (fixed+STI+LTI). Good practice to retain for a period of time after leaving the company. <u>Allianz</u> ²⁰ : Share-based incentive schemes over stock options are

¹⁸ Fidelity Proxy Voting Guidelines, March 2019, p 5.

¹⁹ BlackRock, Proxy voting guidelines for European, Middle Eastern, and African securities, January 2020, p 15 (<https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-guidelines-emea.pdf>).

²⁰ Allianz Global Investors Global Corporate Governance Guidelines, p 15 (<https://www.allianzgi.com/-/media/allianzgi/globalagi/our-firm/ouresgapproach/update-april/allianzgi-global-corporate-governance-guidelines.pdf>).

Parameter	Explanation	SCA/CCG	ISS	Glass Lewis	Others
					favourable. Only shares that are beneficially owned by executives should be counted towards formal share ownership requirements.
Maximum limits	Determination of maximum limits - amount - as percentage of the target value for LTI; or - as percentage of fixed remuneration	For variable remuneration components maximum limits for amounts or as percentage of the fixed remuneration components (C-27)	Maximum award limit must be included.	Individual limits expressed as a percentage of base salary	
Clawback	Please see above re STI.				

Chapter 6

Statistics on executive board remuneration

Chapter 6

Statistics on executive board remuneration (ATX, Prime Market)

Peer group data

The selected peer group in Austria comprises the companies included in the ATX and in addition the five largest prime market companies by market capitalisation (December 2019). The smaller peer group in Germany consisted of the ten largest companies in terms of market capitalisation included in the DAX (December 2019).

The source of the analysed data are annual reports and financial documents published on the companies' websites.

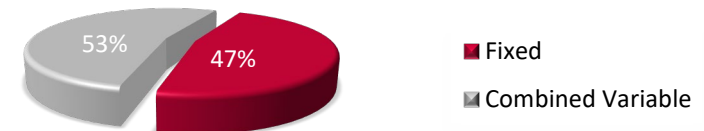
- With respect of the Austrian peer group, only actual payments in a certain period included in the reports were taken into account. Any acquired claim for such period (as the case may be) are not taken into account, as such claims could not be clearly identified in many of the reports. Compared thereto the data of the German peer group companies included also acquired claims for the respective period. Naturally including acquired claims provides a better picture of the amount if remuneration for a certain period.
- The figures presented for the other members of the executive board are the calculated average of those members who were serving throughout the entire year.

Key results

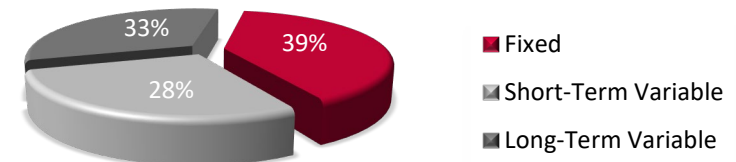
Ratio fix to variable

For the Austrian peer group, the ratio between fixed and variable remuneration was approximately 50:50 over both years.

Directors of all companies over both years
(Austrian Group)



Companies with long term incentive of directors over
both years (Austrian Group)



Ratio short-term to long-term

Of the companies with a remuneration model including a long-term variable (LTI) (actually paid out in the given period) the LTI amounted to 33% of total remuneration, while the share of short-term variable was 28%. The fixed component accounted for approx. 39%. Whereby the LTI portion of the CEO was approx. 10% above the LTI portion of the other members of the executive board.

The significance of the results of the LTI portion is limited, due to limited information in many of the annual reports and the small sample number (of 13 companies with LTI only 5 showed pay-outs in the respective periods).

Only 50% of the Austrian peer group with LTI

Of the Austrian peer group (25 companies) only 13 include a LTI in their executive remuneration package (approx. 50%). However, it cannot be excluded, that further companies have already implemented long-term remuneration programs.

Widespread LTI in German peer-group

In contrast, all companies in the German peer-group included a long-term variable remuneration in the executive remuneration, which actually also accounts for the largest portion of the remuneration amount.

Over the two years, approximately 45% of the total remuneration was made up of the long-term component and 29% of the short-term variable. With the fixed component as the smallest share of about 26%. The ratio of fixed to variable remuneration is therefore almost 1:3.

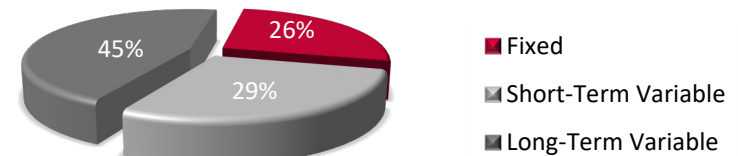
Outlook

It will be seen whether say-on-pay will increase the number of companies with LTI as well as its weighting of the amount of total remuneration, given the long-term focus on remuneration emphasised by the Shareholders Rights Directive as well as the institutional investor focus. In any case, the transparency of remuneration data or future analysis will increase pursuant to the remuneration report to be provided.

Directors of companies over both years
(German Group)



Directors over both years (German Group)



Executive Board Remuneration ATX

			CEO						Other Members of the Executive Board							LTI program since			
			Fixed		Short-Term Variable		Long-Term Variable		Sum	Fixed		Short-Term Variable		Long-Term Variable				Sum	
			in €	%	in €	%	in €	%	in €	in €	%	in €	%	in €	%			in €	
1	BAWAG Group	2018	3.000.000	67,4%	1.450.000	32,6%	0	0,0%	4.450.000		1.850.000	64,2%	1.030.000	35,8%	0	0,0%	2.880.000	yes	
		2017	3.375.000	100,0%	0	0,0%	0	0,0%	3.375.000		1.784.400	100,0%	0	0,0%	0	0,0%	1.784.400	yes	
2	Erste Group Bank	2018	1.475.000	71,3%	317.500	15,3%	276.800	13,4%	2.069.300		700.000	74,6%	148.160	15,8%	90.500	9,6%	938.660	yes	
		2017	1.475.000	75,4%	310.800	15,9%	170.600	8,7%	1.956.400		700.000	78,9%	144.675	16,3%	42.800	4,8%	887.475	yes	
3	Mayr Melnhof	2018	1.230.000	29,9%	2.890.000	70,1%	0	0,0%	4.120.000		479.333	29,4%	1.153.000	70,6%	0	0,0%	1.632.333	no	
		2017	929.000	33,4%	1.850.000	66,6%	0	0,0%	2.779.000		471.500	30,0%	1.100.000	70,0%	0	0,0%	1.571.500	no	
4	voestalpine	2018	1.200.000	35,4%	2.190.000	64,6%	0	0,0%	3.390.000		870.000	43,9%	1.114.000	56,1%	0	0,0%	1.984.000	no	
		2017	1.100.000	29,3%	2.660.000	70,7%	0	0,0%	3.760.000		800.000	34,3%	1.530.000	65,7%	0	0,0%	2.330.000	no	
5	OMV	2018	1.100.000	25,3%	900.000	20,7%	2.348.000	54,0%	4.348.000		716.667	27,4%	625.000	23,9%	1.278.333	48,8%	2.620.000	yes	2009
		2017	900.000	36,1%	738.000	29,6%	852.000	34,2%	2.490.000		625.000	40,0%	423.667	27,1%	512.333	32,8%	1.561.000	yes	
6	Raiffeisen Bank International	2018	900.000	49,4%	773.000	42,4%	148.000	8,1%	1.821.000		757.500	57,7%	430.000	32,7%	125.500	9,6%	1.313.000	yes	
		2017	900.000	55,8%	507.000	31,4%	206.000	12,8%	1.613.000		752.667	61,5%	323.333	26,4%	147.500	12,1%	1.223.500	yes	
7	CA IMMO	2018	895.000	38,7%	1.420.000	61,3%	0	0,0%	2.315.000		511.500	21,8%	1.834.500	78,2%	0	0,0%	2.346.000	yes	2010
		2017	604.000	60,2%	400.000	39,8%	0	0,0%	1.004.000		446.000	85,4%	76.000	14,6%	0	0,0%	522.000	yes	
8	VERBUND	2018	849.770	60,1%	563.457	39,9%	0	0,0%	1.413.227		741.490	67,8%	351.466	32,2%	0	0,0%	1.092.956	no	
		2017	827.375	62,3%	499.972	37,7%	0	0,0%	1.327.347		720.783	69,8%	311.867	30,2%	0	0,0%	1.032.650	no	
9	Andritz	2018	849.135	28,2%	2.166.230	71,8%	0	0,0%	3.015.365		398.095	27,8%	1.035.977	72,2%	0	0,0%	1.434.072	no	
		2017	838.000	24,0%	2.648.160	76,0%	0	0,0%	3.486.160		375.238	23,4%	1.227.956	76,6%	0	0,0%	1.603.194	no	
10	WIENERBERGER	2018 *1	841.051	24,6%	739.917	21,6%	1.837.017	53,7%	3.417.985		559.903	22,6%	549.653	22,2%	1.364.643	55,2%	2.474.199	yes	2010
		2017	739.917	34,0%	725.409	33,3%	713.836	32,8%	2.179.162		549.653	34,0%	538.876	33,3%	530.278	32,8%	1.618.807	yes	
11	Lenzing	2018	778.000	57,0%	588.000	43,0%	0	0,0%	1.366.000		410.667	62,6%	245.000	37,4%	0	0,0%	655.667	yes	2012
		2017	643.000	27,1%	1.732.000	72,9%	0	0,0%	2.375.000		417.000	37,1%	707.000	62,9%	0	0,0%	1.124.000	yes	

Executive Board Remuneration ATX																			
			CEO								Other Members of the Executive Board								
			Fixed		Short-Term Variable		Long-Term Variable		Sum		Fixed		Short-Term Variable		Long-Term Variable		Sum		
			in €	%	in €	%	in €	%	in €		in €	%	in €	%	in €	%	in €	LTI program	since
12	VIENNA INSURANCE GROUP	2018	765.000	60,0%	446.000	35,0%	63.000	4,9%	1.274.000		528.000	64,5%	242.000	29,6%	48.000	5,9%	818.000	yes	2010
		2017	714.000	71,5%	285.000	28,5%	0	0,0%	999.000		517.000	67,4%	217.000	28,3%	33.000	4,3%	767.000	yes	
13	IMMOFINANZ	2018	754.552	52,4%	685.714	47,6%	0	0,0%	1.440.266		447.409	55,4%	360.714	44,6%	0	0,0%	808.123	no	
		2017	611.578	50,5%	600.000	49,5%	0	0,0%	1.211.578		411.578	62,2%	250.000	37,8%	0	0,0%	661.578	no	
14	DO&CO	2018	735.000	55,1%	600.000	44,9%	0	0,0%	1.335.000		602.000	30,8%	1.350.000	69,2%	0	0,0%	1.952.000	no	
		2017	734.000	100,0%	0	0,0%	0	0,0%	734.000		602.000	100,0%	0	0,0%	0	0,0%	602.000	no	
15	STRABAG	2018	703.000	37,1%	1.192.000	62,9%	0	0,0%	1.895.000		472.000	35,8%	845.000	64,2%	0	0,0%	1.317.000	yes	2011
		2017	703.000	39,3%	1.086.000	60,7%	0	0,0%	1.789.000		472.000	37,9%	774.000	62,1%	0	0,0%	1.246.000	yes	
16	UNIQA INSURANCE GROUP	2018	669.000	47,6%	478.000	34,0%	257.000	18,3%	1.404.000		471.500	43,9%	408.500	38,1%	193.000	18,0%	1.073.000	yes	2013
		2017	672.000	55,3%	447.000	36,8%	96.000	7,9%	1.215.000		449.000	54,5%	302.500	36,7%	72.000	8,7%	823.500	yes	
17	SCHOELLER-BLECKMANN	2018	641.000	78,1%	180.000	21,9%	0	0,0%	821.000		467.000	82,4%	100.000	17,6%	0	0,0%	567.000	no	
		2017	581.000	76,3%	180.000	23,7%	0	0,0%	761.000		362.000	78,4%	100.000	21,6%	0	0,0%	462.000	no	
18	AMAG	2018	616.900	57,8%	451.300	42,2%	0	0,0%	1.068.200		463.100	70,1%	197.100	29,9%	0	0,0%	660.200	yes	2016
		2017	617.100	61,3%	390.100	38,7%	0	0,0%	1.007.200		463.300	62,0%	284.000	38,0%	0	0,0%	747.300	yes	
19	OESTERREICHISCHE POST	2018	615.000	24,1%	720.000	28,2%	1.215.000	47,6%	2.550.000		471.333	29,1%	534.000	33,0%	612.333	37,9%	1.617.667	yes	2010
		2017	615.000	24,8%	720.000	29,1%	1.143.000	46,1%	2.478.000		459.333	29,8%	492.667	32,0%	587.667	38,2%	1.539.667	yes	
20	TELEKOM AUSTRIA	2018 *2	546.000	83,6%	107.000	16,4%	0	0,0%	653.000		520.500	36,7%	631.500	44,5%	267.500	18,8%	1.419.500	yes	2010
		2017	559.000	48,6%	591.000	51,4%	0	0,0%	1.150.000		468.000	43,5%	497.000	46,2%	110.000	10,2%	1.075.000	yes	
21	AT&S	2018	532.000	42,7%	287.000	23,0%	427.000	34,3%	1.246.000		404.000	69,1%	180.500	30,9%	0	0,0%	584.500	yes	2014
		2017	532.000	46,0%	624.000	54,0%	0	0,0%	1.156.000		457.333	53,5%	397.333	46,5%	0	0,0%	854.667	yes	
22	S IMMO	2018	475.000	60,5%	310.329	39,5%	0	0,0%	785.329		350.000	59,3%	240.276	40,7%	0	0,0%	590.276	no	
		2017	335.410	57,2%	251.440	42,8%	0	0,0%	586.850		223.884	55,7%	178.101	44,3%	0	0,0%	401.985	no	
23	EVN	2018	414.800	71,9%	162.300	28,1%	0	0,0%	577.100		387.100	75,6%	124.600	24,4%	0	0,0%	511.700	no	
		2017	401.700	68,5%	184.400	31,5%	0	0,0%	586.100		346.200	80,6%	83.100	19,4%	0	0,0%	429.300	no	

Executive Board Remuneration ATX

			CEO							Other Members of the Executive Board								LTI program since	
			Fixed		Short-Term Variable		Long-Term Variable			Sum	Fixed		Short-Term Variable		Long-Term Variable		Sum		
			in €	%	in €	%	in €	%		in €	in €	%	in €	%	in €	%	in €		
24	FACC	2018	388.000	60,8%	250.000	39,2%	0	0,0%	638.000		277.667	70,7%	115.000	29,3%	0	0,0%	392.667	no	
		2017	487.000	100,0%	0	0,0%	0	0,0%	487.000		223.667	100,0%	0	0,0%	0	0,0%	223.667	no	
25	Flughafen Wien	2018	338.200	67,3%	164.500	32,7%	0	0,0%	502.700		338.200	67,3%	164.500	32,7%	0	0,0%	502.700	no	
		2017	329.000	63,5%	189.300	36,5%	0	0,0%	518.300		329.000	63,5%	189.300	36,5%	0	0,0%	518.300	no	

Average 2018 (Companies with LTE payment)	872.009	34,8%	573.736	22,9%	1.060.136	42,3%	2.505.881
Average 2017 (Companies with LTE payment)	822.320	43,0%	594.202	31,1%	495.906	25,9%	1.912.427

	553.901	35,7%	407.636	26,3%	589.802	38,0%	1.551.338
	540.053	44,5%	383.286	31,6%	290.846	24,0%	1.214.186

