Invitation to the Ordinary Annual General Meeting of Heidelberger Druckmaschinen Aktiengesellschaft

Heidelberg

German Securities Number (WKN) 731400
ISIN DE0007314007

We hereby invite the shareholders of our Company to the ordinary Annual General Meeting to be held on Wednesday, July 26, 2023, at 10:00 (CEST) in the **Congress Center Rosengarten, Rosengartenplatz 2, 68161 Mannheim**.

I. Agenda

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10. Resolution on the approval of the remuneration system for the members of the Management Board

In accordance with section 120a (1) of the German Stock Corporation Act (AktG), the annual general meeting of a listed company must resolve to approve the remuneration system for the members of the Management Board proposed by the Supervisory Board every time there is a significant amendment or at least every four years.

The Annual General Meeting of the Company last approved the remuneration system resolved by the Supervisory Board for the members of the Management Board in accordance with section 120a (1) AktG on July 23, 2021 (2021 remuneration system).

At its meeting on June 6, 2023, in performing its duty to continuously monitor the remuneration system for the Management Board, in accordance with section 87a (1) AktG and prevailing market practice, the Supervisory Board resolved an amended remuneration system (2023+ remuneration system) for the members of the Management Board that refines and updates the content of the 2021 remuneration system at the recommendation of its Personnel Matters Committee. The 2023+ remuneration system also incorporates feedback from investors on the 2021 remuneration system.

The 2023+ remuneration system for the members of the Management Board is printed in section II. of this invitation under II.4 and will be available on the Company's website at www.heidelberg.com/hauptversammlung from the day the Annual General Meeting is convened.

The Supervisory Board proposes the following resolution:

The 2023+ remuneration system resolved by the Supervisory Board for the members of the Management Board of Heidelberger Druckmaschinen Aktiengesellschaft is approved.

II. Further information on the agenda and reports

[…]

4. Remuneration system for the members of the Management Board of Heidelberger Druckmaschinen Aktiengesellschaft

1. THE REMUNERATION SYSTEM

1.1. Introduction

On July 23, 2021, the Annual General Meeting of Heidelberger Druckmaschinen Aktiengesellschaft (HEIDELBERG) had the opportunity for the first time to adopt a resolution approving the Management Board remuneration system proposed by the Supervisory Board in accordance with section 120a (1) AktG and approved this remuneration system with a majority. For the reasons set out individually below, HEIDELBERG's Supervisory Board has resolved to actively refine the remuneration system approved by the Annual General Meeting.

The new 2023+ remuneration system is aligned even more closely with business strategy and takes into account the feedback received from investors and proxy advisors at the last vote:

The fundamental system of the existing remuneration system has been retained. The main changes are the removal of the Supervisory Board's discretionary freedom, including the removal of the option to grant special remuneration and bonuses, which had been viewed critically. In addition, the design of the performance-based variable remuneration in the form of the short-term incentive (STI) and the long-term incentive (LTI) was revised to link even more closely with HEIDELBERG's business strategy while at the same time serving the Company's long-term, sustainable development.

Moving forward, short-term variable remuneration will be linked to financial, strategic and non-financial performance targets that more accurately reflect the operating and strategic development of the Company. These are derived directly from HEIDELBERG's business strategy and value creation program. The performance targets in long-term variable remuneration, consisting of financial and non-financial targets, are also coordinated for the ongoing successful implementation of the value creation program. The establishment of sustainability objectives (environmental, social and governance (ESG) objectives) in both variable remuneration instruments has been retained.

The LTI performance period will be standardized as four years. This not only enhances the retention aspect of this remuneration instrument but also simplifies its structure.

The revised 2023+ remuneration system for the members of the Management Board will be presented to HEIDELBERG's Annual General Meeting on July 26, 2023 for its approval in accordance with section 120a (1) AktG. The 2023+ remuneration system applies to all new Management Board contracts entered into, as well as those amended or renewed from the day of the Annual General Meeting to which the revised remuneration system is put for approval. The Supervisory Board also intends to adapt the existing Management Board contracts in line with the revised remuneration system effective April 1, 2023 after its approval by the Annual General Meeting.

1.2. Objective

The new remuneration system for the members of the Management Board has been developed by the Supervisory Board in order to ensure that remuneration reflects the strategy and objectives of the Company to a greater extent within the regulatory framework in place. It is intended to link Management Board remuneration even more closely to corporate strategy, which is geared towards growth, profitability and high employee engagement. The remuneration system is intended to reflect the demands of the duties of the Management Board members in terms of leading a global company in a highly innovative and dynamic industry.

