



## **SMA Solar Technology AG**

# **REMUNERATION SYSTEM FOR MANAGING BOARD MEMBERS**

(approved by the Annual General Meeting of SMA Solar Technology AG on May 24, 2023 with an affirmative vote of 86.088 % of the votes cast)

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## **Principles of the Remuneration System**

The Managing Board remuneration system is designed to make a significant contribution toward promoting SMA Solar Technology AG's business strategy and long-term and sustainable positive development. The system was adopted by the full Supervisory Board. It is the basis for all remuneration agreements with SMA Solar Technology AG's Managing Board members who are newly appointed or have had their appointment renewed after June 1, 2023. The Supervisory Board regularly examines the Managing Board remuneration system and defines targets for the variable remuneration components. In designing the remuneration system presented below and determining the remuneration of the Managing Board, the Supervisory Board was guided in particular by the principles presented below under 1.1 to 1.4:

### **1.1 Principle 1 - Support for Group strategy**

SMA has defined clear and ambitious goals for the years to come in its 2025 strategy.

The Managing Board's remuneration system incentivizes the Managing Board members to achieve these targets sustainably and over the long term in that the degree of achievement clearly influences the amount of remuneration actually paid to the Managing Board. Sections 1.4, 4.2.1 and 4.3.1 in particular set out the areas to use for defining performance goals with the Managing Board. If

these sections describe a catalog of goal criteria, the Supervisory Board will, when setting the concrete goal criteria, choose the ones that do the most to advance the business strategy.

1.2 Principle 2 - Adequacy in horizontal and vertical comparisons

The remuneration of the Managing Board members is competitive and in line with the market. The analysis compares the remuneration to that at companies of a similar size and complexity and also looks at the ratio of the Managing Board remuneration to the remuneration of senior management and the workforce as a whole, including trends over time. The Corporation's economic situation is taken into account in the remuneration system. Linking the Managing Board remuneration system to the remuneration system for managers ensures that both systems incentivize comparable targets.

1.3 Principle 3 - Performance link

The amount of the Managing Board's remuneration largely depends on the degree to which certain goal criteria have been achieved, linking remuneration to the performance of each individual Managing Board member. High performance increases remuneration, while low target achievement significantly reduces remuneration.

1.4 Principle 4 - Long-term and sustainable focus

One of the remuneration system's effects is that it drives the Corporation's value and its long-term sustainable development. The long-term variable remuneration component is therefore significantly higher than the short-term variable remuneration component.

Furthermore, the targets for the long-term variable remuneration components always include non-financial goal criteria relating to the environment, social affairs and governance (ESG goals), which reward decisions taken in the interest of sustainable corporate development.

**2. Procedures for Determining, Reviewing and Implementing the Remuneration System**

The Supervisory Board determines the Managing Board remuneration system in accordance with the legal requirements set out in Articles 87(1), 87a(1) AktG. The Supervisory Board is supported by its Presidial Committee in this process. The Presidial Committee develops recommendations for the Managing Board remuneration system taking into account legal requirements and the recommendations and suggestions of the German Corporate Governance Code (as amended), which are discussed in detail by the Supervisory Board in the course of its decision-making process. The Presidial Committee and Supervisory Board may call in external advisers as required, who are replaced from time to time. The advisers are only appointed if it is ensured they are independent from the Managing Board and the Corporation. Applicable provisions of the German Stock Corporation Act (AktG), the German Corporate Governance Code (DCGK) and the Supervisory Board's Rules of Procedure on handling conflicts of interest on the Supervisory Board are also observed when establishing, implementing and reviewing the remuneration system.

The remuneration system adopted by the Supervisory Board is submitted to the Annual General Meeting for approval.

If the Annual General Meeting does not approve the remuneration system that is put to a vote, a revised remuneration system shall be submitted for resolution no later than at the following Annual General Meeting in accordance with Article 120a(3) AktG.

The Presidial Committee prepares the regular review of the Managing Board remuneration system for the Supervisory Board to conduct. It recommends that the Supervisory Board change the system as necessary. The remuneration system is submitted to the Annual General Meeting for approval in accordance with Article 120a(1) sentence 1 AktG at least every four years or whenever there is a significant change to the remuneration system, whichever comes first.

