

## LEGAL DISCLOSURES

### Remuneration Report – Management Board and Supervisory Board<sup>1)</sup>

The Supervisory Board discussed the appropriateness of Management Board compensation as scheduled in the year under review. In some cases this was done in connection with the agreement and review of agreements on objectives with Management Board members. The procedure and benchmarks for measuring the variable compensation elements were defined with the introduction of the compensation system in place since the financial year 2012/2013. Multi-year variable compensation was reviewed and redesigned in the financial year 2017/2018. The aim was to increase variability by redesigning expected values while reinforcing the idea of shareholder value. These changes also influence the compensation system as a whole. Following the entry into force of the German Act Implementing the Second Shareholders' Rights Directive (ARUG II) and the new German Corporate Governance Code as amended dated December 16, 2019, the Supervisory Board intends to revise the compensation system for the Management Board in the first half of financial year 2021/2022 and present the results of its work to the 2021 Annual General Meeting for its approval in accordance with ARUG II ("say on pay").

The following applies in the reporting year:

The **OVERALL STRUCTURE AND AMOUNT OF COMPENSATION OF THE MANAGEMENT BOARD** are determined at the recommendation of the Personnel Matters Committee by the Supervisory Board of Heidelberger Druckmaschinen Aktiengesellschaft and reviewed at regular intervals. In each case, Management Board compensation (not including fringe benefits or service cost) amounts to a maximum of 370 percent of fixed annual compensation, divided into 100 percent for fixed annual compensation and a maximum of 270 percent for the variable compensation elements, i.e. a maximum of 90 percent for one-year variable compensation and 180 percent for multi-year variable compensation.

The **COMPENSATION OF THE MANAGEMENT BOARD** consists of fixed annual compensation paid in equal installments at the end of each month, one-year variable compensation and multi-year variable compensation, which is

calculated on the achievement of certain three-year objectives using defined parameters. Additionally, there are fringe benefits and company pension benefits.

The **ONE-YEAR VARIABLE COMPENSATION** is dependent on the Group's success in the respective financial year, the benchmarks for which are currently defined as EBIT and free cash flow according to IFRS. In addition, each member of the Management Board receives a personal, performance-based bonus that is determined by the Supervisory Board at the recommendation of the Personnel Matters Committee, taking into account their particular duties and responsibilities in addition to any individual objectives agreed. If objectives are achieved in full, the personal annual bonus can amount to up to 30 percent of the fixed annual compensation; the Company bonus can also account for up to 30 percent or if objectives are exceeded 60 percent of the fixed annual compensation. With respect to their personal annual bonuses for the year under review, the Supervisory Board and the Management Board had again agreed to give priority to the annual financial objectives. Until further notice – starting with the 2012/2013 financial year – the 30 percent of the personal bonus will be added on to the Company bonus subordinate to the financial objectives on which it is based. The one-year variable compensation is paid out at the end of the month in which the Annual General Meeting resolves on the appropriation of the net result.

The **MULTI-YEAR VARIABLE COMPENSATION** was reviewed and redesigned in the financial year 2017/2018. Since the financial year 2017/2018, the multi-year variable compensation has been determined according to two benchmarks: earnings before taxes according to the IFRS consolidated income statement (EBT) and total shareholder return (TSR). The targets for these two benchmarks, the respective thresholds and the maximum overfulfillment are all defined at the beginning of the relevant three-year period (performance period). Half the multi-year variable compensation is attributable to each benchmark, i.e. 45 percent of the fixed annual compensation in the event of 100 percent fulfillment of the targets for each of the relevant benchmarks. Overfulfillment of a benchmark is recognized and can at most result in a doubling of the attributable multi-year variable target compensation. Accordingly, multi-year variable compensation can amount to 90 percent of the fixed annual compensation for each benchmark and to 180 percent of the fixed annual compensation in total. Both benchmarks are associated with an