It is also intended to facilitate remuneration that is competitive and that helps HEIDELBERG to attract highly qualified managers in order to meet the particular requirements of the printing press industry. We wish to establish sustainable incentives for committed and successful work so that the Management Board can participate in the Company's success and the achievement of relevant targets to an appropriate extent.

The remuneration system is consistent with the statutory provisions (the German Stock Corporation Act) and also reflects the relevant recommendations of the German Corporate Governance Code (GCGC).

1.3. Principles of remuneration and proportionality

The remuneration system for the Management Board makes an important contribution to the attainment of our strategic objectives. It promotes the sustainable development of the Company and establishes effective incentives for the Company's long-term prosperity and value added.

In designing the remuneration system and defining the structure and amount of the remuneration of the individual Management Board members, the Supervisory Board applies the following principles in particular:

- taken in its entirety, the remuneration of the Management Board members makes a significant contribution to promoting the Company's business strategy;
- the remuneration system and the criteria for determining its components promote the Company's long-term, sustainable development;
- the remuneration system contributes to ensuring that the interests of customers, investors, employees and other stakeholders are taken into account;
- the remuneration paid to the members of the Management Board ensures that outstanding performance is rewarded appropriately and that a failure to achieve the defined objectives results in a tangible reduction in remuneration;
- the absolute amount and structure of the remuneration of the members of the Management Board are appropriate and consistent with standard market conditions (horizontal proportionality), and reflect the size, complexity and economic position of the Company;
- the remuneration paid to the members of the Management Board reflects the wider remuneration structure within the Company. To this end, the remuneration of the Management Board is compared with the remuneration of HEIDELBERG managers and HEIDELBERG employees in order to ensure proportionality within the Company (vertical proportionality).

These principles are regularly reviewed by the Personnel Matters Committee; the intended objectives are compared with the actual effectiveness and, where necessary, the need for modifications is discussed.

1.3.1. Appropriateness and comparability

The remuneration system is clear, transparent, comprehensible, and simple and effective in its construction. It is consistent with the statutory requirements, takes into account the recommendations of the German Corporate Governance Code and within this regulatory framework emphasizes those elements specific to the Company.

In addition to establishing the appropriateness of remuneration – as reviewed externally by independent experts – in a comparison based on industry, size, complexity and economic efficiency, the remuneration system aims for consistency within the Company, particularly with reference to the remuneration system for managers at levels below the Management Board. This is intended to ensure that all decision-makers apply the same target vision in striving for financial and economic targets.

- Horizontal comparability is determined by reference to a peer group whose specific composition is determined and documented by the Personnel Matters Committee. This involves comparing the total remuneration at companies that are comparable in terms of industry, size, character, complexity, international activity, earnings power and economic performance.

- In addition to horizontal comparability, the Supervisory Board takes account of the remuneration situation at the level of management below the Management Board and the workforce as a whole when defining Management Board remuneration (vertical comparability). In determining the fixed compensation for the Management Board, it ensures that there is an appropriate gap to the average remuneration of the employees at the next highest level of management.

If a review of appropriateness identifies significant deviations in the comparison parameters, the Supervisory Board examines the causes and objective reasons for this and adjusts the Management Board remuneration in cases where a deviation is considered to be material.

2. PROCEDURE FOR DEFINING, IMPLEMENTING AND REVIEWING THE REMUNERATION SYSTEM

The remuneration system resolved by the Supervisory Board is presented to the Annual General Meeting for approval as required by law.

The Supervisory Board will resolve future amendments as required. The remuneration system is presented to the Annual General Meeting for renewed approval in the event of material modifications, and in any case at least every four years.

If the Annual General Meeting does not approve the remuneration system, the system must be reviewed and presented for resolution at the next Annual General Meeting at the latest.

The Supervisory Board is responsible by law for defining, implementing and reviewing the remuneration and the remuneration system for the members of the Management Board. The Personnel Matters Committee of the Supervisory Board is responsible for preparing the respective Supervisory Board decisions.

The Personnel Matters Committee will regularly review the remuneration system. In particular, this includes reviewing the effectiveness of the associated objectives and the appropriateness of the overall remuneration of the individual Management Board members, as well as performing benchmarking. If necessary, the Supervisory Board will modify the remuneration system and, if significant changes are made, present the modified system to the Annual General Meeting for approval.