### **3. Determination of the Specific Targeted Total Remuneration (Structure and Amount)**

The Supervisory Board determines the amount of the targeted total remuneration for each Managing Board member in line with the remuneration system for the duration of each Managing Board member's term on the Managing Board of the Corporation. Each Managing Board member's remuneration must be commensurate with his or her duties and performance and the Corporation's circumstances, must not exceed the usual remuneration without special reasons, and is geared towards the long-term and sustainable development of SMA Solar Technology AG. Both external and internal comparisons are used for this purpose:

#### **3.1 Horizontal (external) comparison**

The Supervisory Board uses remuneration data from companies listed on the M-DAX in order to assess whether the specific total remuneration of the Managing Board members is appropriate and customary when compared to other companies. The remuneration report discloses non-listed companies or companies from other indices that are used in the Supervisory Board's comparison.

#### **3.2 Vertical (internal) comparison**

The vertical comparison looks at the ratio of the Managing Board remuneration to the remuneration of senior management and the workforce as a whole, including trends over time.

The Supervisory Board has defined the comparative senior management group as the two top management levels below the Managing Board according to the internal job grading model. The other workforce comprises all other permanent employees in Germany.

If there are significant shifts in the ratio of the remuneration of the Managing Board to that of the reference groups, the Supervisory Board will examine the causes and, if necessary, adjust the Managing Board's remuneration in the absence of objective reasons.

#### **3.3 Differentiation based on job requirements**

The Supervisory Board considers the roles and responsibilities of individual Managing Board members when determining the amount of the targeted total remuneration. The Supervisory Board

may thus differentiate by role, exercising due discretion and taking into account criteria such as market standards, experience, and the department for which the Managing Board is responsible.

#### 3.4 Upper limits / maximum total remuneration

The Supervisory Board has additionally defined an upper limit for the total of all remuneration components including fringe benefits and pension contributions (hereinafter "maximum remuneration") in accordance with the requirement set out in Article 87a(1) sentence 2 no.1 AktG. The maximum remuneration for the Chief Executive Officer is €3.95 million and €2.35 million for each of the other regular Managing Board members. These upper limits apply to the sum total of all payments and other non-cash benefits resulting from the remuneration system for a fiscal year. The maximum remuneration is not the level of remuneration necessarily considered appropriate or sought by the Supervisory Board. It merely sets an absolute upper limit to avoid disproportionately high Managing Board remuneration. It should thus be clearly distinguished from the targeted total remuneration.

#### 3.5 Overview: Structure and components of targeted total remuneration

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

The fixed non-performance-related remuneration components comprise the annual fixed basic remuneration divided into twelve monthly salaries, special payments, as well as benefits in kind and other fringe benefits.

The variable performance-related remuneration components comprise a short-term remuneration component (annual bonus) and a long-term remuneration component (long-term bonus). Before the beginning of each fiscal year, the Supervisory Board sets goal criteria for variable remuneration components with regard to strategic goals, sustainability goals, the requirements of Article 87 and Article 87a AktG and the German Corporate Governance Code (as amended). The degree to which these goals are achieved determines the amount of remuneration actually paid.

The long-term and the short-term financial goals are generally the same for all Managing Board members, while the short-term non-financial goals generally differ for each Managing Board member.

The proportions of the individual remuneration components are given below as ranges expressed as a percentage of the total targeted remuneration. The actual proportions may vary depending on the differentiation by role and any adjustments made as part of the annual remuneration review. For the Chief Executive Officer, the annual non-performance-related fixed remuneration (excluding special payments) contributes between 40% and 60%, the annual bonus contributes between 15% and 25%, and the long-term bonus contributes between 25% and 40% to the total targeted remuneration. For all other Managing Board members, the annual non-performance-related fixed remuneration (without special payments) contributes between 40% and 60%, the annual bonus contributes between 15% and 25 %, and the long-term bonus contributes between 25% and 40%

to the total targeted remuneration. For newly appointed Managing Board members, the Supervisory Board may deviate from the above ranges for the first three years for the reasons stated under 4.1.3 or based on the new Managing Board member's professional and personal experience.

#### **4. Remuneration Components in Detail**

##### **4.1 Non-performance-based fixed remuneration**

###### **4.1.1 Base remuneration**

The base remuneration is a fixed remuneration for the entire fiscal year that is paid in twelve equal monthly installments.