Over both years	38,9%	27,0%	34,1%
Both years, all Members	39,5%	28,0%	32,6%

40,1%	28,9%	31,0%
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	Fixed		Combined Variable	
Average 2018 (combined variable remuneration)	852.456	44,5%	1.064.163	55,5%
Average 2017 (combined variable remuneration)	808.923	49,3%	832.041	50,7%
Over both years	46,9%	53,1%		

	Fixed		Combined Variable	
	567.799	44,1%	719.610	55,9%
	537.061	52,4%	487.358	47,6%
	48,3%	51,7%		

*1 includes an old middle term remuneration program which ended 2017

*2 Projection
(new CEO since 01.09.2018)

Executive Board Remuneration DAX

			CEO						Other Members of the Executive Board							LTI program	
			Fixed		Short-Term Variable		Long-Term Variable		Sum	Fixed		Short-Term Variable		Long-Term Variable			Sum
			in €	%	in €	%	in €	%	in €	in €	%	in €	%	in €	%		in €
1	Siemens AG	2018	2.161.500	31,6%	2.505.000	36,6%	2.175.000	31,8%	6.841.500	1.080.000	32,0%	1.205.714	35,7%	1.088.000	32,2%	3.373.714	yes
		2017	2.130.000	31,0%	2.639.000	38,4%	2.096.000	30,5%	6.865.000	1.054.200	27,6%	1.250.200	32,7%	1.517.571	39,7%	3.821.971	yes
2	Daimler AG	2018	2.048.000	30,3%	2.048.000	30,3%	2.659.000	39,4%	6.755.000	851.143	30,6%	851.143	30,6%	1.080.857	38,8%	2.783.143	yes
		2017	2.008.000	30,1%	2.008.000	30,1%	2.653.000	39,8%	6.669.000	834.500	30,4%	834.333	30,4%	1.078.714	39,3%	2.747.548	yes
3	ADIDAS AG	2018	2.000.000	35,0%	1.428.571	25,0%	2.285.714	40,0%	5.714.285	796.335	35,0%	568.811	25,0%	910.097	40,0%	2.275.243	yes
		2017	2.000.000	35,0%	1.714.286	30,0%	2.000.000	35,0%	5.714.286	785.000	35,0%	672.857	30,0%	785.000	35,0%	2.242.857	yes
4	Volkswagen AG	2018 *1	1.905.414	26,1%	2.564.750	35,1%	2.840.468	38,9%	7.310.632	1.350.000	30,0%	1.350.000	30,0%	1.799.918	40,0%	4.499.918	yes
		2017	2.125.000	22,4%	3.045.000	32,1%	4.309.602	45,5%	9.479.602	1.350.000	28,8%	1.350.000	28,8%	1.991.214	42,4%	4.691.214	yes
5	BMW AG	2018	1.800.000	33,6%	699.840	13,1%	2.853.878	53,3%	5.353.718	891.667	32,4%	366.120	13,3%	1.496.282	54,3%	2.754.069	yes
		2017	1.500.000	17,9%	1.669.950	20,0%	5.191.316	62,1%	8.361.266	800.000	18,1%	881.363	19,9%	2.743.562	62,0%	4.424.924	yes
6	Bayer AG	2018	1.511.000	29,9%	1.511.000	29,9%	2.039.000	40,3%	5.061.000	793.667	32,2%	766.000	31,1%	902.750	36,7%	2.462.417	yes
		2017	1.487.000	22,9%	1.487.000	22,9%	3.530.000	54,3%	6.504.000	776.833	24,8%	776.833	24,8%	1.581.667	50,4%	3.135.333	yes
7	Deutsche Telekom AG	2018	1.450.000	31,0%	1.342.000	28,7%	1.884.008	40,3%	4.676.008	935.000	38,6%	616.250	25,5%	868.490	35,9%	2.419.740	yes
		2017	1.450.000	32,1%	1.342.000	29,7%	1.723.941	38,2%	4.515.941	792.857	36,2%	612.714	27,9%	787.096	35,9%	2.192.668	yes
8	BASF AG	2018	1.416.000	27,6%	1.416.000	27,6%	2.303.000	44,8%	5.135.000	797.000	26,1%	790.000	25,9%	1.467.714	48,0%	3.054.714	yes
		2017	1.600.000	29,0%	3.200.000	57,9%	726.000	13,1%	5.526.000	831.400	28,8%	1.705.600	59,0%	352.200	12,2%	2.889.200	yes
9	SAP AG	2018	1.314.700	12,7%	2.193.000	21,1%	6.876.600	66,2%	10.384.300	704.313	17,9%	1.141.763	29,0%	2.096.200	53,2%	3.942.275	yes
		2017	1.374.300	12,3%	2.093.700	18,7%	7.741.200	69,1%	11.209.200	727.300	16,9%	1.154.080	26,9%	2.413.300	56,2%	4.294.680	yes
10	Allianz SE	2018	1.313.000	21,3%	1.614.000	26,2%	3.228.000	52,4%	6.155.000	750.000	22,0%	888.500	26,0%	1.777.000	52,0%	3.415.500	yes
		2017	1.125.000	21,3%	1.384.000	26,2%	2.768.000	52,5%	5.277.000	750.000	22,1%	882.000	26,0%	1.764.000	51,9%	3.396.000	yes
Average 2018			1.691.961	26,69%	1.732.216	27,33%	2.914.467	45,98%	6.338.644	894.912	28,89%	854.430	27,58%	1.348.731	43,53%	3.098.073	
Average 2017			1.679.930	23,96%	2.058.294	29,35%	3.273.906	46,69%	7.012.130	870.209	25,72%	1.011.998	29,91%	1.501.432	44,37%	3.383.639	
Over both years for all members				26,3%		28,5%	45,1%										

	Fixed		Combined Variable	
Average 2018 (combined variable remuneration)	1.691.961	26,7%	4.646.683	73,3%
Average 2017 (combined variable remuneration)	1.679.930	24,0%	5.332.200	76,0%
Over both years for all members		26,3%		73,7%

*1 new CEO since 13.04.2018

Fixed		Combined Variable	
894.912	28,9%	2.203.161	71,1%
870.209	25,7%	2.513.430	74,3%

Annex

1. Stock Corporation Act (AktG) – General rules for the remuneration of the members of the Executive Board

<p style="text-align: center;">Principles of the remuneration of the Management Board</p> <p>§ 78. (1) The supervisory board shall ensure that the total remuneration of the members of the Management Board (salaries, shares in profits, expense reimbursements, insurance premiums, commissions, incentive-linked remuneration commitments and any other type of payments) are commensurate with the tasks and performance of each individual member of the Management Board, the situation of the company, the usual level of remuneration, and must also take measures to create incentives to promote behaviour supportive of the long-term development of the company. This shall apply accordingly to pension payments, survivor's pensions and similar income.</p> <p>(2) In the event that insolvency proceedings have been opened as to the assets of the company and the employment agreement of a member of the Management Board has been terminated according to § 25 Insolvency Code, this member may demand compensation for any damages resulting from the termination of the employment relationship only within a time period of two years after the termination.</p>	<p style="text-align: center;">Grundsätze für die Bezüge der Vorstandsmitglieder</p> <p>§ 78. (1) Der Aufsichtsrat hat dafür zu sorgen, dass die Gesamtbezüge der Vorstandsmitglieder (Gehälter, Gewinnbeteiligungen, Aufwandsentschädigungen, Versicherungsentgelte, Provisionen, anreizorientierte Vergütungszusagen und Nebenleistungen jeder Art) in einem angemessenen Verhältnis zu den Aufgaben und Leistungen des einzelnen Vorstandsmitglieds, zur Lage der Gesellschaft und zu der üblichen Vergütung stehen und langfristige Verhaltensanreize zur nachhaltigen Unternehmensentwicklung setzen. Dies gilt sinngemäß für Ruhegehälter, Hinterbliebenenbezüge und Leistungen verwandter Art.</p> <p>(2) Wird über das Vermögen der Gesellschaft das Insolvenzverfahren eröffnet und der Anstellungsvertrag eines Vorstandsmitglieds gemäß § 25 IO aufgelöst, so kann dieses Ersatz für den ihm durch die Aufhebung des Dienstverhältnisses entstehenden Schaden nur für zwei Jahre seit dem Ablauf des Dienstverhältnisses verlangen.</p>
<p style="text-align: center;">Principles of the remuneration of the Management Board of listed companies</p> <p>§ 78a. (1) In a listed company, the Supervisory Board shall establish principles for the remuneration of the members of the Management Board (remuneration policy).</p> <p>(2) The remuneration policy shall contribute to the company's business strategy and development of the company and shall explain how it does so. It shall be clear and understandable and describe the different components of fixed and variable remuneration, which can be awarded to members of the Management Board including all bonuses and other benefits in whatever form, also specifying their relative proportion.</p> <p>(3) The remuneration policy shall explain how the pay and employment conditions of employees of the company were taken into account when establishing the remuneration policy.</p>	<p style="text-align: center;">Grundsätze für die Bezüge der Vorstandsmitglieder in börsennotierten Gesellschaften</p> <p>§ 78a. (1) In einer börsennotierten Gesellschaft hat der Aufsichtsrat Grundsätze für die Vergütung der Mitglieder des Vorstands aufzustellen (Vergütungspolitik).</p> <p>(2) Die Vergütungspolitik hat die Geschäftsstrategie und die langfristige Entwicklung der Gesellschaft zu fördern und zu erläutern, wie sie das tut. Sie muss klar und verständlich sein und die verschiedenen festen und variablen Vergütungsbestandteile, die Mitgliedern des Vorstands gewährt werden können, einschließlich sämtlicher Boni und anderer Vorteile in jeglicher Form, unter Angabe ihres jeweiligen relativen Anteils, beschreiben.</p> <p>(3) In der Vergütungspolitik ist zu erläutern, wie die Vergütungs- und Beschäftigungsbedingungen der Arbeitnehmer der Gesellschaft bei der Festlegung der Vergütungspolitik berücksichtigt worden sind.</p>

<p>(4) Where a company awards variable remuneration, the remuneration policy shall set clear and comprehensive criteria for the award of the variable remuneration. It shall indicate the financial and non-financial performance criteria, including criteria relating to corporate social responsibility. The remuneration policy shall explain how they contribute to the objectives set out in para 2 and the methods to be applied to determine to which extent the performance criteria have been fulfilled. It shall specify information on any deferral periods and on the possibility for the company to reclaim variable remuneration.</p> <p>(5) Where the company awards share-based remuneration, the policy shall specify vesting periods and where applicable retention of shares after vesting and explain how the share based remuneration contributes to the objectives set out in para 2.</p> <p>(6) The remuneration policy shall indicate the duration of the contracts with members of the Management Board and the applicable notice periods, the main characteristics of supplementary pension or early retirement schemes and the terms of the termination and payments linked to termination.</p> <p>(7) The remuneration policy shall explain the decision-making process followed for its determination, review and implementation, including, measures to avoid or manage conflicts of interests and, where applicable, the role of the remuneration committee or other committees concerned.</p> <p>(8) In exceptional circumstances the company may temporarily derogate from the remuneration policy, provided that the policy includes the procedural conditions under which the derogation can be applied and specifies the elements from which derogation is possible. Exceptional circumstances shall cover only situations in which the derogation from the remuneration policy is necessary to serve the long-term interests and sustainability of the company as a whole or to assure its viability.</p> <p>(9) Where the policy is revised, it shall describe and explain all significant changes and how it takes into account the votes and views of shareholders on the policy and reports since the most recent vote on the remuneration policy by Shareholders' Meeting.</p>	<p>(4) Gewährt die Gesellschaft variable Vergütungsbestandteile, so sind in der Vergütungspolitik die dafür maßgeblichen Kriterien klar und umfassend festzulegen. Dabei sind die finanziellen und die nichtfinanziellen Leistungskriterien anzugeben, einschließlich etwaiger Kriterien im Zusammenhang mit der sozialen Verantwortung der Gesellschaft. Die Vergütungspolitik hat weiters zu erläutern, inwiefern diese Kriterien die Ziele gemäß Abs. 2 fördern und mit welchen Methoden die Erfüllung der Kriterien festgestellt werden soll. Sie hat Informationen zu etwaigen Wartezeiten sowie zur Möglichkeit der Gesellschaft zu enthalten, variable Vergütungsbestandteile zurückzufordern.</p> <p>(5) Gewährt die Gesellschaft eine aktienbezogene Vergütung, so hat die Vergütungspolitik Warte- und Behaltezeiten zu präzisieren und zu erläutern, inwiefern die aktienbezogene Vergütung die Ziele gemäß Abs. 2 fördert.</p> <p>(6) In der Vergütungspolitik sind die Laufzeit der Verträge der Mitglieder des Vorstands, die maßgeblichen Kündigungsfristen, die Hauptmerkmale von Zusatzpensionssystemen und Vorruhestandsprogrammen sowie die Bedingungen für die Beendigung und die dabei zu leistenden Zahlungen anzugeben.</p> <p>(7) In der Vergütungspolitik ist das Verfahren zu erläutern, wie diese Politik festgelegt, überprüft und umgesetzt wird, weiters wie sie Interessenkonflikte vermeidet oder mit ihnen umgeht. Gegebenenfalls ist die Rolle des Vergütungsausschusses oder anderer betroffener Ausschüsse zu beschreiben.</p> <p>(8) Unter außergewöhnlichen Umständen kann die Gesellschaft vorübergehend von ihrer Vergütungspolitik abweichen, sofern diese die Vorgehensweise für eine solche Abweichung beschreibt und diejenigen Teile festlegt, von denen abgewichen werden darf. Als außergewöhnliche Umstände gelten nur Situationen, in denen die Abweichung von der Vergütungspolitik für die langfristige Entwicklung der Gesellschaft oder die Sicherstellung ihrer Rentabilität notwendig ist.</p> <p>(9) In jeder überprüften Vergütungspolitik sind sämtliche wesentlichen Änderungen zu beschreiben und zu erläutern; dabei ist darauf einzugehen, wie die Abstimmungen und Ansichten der Aktionäre zur Vergütungspolitik und den Vergütungsberichten seit der letzten Abstimmung über die Vergütungspolitik in der Hauptversammlung berücksichtigt wurden.</p>
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<p>Vote on the remuneration policy and disclosure</p> <p>§ 78b. (1) The remuneration policy shall be submitted to a vote by the Shareholders' Meeting at every material change and in any case at least every four years. The vote shall be advisory. The resolution is binding.</p> <p>(2) The company shall pay remuneration to their member of the Management Board only in accordance with a remuneration policy that has been submitted to such a vote at the Shareholders' Meeting. Where the Shareholders' Meeting rejects the proposed remuneration policy, the company shall submit a revised policy to a vote at the following Shareholders' Meeting.</p> <p>(3) After the Shareholders' Meeting the remuneration policy shall be published together with the date and the result of the vote no later than the second working day after the Shareholders' Meeting on the Company's website entered in the commercial register and shall remain accessible free of charge for at least the duration of its validity.</p>	<p>Abstimmung über die Vergütungspolitik und Veröffentlichung</p> <p>§ 78b. (1) Die Vergütungspolitik ist der Hauptversammlung mindestens in jedem vierten Geschäftsjahr sowie bei jeder wesentlichen Änderung zur Abstimmung vorzulegen. Die Abstimmung hat empfehlenden Charakter. Der Beschluss ist nicht anfechtbar.</p> <p>(2) Die Gesellschaft darf die Mitglieder des Vorstands nur entsprechend einer Vergütungspolitik entlohnen, die der Hauptversammlung zur Abstimmung vorgelegt wurde. Lehnt die Hauptversammlung die vorgeschlagene Vergütungspolitik ab, so hat die Gesellschaft in der darauffolgenden Hauptversammlung eine überprüfte Vergütungspolitik vorzulegen.</p> <p>(3) Die Vergütungspolitik ist nach der Abstimmung in der Hauptversammlung zusammen mit dem Datum und dem Ergebnis der Abstimmung spätestens am zweiten Werktag nach der Hauptversammlung auf der im Firmenbuch eingetragenen Internetseite der Gesellschaft zu veröffentlichen und hat dort mindestens für die Dauer ihrer Gültigkeit kostenfrei zugänglich zu bleiben.</p>
<p>Preparation of the remuneration report regarding the compensation of the Management Board of listed companies</p> <p>§ 78c. (1) In a listed company the Management Board and the Supervisory Board shall draw up a clear and understandable remuneration report, providing a comprehensive overview of the remuneration, including all benefits in whatever form, awarded or due during the most recent financial year to members of the Management Board, including to newly recruited and to former members, in accordance with the remuneration policy referred to in § 78a.</p> <p>(2) Where applicable, the remuneration report shall contain the following information regarding each remuneration of a member of the Management Board:</p> <ol style="list-style-type: none"> 1. the total remuneration split out by component, the relative proportion of fixed and variable remuneration, an explanation how the total remuneration complies with the adopted remuneration policy, including how it contributes to the long-term performance of the company, and information on how the performance criteria were applied; 2. the annual change of remuneration, of the performance of the company, and of average remuneration on a fulltime equivalent basis of employees of the company other than directors over at least the five most recent 	<p>Erstellung eines Vergütungsberichts für die Bezüge der Vorstandsmitglieder in börsennotierten Gesellschaften</p> <p>§ 78c. (1) In einer börsennotierten Gesellschaft haben der Vorstand und der Aufsichtsrat einen klaren und verständlichen Vergütungsbericht zu erstellen. Dieser hat einen umfassenden Überblick über die im Lauf des letzten Geschäftsjahrs den aktuellen und ehemaligen Mitgliedern des Vorstands im Rahmen der Vergütungspolitik (§ 78a) gewährten oder geschuldeten Vergütung einschließlich sämtlicher Vorteile in jeglicher Form zu bieten.</p> <p>(2) Der Vergütungsbericht hat gegebenenfalls die folgenden Informationen über die Vergütung der einzelnen Mitglieder des Vorstands zu enthalten:</p> <ol style="list-style-type: none"> 1. Die Gesamtvergütung, aufgeschlüsselt nach Bestandteilen, den relativen Anteil von festen und variablen Vergütungsbestandteilen sowie eine Erläuterung, wie die Gesamtvergütung der Vergütungspolitik entspricht, einschließlich von Angaben dazu, wie die Gesamtvergütung die langfristige Leistung der Gesellschaft fördert und wie die Leistungskriterien angewendet wurden; 2. die jährliche Veränderung der Gesamtvergütung, des wirtschaftlichen Erfolgs der Gesellschaft und der durchschnittlichen Entlohnung der sonstigen Beschäftigten der Gesellschaft