<sup>1)</sup> This remuneration report also forms part of the corporate governance report

objective fulfillment threshold that must be reached in order for the multi-year variable compensation for the benchmark in question to be paid out. However, overfulfillment of one benchmark can only increase the multi-year variable compensation if the other benchmark reaches at least the threshold. The first benchmark (Group earnings before taxes) is based on the five-year planning adopted by the Supervisory Board. The attributable multi-year variable compensation is determined after the end of the performance period by comparing the actual earnings before taxes of the three financial years within the performance period according to the IFRS income statement with the expected earnings before taxes for these three financial years. The averages of the actual and the expected earnings before taxes are compared in order to calculate and identify the actual achievement of objectives. The basis for target measurement for the second benchmark (total shareholder return) is the long-term expected return (Heidelberg share price increases) during the performance period (period of three financial years). The baseline value for each performance period is determined at the beginning of the first financial year of the performance period. For this purpose, the arithmetical average price (closing prices) of the Company's share in XETRA trading at the Frankfurt Stock Exchange over the 60 trading days immediately preceding the start of the three-year performance period is measured. The fixed baseline value is then compared with the arithmetical average price (closing prices) of the share over the 60 trading days immediately preceding the end of the performance period. If the Company pays dividends to the shareholders during the performance period, these dividends are translated in terms of the share price immediately preceding the end of the performance period. The achievement of objectives is checked and ascertained at the end of each three-year period. The multi-year variable compensation is paid out at the end of the month in which the Annual General Meeting – after the end of the final financial year of the three-year period – resolves on the appropriation of the net result.

For both one-year variable compensation and multi-year variable compensation, achievement of the relevant threshold results in a payout amounting to 25 percent of

the sum that would be payable in the event of 100 percent objective fulfillment. If the objective attainment lies between the threshold and the defined objective, the payout is determined by linear interpolation. If overfulfillment is to be recognized, the amount of the payout is either determined as a percentage according to the degree of overfulfillment or – if a maximum recognizable value for overfulfillment has been defined – by linear interpolation between the objective and the maximum recognizable value.

In the event of a member joining or leaving within an ongoing performance period, that member has a pro rata temporis claim to any multi-year variable compensation determined after the end of the performance period. In the event of a member leaving, pro rata temporis multi-year variable compensation is calculated for the performance periods still ongoing at this time on the basis of the determination of goals as of the exit date, which is then frozen.

Personal investment by Management Board members: During the period of appointment to the Management Board, each Management Board member must use the one-year and multi-year variable compensation to establish and hold a portfolio of shares in the Company in the value of their current fixed annual compensation. Shares in the Company already held by the respective Management Board member are counted towards this value. There is no obligation to acquire shares using other compensation or private wealth. The Company is entitled to invest 10 percent of the one-year variable compensation and 10 percent of the multi-year variable compensation (before deduction of taxes and contributions) in the form of shares in the Company. A bank or financial service provider is commissioned to acquire the shares; the Company bears the costs of processing and custody. The Company's entitlement to invest variable compensation to build the share investment portfolio in the form of shares ends when the respective Management Board member leaves office. The respective Management Board member may only sell shares from the personal investment share portfolio during their term in office if the minimum value of the fixed annual compensation is complied with and statutory or regulatory restrictions do not prohibit the sale.

**Benefits granted to individual members of the Management Board <sup>1)</sup>**

Figures in € thousands	<b>Rainer Hundsdörfer</b> Chief Executive Officer, Management Board member Digital Technology and Lifecycle Solutions				<b>Marcus A. Wassenberg<sup>2)</sup></b> Chief Financial Officer, Management Board member Financial Services			
	2019/2020 Objective	2020/2021 Objective	2020/2021 (Min)	2020/2021 (Max)	2019/2020 Objective	2020/2021 Objective	2020/2021 (Min)	2020/2021 (Max)
Fixed compensation	670	670	670	670	233	400	400	400
Fringe benefits	27	23	23	23	12	21	21	21
<b>Total</b>	697	693	693	693	245	421	421	421
One-year variable compensation	603	603	0	603	210	360	0	360
Multi-year variable compensation	432	372	0	1,205	222	222	0	720
2019/2020 tranche <sup>3)</sup>	432 <sup>4)</sup>	-	-	-	222 <sup>4)</sup>	-	-	-
2020/2021 tranche <sup>3)</sup>	-	372 <sup>5)</sup>	0	1,205	-	222 <sup>5)</sup>	0	720
<b>Total fixed and variable compensation components</b>	1,732	1,668	693	2,501	677	1,003	421	1,501
Service cost	234	234	234	234	97	140	140	140
<b>Total compensation</b>	1,966	1,902	927	2,735	774	1,143	561	1,641