###### **4.1.2 Fringe benefits**

The fringe benefits granted to the Managing Board members in connection with their Managing Board activities mainly comprise:

- Corporation-provided benefits in kind, such as the provision of a company car that can also be used for personal purposes,
- subsidies for insurance, such as contributions to reasonable accident insurance, a pension and health and long-term care insurance,
- reasonable D&O insurance with a deductible in accordance with Article 93(2) sentence 3 AktG,
- cost coverage for preventive medical checkups,
- and other customary and reasonable fringe benefits where applicable.

###### **4.1.3 Special payments (bonuses for special achievements and commitments in connection with the start of employment or a change of location)**

The Corporation may grant bonuses to the Managing Board members as special payments in recognition of special achievements. These types of bonuses are considered discretionary benefits. The recipient is not legally entitled to them, and past bonuses do not entitle them to receive future bonuses.

Furthermore, the Corporation may make appropriate market-standard commitments in connection with the assumption of a position on the Managing Board or a change of location, in particular by covering relocation costs or the costs of a second residence for a limited period or by granting remuneration for benefits forfeited from the previous employer.

##### **4.2 Short-term variable remuneration – Annual bonus**

The Managing Board members receive an annual bonus the amount of which is determined by the degree to which they have achieved the goals set by the Supervisory Board every year. The

employment contract with each Managing Board member stipulates a target amount for the annual bonus, taking into account a target achievement level of 100% ("base target amount") that is paid up to a maximum of 150% (cap) if the target is exceeded.

#### 4.2.1 Financial and non-financial performance criteria

The amount of the annual bonus to be paid in a financial year depends on the extent to which a Managing Board member achieves the goals set by the Supervisory Board for that Managing Board member as performance criteria within the meaning of Article 87a(1) sentence 2 no. 4 AktG.

Three financial components that relate to the Corporation as a whole are determined as follows:

1. The first, unchangeable component is an annually defined financial performance target that is directly based on earnings before interest and taxes ("EBIT") in accordance with the duly audited Consolidated Financial Statements for a fiscal year (financial criterion).
2. The second component that the Supervisory Board defines is a financial performance target that usually changes annually and takes into account current business strategy, drawing on those financial ratios determined by the Corporation that are key indicators of the Group's growth, earnings, asset or financial profile, such as
  - a. sales,
  - b. free cash flow,
  - c. working capital,
  - d. return on capital employed (ROCE) etc.

in accordance with the duly audited Consolidated Financial Statements of a fiscal year.

As a third component, the Supervisory Board sets two goals related to each Managing Board members' "personal performance", at least 50% of which consist of non-financial criteria.

The Supervisory Board sets the target values for all three components in advance of each fiscal year as well as those values that make up the 150% cap and the lower threshold at which the bonus component is completely forfeited. When determining the personal, non-financial performance criteria, the Supervisory Board defines goals from one or more of the following areas in order to incentivize the Corporation's sustainable development, among other goals:

- Developing the Corporation's organization and culture (e.g., advancing the Corporation's internal value culture, diversity, employee satisfaction, cross-departmental cooperation)

- Promoting the Corporation's sustainability (e.g., increasing product quality and service life; reducing resource consumption)
- Tapping new markets and focusing on customers (e.g., new markets, new product or customer segments)
- Driving corporate development (e.g., reorganization, efficiency enhancement, strategic alliances)

The performance criteria and target achievement for personal goals should be understandable and verifiable.

Subject to the provision in 5.2, it is not possible to subsequently change the target values or reference parameters.

#### 4.2.2 Weighting and calculation

Component (1) "EBIT" accounts for 40% of the annual bonus, while component (2) for an "additional financial performance target" and component (3) for "personal performance" each account for 30%.

Each of the 3 components can be fulfilled up to 150%. Components are assigned a value of "0" if their lower thresholds are not reached. Values in-between are determined on a linear basis. If the weighted average of the components' percentage values reaches 100%, that Managing Board member is entitled to the full agreed-upon target amount for the annual bonus. Exceeding the agreed-upon goals may result in a higher annual bonus overall up to the annual bonus cap.