<p>financial years, presented together in a manner which permits comparison;</p> <ol style="list-style-type: none"> 3. any remuneration from any undertaking belonging to the same group as defined in § 189a item 8 Austrian Corporate Code (UGB). 4. the number of shares and share options granted or offered, and the main conditions for the exercise of the rights including the exercise price and date and any change thereof; 5. information on the use of the possibility to reclaim variable remuneration; 6. information on any deviations from the procedure for the implementation of the remuneration policy referred to in § 78a para 2 to 7 and on any derogations applied in accordance with § 78a para 8, including the explanation of the nature of the exceptional circumstances and the indication of the specific elements derogated from. <p>(3) The remuneration report shall not include special categories of personal data of members of the Management Board within the meaning of Article 9 (1) of Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation), OJ No. L 119 of 27.4.2016 p. 1, or personal data relating to the family situation of members of the Management Board.</p> <p>(4) The company shall process the personal data of members of the Management Board who have been included in the remuneration report for the purpose of increasing transparency with regard to remuneration. Without prejudice to any longer periods laid down by any sector-specific Union legislative act, the company shall ensure that the personal data of members of the Management Board included in the remuneration report are no longer publicly accessible after 10 years from the publication of the remuneration report.</p>	<p>auf Vollzeitäquivalenzbasis, zumindest für die letzten fünf Geschäftsjahre und in einer Weise, die einen Vergleich ermöglicht;</p> <ol style="list-style-type: none"> 3. jegliche Vergütung von verbundenen Unternehmen (§ 189a Z 8 UGB); 4. die Anzahl der gewährten oder angebotenen Aktien und Aktienoptionen und die wichtigsten Bedingungen für die Ausübung der Rechte, einschließlich des Ausübungspreises, des Ausübungsdatums und etwaiger Änderungen dieser Bedingungen; 5. Informationen dazu, ob und wie von der Möglichkeit Gebrauch gemacht wurde, variable Vergütungsbestandteile zurückzufordern; 6. Informationen zu etwaigen Abweichungen von dem Verfahren zur Umsetzung der Vergütungspolitik nach § 78a Abs. 2 bis 7 und zu etwaigen Abweichungen, die gemäß § 78a Abs. 8 praktiziert wurden, einschließlich einer Erläuterung der Art der außergewöhnlichen Umstände, und die Angabe der konkreten Teile, von denen abgewichen wurde. <p>(3) In den Vergütungsbericht dürfen keine besonderen Kategorien von personenbezogenen Daten einzelner Mitglieder des Vorstands im Sinn des Art. 9 Abs. 1 der Verordnung (EU) 2016/679 zum Schutz natürlicher Personen bei der Verarbeitung personenbezogener Daten, zum freien Datenverkehr und zur Aufhebung der Richtlinie 95/46/EG (Datenschutz-Grundverordnung), ABl. Nr. L 119 vom 27.4.2016 S. 1, oder personenbezogene Daten aufgenommen werden, die sich auf die Familiensituation einzelner Mitglieder des Vorstands beziehen.</p> <p>(4) Die Gesellschaft hat die personenbezogenen Daten von Mitgliedern des Vorstands, die in den Vergütungsbericht aufgenommen wurden, zu dem Zweck, die Transparenz in Bezug auf die Vergütung zu erhöhen, zu verarbeiten. Unbeschadet längerer, in einem sektorspezifischen Rechtsakt der Europäischen Union festgelegter Fristen darf die Gesellschaft die personenbezogenen Daten von Mitgliedern des Vorstands, die in den Vergütungsbericht aufgenommen wurden, nach zehn Jahren ab der Veröffentlichung des Vergütungsberichts nicht mehr öffentlich zugänglich machen.</p>
<p>Right to vote on the remuneration report</p> <p>§ 78d. (1) The remuneration report for the last financial year shall be submitted to the Shareholders' Meeting for voting. The vote shall be advisory. The resolution is binding. The company shall explain in the following remuneration report</p>	<p>Recht auf Abstimmung über den Vergütungsbericht</p> <p>§ 78d. (1) Der Vergütungsbericht für das letzte Geschäftsjahr ist der Hauptversammlung zur Abstimmung vorzulegen. Die Abstimmung hat empfehlenden Charakter. Der Beschluss ist nicht anfechtbar. Die Gesellschaft hat im darauffolgenden</p>

<p>how the vote by the general meeting has been taken into account.</p> <p>(2) However, for small and medium-sized companies as defined, respectively, in § 221 Para 1 and 2 Austrian Corporate Code (UGB) the remuneration report of the most recent financial year may be submitted for discussion in the annual Shareholders' Meeting as a separate item of the agenda. The company shall explain in the following remuneration report how the discussion in the general meeting has been taken into account.</p>	<p>Vergütungsbericht darzulegen, wie dem Abstimmungsergebnis in der letzten Hauptversammlung Rechnung getragen wurde.</p> <p>(2) In kleinen und mittleren Unternehmen im Sinne des § 221 Abs. 1 und 2 UGB kann der Vergütungsbericht des letzten Geschäftsjahrs auch nur als eigener Tagesordnungspunkt zur Erörterung in der Hauptversammlung vorgelegt werden. Die Gesellschaft hat im darauffolgenden Vergütungsbericht darzulegen, wie der Erörterung in der letzten Hauptversammlung Rechnung getragen wurde.</p>
<p>Disclosure of the remuneration report</p> <p>§ 78e. (1) After the Shareholders' Meeting the Management Board shall make the remuneration report publicly available on their website, free of charge, for a period of 10 years. The Management Board may choose to keep it available for a longer period provided it no longer contains the personal data of members of the Management Boards or the Supervisory Board.</p> <p>(2) The statutory auditor shall check that the information required by this Article has been provided.</p> <p>(3) The remuneration report shall not be submitted to the commercial register.</p>	<p>Veröffentlichung des Vergütungsberichts</p> <p>§ 78e. (1) Der Vorstand hat den Vergütungsbericht nach der Hauptversammlung auf der im Firmenbuch eingetragenen Internetseite der Gesellschaft kostenfrei zehn Jahre lang öffentlich zugänglich zu machen. Der Vorstand kann entscheiden, dass der Bericht noch länger zugänglich bleibt, sofern er nicht mehr die personenbezogenen Daten von Mitgliedern des Vorstands und des Aufsichtsrats enthält.</p> <p>(2) Der Abschlussprüfer hat zu überprüfen, ob der Vorstand die geforderten Informationen zur Verfügung gestellt hat.</p> <p>(3) Der Vergütungsbericht ist nicht zum Firmenbuch einzureichen.</p>

2. Austrian Code of Corporate Governance – Remuneration of Members of the Management board¹

<p>L-Rule 26a. The supervisory board shall ensure that the total remuneration of the members of the management board (salaries, shares in profits, expense reimbursements, insurance premiums, commissions, incentive-linked remuneration commitments and any other type of payments) are commensurate with the tasks and performance of each individual member of the management board, the situation of the company, the usual level of remuneration, and must also take measures to create incentives to promote behaviour supportive of the long-term development of the company. This shall apply accordingly to pension payments, survivor's pensions and similar income.</p>	<p>L-Regel 26a. Der Aufsichtsrat hat dafür zu sorgen, dass die Gesamtbezüge der Vorstandsmitglieder (Gehälter, Gewinnbeteiligungen, Aufwandsentschädigungen, Versicherungsentgelte, Provisionen, anreizorientierte Vergütungszusagen und Nebenleistungen jeder Art) in einem angemessenen Verhältnis zu den Aufgaben und Leistungen des einzelnen Vorstandsmitglieds, zur Lage der Gesellschaft und zu der üblichen Vergütung stehen und langfristige Verhaltensanreize zur nachhaltigen Unternehmensentwicklung setzen. Dies gilt sinngemäß für Ruhegehälter, Hinterbliebenenbezüge und Leistungen verwandter Art.</p>
<p>C-Rule 27. When concluding management board contracts, the following principles shall also be observed:</p> <p>The remuneration contains fixed and variable components. The variable remuneration components shall be linked, above all, to sustainable, long-term and multi-year performance criteria, shall also include non-financial criteria and shall not entice persons to take unreasonable risks. For the variable remuneration components, measurable performance criteria shall be fixed in advance as well as maximum limits for amounts or as percentage of the fixed remuneration components. Precautions shall be taken to ensure that the company can reclaim variable remuneration components if it becomes clear that these were paid out only based on obviously false data.</p>	<p>C-Regel 27. Bei Abschluss von Vorstandsverträgen wird zusätzlich auf die Einhaltung folgender Grundsätze geachtet: Die Vergütung enthält fixe und variable Bestandteile. Die variablen Vergütungsteile knüpfen insbesondere an nachhaltige, langfristige und mehrjährige Leistungskriterien an, beziehen auch nicht-finanzielle Kriterien mit ein und dürfen nicht zum Eingehen unangemessener Risiken verleiten. Für variable Vergütungskomponenten sind messbare Leistungskriterien sowie betragliche oder als Prozentsätze der fixen Vergütungsteile bestimmte Höchstgrenzen im Voraus festzulegen. Es ist vorzusehen, dass die Gesellschaft variable Vergütungskomponenten zurückfordern kann, wenn sich herausstellt, dass diese auf der Grundlage von offenkundig falschen Daten ausgezahlt wurden.</p>
<p>C-Rule 27a. When concluding contracts with management board members, care shall be taken that severance payments in the case of premature termination of a contract with a management board member without a material breach shall not exceed more than two years annual pay and that not more than the</p>	<p>C-Regel 27a. Bei Abschluss von Vorstandsverträgen ist darauf zu achten, dass Abfindungszahlungen bei vorzeitiger Beendigung der Vorstandstätigkeit ohne wichtigen Grund mehr als zwei Jahresgesamtvergütungen nicht überschreiten und nicht mehr als die Restlaufzeit des</p>

¹ Version January 2020: <https://www.corporate-governance.at/uploads/u/corgov/files/code/corporate-governance-code-012018.pdf>.

<p>remaining term of the employment contract is remunerated. In the case of premature termination of a management contract for material reasons for which a management board member is responsible no severance payment shall be made.</p> <p>Any agreements reached on severance payments on the occasion of the premature termination of management board activities shall take the circumstances under which said management board member left the company as well as the economic situation of the company into consideration.</p>	<p>Anstellungsvertrages abgelten. Bei vorzeitiger Beendigung des Vorstandsvertrages aus einem vom Vorstandsmitglied zu vertretenden wichtigen Grund ist keine Abfindung zu zahlen. Aus Anlass der vorzeitigen Beendigung der Vorstandstätigkeit getroffene Vereinbarungen über Abfindungszahlungen berücksichtigen die Umstände des Ausscheidens des betreffenden Vorstandsmitglieds und die wirtschaftliche Lage des Unternehmens.</p>
<p>C-Rule 28. If a stock option programme or a programme for the preferential transfer of stocks is proposed for management board members, then such programmes shall be linked to measurable, long-term and sustainable criteria. It shall not be possible to change the criteria afterwards. For the duration of such programmes, but at the latest until the end of the management board member's function on the management board, the management board member shall hold an appropriate volume of shares in the own company.</p> <p>In the case of a stock option programme, a waiting period of at least three years must be fixed. A waiting and/or holding period of a total of at least three years shall be defined in stock transfer programmes. The general meeting shall pass any resolutions and/or changes to stock option schemes and stock transfer programmes for management board members.</p>	<p>C-Regel 28. Wird für Vorstandsmitglieder ein Stock Option Programm oder ein Programm für die begünstigte Übertragung von Aktien vorgeschlagen, haben diese an vorher festgelegte, messbare, langfristige und nachhaltige Kriterien anzuknüpfen. Eine nachträgliche Änderung der Kriterien ist ausgeschlossen. Auf die Dauer eines solchen Programmes, längstens aber bis zur Beendigung der Vorstandstätigkeit ist ein angemessener Eigenanteil an Aktien des Unternehmens zu halten.</p> <p>Bei Stock Option Programmen ist eine Wartefrist von mindestens 3 Jahren vorzusehen. Für Aktienübertragungsprogramme ist eine Wartefrist von mindestens 3 Jahren festzulegen. Über Stock Option Programme und Aktienübertragungsprogramme für Vorstandsmitglieder und deren Änderung beschließt die Hauptversammlung.</p>
<p>R-Rule 28a. The principles of C-Rules 27 and 28 shall apply accordingly also in the case of new remuneration systems for senior management staff.</p>	<p>R-Regel 28a. Die Grundsätze der C-Regeln 27 und 28 sind auch bei der Einführung neuer Vergütungssysteme für leitende Angestellte entsprechend anzuwenden.</p>
<p>L-Rule 29. The number and distribution of the options granted, the exercise prices and the respective estimated values at the time they are issued and upon exercise shall be reported in the annual report. The total remuneration of the management board for a business year must be reported in the notes to the financial statements.</p> <p>The Corporate Governance Report shall contain the total remuneration of each individual member of the management board (sec 239 para 1 no. 4 lit a Austrian Business Code) and disclose the principles governing remuneration policy.</p>	<p>L-Regel 29. Die Anzahl und Aufteilung der eingeräumten Optionen, deren Ausübungspreis sowie der jeweilige Schätzwert zum Zeitpunkt der Einräumung und Ausübung sind im Geschäftsbericht darzustellen.</p> <p>Die im Geschäftsjahr gewährten Gesamtbezüge des Vorstands sind im Anhang zum Jahresabschluss auszuweisen.</p> <p>Im Corporate Governance Bericht sind die Gesamtbezüge der einzelnen Vorstandsmitglieder (§ 239 Abs. 1 Z 4 lit. a UGB) und die Grundsätze der Vergütungspolitik anzugeben.</p>

