



**LEONI**

**SYSTEM FOR COMPENSATING  
SUPERVISORY BOARD MEMBERS**

THE  
QUALITY  
CONNECTION

# SYSTEM FOR COMPENSATING SUPERVISORY BOARD MEMBERS

## 1. Statutory provision for compensation

Article 12 of LEONI AG's Articles of Association governs the compensation of Supervisory Board members:

### Article 12

#### Compensation of the Supervisory Board

- (1) *Each Supervisory Board member will receive fixed remuneration (basic remuneration) of EUR 85,000.00 per year. The basic remuneration for the chairman of the Supervisory Board amounts to twice the amount stated in sentence 1 and for each of the deputy chairmen to 1.5 times that amount.*

*In addition to the basic remuneration, each member of the Supervisory Board (i) who is the chairman of one of the committees of the Supervisory Board receives an annual amount of EUR 16,000.00 for his/her service on the respective committee, (ii) who is the deputy chairman of one of the committees of the Supervisory Board receives an annual amount of EUR 12,000.00 for his/her service on the respective committee and (iii) who is another member of a committee of the Supervisory Board receives an annual amount of EUR 8,000.00 for his/her service on the respective committee, provided that the chairmanship, the deputy chairmanship and the membership in the mediation committee (Vermittlungsausschuss) formed pursuant to Section 27 (3) MitbestG will not be taken into account. When calculating the additional payments for committee activities in accordance with the preceding sentence, only committees will be taken into account that have held at least one meeting in the relevant financial year.*

- (2) *Members of the Supervisory Board who have been a member of the Supervisory Board and/or of a committee or who have performed a specific function on the Supervisory Board or a committee only for part of the financial year are paid the respective remuneration on a pro rata basis for their respective membership and/or duration of service in the entire financial year.*
- (3) *For participation in a meeting of the Supervisory Board or the Audit Committee – regardless of whether physically in person, by telephone or other means, but not when participating just in the voting – each Supervisory Board member shall in addition receive an attendance fee in the amount of EUR 1,000.00 per meeting, with a maximum of ten meetings per financial year and Supervisory Board member being remunerated. If several meetings are held on one day, attendance fee will only be paid once.*
- (4) *The Supervisory Board members will furthermore be reimbursed for out-of-pocket expenses incurred by them in the exercise of their office. The company will reimburse the members of the Supervisory Board for the value added tax payable on this remuneration.*
- (5) *The company will to a reasonable extent reimburse the Supervisory Board members the costs and expenses incurred by them as a result of further training measures necessary for their tasks in which they participated on their own responsibility.*
- (6) *The members of the Supervisory Board will be included in a D&O liability group insurance policy (if any) maintained by the company in favour of directors, officers and employees of the group, which may also provide for an adequate deductible. The premiums for this insurance policy will be borne by the company.*
- (7) *The basic remuneration is due and payable in four equal instalments, in each case after the end of a calendar quarter. The additional payments for activities on the committees will each be payable following the end of the calendar quarter in which the first meeting of the respective committee was held. The attendance fee will in each case be due and payable following the end of the respective calendar quarter for the meetings held in the expired calendar quarter.*

## 2. Explanation of the underlying system

The Compensation System for the Supervisory Board adheres to legal requirements and considers the recommendations and suggestions of the German Corporate Governance Code in its version of 16 December 2019 (DCGK).

The system for compensating Supervisory Board members provides for purely fixed compensation. In addition to the basic compensation there may, depending on the duties respectively taken on, be payment for committee work as well as attendance fees. In line with Suggestion G.18 sentence 1 DCGK, there is no provision for any performance-related or share-based compensation components. Furthermore, expenses are reimbursed.

### a) Compensation components

Article 12 of LEONI AG's Articles of Association sets out the following compensation components equally for shareholder representatives and employee representatives:

- Each Supervisory Board member receives EUR 85,000 in annual basic compensation. The chair of the Supervisory Board receives twice that amount, i.e. EUR 170,000, while his or her deputy is paid one and half times the rate, i.e. EUR 127,500.
- In addition to the basic compensation, each chair of a committee receives EUR 16,000 annually, each deputy chair is paid EUR 12,000 and every other member receives EUR 8,000 for their work on the corresponding committee. There is no provision for compensating work on the Arbitration Committee.
- Each Supervisory Board member receives an attendance fee of EUR 1,000 for participating in meetings of the Supervisory Board as well as of the Audit Committee. The attendance fee is granted regardless of whether the meeting is held in physical presence or at least partially virtual form using electronic means of communi-

cation, as well as regardless of which means of communication (e.g. audio or video conference call) a Supervisory Board member uses to participate in a meeting. However, if a Supervisory Board member does not participate in a meeting, but only in the voting for instance by messaging a vote, no attendance fee shall be paid.