As responsibility for designing, reviewing and implementing the remuneration system for the members of the Management Board is assigned to the Supervisory Board by law, the possibility of conflicts of interest is largely excluded in the first place. If such conflicts of interest nevertheless occur in future, they will be disclosed, discussed and handled in accordance with the usual rules. Depending on the nature of the conflict of interest, the affected Supervisory Board member will abstain from the respective vote and, where applicable, refrain from participating in the discussion of the respective agenda item.

The Supervisory Board also takes care to ensure that the remuneration is in line with market conditions and that it is commensurate with the tasks and duties of the respective Management Board members, the size of the Management Board and the position of the Company as a whole.

3. OVERVIEW OF THE REMUNERATION SYSTEM FOR THE MANAGEMENT BOARD

The remuneration system consists of two clusters:

Non-performance-based remuneration comprises fixed remuneration, fringe benefits and pension commitments.

Performance-based remuneration comprises the short-term variable remuneration component, the STI, and the long-term variable remuneration component, the LTI.

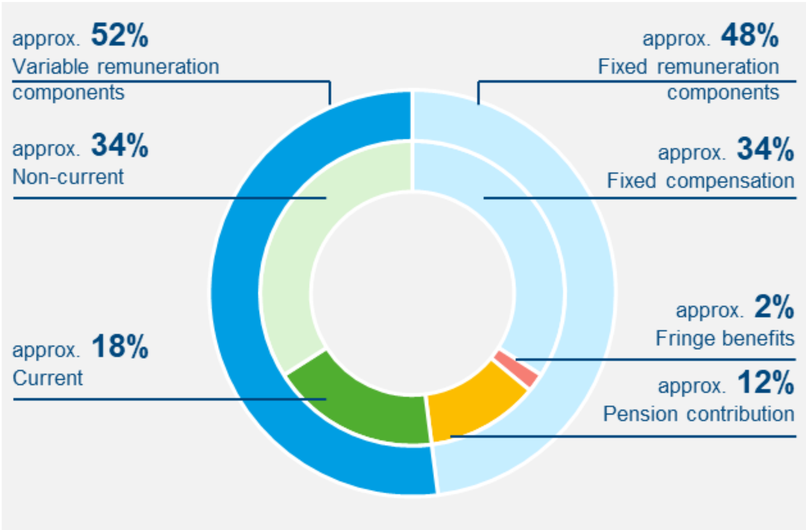
Illustration: Overview of the remuneration system

	2023+ Management Board remuneration system		
	Remuneration instrument	Description	
Non-performance-based remuneration	Fixed compensation	- Fixed, contractually agreed remuneration paid in twelve monthly installments	
	Fringe benefits	- Essentially contributions to insurance, private use of a company car	
	Pension	- Pension contribution amounting to 35% of the applicable compensation for personal use in the form of an investment for the purposes of pension provision	
Performance-based remuneration	Annual bonus	Type	- Short-term, one-year variable remuneration (short-term incentive (STI))
		Performance criteria	- 60% financial performance criteria (target achievement: 0% to 200%) - 20% strategic milestones (financial, non-financial) - (Target achievement: 0% to 200%) - 20% non-financial performance criteria (target achievement: 0% to 200%)
		Cap	- 200% of target value
	Performance share unit (PSU) plan	Type	- Long-term, share-based variable remuneration (long-term incentive (LTI))
		Term	- 4 years
		Performance criteria	- 80% financial performance criteria (target achievement: 0% to 200%) - 20% non-financial performance criteria (target achievement: 0% to 200%)
		Cap	- 200% of allocation value
Other elements	Maximum compensation	- Chief Executive Officer: € 3.6 million - Regular member of the Management Board: € 2.4 million	
	Malus/clawback	Option for full or partial reduction, postponement or repayment of variable remuneration	
	Personal investment	- Share ownership requirement: Share in the amount of fixed remuneration, built up by 20% of gross payout of variable remuneration - Holding period: Duration of appointment	
	Early termination benefits	Payments to a member of the Management Board in the event of early termination of work on the Management Board must not exceed the value of two years' remuneration (severance cap)	

3.1. Relative share of remuneration components

Within the total target remuneration of the members of the Management Board, variable remuneration components outweigh the fixed remuneration components. In turn, within the variable remuneration components, long-term variable target remuneration (LTI) always outweighs short-term variable target remuneration (STI). The fixed remuneration components form total target remuneration together with the targets (on 100-percent target achievement) for the variable remuneration components. The fixed remuneration components account for around 48 percent of total target remuneration, while the variable remuneration components account for around 52 percent.