<p>C-Rule 30. In addition to the information required by law (L-Rule 29), the Corporate Governance Report shall contain the following information:</p> <ul style="list-style-type: none"> • The principles applied by the company for granting the management board variable remuneration, especially for which performance criteria the variable remuneration components are linked pursuant to C-Rule 27; the methods according to which the fulfilment of the performance criteria is determined; the maximum limits determined for the variable remuneration; the shares held in the own company and periods planned pursuant to C-Rule 28; moreover, any major changes versus the previous year must also be reported. • The ratio of the fixed components to the variable components of the total compensation of the management board. • The principles of the company retirement plan for the management board and the conditions. • The principles applicable to eligibility and claims of the management board of the company in the event of termination of the function. • The existence of a D&O insurance, if the costs are borne by the company 	<p>C-Regel 30. Zusätzlich zu den vom Gesetz bereits geforderten Angaben (L-Regel 29) sind in den Corporate Governance Bericht folgende Informationen aufzunehmen:</p> <ul style="list-style-type: none"> • die im Unternehmen für die variable Vergütung des Vorstands angewandten Grundsätze, insbesondere an welche Leistungskriterien die variable Vergütung gemäß C-Regel 27 anknüpft; die Methoden, anhand derer die Erfüllung der Leistungskriterien festgestellt wird; die für die variable Vergütung bestimmten Höchstgrenzen; vorgesehene Eigenanteile und Fristen gemäß C-Regel 28; ebenso ist über wesentliche Änderungen gegenüber dem Vorjahr zu berichten. • das Verhältnis der fixen zu den variablen Bestandteilen der Gesamtbezüge des Vorstands. • die Grundsätze der vom Unternehmen für den Vorstand gewährten betrieblichen Altersversorgung und deren Voraussetzungen. • die Grundsätze für Anwartschaften und Ansprüche des Vorstands des Unternehmens im Falle der Beendigung der Vorstandstätigkeit. • das Bestehen einer allfälligen D&O – Versicherung, wenn die Kosten von der Gesellschaft getragen werden.
<p>C-Rule 31. The fixed and variable performance-linked annual remunerations of each individual management board member are to be disclosed in the Corporate Governance Report for each financial year. This shall also apply if the remuneration is paid through a management company.</p>	<p>C-Regel 31. Für jedes Vorstandsmitglied werden die im Geschäftsjahr gewährten fixen und variablen Vergütungen im Corporate Governance Bericht einzeln veröffentlicht. Dies gilt auch dann, wenn die Vergütungen über eine Managementgesellschaft geleistet werden.</p>

3. Guidelines of ISS*

The ISS Global Principles on Compensation underlie market-specific policies in all markets:

1. Provide shareholders with clear, comprehensive compensation disclosures;
2. Maintain appropriate pay-for-performance alignment with emphasis on long-term shareholder value;
3. Avoid arrangements that risk "pay for failure;"
4. Maintain an independent and effective compensation committee;
5. Avoid inappropriate pay to non-executive directors.

Executive compensation-related proposals

General Recommendation: ISS will evaluate management proposals seeking ratification of a company's executive compensation-related items on a case-by-case basis, and where relevant, will take into account the European Pay for Performance Model² outcomes within a qualitative review of a company's remuneration practices. ISS will generally recommend a vote against a company's compensation-related proposal if such proposal fails to comply with one or a combination of several of the global principles and their corresponding rules:

1. Provide shareholders with clear and comprehensive compensation disclosures:
Information on compensation-related proposals shall be made available to shareholders in a timely manner;
The level of disclosure of the proposed compensation policy shall be sufficient for shareholders to make an informed decision and shall be in line with what local market best practice standards dictate;
Companies shall adequately disclose all elements of the compensation, including:
 - 1.1.1. Any short- or long-term compensation component must include a maximum award limit.
 - 1.1.2. Long-term incentive plans must provide sufficient disclosure of (i) the exercise price/strike price (options); (ii) discount on grant; (iii) grant date/period; (iv) exercise/vesting period; and, if applicable, (v) performance criteria.
 - 1.1.3. Discretionary payments, if applicable.
2. Maintain appropriate pay structure with emphasis on long-term shareholder value:
The structure of the company's short-term incentive plan shall be appropriate.
 - 2.1.1. The compensation policy must notably avoid guaranteed or discretionary compensation.
 The structure of the company's long-term incentives shall be appropriate, including, but not limited to, dilution, vesting period, and, if applicable, performance conditions.
 - 2.1.2. Equity-based plans or awards that are linked to long-term company performance will be evaluated using ISS' general policy for equity-based plans; and
 - 2.1.3. For awards granted to executives, ISS will generally require a clear link between shareholder value and awards, and stringent performance-based elements.
 The balance between short- and long-term variable compensation shall be appropriate

* Extract of the Institutional Shareholder Services (ISS) – Voting Guidelines Europe

² **Definition of Pay-for-Performance Evaluation:** ISS annually conducts a pay-for-performance analysis to measure the alignment between pay and performance over a sustained period. With respect to companies in the European Main Indices, this analysis considers the following: (i) Peer Group Alignment (the degree of alignment between the company's annualized TSR rank and the CEO's annualized total pay rank within a peer group, each measured over a three-year period as well as the multiple of the CEO's total pay relative to the peer group median) and (ii) Absolute Alignment (the absolute alignment between the trend in CEO pay and company TSR over the prior five fiscal years – i.e., the difference between the trend in annual pay changes and the trend in annualized TSR during the period).

- 2.1.4. The company's executive compensation policy must notably avoid disproportionate focus on short-term variable element(s)
3. Avoid arrangements that risk "pay for failure":

The board shall demonstrate good stewardship of investor's interests regarding executive compensation practices (principle being supported by Pay for Performance Evaluation).

 - 3.1.1. There shall be a clear link between the company's performance and variable awards.
 - 3.1.2. There shall not be significant discrepancies between the company's performance and real executive pay-outs.
 - 3.1.3. The level of pay for the CEO and members of executive management should not be excessive relative to peers, company performance, and market practices.
 - 3.1.4. Significant pay increases shall be explained by a detailed and compelling disclosure.

Severance pay agreements must not be in excess of (i) 24 months' pay or of (ii) any more restrictive provision pursuant to local legal requirements and/or market best practices.

Arrangements with a company executive regarding pensions and post-mandate exercise of equity-based awards must not result in an adverse impact on shareholders' interests or be misaligned with good market practices.
4. Maintain an independent and effective compensation committee:

No executives may serve on the compensation committee.

In certain markets, the compensation committee shall be composed of a majority of independent members, as per ISS policies on director election and board or committee composition.

In addition to the above, ISS will generally recommend a vote against a compensation-related proposal if such proposal is in breach of any other supplemental market-specific ISS voting policies.

Non-Executive Director Compensation

5. Avoid inappropriate pay to non-executive directors.

General Recommendation: ISS will generally recommend a vote for proposals to award cash fees to non-executive directors, and will otherwise:

Recommend a vote against where:

- Documents (including general meeting documents, annual report) provided prior to the general meeting do not mention fees paid to non-executive directors.
- Proposed amounts are excessive relative to other companies in the country or industry.
- The company intends to increase the fees excessively in comparison with market/sector practices, without stating compelling reasons that justify the increase.
- Proposals provide for the granting of stock options, performance-based equity compensation (including stock appreciation rights and performance-vesting restricted stock), and performance-based cash to non-executive directors.
- Proposals introduce retirement benefits for non-executive directors.

In addition, recommend a vote on a case-by-case basis where:

- Proposals include both cash and share-based components to non-executive directors.
- Proposals bundle compensation for both non-executive and executive directors into a single resolution.

Equity-based Compensation Guidelines

General Recommendation: ISS will generally recommend a vote for equity based compensation proposals for employees if the plan(s) are in line with long-term shareholder interests and align the award with shareholder value.

This assessment includes, but is not limited to, the following factors:

The volume of awards transferred to participants must not be excessive: the potential volume of fully diluted issued share capital from equity-based compensation plans must not exceed the following ISS guidelines:

- The shares reserved for all share plans may not exceed 5 percent of a company's issued share capital, except in the case of high-growth companies or particularly well-designed plans, in which case we allow dilution of between 5 and 10 percent: in this case, we will need to have performance conditions attached to the plans which should be acceptable under ISS criteria (challenging criteria);
- The plan(s) must be sufficiently long-term in nature/structure: the minimum vesting period must be no less than three years from date of grant;
- The awards must be granted at market price. Discounts, if any, must be mitigated by performance criteria or other features that justify such discount.
- If applicable, performance standards must be fully disclosed, quantified, and long-term, with relative performance measures preferred.

Compensation-Related Voting Sanctions

General Recommendation: Should a company be deemed to have egregious remuneration practices (as a result of one or a combination of several factors highlighted above) and has not followed market practice by submitting a resolution on executive compensation, vote against other "appropriate" resolutions as a mark of discontent against such practices.

An adverse vote recommendation could be applied to any of the following on a case-by case basis:

1. The (re)election of members of the remuneration committee;
2. The discharge of directors; or
3. The annual report and accounts

Failure to propose a resolution on executive compensation to shareholders in a market where this is routine practice may, by itself, lead to one of the above adverse vote recommendations regardless of the companies' remuneration practices.

4. Guidelines of Glass Lewis*

GLASS LEWIS GUIDELINES – CONTINENTAL EUROPE

Glass Lewis focuses on four main areas when reviewing say-on-pay proposals:

- The overall design and structure of the executive remuneration program;
- The quality and content of disclosure;
- The quantum paid to executives; and
- The link between remuneration and performance as indicated by the company's recent and historic performance. In particular, we assess the realised pay received by a company's top executives over at least the previous three years to identify a demonstrable link between pay and company performance.

Glass Lewis also reviews any significant changes or modifications, and rationale for such changes, made to a company's remuneration structure or award amounts, including base salaries.

SAY-ON-PAY Voting Recommendations

In cases where our analysis reveals a remuneration structure or remuneration disclosure in significant need of reform, we will recommend that shareholders vote against the say-on-pay proposal. Generally, such instances include evidence of a pattern of poor pay-for-performance practices, unclear or questionable disclosure regarding the overall remuneration structure (e.g., limited information regarding benchmarking processes, limited rationale for bonus performance metrics and targets, etc.), questionable adjustments to certain aspects of the overall remuneration structure (e.g., limited rationale for significant changes to performance targets or metrics, the payout of guaranteed bonuses or sizable retention grants, etc.) and/or other egregious remuneration practices.

Although not an exhaustive list, we believe the following practices are indications of problematic pay practices, which may cause Glass Lewis to recommend against a say-on-pay vote:

- Egregious or excessive bonuses, equity awards or severance payments, including golden handshakes and golden parachutes;
- Guaranteed bonuses;
- Incentive plan targets set at performance levels well below actual past performance or strategic targets provided in guidance to shareholders, absent a compelling rationale for lowering the target;
- Incentive plans that pay out below lower middle quartile peer performance levels;
- Lack of disclosure regarding performance metrics and targets;
Performance targets not sufficiently challenging, and/or providing for unreasonably high potential pay-outs;
- Performance conditions do not adequately measure a company's performance or align with strategy over the long-term;
- Lowered performance targets without justification;
- Discretionary bonuses paid when short- or long-term incentive plan targets were not met;
Executive pay that is high compared to the company's peers and is not correlated with outstanding company performance; and
- The terms of the long-term incentive plans are inappropriate and a separate vote on the long-term incentive plan(s) is not provided (please see "Long-Term Incentives" section).

* Extract of the Glass Lewis European Voting Guidelines and Austrian Voting Guidelines.

In the instance that a company has failed to provide sufficient disclosure of its policies, we may recommend shareholders vote against this proposal solely on this basis, regardless of the appropriateness of remuneration levels. Further, we may recommend voting against say-on-pay votes when the clarity of the remuneration policy is extremely poor, such that it is not possible to adequately assess the link between pay and performance.

In the case of companies that maintain poor remuneration policies and/or poor remuneration disclosure year after year without any apparent steps to address the issues, we may also recommend that shareholders vote against the chair and/or other members of the remuneration committee, especially if the say-on-pay vote received low levels of shareholder support. We may also recommend voting against the remuneration committee members based on specific practices or actions such as approving large one-off payments, particularly when an adequate rationale is not provided, the inappropriate use of discretion, or sustained failure to link pay with performance.

Changes to Remuneration Policy

Glass Lewis closely reviews changes to companies' remuneration policies to determine whether the changes will benefit shareholders and therefore whether shareholders should support the proposals. Moreover, in several European markets (particularly Denmark and the Netherlands), shareholders may be asked to approve specific changes to the remuneration policy. In other markets (particularly Germany, Norway and Sweden), shareholders are typically asked to approve revised remuneration policies that apply to future payments in the current fiscal year. In such cases, where the proposed policy represents an improvement over the existing policy, Glass Lewis will generally recommend voting for the proposal, even when the proposed policy contains notable deficiencies.

Short-Term Incentives

A short-term bonus or incentive ("STI") should be demonstrably tied to performance that supports a company's strategy. This alignment is generally clearest when awards are based on quantifiable performance against disclosed targets. Where a discretionary approach is used when evaluating individual metrics or the overall assessment is utilised, the committee should explain its overall methodology, and its rationale for individual allocations.

Glass Lewis believes performance measures for STIs should encompass a mix of corporate and individual performance measures, including internal financial measures such as net profit after tax, EPS growth and divisional profitability as well as non-financial factors such as those related to employee turnover, safety, environmental issues, and customer satisfaction. However, since performance metrics vary depending on company, industry and strategy, among other factors, Glass Lewis will consider metrics tied to the company's business drivers to be acceptable. Where the financial metrics used to determine pay-outs have been adjusted, such as to exclude exceptional items or other costs, the report should disclose how the calculation differs from reported accounting figures, and a rationale for these adjustments.

Where possible, companies should disclose the specific targets utilised as well as actual performance against the targets. Glass Lewis recognises that boards may be reluctant to disclose certain target data on the basis that it is commercially sensitive; however, Glass Lewis believes companies should justify such non-disclosure, and commit to providing this information retrospectively. Where targets are not disclosed or award levels are determined on a discretionary basis, or where performance over the previous year appears to be poor or negative, the company should provide a clear explanation for why the payments were made.

The target and potential maximum pay-outs that can be achieved under STI awards should be disclosed. Shareholders should expect stretching performance targets for the maximum award to be achieved. Any increase in the potential maximum award should be clearly justified to shareholders.

In addition, Glass Lewis believes that at least a portion of bonuses should be subject to "malus" provisions, which allow companies to reclaim unvested bonuses on the basis of poor performance.

Further, Glass Lewis believes that companies should implement “clawback” provisions whereby any bonus awarded may be recouped by the Company in the event of misstatement, or material fraud or misconduct by the recipient of a bonus award. Furthermore, as set out by the European Parliament, Glass Lewis believes that a portion of significant bonus payments — typically at least 40% of large pay-outs — should be subject to a minimum deferral period of three years.