#### 4.2.3 Payment

The degree to which each goal has been achieved is calculated for each financial performance criterion after the end of the fiscal year based on the audited Consolidated Financial Statements of SMA AG. The Supervisory Board also assesses the degree to which personal goals have been achieved. This result is multiplied by the (pro rata) target amount for the annual bonus using the above weighting system, producing the gross value of the annual bonus.

If the Managing Board member has not served for the entire financial year, he or she will receive, on the originally scheduled payment date, for each month of the financial year in which he or she served, one-twelfth of the short-term variable remuneration calculated for the full financial year on the basis of the originally defined goals and reference parameters.

If the gross annual bonus exceeds the base target amount defined in 4.2, the Managing Board member will be obligated to invest 40% of the gross amount of the annual bonus in excess of the base target amount in shares of the Corporation within ten weeks after payment and in compliance with applicable legal provisions – namely the provisions on insider transactions and directors'

dealings – and to legally and beneficially hold these shares for at least 3 years from the date of purchase.

#### 4.2.4 Promotion of business strategy and long-term corporate development

The performance criteria are intended to incentivize the Managing Board members to create value and achieve or exceed short-term economic goals. Personal goals additionally give the Supervisory Board an opportunity to consider the Managing Board's individual or collective performance against non-financial performance criteria of relevance to the operational implementation of corporate strategy.

The annual bonus is also intended to reflect the overall responsibility of all members of the Managing Board for the Group and promote cooperation among the business areas. This is why EBIT target achievement is measured uniformly for all Managing Board members based on the key figure determined for the SMA Group and is not broken down by business unit. The other financial component and the Managing Board members' personal goals may be identical to those of some or all of the other Managing Board members.

#### 4.3 Long-term variable remuneration – Long-term bonus

##### 4.3.1 Basics and determination

The Managing Board members receive a long-term bonus.

The employment contract with each Managing Board member stipulates a target amount for the annual value of the long-term bonus, taking into account a target achievement level of 100% for the financial and non-financial performance targets (=base target amount), which is paid up to a maximum of 150% (cap) if the target is exceeded.

The long-term bonus is designed to promote the Managing Board members' long-term commitment to the Corporation, achievement of the business strategy and sustainable growth. The following criteria were thus chosen to promote these objectives from the Supervisory Board's perspective.

The degree of target achievement is determined by the attainment of two long-term performance targets set by the Supervisory Board, one of which must include non-financial performance criteria. The performance target attributable to the non-financial performance criteria must continue to represent a share of at least 50% of the long-term bonus. Regarding the long-term business strategy, the Supervisory Board selects the financial performance target(s) from those financial indicators that are key measures of the Group's long-term growth, earnings, asset or financial profile, such as

- a. sales,



- b. EBIT margin or EBITDA margin,
- c. free cash flow,
- d. return on capital employed (ROCE),
- e. total shareholder return, etc.,

in accordance with the duly audited Consolidated Financial Statements, and always over a period of four fiscal years. The Supervisory Board may also base target achievement on key figures like the ones shown above or other suitable ones, such as the change in the Corporation's share price, depending on these figures at comparable companies or within a benchmark index over a four-year period (benchmark).

The Supervisory Board defines the non-financial performance target from one or more of the following areas in order to incentivize the Corporation's sustainable development, among other goals:

- Developing the Corporation's organization and culture (e.g., advancing the Corporation's internal value culture, diversity, employee satisfaction, cross-departmental cooperation)
- Promoting the Corporation's sustainability (e.g., increasing product quality and service life; reducing resource consumption)
- Tapping new markets and focusing on customers (e.g., new markets, new product or customer segments)
- Driving corporate development (e.g., reorganization, efficiency enhancement, strategic alliances)

The absolute values of the 100% target(s) (target values), the upper limit of 150% (cap) and the lower threshold of the target value are redefined annually by the Supervisory Board for the next four-fiscal-year period.

If 100% of the target is achieved overall, the long-term bonus will be based on the full agreed-upon base target amount; if the target value is exceeded, the bonus will be based on the excess amount up to the 150% target achievement cap. The Managing Board member is not entitled to the bonus until the lower threshold for the target value is reached. Values in-between are determined on a linear basis. The target values actually achieved are based on the annual values during the relevant measurement period even if they are negative. If the weighted average of the targets' percentage values reaches 100%, that Managing Board member is entitled to the full agreed-upon target amount for the annual bonus. Exceeding the agreed-upon goals may result in a higher annual bonus overall up to the annual bonus cap.