### b) Reimbursement of expenses, D&O insurance

LEONI AG reimburses expenses that the Supervisory Board members incur by performing their mandate. The Company reimburses to an appropriate extent any costs incurred as a result of necessary further education undertaken in members' own responsibility. The members of the Supervisory Board are included in a D&O liability group insurance policy for members of corporate bodies and group employees, so far as there is such insurance. LEONI AG pays the corresponding premiums. There may be provision for an appropriate insurance excess. The Company reimburses any value added tax payable on the compensation.

### c) Duration of compensation and maturity

The granting of compensation depends on the duration of Supervisory Board members' appointment. Members who are on the Supervisory Board for only part of the fiscal year are compensated pro rata temporis. This applies accordingly to membership of a committee as well as performing the duties of the chair or deputy chair of the Supervisory Board or a committee.

The basic compensation is paid in four equal instalments after the end of a calendar quarter. Attendance fees are likewise paid quarterly for the respectively ended period. Allowances for committee work are due at the end of the quarter during which the first meeting of the corresponding committee took place. The compensation for work on a committee is paid only for financial years in which the committee met at least once. There is no provision for crediting or deducting compensation in the event of work on several committees.

#### d) Maximum amounts

The maximum compensation for the respective Supervisory Board member results from the sum of fixed compensation, the duties performed individually on the Supervisory Board and its committees, as well as the attendance fee. Compensation is paid for a maximum of ten meetings per financial year and Supervisory Board member. If several meetings are held on a single day, the corresponding attendance fee is only paid once.

#### e) Other compensation-related rules

There are no compensation-related agreements between the Company and its Supervisory Board members that go beyond the stipulations in the Articles of Association. In keeping with Suggestion G.18 sentence 1 of the DCGK, there is no provision for a shareholding obligation on Supervisory Board members.

There are no provisions for sign-on bonus nor is compensation for dismissal granted. The system does not provide for any pension or early retirement schemes.

### 3. Contribution of the compensation for Supervisory Board members to promoting the Company's business strategy and long-term performance

Both the Board of Directors and the Supervisory Board are of the opinion that fixed compensation is best suited to underpinning the Supervisory Board's independence. This is intended to ensure that Supervisory Board members perform their advisory and monitoring duties objectively and neutrally. This compensation structure also allows staffing and salary decisions to be taken independently. Furthermore, the workload of the Supervisory Board does not match the trajectory of the Company's business success. Particularly difficult times tend to require especially hard work of the Supervisory Board. Granting fixed compensation furthermore corresponds to the overwhelmingly common practice in other listed companies and Suggestion G.18 sentence 1 DCGK.

The time spent on certain additional tasks is appropriately considered in accordance with Recommendation G.17 DCGK. Assumption of the chair as well as the deputy chair on the Supervisory Board as well as the chair and membership of committees is therefore compensated separately according to the compensation rules described above.

During its executive session in November 2020, the Supervisory Board thoroughly considered the structure and especially the amount of compensation. The amount was deemed to be equitable and appropriate given the major workload on the Supervisory Board as well as the Company's situation. In doing so, the Supervisory Board also considered the compensation arrangements of other companies. This comparison included the compensation data of those companies that was publicly available at the time of the executive session, which was also considered in determining the compensation for members of the Board of Directors, and which are comparable with LEONI AG in terms of their sector, size and regional activity.<sup>1</sup>

The structure of compensation in line with the market is also intended to enable the Company in future to recruit and retain exceptionally well qualified candidates for work on LEONI AG's Supervisory Board. This is a precondition for the best possible execution of the advisory and monitoring duties of the Company's Supervisory Board.

### 4. Procedure for determining, implementing and reviewing the Compensation System

The general meeting decides at least once every four years on the compensation for members of the Supervisory Board as well as on the compensation system for the Supervisory Board. The corresponding resolution may also reconfirm the present compensation. If shareholders at the general meeting do not approve the compensation system, a reviewed compensation system must be presented at the latest at the next ordinary general meeting. The resolution and the compensation

system must be published immediately on the Company's website and remain accessible free of charge for the duration of the validity of the compensation system and for a minimum of ten years.