Long-Term Incentives

Glass Lewis recognises the value of long-term incentive programs. When used appropriately, they can provide a vehicle for linking an executive’s pay to company performance, thereby aligning their interests with those of shareholders.

There are certain elements that Glass Lewis believes are common to most well-structured long-term incentive (“LTI”) plans. These include:

- No re-testing or lowering of performance conditions;
Two or more performance metrics. We believe measuring a company’s performance with multiple metrics serves to provide a more complete picture of the company’s performance than a single metric, and multiple metrics are less easily manipulated.
- At least one relative performance metric that compares the company’s performance to a relevant peer group or index;
- Performance periods of at least three years;
- Performance metrics that cannot be easily manipulated by management;
- Stretching targets that incentivise executives to strive for outstanding performance;
- Individual limits expressed as a percentage of base salary; and
- Holding requirements for executives, preferably extending through the duration of their tenure.

Performance measures should be carefully selected and should relate to the specific business/industry in which the company operates and, especially, the key value drivers of the company’s business. Metrics may be financial and non-financial; however, there should be a strong emphasis on overall financial performance. Where the financial metrics used to determine pay-outs have been adjusted, such as to exclude exceptionals or other costs, the report should disclose how the calculation differs from reported accounting figures, and a rationale for these adjustments including the use of the adjusted financials by industry peers and financial analysts.

When utilised for relative measurements, external benchmarks such as a sector, index or peer group should be disclosed and transparent. Internal benchmarks (e.g., earnings per share growth) should also be disclosed and transparent, unless a cogent case for confidentiality is made and fully explained.

Remuneration Policy Relative To Peers

Glass Lewis’ analysis of remuneration policies examines a company’s remuneration disclosure and structure as compared to peer practices, based on relevant stock market indices, market capitalisation, industry and/or liquidity. As a result, Glass Lewis generally applies higher standards to remuneration policies and disclosure of the largest companies in a given market, as these multinational companies compete with international companies in similar industries for talented executives. In particular, Glass Lewis expects companies on blue-chip indices to provide better remuneration-related disclosure than smaller companies in that country. Glass Lewis also expects these companies to apply remuneration practices that meet at least a majority of local key recommendations for best practice, and align with international standards for best practice. In contrast, Glass Lewis might recommend support of a say-on-pay vote at a smaller company where the remuneration policy generally aligns with key best practice recommendations in the relevant market and with the policy and disclosure of its peers, but does not meet more stringent standards for international best practice.

Further, Glass Lewis recognises that the disclosure of pay ratios between the CEO and median or average employee may be useful in contextualising levels of executive remuneration both within a business and within industries. As such, Glass Lewis encourages companies to disclose such pay ratios, including a description of the methodology for their calculation.

Remuneration Policy Relative to Ownership Structure

Glass Lewis recognises that differences in the ownership structure of listed firms can affect the incentive structure for executives. In particular, where a company is controlled and managed by a family, Glass Lewis believes the use of equity incentives for representatives of the family is inappropriate and may serve to further entrench the controlling shareholders' stake. Additionally, in general, Glass Lewis expects companies with more dispersed ownership to demonstrate a more precise and linear pay-performance link than those with more concentrated ownership. In general, where an executive owns or directly controls more than 10% of a company's shares, Glass Lewis would not expect the individual to participate in equity incentive schemes, considering the natural alignment with shareholder interests.

Equity-based Remuneration Plan Proposals

Glass Lewis believes that equity remuneration awards are useful, when not abused, for retaining employees and providing them with an incentive to act in a way that will improve company performance.

Equity-based remuneration programs have important differences from cash remuneration plans and bonus programs. Accordingly, our analysis takes into account factors such as plan administration, the method and terms of exercise, and express or implied rights to re-price.

Our analysis is both quantitative and qualitative. In particular, Glass Lewis examines the potential dilution to shareholders, the company's grant history and compliance with best practice recommendations.

Glass Lewis evaluates equity-based incentive plans based on the following principles:

- Total potential dilution to current shareholders should be reasonable and in line with a company's peers. Glass Lewis will consider annual grant limits to all plan participants and individual senior executives when making this assessment, and particularly whether such limits have been set and disclosed;
- Awards to executives should be conditional on stretching financial and/or non-financial performance targets;
- Awards should vest over several years;
Companies should have a demonstrated history of making reasonable equity incentive grants over the past three fiscal years;
Stock options should be granted at fair market value, unless a discount is sufficiently justified and explained; and
- Plans should not permit re-pricing of stock options without shareholder approval.

In addition to the aforementioned quantitative criteria, Glass Lewis compares the terms of the proposed plan with current best practice recommendations in Europe and the relevant local market. To this end, Glass Lewis will consider whether the award and/or exercise of equity are conditional on the achievement of detailed and challenging performance targets to adequately align management interests with those of shareholders. Successful plans will generally include long-term (at least three-year) performance targets which aim to reward executives who foster company growth while limiting excessive risk-taking. We feel that executives should be remunerated with equity only when their performance and the company's performance warrant such rewards. While Glass Lewis does not believe that equity-based incentive plans intended for employees below the senior executive level should necessarily be based on overall company performance metrics, Glass Lewis firmly believes equity grants to senior executives should nearly always be quantifiably linked to company performance. Glass Lewis will generally recommend voting against long-term incentive plans with

senior executive participants that do not demonstrate such a link to company performance, taking into account the company's overall remuneration structure and any other long-term incentive plans used or proposed by the company for senior executives. However, Glass Lewis will also account for best practices relative to a company's peers when assessing the appropriateness of performance metrics.

Optin Repricing

Glass Lewis views option repricing with great scepticism. Shareholders have substantial risk in owning stock and Glass Lewis believes that the employees and officers who receive stock options should be similarly situated to align their interests with shareholder interests.

Glass Lewis is concerned that option grantees who believe they will be "rescued" from underwater options will be more inclined to take unjustifiable risks. Moreover, a predictable pattern of repricing substantially alters a stock option's value because options that will practically never expire deeply out of the money are worth far more than options that carry a risk of expiration.

In short, repricing change the bargain between shareholders and employees after the bargain has been struck. Repricing is tantamount to re-trading.

There is one circumstance in which a repricing is acceptable: if macroeconomic or industry trends cause a stock's value to decline dramatically, rather than specific company issues, and repricing is necessary to motivate and retain employees. In this circumstance, Glass Lewis thinks it fair to conclude that option grantees may be suffering from a risk that was not foreseeable when the original "bargain" was struck. In such a circumstance, Glass Lewis will support a repricing only if the following conditions are true:

- Officers and board members do not participate in the program;
- The stock decline mirrors the market or industry price decline in terms of timing and approximates the decline in magnitude;
- The exchange is value-neutral or value-creative to shareholders with very conservative assumptions and with a recognition of the adverse selection problems inherent in voluntary programs; and
- Management and the board make a cogent case for needing to motivate and retain existing employees, such as being in a competitive employment market.

Severance Payments

In general, Glass Lewis believes that severance payments should be limited to two years fixed salary and should not be paid in the event of inadequate performance or voluntary departure. However, Glass Lewis will apply local best practice standards when analysing severance payments.

Remuneration Plans for Board Members

Glass Lewis believes remuneration paid to non-employee board members for the time and effort they spend serving on the board and its committees should be reasonable and appropriate. Board fees should be competitive in order to retain and attract qualified individuals but should generally not be performance based. Excessive fees represent a financial cost to the company and, along with performance-based remuneration, threaten to compromise the objectivity and independence of non-employee board members. In line with best practice in Europe, Glass Lewis generally recommends voting against stock option grants (if granted on the same terms as executive awards) and performance-based equity grants for non-executive directors. However, Glass Lewis does not object to the payment of directors' fixed fees in the form of equity provided that the vesting of such a grant is either immediate or does not require the directors' continued service on the company's board for payment to occur.

GLASS LEWIS GUIDELINES – AUSTRIA

- Management Board Remuneration Requirements

Austrian public companies are required to include information regarding the remuneration of the management board in an annual corporate governance report. This report must disclose the remuneration for each member of the management board individually, as well as a discussion of general remuneration policies. The report should include specific disclosure of the fixed and variable remuneration components for management board members. In particular, companies should disclose the performance criteria chosen to determine variable remuneration components, the methods utilised to assess performance achievement against these measures and the maximum limits applied. Additionally, any major changes implemented to the remuneration system from the previous year must be reported.

Management board remuneration should include both fixed and variable components. Variable components should be mostly linked to sustainable, long-term and multi-year measurable performance criteria, of both financial and non-financial nature. Long-term incentives for executives must be geared toward a company's sustainable development. Where stock option programmes are offered to members of the management board, awards should be subject to a holding period of at least three years. Further, recovery provisions should be imposed on variable remuneration components. Severance payments for members of the management board should be capped at two years of annual pay or the remaining term of the employment contract. Glass Lewis may recommend voting against the re-election of the remuneration committee chair, or in the absence of a remuneration committee, the supervisory board chair, in cases where we believe that a company's executive remuneration policy, and disclosure thereof, falls substantially short of best practice recommendations.

- Supervisory Board Remuneration Plans

Under Austrian law, supervisory board members' remuneration must either be approved by a general meeting of shareholders or specified in a company's articles of association. Each supervisory board member's remuneration should be disclosed individually in the annual report. The Austrian Code of Corporate Governance recommends that supervisory board members not participate in a stock option plan. As such, Glass Lewis will not support stock option plans for supervisory board members in Austria. Generally, proposals on supervisory board remuneration are not contentious.

5. Guidelines of BlackRock*

The key purpose of remuneration is to reward, attract and retain competent directors, executives and other staff who are fundamental to the long-term sustainable growth of the company, with reward for executives contingent at least in part on controllable outcomes that add value. BlackRock believes that each company should structure their remuneration policies and practices in a manner that suits the needs of that particular company given the broader context and environment it operates in.

Highly talented and experienced executives are sought by many companies and deserve appropriate incentives, including substantial remuneration. BlackRock considers pay from the perspective of performance. Executive pay should be closely linked to performance, by which we mean strong and sustainable returns over the long-term, as opposed to short-term hikes in share prices. When assessing remuneration policies and practices of listed companies BlackRock is looking for a cogent explanation for the policies used and, in respect of executive remuneration in particular, a clear link to the company's stated strategy. We encourage companies to use these guidelines in developing their pay policies, as they will inform BlackRock's approach to engagement around pay. Clear consideration of these guidelines will help produce optimally productive engagements. We expect issuers' public disclosures to be the primary mechanism for companies to explain their executive remuneration practices. Where concerns are identified or where we seek to better understand a company's approach to executive remuneration, we may engage with companies, preferably independent members of the remuneration committee of the board.

Beliefs and expectations related to executive remuneration practices

- BlackRock believes that remuneration committees are in the best position to make remuneration decisions and should maintain significant flexibility in administering remuneration programs, given their knowledge of the strategic plans for the company, the industry in which the company operates the appropriate performance measures for the company, and other issues internal and / or unique to the company.
- Companies should explicitly disclose how incentive plans reflect strategy and incorporate long-term shareholder value drivers; this discussion should include the commensurate metrics and timeframes by which shareholders should assess performance.
- BlackRock believes that remuneration plans should allow remuneration committees to have discretion to make adjustments as a result of unintended outcomes from plans. Where discretion has been used by the remuneration committee we expect disclosure relating to how and why the discretion was used and further, how the adjusted outcome is aligned with the interests of shareholders.
- BlackRock does not discourage remuneration structures that differ from market practice. However, where remuneration practices differ substantially from market practice, e.g. in the event of unconventional incentive plan design or extraordinary decisions made in the context of transformational corporate events or turnaround situations, we expect clear disclosure explaining how the decisions are in shareholders' best long-term economic interests.
- BlackRock expect remuneration committees to ensure that incentive plans do not incentivise excessive risk taking beyond the company's determined risk appetite and that rewards are reasonable in light of risk-adjusted returns to shareholders.

* Extract of the BlackRock, Proxy Voting Guidelines for European, Middle Eastern, and African securities, January 2019

- BlackRock expect remuneration committees to consider and respond to the shareholder voting results of relevant proposals at previous years' annual meetings, and other feedback received from shareholders, as they evaluate remuneration plans. At the same time, remuneration committees should ultimately be focused on incentivising long-term shareholder value creation and not necessarily on achieving a certain level of support on Say on Pay at any particular shareholder meeting.

Remuneration consultants

- BlackRock believes boards should provide more transparency in their reporting on their use of remuneration consultants. Disclosures should cover the name of the consultant, the nature of all services provided, and the chain of accountability, e.g. to the board or to management.
- Discourse on what the board saw as the merits of the particular advisor relative to in-house or inboard expertise would also be useful. Greater transparency will help demonstrate whether directors have the required competency and whether there are any conflicts of interest, e.g. providing advice to the board but being paid by management.

Say on Pay analysis framework

- BlackRock analyses the remuneration practices in the context of the company's stated strategy and identified value drivers and seek to understand the link between strategy, value drivers, and incentive plan design.
- BlackRock reviews executive remuneration granted during the year in terms of total remuneration that may be earned at threshold, target and maximum performance. Such an approach provides an understanding of the remuneration committee's intended outcomes based on various performance scenarios and to judge the appropriateness and rigor of performance measures and hurdles.
- BlackRock makes an assessment of the relevance of the company's stated peers and the potential impact the company's peer selection may have on pay decisions.
- BlackRock conducts its analysis over various time horizons, with an emphasis on a sustained period, generally 3-5 years; however, we consider company-specific factors, including the timeframe the company uses for performance evaluation, the nature of the industry, and the typical business cycle, in order to identify an appropriate timeframe for evaluation.
- BlackRock reviews key changes to pay components from previous years and consider the remuneration committee's rationale for those changes.
- Where BlackRock sees extraordinary pay items (including but not limited to actual or contractual severance payments, inducement grants, one-time bonus and / or retention awards, or relocation expenses) BlackRock expects to see a clear explanation to understand the remuneration committee's rationale and how such payments are aligned with long term shareholder interests.
- BlackRock may engage with companies, preferably independent members of the remuneration committee or of the board, where concerns are identified or where we seek to better understand a company's approach to executive remuneration.
- BlackRock considers its historical voting decisions (including whether a concern that led to a previous vote against management has been addressed, or whether we determined to support management at previous shareholder meetings with the expectation of future

change), engagement activity, other corporate governance concerns at the company, and the views of our portfolio managers.

- BlackRock assesses the board's responsiveness to shareholder voting results of relevant proposals at previous years' annual meetings, and other feedback received from shareholders.

