

E. REMUNERATION REPORT

The Remuneration Report of STRATEC SE sets out the basis for determining the remuneration of the Board of Management and Supervisory Board, including its amount and structure. The Remuneration Report is based on the requirements of § 314 (1) No. 6a) Sentences 5 to 8 and No. 6b) and § 315a (2) of the German Commercial Code (HGB).

Basic features of the remuneration system for the Board of Management

The Supervisory Board lays down the remuneration of individual members of the Board of Management, as well as determining and regularly reviewing the remuneration system. In determining remuneration, the Supervisory Board takes particular account both of the duties and performance of the individual member, as well as of the economic situation and future development of STRATEC. The remuneration system for the Board of Management, which still corresponds to the system approved by a majority of shareholders at the Annual General Meeting on June 6, 2013, comprises fixed remuneration for each financial year, variable remuneration for each financial year, variable remuneration based on the financial year and the two following years, and long-term share-based remuneration.

Fixed remuneration for each financial year

This component comprises a basic amount paid out as a monthly salary, as well as ancillary benefits, such as the use of a suitable car, insurance benefits, and individual contractual arrangements concerning retirement, invalidity and surviving dependant pensions. Furthermore, the private use of bonus miles and other benefits gained in a professional context is also expressly permitted to an appropriate extent.

Variable remuneration for each financial year (short-term incentive)

This component includes target achievement and extended components. The target achievement component is measured in terms of a given percentage of consolidated earnings before interest, taxes, depreciation and amortization (consolidated EBITDA) in accordance with International Financial Reporting Standards (IFRS) and net of a fixed basic amount. The extended component is determined by the Supervisory Board to honor any outstanding performance on the part of the Board of Management (appreciation bonus). The target achievement component is paid out following the Annual General Meeting of STRATEC SE for the 2020 financial year. Members of the Board of Management are entitled to a mutually agreed monthly prepayment of this component. Payment of the extended component is made directly after the Supervisory Board resolution approving the granting of such.

Variable remuneration based on the financial year and the two following years (mid-term remuneration arrangement or mid-term incentive)

This component consists in equal shares of a linked component, an individual component, and a supplementary component. The linked component consists of two sub-components. The targets determined for the linked components are based on percentage increases in consolidated sales and consolidated EBITDA. In this respect, 100% target achievement requires average annual growth of 12.5% over the period covered by the mid-term incentive. The individual components are based on both individual and collective targets agreed between the Supervisory Board and the individual member of the Board of Management. In particular, these also include targets based on non-financial performance indicators. Target achievement for the mid-term incentive (MTI) scheme is further based in terms of its timing on achievement of the targets set for the current financial year and the two following years and on a target bonus, i.e. the amount to be paid out in the event of 100% target achievement for all components. The mid-term incentive is paid out following the Annual General Meeting of STRATEC SE for the next year but one, i.e. the mid-term incentive granted for 2018 (and 2019 and 2020 respectively) is paid out in 2021 (and 2022 and 2023 respectively). However, prepayments based on the respective achievement of individual and interim targets may be made, subject to agreement between the Board of Management and the Supervisory Board, at the end of each financial year. To date, no use has been made of this prepayment option.

Long-term share-based remuneration (long-term incentive)

This remuneration is based at a ratio of 75% to 25% both on contractual agreements in which payments are based on the long-term share price performance without any physical or real stocks actually being supplied (stock appreciation rights – SARs) and on stock options.

Detailed disclosures concerning the structure of stock option programs can be found in Section 'C. Consolidated Balance Sheet (9) Shareholders' equity – Stock option programs'.

The stock appreciation rights (SARs) have the following basic structure:

The rights refer to a payment to be made by the company to the member of the Board of Management, with the amount of payment being determined by reference to the share price performance of STRATEC SE (reference share) as documented in XETRA trading on the Frankfurt Stock Exchange over a pre-defined period.

The SARs should have a minimum term of five years calculated from the issue date, although initial payment of the value of the SARs may be requested at the earliest after a 'minimum waiting period' of two years. Any such payment prior to the expiry of the term of the rights (premature payment request) leads to a corresponding reduction in the terms of the rights. Should the term expire on a date within 30 stock market trading days prior to publication of figures for the quarterly or annual financial statements, the term is extended through to the first stock market trading day after the expiry of this timeframe.

Any premature payment request must be addressed to the Supervisory Board Chair in writing and may not be issued within the aforementioned timeframe. Other than this, premature payment requests may also not be submitted when the requirements of insider trading law or predefined compliance requirements do not permit dealings with shares in STRATEC SE at the given point in time.

Unless otherwise laid down by the Supervisory Board, the payment claim is determined on the basis of the increase in the XETRA closing price of a reference share through to the end of the term (based on a 30-day average price plus dividends) compared with the XETRA closing price at the issue date (reference price). In this respect, the annual increase in the reference share price – without reference to the share price performance within the term – must amount to at least eight percent (exercise hurdle). Should the term of the rights not correspond to a full year, the share price increase must be determined on a time-apportioned basis.