<sup>1)</sup> In accordance with section 4.2.5 (3) of the German Corporate Governance Code in the version published on April 24, 2017

<sup>2)</sup> Member of the Management Board since September 1, 2019. The information for the previous year relates to the period from September 1, 2019 until March 31, 2020.

<sup>3)</sup> Term: 3 years

<sup>4)</sup> In the 2019/2020 financial year, this includes the fair value as of the grant date of the multi-year share-based cash compensation as follows: Rainer Hundsdörfer: € 131 thousand; Marcus A. Wassenberg: € 67 thousand.

<sup>5)</sup> In the 2020/2021 financial year, this includes the fair value as of the grant date of the multi-year share-based cash compensation as follows: Rainer Hundsdörfer: € 71 thousand; Marcus A. Wassenberg: € 42 thousand.

**Allocation <sup>1)</sup>**

Figures in € thousands	<b>Rainer Hundsdörfer</b> Chief Executive Officer, Management Board member Digital Technology and Lifecycle Solutions		<b>Marcus A. Wassenberg<sup>2)</sup></b> Chief Financial Officer, Management Board member Financial Services	
	2019/2020	2020/2021	2019/2020	2020/2021
Fixed compensation <sup>3)</sup>	662	670	229	400
Fringe benefits	27	23	12	21
<b>Total</b>	689	693	241	421
One-year variable compensation	0	402	0	240
Multi-year variable compensation	195	0	0	0
2017/2018 tranche <sup>4)</sup>	195	-	0	-
2018/2019 tranche <sup>4)</sup>	-	0	-	0
<b>Total fixed and variable compensation components</b>	884	1,095	241	661
Service cost <sup>5)</sup>	234	234	97	140
<b>Total compensation</b>	1,118	1,329	338	801
of which: agreed personal investment	20	40	0	24

<sup>1)</sup> Compensation paid or yet to be paid to the members of the Management Board for the respective financial year.

<sup>2)</sup> Member of the Management Board since September 1, 2019. The information for the previous year relates to the period from September 1, 2019 until March 31, 2020.

<sup>3)</sup> The remuneration waived by members of the Management Board in the 2020/2021 financial year amounted to € 0 thousand (2019/2020 financial year: € 17 thousand) in total.

<sup>4)</sup> Term: 3 years

<sup>5)</sup> Not yet allocated in the financial year

Compensation of the individual members of the Management Board (HGB)

Figures in € thousands

		Non-performance-related elements		Performance-related elements	Long-term incentive components	Total compensation
		Fixed compensation <sup>1)</sup>	Fringe benefits	One-year variable compensation	Multi-year <sup>2)</sup> variable compensation	
Rainer Hundsdörfer	2019/2020	662	27	0	131	820
	2020/2021	670	23	402	71	1,166
Marcus A. Wassenberg <sup>3)</sup>	2019/2020	229	12	0	67	308
	2020/2021	400	21	240	42	703
<b>Total</b>	2019/2020	891	39	0	198	1,128
	2020/2021	1,070	44	642	113	1,869
Members of the Management Board who left in the previous year	2019/2020	839	57	474	797	2,167
	2020/2021	-	-	-	-	-
<b>Total</b>	2019/2020	1,730	96	474	995	3,295
	2020/2021	1,070	44	642	113	1,869

<sup>1)</sup> The remuneration waived by members of the Management Board in the 2020/2021 financial year amounted to € 0 thousand (2019/2020 financial year: € 17 thousand) in total.