Engagement and voting on Say on Pay

- In many instances, BlackRock believes that direct discussion with companies, in particular with the members of the remuneration committee, can be an effective mechanism for building mutual understanding on executive remuneration issues and for communicating any concerns BlackRock may have on executive remuneration.
- In the event that BlackRock determines engagement has not or is not expected to lead to resolution of our concerns, we will consider voting against members of the remuneration committee, consistent with our preferred approach to hold members of the relevant key committee of the board accountable for governance concerns.
- When evaluating executive remuneration arrangements, BlackRock will take into consideration the balance of fixed versus variable pay, the choice of performance measures and their targets, the length of vesting and / or holding periods, the overall complexity of the schemes, as well as the overall level of transparency. BlackRock expects executive remuneration arrangements to demonstrate a clear link with the execution of strategy. As such, BlackRock prefers all executive remuneration beyond salary and benefits to comprise variable pay based on relevant and challenging performance criteria that are clearly linked to the strategic objectives set by the management team. BlackRock expects the larger portion of this variable pay to be based on sustained performance over a multi-year period.
- BlackRock will vote against the election of remuneration committee members and / or Say on Pay proposals in certain instances, including but not limited to when:
 - BlackRock identifies a misalignment over time between threshold, target pay and maximum remuneration outcomes and company performance as reflected in financial and operational performance and / or shareholder returns
 - BlackRock determines that a company has not persuasively demonstrated the connection between strategy, long-term shareholder value creation and incentive plan design
 - BlackRock determines that remuneration is excessive relative to peers without appropriate rationale or explanation, including the appropriateness of the company's selected peers
 - BlackRock observes an overreliance on discretion or extraordinary pay decisions to reward executives, without clearly demonstrating how these decisions are aligned with shareholders' interests
 - BlackRock determines that company disclosure is insufficient to undertake our pay analysis
 - BlackRock observes a lack of board responsiveness to significant investor concern on executive remuneration issues.
- We will typically vote against Say on Pay when:
 - There is no mention of the use of performance criteria for the vesting of long-term awards or it is explicitly stated there will not be any disclosure around the performance criteria, with the exception of restricted schemes (see below)

- A long-term incentive plan allows for “retesting,” i.e. multiple opportunities to achieve the performance criteria
- A board of directors decides to make retrospective/in-flight changes to performance criteria

Remuneration guidelines

- When setting fixed pay, BlackRock expects boards to start by determining the right cost for the specific position. This amount should be based on a calculated assessment of what needs to be paid to get the job done and should be aligned with the pay policy of the company for the rest of the workforce. The board should also consider the pay ratio between the CEO and the rest of the executive team, looking at both the fixed and the total remuneration.
- Benchmarking should be used only to establish a frame of reference for what competitors are paying, rather than as the starting point for negotiations.
- BlackRock expects companies to select peers that are broadly comparable to the company in question, based on objective criteria that are directly relevant to setting competitive remuneration; we evaluate peer group selection based on factors including, but not limited to, business size, relevance, complexity, risk profile, and / or geography.
- Benchmarking tools should be used in a transparent manner, i.e. BlackRock expects the results to be disclosed by the company, especially the peer group selected.
- In case of a significant pay increase year-on-year that is out of line with the rest of the workforce, BlackRock expects the company to provide a strong supporting rationale. Large increases should not be justified principally by benchmarking or company's performance but should progress in pace with the evolution of the scope of the role and its complexity. If justified by additional complexity, BlackRock expects companies to provide a detailed explanation of how the role has substantially changed. We do not see the size of the capital of the company as an appropriate proxy for the complexity of the role or as appropriate justification for an increase in salary.

Pensions and benefits

- Pensions and benefits should not be used in the calculation of variable pay.
- BlackRock views pensions as being part of the benefits offered by a company and therefore we expect pension contributions for executives to be in line with the rest of the workforce. Contracts for new executives should reflect this alignment. Any downgrade of the workforce's pensions should also be applied to the executives.

Recruitment packages

- Any proposed package should be primarily determined in relationship to the nature and the specifics of the role for a company of this size and complexity. Any large disparity with the remuneration of the former executive should be explained in detail by the company.
- Buyout awards, if necessary, should only be made in shares or similar at-risk vehicles and should be aligned with the recruiting company's strategy and metrics; vesting can be aligned with the executive's prior employment cycle.

Severance, retirement, change in control, and adjustments for performance

- BlackRock understands that companies might want to accelerate the vesting of equity-related awards in case the company has been acquired. For the executives of the company, BlackRock believes unvested awards should vest pro-rated for time and

performance even in that situation. The board should provide meaningful disclosure to explain the rationale and the methodology used to assess the performance of the executives.

- Severance payments should not be made to executives whose contracts have been terminated as a result of poor performance, who have chosen to leave the company, or who are retiring.
- Severance payments should be limited to two years of fixed remuneration (including bonus in markets where this is the expected practice). This limit includes payments from non-compete agreements.
- Severance payments should only be paid in case of forced departure of a good leaver. The non-renewal of a mandate should not be construed as a forced departure.
- In case of good leavers, unvested awards should vest pro-rated for time and performance and lapse in full in case of bad leavers. In case of a voluntary change of employment, the executive's unvested awards should lapse in full as well.
- A good leaver is one, which leaves the company due to: retirement, personal circumstances preventing the executive from fulfilling the role, change in control / strategy when the post becomes redundant or the incumbent executive's skills are not aligned. A bad leaver is one, which leaves the company due to forced or agreed departure due to inadequate performance or behaviour of that individual.
- BlackRock believes consideration should be given to building performance adjustment (often referred to as malus) and / or clawback provisions into incentive plans to allow for awards to be forfeited (in whole or in part) before vesting, or to allow for executives to be required to repay rewards, in circumstances where the awards / rewards would not be appropriate. Situations in which such provisions are commonly triggered include cases of gross misconduct and misstatement of financial results, but companies should consider in which, perhaps broader, circumstances the provisions would be applied. BlackRock expects the company to explain how it has determined such circumstances, and to explain the steps it has taken to ensure the provisions are enforceable. Any subsequent changes to the stated operation of the provisions should also be clearly disclosed and explained.

One-off awards

- Any one-off award to an executive should be based on very exceptional circumstances that would need to be detailed by the company in the remuneration report.
- Without adequate explanation, BlackRock will usually oppose one-off awards linked to transactions as these awards could create an incentive for executives to undertake unnecessary (and at times value-destroying) acquisitions. Moreover, any merger or acquisition entails significant risks that investors will have to face for a number of years after the transaction.
- BlackRock will also usually vote against retention awards as, in our experience, they are not an effective tool to retain employees.

Variable pay

- Given the uniqueness of each listed company, and the numerous industries in which companies operate, BlackRock does not believe there is a "one size fits all" approach to the structure of executive remuneration. Boards of directors should structure executive remuneration plans that best suit their company taking into account such factors as the company's pay policy, strategy, and business cycle. BlackRock does not set forth a

preference between cash, restricted stock, performance based equity awards, and stock options, amongst other remuneration vehicles. BlackRock acknowledges that each may have an appropriate role in recruiting and retaining executives, in incentivising behaviour, in fostering the right culture and performance and in aligning shareholders' and executives' interests. Remuneration committees should clearly disclose the rationale behind their selection of pay vehicles and how these fit with intended incentives. BlackRock also observes that different types of awards exhibit varying risk profiles, and the risks associated with pay plan design should be in line with the company's stated strategy and risk appetite.

- Boards should provide a picture of what the pay package could look like depending on different performance scenarios and on different time horizons for investors to be able to assess adequately the pay-related proposals.
- BlackRock expects companies to disclose the value of the remuneration to be granted in a particular year based on threshold, target and maximum performance (values should be measured by face value at grant date).
- We usually expect the size of equity-related awards granted to executives to be set in the remuneration policy as a percentage of the base salary or in monetary terms.
- BlackRock may not support long-term incentive plans:
 - Where vesting of awards is not subject to the achievement of pre-determined performance targets
 - Where the performance period is not sufficiently long-term oriented
 - With insufficient disclosure on matters such as grant limits, performance criteria, vesting periods, and overall dilution, as this will not allow BlackRock to fully assess these incentive plans;
 - Where the total volume of the long-term incentive plans exceeds 10% of the capital, taking into account the proposed and outstanding authorities;
 - Where they allow for the immediate vesting of awards upon a change of control.
- BlackRock supports incentive plans that foster the sustainable achievement of results. Although BlackRock believes that companies should identify those performance measures most directly tied to shareholder value creation, BlackRock also believes that emphasis should be on those factors within management's control to create economic value over the long-term, which should ultimately lead to sustained shareholder returns over the long-term.
- BlackRock is wary of companies using only "output" metrics such as earnings per share ("EPS") or total shareholder return ("TSR"). BlackRock's preference is for "input" metrics as these are within management's control. TSR, if used, should be assessed on a relative basis or companies should provide a cogent explanation for why this is not adequate.
- Companies using EPS should exclude the potential short-term effects of share buybacks and acquisitions. BlackRock also encourages companies to use metrics related to the creation of value of the company (e.g. the economic profit or a comparison of return on invested capital ("ROIC") and the cost of capital).
- Performance metrics should be closely aligned with the strategic objectives and should not be created for the sole purpose of compensating executives.
- The use of adjusted metrics in the remuneration framework should be consistent with the adjustments used in the statutory reporting.

- Short-term and long-term incentive plans should be based on different sets of performance measures.
- The performance measures should be majority financial and at least 60% should be based on quantitative criteria. Variable pay should be based on multiple criteria. BlackRock expects full disclosure of the performance measures selected and the rationale for the selection of such performance measures. If the board decides to use ESG-type criteria, these criteria should be linked to material issues and they must be quantifiable, transparent and auditable. These criteria should reflect the strategic priorities of the company. For that reason, the inclusion in ESG-indexes is generally not considered to be appropriate criteria. Where financial measures constitute less than 60% of performance measures a cogent explanation should be provided.
- Retrospective disclosure should be provided on the performance achieved, broken down by measure, for quantitative and qualitative metrics alike. For markets where it is the expected practice, the performance metrics and targets should be disclosed prospectively.
- Regarding long-term incentive plans, BlackRock expects the performance duration to be in line with the business cycle of the company. When the vesting period is two years or less, due to a short business cycle, an explanation should be provided and there should be a sufficient subsequent holding period beyond the vesting of awards to ensure the long-term focus by management.
- Currency exposure: BlackRock does not believe one group of stakeholders should be sheltered from the impact of currency fluctuations. We expect companies to mitigate currency risks as any other risk

Restricted schemes

- Some companies might consider that a restricted scheme fits better with their remuneration philosophy. BlackRock expects these companies to provide detailed rationale to justify this decision. Moreover, the introduction of a restricted scheme should not result in a more complex pay package.
- Given the certainty of these schemes, we expect the value of awards to be reduced by at least 50% in comparison to the variable pay previously available. Any subsequent increase should be avoided or justified by specific circumstances.
- The vesting / holding period(s) should have a longer timeframe, preferably a minimum of five years.
- To avoid pay for failure, BlackRock believes an underpin should be applied to these schemes, i.e. the awards should not vest if a minimum level of performance has not been achieved.
- For the companies granting restricted shares, BlackRock encourages the board to increase the shareholding requirement to at least four times' fixed pay, that should be maintained for at least two years post departure to ensure longer term alignment with shareholders.

Matching plans

- Boards should refrain from using matching plans if they are already using other types of long-term incentive plans.
- Matching should be capped and should be linked to additional performance criteria.

Shareholding requirement

- For all companies, BlackRock encourages boards to set executive shareholding requirement at least at the level of maximum annual **variable** pay (including the bonus and long-term incentives).
- Executives should be required to build up their shareholding in a reasonable amount of time after their appointment.
- BlackRock believes it is a good practice for executives to retain part of their shareholding for a period of time (at least two years) after they leave the company.

Remuneration requirements under CRD IV

In BlackRock's view, boards of directors and remuneration committees should have flexibility in determining pay structure and levels. We are therefore supportive in principle, of increasing the 1-to-1 cap of variable to fixed pay to 2-to-1 for companies subject to CRD IV. However, boards should exercise this flexibility responsibly. We will continue to review and monitor remuneration structures on a case-by-case basis.

In addition to the above and in the context of CRD IV, we will assess any material differences between proposed versus existing fixed pay levels for impacted staff, as approved by shareholders in previous years. In the event a company chooses to introduce an additional layer of fixed pay, where regulation permits we have a preference for the allowance to be paid in shares. Further, we expect that the allowance will release no faster than pro-rata over five years. Any additional layer of fixed pay should be excluded from the calculation of pension entitlements, benefits and severance and fit within previously communicated and approved dilution limits. In addition, we expect that any increase in fixed pay or an additional layer of fixed pay, would result in a reduction of total overall pay given the decreased level of "at risk" pay.

Non-executive board members remuneration

BlackRock does not support variable pay elements (e.g. stock options or performance shares) for nonexecutive directors or supervisory board members and prefers these board members to receive fixed fees only. These fees can be paid in cash and / or shares when it is the accepted practice in the market.

BlackRock supports requirements for non-executive board members to have a minimum level of shareholding of the company.

Disclosure of remuneration policy

BlackRock expects companies to disclose a remuneration policy which includes all the components of the remuneration package of the executive and non-executive members of the board of directors. The policy should provide a description of the remuneration philosophy and a rationale for the choice of performance criteria used for the variable pay of executive directors. We expect companies to provide a further rationale whenever the policy is modified.

The policy should include a description of all the component parts of the remuneration package, including:

- How that component supports the short and long-term strategic objectives of the company
- An explanation of how that component operates
- The maximum that may be paid in respect of the specific component
- Where applicable, a description of the framework used to assess performance including:
 - An explanation of why any performance measures were chosen and how any performance targets are set
 - A description of any performance measures which apply including the level of performance required

- Where more than one performance measure applies, an indication of the weighting of the performance measure or group of performance measures
 - Details of any performance period
 - The amount that may be paid in respect of:
 - The minimum level of performance that results in any payment under the policy
 - Any further levels of performance set in accordance with the policy
 - In respect of any component (other than salary, fees, benefits, or pension) which is not subject to performance measures, an explanation of why there are no such measures
 - An explanation as to whether there are any provisions for the recovery of sums paid or the withholding of the payment of any sum (such as malus and clawbacks, as discussed in detail above)
 - If any component did not form part of the remuneration package in the last approved directors' remuneration policy, why that component is now contained in the remuneration package
 - In respect of any component which did form a part of such a package, what changes have been made to it and why
 - An explanation of the differences (if any) in the company's policy on the remuneration of corporate officers from the policy on the remuneration of managers generally

Approach to recruitment remuneration

The remuneration policy should contain a statement of the principles which would be applied by the company when agreeing the components of a remuneration package for the appointment of executives. The statement must set out the various components, which would be considered for inclusion in that package and the approach to be adopted by the company in respect of each component.

Approach to severance payments

The remuneration policy should describe the terms and the conditions in respect of any payment for loss of office. The policy should clarify in which situations these payments would be allowed.

Change of control

The remuneration policy should indicate if a change of control would have an impact on the remuneration of executives, e.g. the accelerated vesting of equity-related awards.

Pensions

The remuneration policy should set the terms and conditions of the pension contributions paid by the company, if any.

Statement of consideration of stakeholders

The remuneration policy should contain a statement of how the pay and employment conditions of employees (other than executives) of the company were taken into account when setting the policy for directors' remuneration. The remuneration policy must contain a statement of whether, and if so how, any views in respect of directors' remuneration expressed to the company by shareholders have been taken into account in the formulation of the directors' remuneration policy.

6. Guidelines on the Standardised Presentation of the Remuneration Report*

Guidelines on the standardised presentation of the remuneration report under Directive 2007/36/EC, as amended by Directive (EU) 2017/828 as regards the encouragement of long-term shareholder engagement

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1. INTRODUCTION

Directive 2007/36/EC of the European Parliament and of the Council of 11 of July 2007 on the exercise of certain rights of shareholders in listed companies, as amended by Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 as regards the encouragement of long-term shareholder engagement ('the Directive') requires in its Article 9b that companies (which have their registered office in a Member State and the shares of which are admitted to trading on a regulated market situated or operating within a Member State¹) draw up a clear and understandable remuneration report ('the Report'), providing a comprehensive overview of the remuneration of their directors. According to the Directive, the report shall include all benefits in whatever form, awarded or due during the most recent financial year to individual directors, including to newly recruited and to former directors, in accordance with the company's remuneration policy.

Article 9b(6) of the Directive gives a mandate to the Commission to adopt guidelines to specify the standardised presentation of the Report with a view to ensuring harmonisation in this regard.