The amount of payment claim following expiry of the minimum waiting period or at the end of the term – assuming that the exercise hurdle is met – is calculated, unless otherwise stipulated by the Supervisory Board, as the difference between the reference price determined at the beginning of the term multiplied by the number of rights less the reference price determined at the end of the (abridged) term also multiplied by the number of rights.

The payment itself is made with the next salary payment to the member of the Board of Management, and at the latest within two weeks of the end of the (abridged) term. For payment amounts of more than € 100,000.00, STRATEC SE may request that the payment be made in two equal installments after six and twelve months respectively, with an obligation to pay interest should this option be drawn on.

Remuneration for activity at affiliate companies

Members of the Board of Management assuming supervisory board, managing director, or similar positions at affiliate companies generally do not receive separate remuneration from the respective company for doing so. Any such remuneration nevertheless paid by the affiliate companies is imputed to the aforementioned amounts.

Caps

Variable remuneration components are subject to requirements limiting them both individually and in combination in terms of their value and the degree of target achievement. Remuneration based on the target components within the 'short-term incentive', 'mid-term incentive', and 'long-term incentive' schemes, for example, is limited to a maximum of twice basic salary plus certain ancillary benefits and pension commitments. Furthermore, the Supervisory Board also has the powers granted by law to limit remuneration.

Individual remuneration of Board of Management reported in accordance with the German Commercial Code (HGB)

The individual members of the Board of Management received the remuneration set out below for their activities on the Board of Management in the 2020 financial year.

Individual compensation of Board of Management (€ 000s)

	Marcus Wolfinger		Dr. Robert Siegle		Dr. Claus Vielsack		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Non-performance-related components								
• Basic amount	272	272	239	239	210	210	721	721
• Other ¹	21	23	12	11	12	12	45	46
Performance-related components								
• MTI remuneration claim ²	158	158	130	130	100	100	388	388
• Other performance-related components	414	295	315	229	262	191	991	715
Total	865	748	696	609	584	513	2,145	1,870
Components with a long-term incentive nature								
• Stock options ³	96	83	48	42	48	42	192	167
• Stock appreciation rights (SARs) ⁴	263	276	132	138	132	138	527	552

¹ The 'Other' disclosure includes non-cash benefits due to the use of company vehicles and insurance benefits (excluding contributions made to retirement pensions, healthcare, nursing care, and D&O insurance).

² The amount disclosed refers to the mid-term incentive agreement for 2018 (2017), which covers 2018, 2019, and 2020 (2017, 2018, and 2019) and is due for payment in 2021 (2020).

³ The amount disclosed corresponds to the fair value upon issue of the stock options granted which was calculated in accordance with IFRS 2 (Share-based Payment) although these were in some cases not yet vested as of the balance sheet date.

⁴ The amount disclosed corresponds to the fair value upon issue of the stock appreciation rights (SARs) granted, which was calculated in accordance with IFRS 2 (Share-based Payment).

In the 2020 financial year, Marcus Wolfinger was granted 5,000 stock options (previous year: 5,000) at an average exercise price of € 62.40 (previous year: € 57.82), Dr. Robert Siegle 2,500 stock options (previous year: 2,500) at an average exercise price of € 62.40 (previous year: € 57.82), and Dr. Claus Vielsack 2,500 stock options (previous year: 2,500) at an average exercise price of € 62.40 (previous year: € 57.82).

In the 2020 financial year, Marcus Wolfinger exercised 20,000 stock options (previous year: 20,000) at an average exercise price of € 31.87 (previous year: € 28.09), Dr. Robert Siegle exercised 10,000 stock options (previous year: 15,000) at an average exercise price of € 31.87 (previous year: € 28.09), and Dr. Claus Vielsack exercised 10,000 stock options (previous year: none) at an average exercise price of € 31.87.

As of December 31, 2020, Marcus Wolfinger had 15,000 stock options outstanding (previous year: 30,000) at an average exercise price of € 58.91 (previous year: € 40.30) and a weighted remaining contract term of 64.6 months (previous year: 34.2). As of December 31, 2020, Dr. Robert Siegle had 7,500 stock options outstanding (previous year: 15,000) at an average exercise price of € 58.91 (previous year: € 40.30) and a weighted remaining contract term of 64.6 months (previous year: 34.2). Similarly, as of December 31, 2020 Dr. Claus Vielsack had 7,500 stock options (previous year: 15,000) outstanding at an average exercise price of € 58.91 (previous year: € 40.30) and a weighted remaining contract term of 64.6 months (previous year: 34.2).