<sup>2)</sup> In the 2019/2020 financial year, this includes the fair value as of the grant date of the multi-year share-based cash compensation as follows: Rainer Hundsdörfer: € 131 thousand; Marcus A. Wassenberg: € 67 thousand.

In the 2020/2021 financial year, this includes the fair value as of the grant date of the multi-year share-based cash compensation as follows: Rainer Hundsdörfer: € 71 thousand; Marcus A. Wassenberg: € 42 thousand.

The total expenditure in financial year 2020/2021 for the multi-year share-based compensation of € 307 thousand is allocated as follows: Rainer Hundsdörfer: € 195 thousand (previous year: income € 24 thousand); Marcus A. Wassenberg: € 112 thousand (previous year: € 2 thousand).

<sup>3)</sup> Member of the Management Board since September 1, 2019. The information for the previous year relates to the period from September 1, 2019 until March 31, 2020.

There was a special rule for the three-year period 2017/2018 to 2019/2020. The amount resulting according to the previous rule from the objective already set for the first portion of the multi-year variable compensation for the financial year 2017/2018 (2017/2018 tranche) and the related evaluation with regard to the (proportional) target compensation of no more than 30 percent of the fixed annual compensation, in the event of the agreed achievement of objectives, was counted towards this new rule and paid out after the end of the three-year period in the financial year 2019/2020.

As such, the one-year variable compensation and the multi-year variable compensation alike provide an additional long-term performance incentive, increasingly gearing the compensation structure towards sustainable business development.

On August 14, 2020, Rainer Hundsdörfer invested the portions of the multi-year variable compensation paid for the financial year 2019/2020 in shares of Heidelberger Druckmaschinen Aktiengesellschaft in line with Art. 19 of the Market Abuse Regulation (EU) No. 596/2014; as the

transaction did not exceed the corresponding reporting threshold, it was not necessary for the investment to be subsequently reported to the German Federal Financial Supervisory Authority by Rainer Hundsdörfer or for it to be published on the Heidelberger Druckmaschinen Aktiengesellschaft website.

In the reporting period, **FRINGE BENEFITS** primarily consist of the value of the private use of a company car.

**BENEFITS TO FORMER MEMBERS OF THE MANAGEMENT BOARD** are composed as follows:

The term of office of Dirk Kaliebe as a member of the Management Board ended in the financial year 2019/2020 and his service agreement with Heidelberger Druckmaschinen Aktiengesellschaft ended on September 30, 2019 (end of service agreement). The appointment of Stephan Plenz as a member of the Management Board was ended early by mutual arrangement on November 30, 2019; due to the fixed term, his service agreement with Heidelberger Druckmaschinen Aktiengesellschaft ended on June 30, 2020 (end of service agreement). The appointment of

Prof. Dr. Ulrich Hermann as a member of the Management Board was ended early by mutual arrangement on February 16, 2020; his service agreement with Heidelberger Druckmaschinen Aktiengesellschaft ended on March 31, 2020 (end of service agreement). More information on the Management Board members who stepped down in the previous year can be found in note 41 of the notes to the consolidated financial statements.

**POST-EMPLOYMENT BENEFITS** are composed as follows:

In the financial year 2018/2019, the contract with Rainer Hundsdörfer (Chief Executive Officer) was extended by around three years; Marcus A. Wassenberg was appointed as an ordinary member of the Management Board for a period of three years in the previous year.

The pension agreement provides for a defined contribution commitment. For each contribution year, a pension contribution will be credited consisting of a fixed pension contribution and any additional contribution. This performance-based additional contribution is paid depending on the amount of the annual EBIT of the Heidelberg Group in the past contribution year. This pension capital bears interest. The fixed pension contribution is 35 percent of the corresponding fixed compensation. The pension can be drawn

as an early pension from the age of 60. In the event of a member of the Management Board leaving the Company, the pension will be paid from the age of 65 or 60 respectively, principally as a non-recurring payment of pension capital. In addition, the agreements also provide for disability and surviving dependents' benefits (60 percent of the disability payment or the pension) contingent on the amount of the last fixed compensation. In deviation from the defined contribution plan for executive staff, the percentage in the event of a disability pension is based on the length of service on the Company's Management Board, with attributable time up to the age of 65 and a maximum pension percentage of 60 percent. If the contract of employment expires prior to the start of benefit payments, the claim to the accrued pension funds at that point in time remains valid. The other pension benefits (disability and surviving dependents' benefits) earned in accordance with section 2 of the German Company Pension Act (BetrAVG) remain valid on a pro rata temporis basis. In a departure from section 1b BetrAVG, the benefits of Rainer Hundsdörfer and Marcus A. Wassenberg are vested immediately.