Illustration: Shares of the remuneration components within remuneration



The shares of the individual remuneration components in total target remuneration can vary slightly from year to year and depending on the function on the Management Board, though the underlying structure remains the same.

3.2. Non-performance-based remuneration

3.2.1 Fixed compensation

The fixed remuneration (gross) is paid in twelve equal monthly installments. Taking into account the regular place of work, fixed remuneration is paid net of the statutory deductions in accordance with German law.

As of the date of the resolution, fixed remuneration amounts to € 900 thousand for the Chief Executive Officer and € 500 thousand for the Chief Financial Officer. Fixed remuneration has not changed since the previous year.

This fixed remuneration is reviewed at regular intervals. Any decision on modification by the Supervisory Board is based on the parameters of comparable income development, benchmark data, and the overall situation of the Company.

The fixed remuneration serves to ensure fixed remuneration appropriate to the respective function and helps to avoid incentives for taking inappropriate risks.

If a Management Board member's incapacity to work is medically certified, their right to receive fixed remuneration and pro rata variable remuneration under their employment contract remains in place for twelve months, but in any case not beyond the end of their employment contract. Following this twelve-month period, if incapacity to work is still medically certified, the Supervisory Board makes a decision on the continued payment of remuneration; in such event, fixed remuneration alone will continue to be paid.

If a member of the Management Board dies during the term of their employment contract, their heirs receive the fixed remuneration for the month of the member's death and the two subsequent months, but in any case not beyond the end of their employment contract.

The fixed remuneration of all members of the Management Board takes into account the structure, assigned duties and departmental weighting within the Management Board as well as the professional qualifications and experience of the members of the Management Board.

3.2.2. Fringe benefits

The fixed remuneration is supplemented by contractually agreed fringe benefits. Standard fringe benefits are granted, in particular to compensate for risks arising from Management Board work and to achieve cost benefits compared to a private contract. These fringe benefits essentially include standard additional benefits, such as insurance (e.g. accident insurance for business travel), the private use of a company car and expenses for the cost of running two households.

When Management Board members relocate their primary domicile to Germany from abroad or change their regular place of work within Germany at the request of the Company, the Supervisory Board may grant them supplementary benefits in particular for relocation costs, accommodation in Germany, language courses for the Management Board member and their family members, costs for international schools, etc. ("relocation package").

Tax advisory costs may be assumed for Management Board members whose primarily domicile is abroad and who have particularly complex tax situations on account of their activity in Germany.

The value of the fringe benefits is limited to 15 percent of the one-year fixed remuneration (based on the relevant euro amounts when the specific remuneration is determined) for ordinary Management Board members and 20 percent of the corresponding amount for the Chairman of the Management Board.

To attract suitable candidates and if a member joining the HEIDELBERG Management Board is required to forfeit remuneration payments granted prior to them doing so, the Supervisory Board may grant a one-off payment to compensate the forfeiture of incentives granted by the member's previous employer instead of or in addition to this being taken into account in the member's target remuneration. The value of this compensation is limited to 200 percent of the one-year fixed remuneration (based on the relevant euro amounts when the specific remuneration is determined).

The Company concludes adequate accident insurance for the members of the Company's Management Board for the duration of their active membership of the Management Board. The tax on this benefit in kind is paid by the Company.

The members of the Management Board are also covered by the Company's D&O insurance policy. The corresponding deductible is payable by the respective Management Board member.

Each Management Board member is also provided with a company car for private use in accordance with the applicable tax provisions. The vehicle type, engine capacity and equipment must be appropriate; the order for the specific vehicle must be approved by the Chairman of the Supervisory Board in coordination with the Supervisory Board as a whole. The use of a transport service for business purposes can also be claimed.

Each Management Board member is entitled to an annual medical check-up for each year of their employment contract; the corresponding cost is covered by the Company in accordance with the applicable provisions for senior employees.

The members of the Management Board are also covered by the applicable version of the Company's travel policy.

3.2.3. Company pension

Each year, the Management Board member receives a taxable contribution amounting to 35 percent of the applicable compensation for personal use in the form of an investment for the purposes of pension provision; the amount is paid out when this purpose is evidenced.

The contribution for the respective contribution year becomes due on the settlement date following the contribution year. No further pension contributions are granted once the respective member of the Management Board reaches the relevant statutory standard retirement age.

"Applicable compensation" is defined as the fixed remuneration agreed in the employment contract, excluding performance-based remuneration and fringe benefits.