As of December 31, 2020, no stock options were exercisable for Marcus Wolfinger, Dr. Robert Siegle, or Dr. Claus Vielsack. As of December 31, 2019 Marcus Wolfinger had 20,000 stock options which were exercisable at an average exercise price of € 31.87, while Dr. Robert Siegle had 10,000 stock options exercisable at an average exercise price of € 31.87, and Dr. Claus Vielsack had 10,000 stock options exercisable at an average exercise price of € 31.87.

The stock appreciation rights (SARs) of individual members of the Board of Management showed the following specific developments in the 2020 financial year:

Stock appreciation rights (SARs) of Board of Management

Disclosures in totals, €, or months	Reference price ¹ €	Fair Value ² €	Total at 01.01. No.	Added Disposed No.	Total at 12.31. No.	Of which exercisable No.	Fair value 12.31. € 000s	Remaining term ³ 12.31. Months
Marcus Wolfinger								
SARs T I 2018 dated 10.25.2018	57.60	69.78	15,000	-15,000	0	n/a	n/a	n/a
SARs T I 2019 dated 01.15.2019	57.82	18.43	15,000	0	15,000	0	1,061	36.5
SARs T I 2020 dated 01.23.2020	64.80	17.55	0	15,000	15,000	0	1,000	48.8
Dr. Robert Siegle								
SARs T I 2018 dated 10.25.2018	57.60	69.78	7,500	-7,500	0	n/a	n/a	n/a
SARs T I 2019 dated 01.15.2019	57.82	18.43	7,500	0	7,500	0	530	36.5
SARs T I 2020 dated 01.23.2020	64.80	17.55	0	7,500	7,500	0	500	48.8
Dr. Claus Vielsack								
SARs T I 2018 dated 10.25.2018	57.60	69.78	7,500	-7,500	0	n/a	n/a	n/a
SARs T I 2019 dated 01.15.2019	57.82	18.43	7,500	0	7,500	0	530	36.5
SARs T I 2020 dated 01.23.2020	64.80	17.55	0	7,500	7,500	0	500	48.8
Total/average	61.31	17.99	60,000	30,000 -30,000	60,000	0	4,121	43.2

¹ The amount disclosed corresponds to the XETRA closing price of the reference share at the issue date.

² The amount disclosed corresponds to the fair value **upon issue or payment** of each stock appreciation right (SAR), calculated in accordance with IFRS 2 (Share-based Payment).

³ The amount disclosed corresponds to the remaining terms of the stock appreciation rights (SARs) based on their overall terms.

No stock appreciation rights were forfeited or lapsed in the 2020 financial year.

The following amounts were recognized as expenses for stock appreciation rights (SARs) in the 2020 financial year: € 2,576k for Marcus Wolfinger (previous year: € 483k), € 1,288k for Dr. Robert Siegle (previous year: € 242k), and € 1,287k for Dr. Claus Vielsack (previous year: € 242k).

Regulations governing regular termination of activity on Board of Management

The following regulations were in place as of the balance sheet date for members of the Board of Management upon the regular termination of their activity:

Pension provision

Members of the Board of Management receive pension provision from STRATEC SE when they have reached pensionable age, i.e. between the age of 60 and the age of 67, and have concluded their activity as members of the Board of Management. Members have the option of receiving a one-off lump sum or lifelong pension payments. Pension claims remain valid, without reduction if specific conditions are met, in cases where members terminate their employment with the company before reaching pensionable age. STRATEC SE finances the pension claims both directly and indirectly. Alongside the aforementioned benefits, the company has also agreed lifelong surviving dependants' provision with Marcus Wolfinger. In the 2020 financial year, the company recognized expenses of € 137k for Marcus Wolfinger (previous year: € 114k), € 124k for Dr. Robert Siegle (previous year: € 104k), and € 49k for Dr. Claus Vielsack (previous year: € 40k) in connection with the benefits thereby committed. The present values of the capital claims acquired in connection with the benefits thereby committed as of December 31, 2020 amounted to € 1,439k for Marcus Wolfinger (previous year: € 1,174k), € 1,008k for Dr. Robert Siegle (previous year: € 805k), and € 327k for Dr. Claus Vielsack (previous year: € 247k). The actual benefits may turn out higher or lower than presented here.

Retrospective prohibition on competition

For the duration of the 24-month retrospective prohibition on competition, each member of the Board of Management receives remuneration amounting to 75% of his most recent contractually agreed total remuneration for the first twelve months and 50% of the same amount for the subsequent twelve months. The amounts payable in connection with the prohibition on competition are disbursed on a monthly basis. STRATEC SE may waive compliance with the retrospective prohibition on competition on a conditional basis. The nominal amounts of remuneration payable for the retrospective prohibition on competition are € 1,017k for Marcus Wolfinger (previous year: € 896k), € 749k for Dr. Robert Siegle (previous year: € 656k), and € 607k for Dr. Claus Vielsack (previous year: € 537k). It can be assumed that actual remuneration payments for the retrospective prohibition on competition will differ from the amounts presented here. This is due in particular to the currently indeterminable nature of the respective dates and amounts of remuneration involved.