When preparing these guidelines, the Commission has consulted stakeholders both through the Commission Expert Group on Technical Aspects of Corporate Governance Processes and thereafter convening the Member States in a meeting of the Company Law Expert Group, in compliance with Recital 49 of the Directive (EU) 2017/828.

* Draft version

¹ See Article 1(1) of the Directive

Important

This communication, made pursuant to paragraph 6 of Article 9b of the Directive, provides non-binding guidelines, and does not create new legal obligations. To the extent that this Communication may interpret Directive 2017/828/EU, the Commission's position is without prejudice to any interpretation of this Directive that may be given by the Court of Justice of the European Union. Companies using these guidelines are also subject to the legal requirements of the applicable national laws transposing Directive 2017/828/EU and may also rely on complementary national corporate governance frameworks.

2. PURPOSE

The aim of these non-binding guidelines is to help companies disclose clear, understandable, comprehensive and comparable information on individual directors' remuneration, which meets the requirements of the Directive.

As regards comprehensiveness and comparability, the guidelines aim to address different practices in Member States that provide an uneven level of transparency and protection of the interests of shareholders and investors, in particular in the case of cross-border investments. The result of this divergence of practices is that investors face difficulties and costs when they want to understand and monitor the implementation of a company's remuneration policy and engage with the company on that specific issue. Furthermore, better comparability and standardised presentation is also beneficial for other stakeholders, such as employees or those affected by the company's operations. The guidelines also aim to recognise and respect the diversity of corporate governance systems, which reflect Member States' different legal frameworks as regards, among others, the roles of corporate bodies responsible for the determination and supervision on the remuneration of directors.

The intent of the guidelines is to provide balanced and flexible guidance on reporting on the individual directors' remuneration in order to enable, not only shareholders, but also potential investors and stakeholders, to assess directors' remuneration, to what extent that remuneration is linked to the performance of the company and how the company implements its remuneration policy in practice. The guidelines aim to take into account comprehensively the interests of shareholders, potential investors, other stakeholders and different companies. They do not aim at 'one-size-fits-all' approach. These guidelines are addressed to companies which have their registered office in a Member State and whose shares are admitted to trading on a regulated market situated or operating within a Member State. These companies are required by the Directive to draw up a remuneration report. However, these non-binding guidelines might also be of interest as a good practice for other companies that disclose such information, including companies which fall outside the scope of the Directive.

3. SCOPE

These guidelines apply to the information required by the Directive to be provided on remuneration of each individual director, including all benefits in whatever form, awarded or due² during the most recent financial year, including also to newly recruited and to former directors, in accordance with the remuneration policy referred to in Article 9a of the Directive.

² "Awarded or due" benefits: subject to possible future Court interpretation, this notion refers to all benefits actually paid or assigned, but also to those decided to be given or paid, or owed to the directors during the financial year, i.e. where the director has fulfilled the conditions to earn the right for future payment or allocation but where such payment or allocation has not materialised during the reported financial year.

As specified in paragraph (i), Article 2 of the Directive, the definition of “director” includes (i) any member of the administrative, management or supervisory bodies of a company, (ii) where they are not members of the administrative, management or supervisory bodies of a company, the chief executive officer and, if such function exists in a company, the deputy chief executive officer, and (iii) where so determined by a Member State, other persons who perform functions similar to those performed under point (i) or (ii).

These guidelines do not contain guidance for the establishment of the remuneration policy regulated under Article 9a of the Directive, whose key elements may however be mentioned by cross-reference in the remuneration report, where appropriate.

4. KEY PRINCIPLES

Annual reporting: In line with paragraph 1 of Article 9b of the Directive, companies are required to provide the Report annually to explain how the remuneration policy has been implemented in the most recent financial year under review.

Structure and order of presentation: The Report should be set up following the structure and order of presentation in sections 5.1 – 5.8 of these guidelines. If there is nothing to report for a specific section, table or data field, such elements can be omitted from the Report. However, companies are encouraged to explicitly state that they have nothing to report under a certain section or data field.

Contents: The Report should be clear, concise, meaningful and understandable. This should be taken into account also when companies assess the need to include in their Report additional information not explicitly required in the Directive.

Where companies have flexibility regarding the methodology used, they should be transparent on the methodology applied and maintain consistency over the reported financial years. Where the methodology has been changed compared with a previous report, a note would be helpful to explain the change and the effect of this change.

Cross references: The Report should be self-standing and contain all the necessary information in one place. Nonetheless, besides the information regarding the remuneration awarded or due during the reported financial year, the Report could also include relevant background information via cross-references to published information, when appropriate, in order to avoid unnecessary duplications.

Such cross-references should be made with hyperlinks to sources that are immediately available, free of charge and that allow a search function. These other sources could for example be the remuneration policy, annual financial statements, management report or corporate governance statement, if necessary.

Reporting on amounts: All the monetary amounts in the Report should be presented gross.

Narrative information: In addition to numeric information, tables or graphics, narrative information may be meaningful to explain and provide context for the users of the Report. To this end, narratives are encouraged where they facilitate the understanding of the reported information (e.g. on how the total remuneration complies with the adopted remuneration policy, including how it contributes to the long-term performance of the company), and to inform on how the performance criteria were applied.

Executive/Non-executive directors: Differing remuneration arrangements can apply to executive and non-executive directors, members of administrative, management or supervisory bodies and chief executive or other officers. Where the Directive so requires and the guidance is to present information for ‘directors’, such information should cover all directors. To the extent

applicable, this information should be provided in a manner which allows to distinguish between directors with different functions (for example executive/nonexecutive or supervisory board member, CEO, CFO, etc.).

Confidentiality: Companies should aim at providing sufficient insight to enable the readers of the Report to understand the link between the remuneration awarded or due and performance achieved. The Directive specifies that transparency requirements are not intended to require companies to disclose to the public certain specific pieces of information the disclosure of which would be seriously prejudicial to their business position³. To this end, the applicable national law on the company may contain further provisions or rules on such information. Where information to be disclosed would be of such nature, it does not need to be detailed in the Report. Companies should carefully consider whether certain disclosures would be seriously prejudicial to business position and take this into account in their Report.

When companies find it meaningful, ex post disclosure of performance targets could be provided to help establishing the link between the remuneration of directors and the performance of the company.

Besides the specific situations that relate to the omission of information which is seriously prejudicial to the business position of the company, it is recalled that companies must also take into account the applicable data protection requirements as referred to by the Directive with respect to the publication of special categories of personal data within the meaning of Article 9(1) of Regulation (EU) 2016/679 of the European Parliament and of the Council or personal data which refer to the family situation of the individual directors.⁴

Credit institutions and investment firms: institutions defined in point 3 of Article 4(1)(3) of Regulation (EU) 575/2013, which are subject to the Directive 2013/36/EU⁵, should also apply the Remuneration Guidelines by European Banking Authority ('EBA')⁶.

5. STANDARDISED PRESENTATION

Introduction

5.1.1. In order to place the reported remuneration into context, the readers of the Report will need relevant background information about the general performance and events of the company under the reported financial year. For the said purpose, the Report should start with an introduction providing a general overview of the last financial year.

5.1.2. The introduction should start with a brief highlights summary. The highlights summary should include the key elements regarding the remuneration for the reported financial year, such as any key events in the company's business environment affecting the directors' remuneration and the key changes in the composition of directors, in the remuneration policy or in its application, compared to the preceding reported financial year. If there has been any deviation or derogation

³ See Recital 45 of the Directive (EU) 2017/828.

⁴ See, in particular, Article 9b, paragraphs 2, 3 and 5 of the Directive and Recitals 36, 37, 40 and 41 of the amending Directive (EU) 2017/828.

⁵ Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

⁶ Guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013.

from the remuneration policy (see section 5.6) during the reported financial year, it should be mentioned in the highlights summary.

- 5.1.3. The highlights summary should be followed by a more comprehensive overview where the company can present further and more detailed information about the most relevant facts and developments in the performance and business environment as well as the major decisions that may have affected the remuneration in the reported financial year. To the extent applicable, the company may in this part also explain in more detail e.g., how the vote or the views of shareholders on the remuneration report of the most recent financial year were taken into account.

Total remuneration of directors

- 5.1.4. In line with point (a) and (c), of paragraph 1 of Article 9b of the Directive, the Report shall contain each individual director's total remuneration split out by component and including any remuneration from any undertaking belonging to the same group as defined in point (11) of Article 2 of Directive 2013/34/EU. Furthermore, according to point (a), paragraph 1 of Article 9b of the Directive, the Report shall present the relative proportion of fixed and variable remuneration. The aforementioned information should be presented in the format of Table 1 and, where appropriate, Table 1 BIS below.
- 5.1.5. Table 1 may also present the total of all benefits received (i.e. amounts disbursed) regarding each director for the previous reported financial year. Furthermore, the table should include the information necessary to allow a comparison on the respective remuneration and pension expense for the previous financial year.
- 5.1.6. In addition to remuneration received by the directors during the reported financial year, this section of the Report should include information of benefits that were granted or awarded or due, but not yet materialised, during the reported financial year.
- 5.1.7. In addition to the directors who have performed their mandate during the reported financial year, this section of the Report should also provide information regarding former directors, to the extent remuneration was awarded or due during the reported financial year.

Table 1 - Remuneration of Directors for the reported financial year

Name of Director, position	1 Fixed remuneration			2 Variable remuneration		3 Extraordinary items	4 Pension expense	5 Total Remuneration	6 Proportion of fixed and variable remuneration
	Base salary	Fees	Fringe benefits	One-year variable	Multi-year variable				
XXX	Reported financial year								
	Year-1								
YYY									
ZZZ									

Table 1 BIS - Remuneration of Directors for the reported financial year from undertakings of the same group

Name of Director, position	1 Fixed remuneration			2 Variable remuneration		3 Extraordinary items	4 Pension expense	5 Total Remuneration	6 Proportion of fixed and variable remuneration
	Base salary	Fees	Fringe benefits	One-year variable	Multi-year variable				
XXX	Reported financial year								
	Year-1								
YYY									
ZZZ									

5.1.8. Explanatory notes regarding Table 1 and Table 1 BIS:

General

For each director, the data on the upper row should summarize the remuneration of the reported financial year and the data on the row below should be consistent with the respective data provided in the Report for the previous financial year. If this is not the case, a note should be added to describe the change in methodology.

According to the information required in point (c), paragraph 1 of Article 9b of the Directive, Table 1 shall, where applicable, include any remuneration coming from any undertaking belonging to the same group of companies. Therefore, in case any amount of remuneration originates from any undertaking belonging to the same group of the reporting company, this should be reflected in the total remuneration of all individual directors in Table 1, and be presented by adding also a separate Table (Table 1 BIS) and/or in a note giving further explanation of the amount and the basis on which it has been awarded or due for each element and undertaking thereof.

Name of director, position

For each director presented in the table, the name and an indication of the position of the director should be provided (e.g. executive (CEO), executive (CFO), executive (COO), executive (CRDO), executive (CLO), non-executive (Chairman of the board), non-executive, (Chairman of the remuneration committee), non-executive (Member of the Audit Committee)). If necessary, a further description of the positions may be provided in a note to the relevant row.

If the service of a director has not continued for the full reported year, the beginning or end date for the commencement or termination of the assignment should be included in a note to the relevant row.

1 Fixed Remuneration

Base Salary: This column should include the fixed base salary paid or due to the director, in exchange for professional services to serve their mandate in respect to the reported financial year.

Fees: This column should include all fees paid or due to the director for the participation in the administrative, management or supervisory bodies of the company. With respect to such fees, additional information may be provided to present their fixed rates in a manner that links them back to the relevant provisions in the remuneration policy.

Fringe benefits: This column should include the value of any benefits and perquisites awarded or due to the director in respect to the reported financial year, such as travel, medical, company car,

education or training, residence, security and other benefits 'in natura'. The nature of benefits and perquisites should be explained in a note to the relevant row.

2 Variable Remuneration

One-year variable: This column should include the total value of annual bonus of any form (e.g. in cash, shares or other) awarded or due to the director in respect to the reported financial year as a result of the fulfilment of the predetermined performance criteria, where the time span does not exceed one year. If the amount reported includes other than cash and/or several types of bonuses or other remuneration, a note should be included to describe their type and value.

Multi-year variable: This column should include the total monetary value of any variable components of remuneration awarded or due to the director during the reported financial year as a result of the fulfilment of a predetermined performance criteria, where the time span of the relevant performance criteria exceeds one year. The amounts reported under this column should include all forms of remuneration, such as cash and share-based remuneration.

If the amount reported includes other than cash and/or several types of bonuses, a note should be included to describe their type and portion.

The amount of share-based remuneration reported in this column should be equal to the sum of the amount reported in Table 2 (Share options) column and Table 3 (Share awards) column.

3 Extraordinary items

This column should include any other non-recurring remuneration awarded or due to a director in respect to the reported financial year, whether in cash or in other form, such as a sign-on fee, retention bonus, redundancy payment, compensation for relocation and indemnity for non-competition or severance payments.

4 Pension expense

This column should include the contributions that took place under the reported financial year to finance a fund for future pension pay-out for the director. It should include both fixed pension contributions and those that are variable or conditional upon the fulfilment of certain performance criteria. A note to the relevant row should be added to describe the type of the pension arrangement presented. Where applicable, the note should also explain what part of the pension contribution under the reported financial year relates to financing of a mandatory or statutory pension. If necessary, a cross-reference can also be made to where further information on the pension arrangement can be found.

Especially, if the pension arrangement is so called 'defined-benefit' (i.e. provides a specific pension payment rather than is based on investment returns), this should be stated in the note.

5 Total remuneration

This refers to the total value of remuneration awarded or due to the Director regarding the reported financial year. The amount should be equal to the sum of the columns 1, 2, 3 and 4.

6 Proportion of fixed and variable remuneration

This column should present the respective relative proportions both of fixed and variable remuneration in the reported financial year. The relative proportion of fixed remuneration could be counted by dividing the sum of fixed components (i.e. Column 1 and the fixed part of the pension expense presented in Column 4) by the amount of total remuneration (i.e. Column 5), multiplied by

100%. Respectively, the relative proportion of variable remuneration could be calculated by dividing the sum of the variable components (i.e. Column 2, the extraordinary items in Column 3 and the variable part of the pension expense in Column 4, if any) by the amount of total remuneration, multiplied by 100 %. The outcome of the aforementioned calculations should be presented in the column as a ratio between xx % / yy %.

Share-based remuneration

5.1.9. In line with point (d), paragraph 1 of Article 9b of the Directive, where applicable, the Report shall contain information on the number of shares and share options granted or offered to directors, and the main conditions for the exercise of the rights including the exercise price and date and any change thereof. This is relevant information in assessing whether these awards are linked to long-term financial performance of the company, how the share-based remuneration is set-up and awarded and how it complies with the published remuneration policy. Companies should present the information relating to share-based remuneration following the example of format of Tables 2 and 3.

5.1.10. Besides the directors who have performed their mandate during the reported financial year, Tables 2 and 3 should provide information of former directors to the extent that events relating to share-based remuneration and included in the tables have taken place during the reported financial year.

5.1.11. Share related instruments other than shares or share options such as 'phantom stock', stock appreciation rights and warrants should also be disclosed.

5.1.12. With regard to the valuation method of share based remuneration, for the sake of harmonisation it is recommended to use a common method to determine the value of this type of remuneration corresponding to the reported year in which the shares or share options are granted or offered, such as the market value of shares or underlying shares in the case of share options both at the time they are awarded and at the time of vesting. This information should also be included in the tables. Additionally, companies may want to report as well the value of these instruments according to the International Financial Reporting Standards (IFRS) methodology, either in narrative or in extra columns in tables.