3.3. Performance-based remuneration

By establishing relevant performance criteria specific to the Company, variable remuneration for the members of the Management Board is intended to support HEIDELBERG's business strategy, contribute to the long-term and sustainable development of the Company and ensure the alignment of interests between employees, customers, shareholders, other stakeholders and the Management Board. The target values of the key performance indicators (KPIs) for performance-based remuneration are set uniformly for the Management Board as a whole.

To establish a balanced relationship between risks and opportunities and to create an effective incentive system, the variable remuneration components are designed so that the respective payout amount can fall to zero if the performance threshold is not achieved. On the other hand, the variable remuneration components are also designed to allow the appropriate outperformance of targets up to a set maximum.

Furthermore, the share of long-term, multi-year variable remuneration (long-term incentive (LTI)) is significantly greater than the share of short-term, one-year variable remuneration (short-term incentive (STI)) (on the basis of target values on 100-percent target achievement).

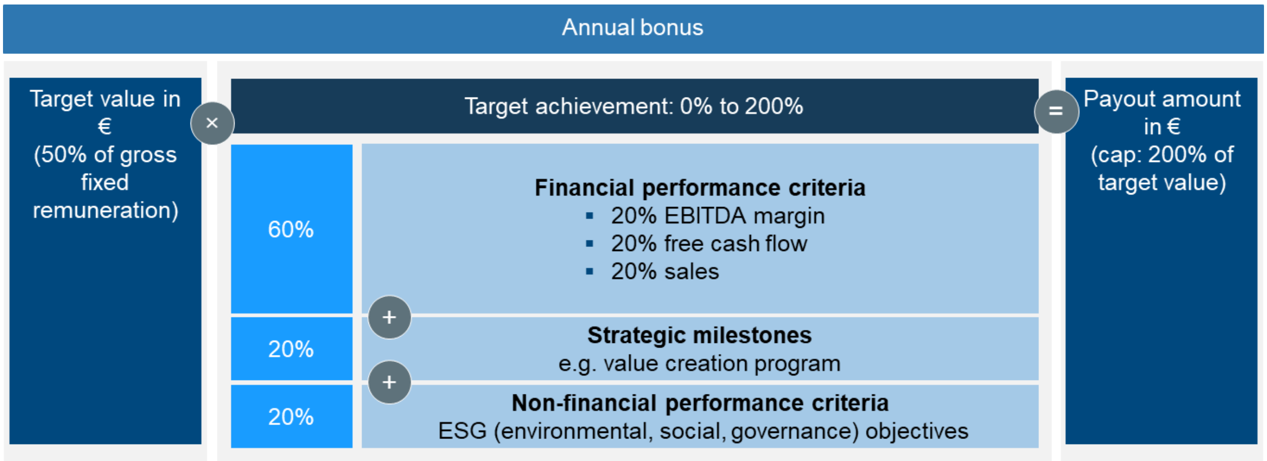
The financial KPIs for ascertaining target achievement are calculated at constant exchange rates. In rare cases, they can be neutralized to eliminate extraordinary developments for the purpose of establishing comparability with initial values in congruence with capital market communications. For instance, such cases include material amendments in the underlying IFRSs and the associated measurement methods, acquisitions (M&A) or divestments in the year of the transaction, special situations (e.g. geopolitical conflict) and restructuring activities. This concept expressly does not extend to unfavorable market developments. The same applies to strategic and non-financial KPIs. Any neutralizing adjustments will be disclosed and explained transparently and comprehensibly in the relevant remuneration report.

3.3.1. One-year variable remuneration – short-term incentive (STI)

The STI is a short-term, one-year, performance-based remuneration component that is granted annually, and hence is intended to incentivize the operational success achieved in the respective financial year. The STI sets uniform incentives for the Management Board members to attain key targets relating to the annual budget and strategic measures, which in turn are derived from the Company's long-term, multi-year strategic planning, as well as uniform incentives for sustainable action that do not have a direct financial impact but that also promote the achievement of the Company's long-term strategy.

The one-year variable remuneration depends on the Company's success in the respective financial year. The amount of the payment under the STI is determined on the basis of multiple financial, strategic and non-financial KPIs and is dependent on the achievement of these targets.

Illustration: Overview of the STI



3.3.1.1. Weighting and composition of the STI

The STI target is the total of 50 percent of the fixed remuneration (gross) and is paid in this amount if the ascertained total of weighted financial, strategic and non-financial KPI target achievement (overall target achievement) amounts to 100 percent, up to a maximum payment of 100 percent of the fixed remuneration in the event of maximum target achievement (200 percent).