Stock appreciation rights (SARs)

The stock appreciation rights (SARs) granted to members of the Board of Management remain fully valid, including the right to request premature payment, through to the end of their term.

Regulations governing premature termination of activity on Board of Management

The following regulations were in place as of the balance sheet date for members of the Board of Management upon the premature termination of their activity:

Severance payments

Contracts with members of the Board of Management are concluded for fixed terms. In the event of the contract being terminated prematurely, on the basis of mutual agreement, and without compelling reason justifying immediate termination, severance payments amounting to a maximum of two full-year remuneration packages based on the most recent full remuneration package for the previous financial year are payable. Should the contract be terminated due to change of control pursuant to § 315a (1) No. 9 of the German Commercial Code (HGB), the member of the Board of Management receives unchanged remuneration in accordance with the relevant requirements of the German Corporate Governance Code.

Retrospective prohibition on competition

For the duration of the retrospective prohibition on competition corresponding application is made of the provisions governing the retrospective prohibition on competition upon the regular termination of activity on the Board of Management.

Permanent inability to work and fatality

Should a member of the Board of Management become permanently unable to work during the term of the employment contract, this contract is terminated three months after the end of the month in which the permanent inability to work is ascertained. Remuneration is based on the provisions governing regular termination of activity on the Board of Management. Should a member of the Board of Management die during the term of the employment contract, then his surviving dependants are entitled to continued payment of the fixed remuneration, including variable remuneration but excluding the appreciation bonus, for the month in which the member died and the following six months, nevertheless limited to the expiry of the employment contract irrespective of the death of the respective member.

Stock appreciation rights (SARs)

Should the employment contract with a member of the Board of Management be terminated prematurely, the stock appreciation rights (SARs) granted to the respective member of the Board of Management as of the date of his departure are settled on the basis of the average XETRA closing price in the 30 stock market trading days preceding the date of departure and in accordance with the conditions applicable to the rights at the end of their term. Any existing exercise hurdles in the form of specified percentage or absolute share price increases are calculated on a time-apportioned basis.

Basic features of the remuneration system for the Supervisory Board

The remuneration of the Supervisory Board is governed by § 13 of the Articles of Association of STRATEC SE and takes due account of the responsibility and scope of activity of Supervisory Board members, as well as of the economic position and performance of the company.

Each member of the Supervisory Board receives fixed remuneration of € 25,000.00 for each financial year. The Supervisory Board Chair receives twice and the Deputy Chair receives one and a half times this amount of fixed remuneration. Supervisory Board members only belonging to the Supervisory Board for part of a given financial year receive one twelfth of the fixed remuneration for each month of activity commenced.

Furthermore, each member of the Supervisory Board receives a meeting allowance of € 750.00 for each meeting of the Supervisory Board attended in person. Where several meetings are held on the same day, the meeting allowance is paid only once. The meeting allowance is limited to a maximum of six meetings each financial year.

Fixed remuneration and the meeting allowance are due for payment upon the conclusion of the respective financial year.

Furthermore, the company reimburses each member of the Supervisory Board for the necessary, appropriate volume of expenses incurred for him or her to perform his or her duties, as well as for any sales tax attributable to remuneration or the reimbursement of expenses.

Members of the Supervisory Board may be included in a pecuniary loss liability insurance policy concluded by the company at its own expense, at an appropriate amount, and in its interest. The company assumes the resultant premiums.

Individual Supervisory Board remuneration

The individual members of the Supervisory Board received the following remuneration for their Supervisory Board activities in the 2020 financial year.

Individual compensation of Supervisory Board (€ 000s)

	Prof. Dr. Stefanie Remmele ¹		Dr. Frank Hiller ²		Dr. Rolf Vornhagen ³		Rainer Baule ⁴		Fred K. Brückner ⁵		Gesamt	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Fixed remuneration												
Meeting allowance	31	25	48	33	15	0	22	38	0	21	116	117
	5	4	5	2	2	0	4	4	0	1	16	11
Total	36	29	53	35	17	0	26	42	0	22	132	128

¹ Supervisory Board member since June 18, 2014

² Supervisory Board Chair since November 26, 2020, previously Deputy Chair of Supervisory Board since September 14, 2020

³ Supervisory Board member since May 29, 2019

⁴ Deputy Chair of Supervisory Board since November 26, 2020, previously Supervisory Board Chair since May 29, 2019

⁵ Supervisory Board member since July 21, 2020

⁶ Supervisory Board member until July 15, 2020, most recently as Deputy Chair of Supervisory Board

⁷ Supervisory Board member until May 29, 2019, most recently as Supervisory Board Chair