Subject to the provision in 5.2, it is not possible to subsequently change the target values or reference parameters.

If the Managing Board member has not served for the entire financial year, he or she will receive, on the originally scheduled payment date, for each month of the financial year in which he or she served, one-twelfth of the long-term bonus calculated for the full financial year on the basis of the originally defined goals and reference parameters.

#### 4.3.2 Payment

The long-term bonus is paid after the adoption of the fourth Consolidated Financial Statements even if the employment contract ends before the end of the performance period.

If the long-term bonus earned one year exceeds the base target amount, the Managing Board member will be obligated to invest 40% of the excess gross amount of the long-term bonus in shares of the Corporation within ten weeks after payment and in compliance with applicable legal provisions – namely the provisions on insider transactions and directors' dealings – and to legally and beneficially hold these shares for at least 3 years from the date of purchase.

#### 4.4 Limitation of total remuneration for a fiscal year

If applying the rules set out above in 4.1, 4.2. and 4.3. and below in 4.5. produces a total remuneration for a fiscal year that exceeds the maximum amount fixed by the Supervisory Board for that Managing Board member, the following procedure shall be followed:

The variable remuneration payable for that fiscal year shall be reduced until the total remuneration no longer exceeds the maximum amount. The Managing Board member is then entitled to receive only the reduced variable remuneration.

#### 4.5 Deduction for secondary employment

Any expense reimbursements or similar payments that the Managing Board member receives for work done on behalf of the Corporation at other Group companies or third parties (other companies, public offices, supervisory boards, boards of directors, etc.) shall be deducted from the Managing Board member's remuneration.

### 5. Other Provisions Relating to Remuneration

#### 5.1 Terms and termination options

The Supervisory Board complies with the provisions of Article 84 AktG and the recommendations and suggestions of the German Corporate Governance Code when appointing members to the

Managing Board and determining the durations of their contracts. The first-time appointment to the Managing Board is generally for three years, as is the duration of the employment contract. If the Managing Board member is re-appointed or the employment contract is renewed, the employment contract will have a maximum term of five years.

Employment contracts do not allow a termination for convenience; however, there is no restriction on the right of both parties to terminate the service agreement without notice for cause. If a Managing Board member becomes permanently incapacitated during the term of the employment contract, the employment contract shall expire at the end of the quarter in which he or she is determined to be permanently incapacitated. Remuneration will continue to be paid for another six months in this case and in the event of the Managing Board member's death.

If the employment contract with a Managing Board member ends due to the revocation of the appointment as a Managing Board member in accordance with Article 84 III AktG or justified resignation from office by the Managing Board member, the Managing Board member shall receive a severance payment in the amount of the total remuneration including fringe benefits for the duration of the original remaining term, but for no longer than 24 months (severance payment cap).

Furthermore, the remuneration system does not provide for a special right of termination for Managing Board members in the event of a change of control, nor does it provide for an agreement on a post-contractual non-competition clause.

## 5.2 Exceptional events and developments

Under special exceptional circumstances and if proposed by the Presidial Committee, the Supervisory Board may temporarily deviate from the components of the Managing Board remuneration system if this is appropriate and necessary to maintain the incentive effect of the Managing Board member's remuneration in the interests of the long-term welfare of the Corporation, the Managing Board member's remuneration continues to be geared toward the Corporation's sustainable and long-term development, and the Corporation's financial capacity is not overstretched. Special exceptional developments include, for example, exceptional and far-reaching changes in the economic situation (for example due to a severe economic crisis) that render the original target criteria and/or financial incentives of the remuneration system obsolete, provided that these or their specific effects were not foreseeable. Exceptional developments expressly do not include generally unfavorable market developments.

The components of the remuneration system from which deviations may be made are the procedure, the provisions governing the remuneration structure and amount, and the individual remuneration components. If an adjustment of the existing remuneration components is not sufficient to restore the incentive effect of the Managing Board member's remuneration, the Supervisory Board may temporarily award additional remuneration components in the event of exceptional developments under the same conditions.

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Deviations from or additions to the remuneration components require a Supervisory Board resolution that establishes the exceptional circumstances and the need for the deviation or addition.

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