The tables include the key elements and events throughout the reported financial year regarding the share-based remuneration plans. The terms and features of the share option plans that are not presented in the table should be included in a note to the relevant row or through a specific cross-reference to their description in the remuneration policy.

Table 2 - Share options awarded or due to the Directors for the reported financial year

Name of Director, position	The main conditions of share option plans							Information regarding the reported financial year					
	1 Specification of plan	2 Performance period	3 Award date	4 Vesting Date	5 End of holding period	6 Exercise period	7 Strike price of the share	Opening balance	During the year		Closing balance		
								8 Share options awarded at the beginning of the year	9 Share options awarded	10 Share options vested	11 Share options subject to a performance condition	12 Share options awarded and unvested	13 Share options subject to a holding period
XXX	Plan 1												
	Plan 2												
	Plan 3												
								TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL

Table 3 - Shares awarded or due to the Directors for the reported financial year

Name of Director, position	The main conditions of share award plans					Information regarding the reported financial year					
						Opening balance	During the year		Closing balance		
	1 Specification of plan	2 Performance period	3 Award date	4 Vesting Date	5 End of holding period	6 Shares awarded at the beginning of the year	7 Shares awarded	8 Shares vested	9 Shares subject to a performance condition	10 Shares awarded and unvested at year end	11 Shares subject to a holding period
NN	Plan 1										
	Plan 2										
	Plan 3										
						TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL

5.1.13. Explanatory notes regarding Tables 2 and 3:

General:

The aim of Tables 2 and 3 is to depict the remuneration granted, respectively, as share options and shares awards.

When the company uses other alike instruments to share options such as stock appreciation rights and warrants, for the remuneration of directors, Table 2 should be used to the extent applicable to present the amounts and key terms of such instruments.

When the company uses other alike instruments, such as 'phantom stock', for the remuneration of directors, Table 3 should be used to the extent applicable to present the amounts and key terms of such instruments

Name of director, position:

See the respective note to Table 1.

The main conditions of share option plans and share awards plans:

Specification of plan: This column should specify respectively each share option plan or share award plan in a way that allows identification of those plans.

Performance period: This column should present the beginning and end of performance period(s) (dd/mm/yyyy-dd/mm/yyyy) in consistency with the terms of the applicable respective share option plan or share plan.

Award date: In this column, award date(s) (dd/mm/yyyy) for each share option plan or share plan should be presented in its (their) own row in consistency with the terms of the applicable plan.

Vesting date: This column should present the vesting date(s) (dd/mm/yyyy) relating to every issuance of awarded share options or awarded shares in consistency with the terms of the applicable plan.

End of holding period: Where applicable, this column should present the end date(s) (dd/mm/yyyy) of the holding period relating to every issue of awarded and vested share options or shares in consistency with terms of the applicable plan.

Exercise period: In Table 2, this column should present the exercise period(s) (dd/mm/yyyy-dd/mm/yyyy) relating to every issue of awarded share options in consistency with the terms of the applicable plan.

Strike price of the share: In Table 2, this column should present the strike prices of the shares that each respective issuance of share options entitle to in consistency with the terms of the applicable plan.

Information regarding the reported financial year:

Opening balance:

Share options or shares held at the beginning of the year: This column should present the number of share options or shares held at the beginning of the reported financial year.

During the year:

Share options or shares awarded: This column should present in the respective Table the number of share options and market value of the underlying shares, and the number and market value of the shares that have been awarded on the award date (as presented in column 3) under each applicable share option plan or share award plan during the reported financial year.

Share options or shares vested: This column should present the number of share options and market value of the underlying shares, and the number and market value of the shares that have been vested on a vesting date (as presented in column 4) under each applicable share option plan during the reported financial year.

Closing balance:

Share options or shares subject to a performance condition: Where applicable, this column should present the number of share options or shares, the award of which is still subject to a performance condition.

Share options or shares awarded and unvested: This column should present the number of share options or shares that have been awarded on an award date (as presented in column 3) during the reported or previous financial years and the vesting date (as presented in column 4) has not yet taken place at the end of the reported financial year.

Share options or shares subject to a holding period: This columns should present the number of share options or shares, the award and vesting dates (as presented in columns 3 and 4) of which have taken place before the end of the reported financial year, but which are still subject to a holding period (end of which is to be presented in column 5).

Any use of the right to reclaim

5.1.14. According to point (e), paragraph 1 of Article 9b of the Directive, companies are required to provide detailed information on the use of the possibility to reclaim variable remuneration (during the reported financial year). A possibility to reclaim variable remuneration usually takes the form of 'malus' (i.e. cases where the company reduces the value of all or part of deferred unvested variable remuneration based on 'ex post' risk adjustments) or 'clawback' (i.e. cases where a director has to return, to the company an amount of variable remuneration received or vested in the past).

5.1.15. If variable remuneration has been reclaimed, the report should include the following information:

- the name of the director subject to the reclaim;
- the amount reclaimed;
- the relevant year (i.e. the financial year in which the variable remuneration was awarded or due).

Information on how the remuneration complies with the remuneration policy and how performance criteria were applied

- 5.1.16. According to point (a), paragraph 1 of Article 9b of the Directive, the Report shall contain an explanation on how the total remuneration complies with the adopted remuneration policy, including how it contributes to the long-term performance of the company, and information on how the performance criteria were applied. Providing such information both numeric and in a narrative would contribute to better explaining how the remuneration for the reported financial year complies with the adopted remuneration policy and with the long-term performance of the company.
- 5.1.17. With regard to long-term performance, the Report should explain how the remuneration during the reported financial year has complied with the remuneration policy and contributed to the (specified) long-term interests and the sustainability of the company.
- 5.1.18. Where applicable, companies should present for each director a description of the financial and non-financial (including, where appropriate, corporate social responsibility) performance criteria as included in the remuneration policy⁷ for the different elements of the remuneration, the performance achieved over the reported financial year and the outcome of the award resulting from each criterion. To the extent applicable, the description of the performance criteria should include the predetermined targets or objectives, and should include both the minimum and the maximum award under each criterion, a description on how the award is calculated as well as the relative weighting of the performance criteria in the total variable remuneration.
- 5.1.19. The information on performance criteria and its application should in principle be provided following the format example of Table 4. However, where the nature and/or complexity of the applicable criteria are difficult to capture in a table format, information as a narrative or a combination of table-based and narrative information may be more meaningful. In any case, the presentation of the outcome should include the actual measured performance, the value of the respective award as regards each individual director and applicable criteria and, where appropriate, how (upward or downward) discretion has been exercised in respect of the award. Furthermore, it could also include information regarding the previous financial year. The information should be provided in a way that allows to distinguish between one-year and multi-year incentives.

Table 4 - Performance of Directors in the reported financial year					
Name of director, position	1 Description of the performance criteria and type of applicable remuneration	2 Relative weighting of the performance criteria	3 Information on Performance Targets		4 a) Measured performance and b) actual award outcome
			a) Minimum target/threshold performance and b) corresponding award	a) Maximum/target performance and b) corresponding award	
XXX	Criterion A		a)	a)	a)
			b)	b)	b)
	Criterion B				
YYY	Criterion A				
	Criterion B				
	Criterion C				

5.1.20. Explanatory notes regarding Table 4:

Name of director, position:

See the respective note to Table 1.

1. Description of the performance criteria and type of applicable remuneration

This column should present each applicable financial and non-financial performance criteria specified in the remuneration policy, as well as the corresponding type of applicable remuneration for each criterion. Where, in exceptional cases, other performance criterion was applied, this should be disclosed in a separate row in the table together with a note referring to the reasons concerning derogations and deviations from the remuneration policy and exceptional circumstances.

2. Relative weighting:

Where applicable, this column should present the relative weightings of each performance criterion from all the applicable performance criteria, expressed as a percentage of the total of all performance criteria. The total of this column should add up to be 100% for each director.

3. Range of performance criteria:

This section of the table should in two columns present, on the upper row (a), the minimum and, where applicable, the maximum measure regarding each performance criterion and on the row below (b), their corresponding awards. To the extent applicable and if not covered under column 1, a note should be added to present the possible thresholds or scale of each performance criterion.

If a performance criterion does not have a maximum, the data field for maximum performance should be filled as 'not applicable' (N/A) and a note should be inserted to describe how the award is determined based on the criterion.

4. Measured performance and actual award outcome:

This column should reflect the outcome of the evaluation of performance. On the upper row (a), it presents the measured performance for the financial year reported regarding the performance criterion and on the row below (b), the actual amount awarded.

Where any (upward or downward) discretion has been exercised in respect of the award, a note to the table would help by explaining how the discretion was exercised, which factors were taken into account and how the resulting level of award was determined.

Derogations and deviations from the remuneration policy and from the procedure for its implementation

5.1.21. In line with point (f) of paragraph 1 of Article 9b of the Directive, where applicable, companies are required to provide information on any deviations from the procedure for the implementation of the remuneration policy and on any derogations from the remuneration policy itself that have been applied, including the explanation of the nature of the exceptional circumstances and the indication of the specific elements derogated from. As regards this section of the Report, it should be noted that the provision of the Directive (paragraph 4 of Article 9a) that relates to derogations from the remuneration policy is an option for Member States and the possibility to temporarily derogate from the remuneration policy requires that the policy includes both the procedural conditions under which the derogation can be applied and the specific elements of the policy from which a derogation is possible.

5.1.22. If a company has applied any derogations in accordance with paragraph 4 of Article 9a, it should provide detailed information on such deviation or derogation, including, in particular:

- (i) an indication of the specific elements deviated or derogated from and a confirmation that the remuneration policy allows these elements to be deviated or derogated from;
- (ii) an explanation of the nature of the exceptional circumstances including an explanation on why the deviation or derogation is necessary to serve the long-term interest and sustainability of the company as a whole or to assure its viability;
- (iii) information on the procedure followed and a confirmation that this procedure complies with the procedural conditions that are specified in the policy for these exceptional circumstances.

Member States' rules implementing the Directive may determine which circumstances can be considered exceptional, which in turn may result in deviations from the remuneration policy.

5.1.23. If a company has deviated in accordance with paragraph 6 of Article 9a of the Directive from the procedure for the implementation of the remuneration policy, it should provide detailed information on such deviation, including, in particular an explanation for the reasons and the circumstances for this deviation, and the procedure followed instead of the prescribed one to achieve the targets included in the remuneration policy.

Comparative information on the change of remuneration and company performance

5.1.24. In line with point (b), paragraph 1 of Article 9b of the Directive, the Report shall contain information on the annual change of remuneration of each individual director, of the performance of the company and of average remuneration on a full-time equivalent basis of employees of the company other than directors over at least the

five most recent financial years. According to the Directive, the said information is to be presented together in a manner, which permits comparison. To this end, the company should include in its remuneration report information in the format of Table 5.

Table 5 - Comparative table over the remuneration and company performance over the last five reported financial years (RFY)

Annual change	RFY-4 vs RFY-5	RFY-3 vs RFY-4	RFY-2 vs RFY-3	RFY-1 vs RFY-2	RFY vs RFY-1	Information regarding the RFY
Director's remuneration						
Name of director, position						
Name of director, position						
Name of director, position						
Company performance						
Financial metric A						
Financial metric B						
Non-financial metric C						
Average remuneration on a full-time equivalent basis of employees						
Employees of the company						
Employees of the group						

5.1.25. Explanatory notes regarding Table 5:

Annual change: The columns RFY vs. RFY-1, RFY-1 vs. RFY-2 etc. represent the preceding financial years over which the comparative information in the table should be provided. In order to ensure a meaningful comparison to the previous years reported, information regarding the reported financial year should be included in the far right column of the respective row.

The annual change may be presented either as percentages or, if more informative and meaningful for the reader, as absolute numbers. Both approaches have their advantages. Hence, it is recommended that companies include the information in both ways. In any event, companies should provide the information for all individual directors in a consistent manner.

Director's remuneration: This section of the table should provide information about all the directors who performed their mandate under the reported financial year. For calculating the annual change of remuneration for a director whose mandate began or ended during the reported financial year, the respective remuneration should be annualised to allow a meaningful comparison.

The amounts to be compared are the total amounts of remuneration presented in column 5 of Table 1. If the company finds it meaningful for the reader, it may also present in this section of the table the annual changes of the fixed and variable components of each individual director's remuneration and/or the average remuneration of all directors by adding respective rows. Where the company discloses information on the annual changes of the average remuneration, it is recommended to do it in a way that allows the assessment of the average pay of different positions of directors (e.g. by differentiating between executive and non-executive directors).

Company performance: In this section of the table, companies should present information on the annual change of their performance during the five most recent financial years. This information should relate to the net profit or loss for the financial year, and could in addition also relate to other performance. If the company revises its performance criteria or measurement, a note should be included to explain the new methodology and the reasons justifying the change.

Average remuneration on a full-time equivalent basis of employees of the company other than directors: Consistently with the wording of point (b) of the first paragraph under Article 9b of the Directive, companies should present information on the annual change of average remuneration on a full-time equivalent basis of employees of the company other than directors regarding the respective financial years.

On this row, the companies should provide numeric information including all the employees of the 'company' (i.e. the reporting company). Additionally, where companies consider it appropriate or more meaningful or informative, they may also provide numeric information including the employees of the entire group of companies, on a consolidated basis. This information could be relevant when the performance of the company is also presented by metrics that take into account the performance of the entire group.

Information on shareholder vote

5.1.26. According to paragraph 4 of Article 9b of the Directive, companies are required to explain in the Report how the advisory vote⁸ on the previous remuneration report adopted by the last general meeting has been taken into account.

5.1.27. However, for small and medium-sized companies Member States may have allowed under the Directive that the remuneration report was only discussed as a separate item of the agenda and not voted upon. In such cases, the company should explain in the following remuneration report in what manner the discussion in the general meeting was taken into account, in line with the second sub-paragraph of paragraph 4 of Article 9b.

6. TRANSITIONAL REGIME - FIRST REPORTING YEARS

In line with the Directive, these guidelines require certain information to be included in the remuneration Report with respect to previous financial years.

In the first financial years for which the reporting obligation exists, it may be that the company does not have readily available the required information for the previous financial years. In such cases, unless otherwise required by national law, the company may want to provide such information on previous financial years by way of estimates, clearly indicating this by way of a note, or omit the information for the financial years where the reporting obligation did not yet apply.

Glossary of Terms

Code of Corporate Governance – CCG

Austrian Code of Corporate Governance as amended in January 2018, published by the Austrian Working Group for Corporate Governance

<https://www.corporate-governance.at/uploads/u/corpgov/files/code/corporate-governance-code-012018.pdf>

Commission

European Commission

Institutional Shareholder Services (ISS) – Voting Guidelines Europe – ISS

ISS, Proxy Voting Guidelines Continental Europe

<https://www.issgovernance.com/file/policy/active/emea/Europe-Voting-Guidelines.pdf>

Institutional Shareholder Services (ISS) – Evaluating Pay for Performance Alignment

Evaluating Pay for Performance Alignment

<https://www.issgovernance.com/file/policy/active/emea/European-Pay-for-Performance-Methodology-Overview.pdf>

Glass Lewis European Voting Guidelines – Glass Lewis

2020 PROXY PAPER, GUIDELINES AN OVERVIEW OF THE GLASS LEWIS APPROACH TO PROXY ADVICE CONTINENTAL EUROPE

https://www.glasslewis.com/wp-content/uploads/2016/11/Guidelines_Continental_Europe.pdf

Shareholders Rights Directive – SRD

Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement amended by Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017.

Stock Corporation Act – SCA

Austrian Federal Act on Stock Corporations (Bundesgesetz über Aktiengesellschaften (*Aktiengesetz – AktG*)) as amended.

GUIDE ON THE REMUNERATION POLICY

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