#### Pension of the individual members of the Management Board<sup>1)</sup>

Figures in € thousands		Accrued pension funds as of the end of the reporting period	Pension contribution during the reporting year <sup>2)</sup>	Defined benefit obligation	Service cost
Rainer Hundsdörfer	2019/2020	796	234	800	234
	<b>2020/2021</b>	1,046	234	1,046	234
Marcus A. Wassenberg <sup>3)</sup>	2019/2020	82	82	97	97
	<b>2020/2021</b>	223	140	261	140

<sup>1)</sup> The pension entitlement that can be achieved by the age of 65 (Rainer Hundsdörfer and Marcus A. Wassenberg) is dependent on personal compensation development, the respective EBIT and the return achieved, and hence cannot be determined precisely in advance. If the pension option is utilized and the current assumptions continue to apply, the retirement pension resulting from the accrued pension capital is expected to be as follows: Rainer Hundsdörfer: approx. 7 percent and Marcus A. Wassenberg: approx. 17 percent of the respective last fixed compensation.

<sup>2)</sup> For Rainer Hundsdörfer and Marcus A. Wassenberg, the pension contribution for the reporting year is calculated on the basis of the pensionable income on March 31, without taking into account the earnings-based contribution not yet determined. The waiver of remuneration in the 2019/2020 financial year had no effect on pensionable fixed annual compensation.

<sup>3)</sup> Member of the Management Board since September 1, 2019. The information for the previous year relates to the period from September 1, 2019 until March 31, 2020. As the service cost amounted to €0 thousand in the 2019/2020 financial year, the addition to the defined benefit obligation for the period from September 1, 2019 to March 31, 2020 was reported under "Service cost".

In terms of **EARLY TERMINATION BENEFITS**, all service agreements provide for the following uniform regulations in the event of the effective revocation of a Management Board member's appointment or a justifiable resignation by a member of the Management Board: The service agreement ends after the statutory notice period in accordance with section 622 (1), (2) of the German Civil Code (BGB). In the event of the effective revocation of a Management Board member's appointment, the member receives a severance payment at the time of termination of the service agreement in the amount of his or her previous total compensation under the service agreement for two years, but not exceeding the amount of the compensation for the originally agreed remainder of the service agreement. An entitlement to multi-year variable compensation determined, established and thus already vested at the date of departure is unaffected by the severance and transitional regulations and is paid immediately after departure or, with regard to the new multi-year variable compensation, as soon as the annual financial statements of the financial year in question have been prepared, but no later than the end of the first quarter of the financial year following the departure. This does not affect the right to extraordinary termination for cause in accordance with section 626 BGB. The severance payment is paid in quarterly installments in line with the originally agreed residual term, but in not more than eight quarterly installments. Other compensation received by a then former member of the Management Board, which this former member has agreed to disclose to the Company, must be offset in accordance with sections 326 (2) sentence 2 and 615 (2) BGB, with the corresponding changes, during the originally agreed residual term. If a member of the Management Board becomes unable to work due to disability, the benefits stipulated in the respective pension agreement will be paid. If no decision on reappointment is made by at least nine months before the end of the term in office and the Management Board member is not reappointed thereafter, the Management Board member receives a severance payment in the amount of the fixed annual compensation (transitional payment). The

entitlement to this fixed annual compensation arises at the time of termination of the service agreement. It does not arise if, when the decision on reappointment is made or by the time of termination of the service agreement, there is good cause for which the Management Board member is responsible that would give the Company a right to termination in accordance with section 626 BGB. The above rule applies with the corresponding changes to the payment and eligibility of other compensation.