At regular intervals, however at least every four years, the Board of Directors and the Supervisory Board will conduct a review to determine whether the amount and structure of compensation continues to be proportionate to the duties of Supervisory Board members as well as the Company's situation. This also involves a comparison with the compensation arrangements of similar companies to ensure that the compensation for LEONI AG's Supervisory Board members is in line with the market. Given the peculiarities of supervisory board work, the Board of Directors and the Supervisory Board are of the opinion that a comparison with the compensation of LEONI AG staff is not meaningful and therefore does not apply. The Supervisory Board may, as required, seek advice from an external compensation expert in this regard.

The statutory division of powers counteracts any conflicts of interest in conducting review of the Compensation System. Shareholders at the Annual General Meeting have the ultimate decision-making authority on Supervisory Board compensation. The Board of Directors and Supervisory Board present the general meeting with a proposed resolution, meaning that a system of checks and balances is already provided for in the legal requirements. In addition, there is the fact that listed companies make their respective supervisory board compensation public and therefore transparent. The general rules governing conflicts of interest on the Supervisory Board otherwise apply, stipulating in particular that such conflicts must be disclosed and dealt with appropriately. If advice is sought from an external compensation expert, such experts shall be independent.

### **Resolution and voting result**

to the Annual General Meeting of LEONI AG on 19 May 2021

#### **Agenda item 6**

#### **Resolution on the applicability of the attendance fee for equal treatment of physical and virtual participation in a meeting, on the confirmation of the remuneration in other respects, and on the remuneration system for the Supervisory Board; amendment to Article 12 (3) sentence 1 of the Articles of Association**

Under Section 113 (3) sentence 1 of the German Stock Corporation Act, the annual general meeting of a listed company must decide on the compensation and the compensation system for the members of its supervisory board at least every four years. The vote may also reconfirm the existing compensation.

The currently applicable compensation for members of the Supervisory Board is set out in Article 12 of LEONI AG's Articles of Association.

Following thorough review, the Board of Directors and Supervisory Board concluded that the currently applicable rules for compensating the members of the Supervisory Board in principle serve the corporate interests of LEONI AG and are appropriate. However, the currently applicable compensation rules provide that the attendance fee is only to be paid for personal participation in an in-situ meeting. During the Covid-19 pandemic, Supervisory Board meetings have increasingly been held in a virtual format. Both the Supervisory Board and the Board of Directors assume that, even after the Covid-19 pandemic, virtual participation will continue to be of greater significance than in the past.

The Board of Directors and the Supervisory Board therefore propose that the attendance fee shall in future be independent of the meeting's chosen format and also be paid upon a Supervisory Board member's participation by telephone or other (virtual) means. This explicitly does not entail any change to the amount of the attendance fee. Also, the total number of meetings for which compensation is to be paid shall remain unchanged at ten per financial year.

The Board of Directors and Supervisory Board therefore propose to shareholders at the Annual General Meeting to pass the following resolutions:

a) Article 12 (3) sentence 1 of the Articles of Association shall be reworded as follows:

*“For participation in a meeting of the Supervisory Board or the Audit Committee – regardless of whether physically in person, by telephone or other means, but not when participating just in the voting – each Supervisory Board member shall in addition receive an attendance fee in the amount of EUR 1,000.00 per meeting, with a maximum of ten meetings per financial year and Supervisory Board member being remunerated.”*

b) The thus amended and otherwise unchanged rules for compensating the members of the Supervisory Board shall be confirmed and the system for compensating Supervisory Board members as printed and appended at the end of this agenda as an annex to this agenda item 6 shall be adopted.

#### **Voting result (only in German)**

Bei der Abstimmung über TOP 6 wurden 10.451.555 gültige Stimmen abgegeben. Dies entspricht 31,99 %\* des eingetragenen Grundkapitals. Es wurde wie folgt abgestimmt:

**Ja** 9.901.228 Stimmen; dies entspricht 94,73%\*

**Nein** 550.327 Stimmen; dies entspricht 5,27 %\*

Der Beschlussvorschlag wurde angenommen.

\* Die Prozentzahlen können mathematisch gerundet sein.





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