The compensation of the members of the **SUPERVISORY BOARD** is governed by the Articles of Association and approved by the Annual General Meeting.

Each member of the Supervisory Board receives fixed annual compensation of € 40,000. The Chair of the Supervisory Board receives three times this amount, the Deputy Chair twice this amount. The members of the Management Committee, the Audit Committee and the Committee on Arranging Personnel Matters of the Management Board receive additional compensation for work on these committees. Each committee member receives compensation of € 1,500 per meeting for participation in a meeting of these committees. The Chair of the Audit Committee receives compensation of € 4,500 per meeting; the Chair of the Management Committee and the Chair of the Committee on Arranging Personnel Matters of the Management Board receive compensation of € 2,500 per meeting. The members of the Supervisory Board also receive an attendance fee of € 500 per meeting for attending a meeting of the Supervisory Board or one of its committees. Furthermore, the expenses incurred by members of the Supervisory Board and VAT payable on them will be reimbursed. In order to boost the Supervisory Board's role as a controlling body, compensation does not include a variable, performance-based component. The Supervisory Board currently consists of 12 members.

The members of the union and of the Works Council have declared that they will transfer their Supervisory Board compensation to the Hans Böckler Foundation in accordance with the guidelines of IG Metall.

**Compensation of the Supervisory Board (excluding VAT)**

Figures in €	2019/2020				2020/2021			
	Fixed annual compensation	Attendance fees	Committee compensation	Total	Fixed annual compensation	Attendance fees	Committee compensation	Total
Dr. Martin Sonnenschein <sup>1)</sup>	40,000	2,500	4,000	46,500	120,000	10,000	35,000	165,000
Dr. Siegfried Jaschinski <sup>2)</sup>	80,000	5,500	28,000	113,500	0	0	0	0
Ralph Arns <sup>3)</sup>	80,000	7,500	15,000	102,500	80,000	10,500	24,000	114,500
Joachim Dencker	40,000	6,000	0	46,000	40,000	3,500	0	43,500
Gerald Dörr	40,000	6,500	7,500	54,000	40,000	8,500	16,500	65,000
Mirko Geiger	40,000	7,000	7,500	54,500	40,000	8,500	15,000	63,500
Karen Heumann	40,000	5,500	7,500	53,000	40,000	5,500	9,000	54,500
Oliver Jung	40,000	7,500	10,500	58,000	40,000	8,500	24,000	72,500
Kirsten Lange <sup>4)</sup>	40,000	7,000	7,500	54,500	13,333	3,000	4,500	20,833
Li Li <sup>5)</sup>	30,000	3,500	0	33,500	40,000	3,500	0	43,500
Petra Otte	40,000	5,500	0	45,500	40,000	3,500	0	43,500
Ferdinand Rüesch	40,000	6,500	7,500	54,000	40,000	8,500	16,500	65,000
Ina Schlie <sup>6)</sup>	0	0	0	0	30,000	4,000	9,000	43,000
Beate Schmitt	40,000	7,500	15,000	62,500	40,000	8,000	16,500	64,500
Prof. Dr.-Ing. Günther Schuh <sup>7)</sup>	13,333	1,000	0	14,333	0	0	0	0
<b>Total</b>	<b>603,333</b>	<b>79,000</b>	<b>110,000</b>	<b>792,333</b>	<b>603,333</b>	<b>85,500</b>	<b>170,000</b>	<b>858,833</b>

<sup>1)</sup> Member and Chair of the Supervisory Board since December 1, 2019

<sup>2)</sup> Member and Chair of the Supervisory Board until November 30, 2019

<sup>3)</sup> Deputy Chair of the Supervisory Board

<sup>4)</sup> Member of the Supervisory Board until July 23, 2020

<sup>5)</sup> Member of the Supervisory Board since July 25, 2019

<sup>6)</sup> Member of the Supervisory Board since July 23, 2020

<sup>7)</sup> Member of the Supervisory Board until July 25, 2019