The assessment period is the financial year for which the STI is allocated. The amount paid out under the STI is determined according to financial (60 percent), strategic (20 percent) and non-financial (20 percent) KPIs. Financial KPIs include the EBITDA (earnings before interest, taxes, depreciation and amortization) margin, free cash flow and sales. The financial KPIs are weighted equally to each other. These KPIs reflect HEIDELBERG's operating performance and are an indicator of the Company's liquidity.

The EBITDA margin is an indicator of HEIDELBERG's profitability. It is calculated as the ratio of EBITDA to total sales and is congruent with capital market communications. Free cash flow reflects the net change in cash and cash equivalents, which is an important indicator for HEIDELBERG's financing capabilities and, for example, can be used for potential distributions to shareholders. Sales are a key indicator for management and for continuous organic growth as well as the implementation of HEIDELBERG's growth strategy. Significant success factors for increasing sales lie in securing new customers as well as market penetration in the identified growth areas, such as labels and e-mobility. The financial KPIs are calculated using the same methods as are applied in HEIDELBERG's audited consolidated financial statements that are approved by the Supervisory Board.

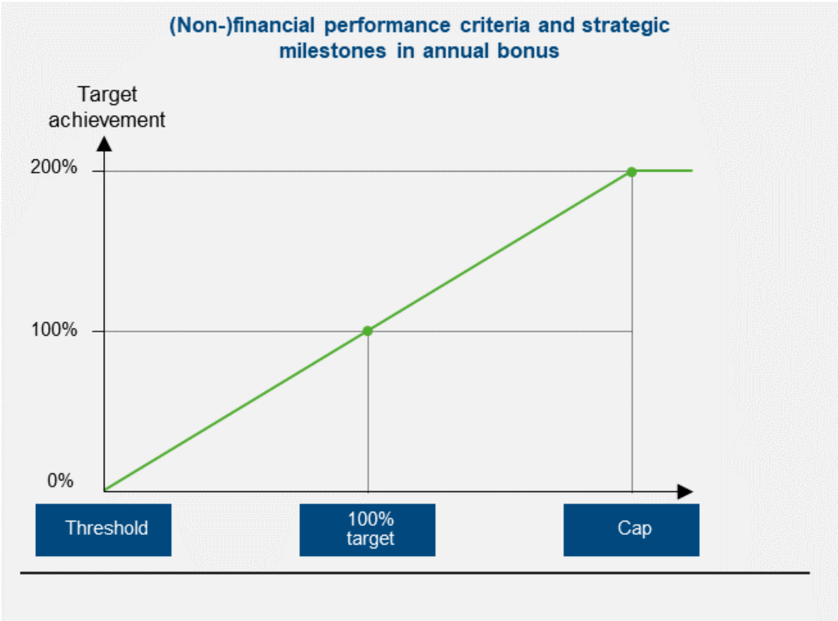
The financial targets are supplemented by strategic milestones. These can include financial as well as qualitative, non-financial targets. The strategic milestones are derived from focal areas of corporate strategy and include key objectives in HEIDELBERG's value creation process. The focal areas include business development and market exploitation, the implementation of portfolio measures as well as optimization and value creation measures.

There are also non-financial KPIs, in particular sustainability (ESG) objectives. In this context, before the start of each performance period, the Supervisory Board will define ambitious and measurable objectives in the areas of employee goals (e.g. succession planning), customer goals, environmental goals (e.g. Scope 1&2 emissions, Scope 3 emissions, climate neutrality), diversity goals or integrity goals as well as other relevant sustainability objectives defined by the Supervisory Board. The chosen ESG objectives will support, for instance, HEIDELBERG's climate strategy on its path to achieving climate neutrality for its production sites by 2030. Objectives aimed at achieving a specific reduction in emissions are of extreme importance to HEIDELBERG.

At the start of each financial year, the Supervisory Board defines strategic milestones from the above catalog of corporate strategy objectives and specific ESG objectives. The achievement of strategic milestones is backed up by actual action plans. The resulting target achievement is measured by the degree of successful implementation. At all times, the Supervisory Board will ensure that the objectives are conducive to business strategy, are ambitious and contribute to HEIDELBERG's long-term and sustainable development. At the latest, the KPIs, targets and remuneration windows for the financial year will be disclosed clearly and transparently in the relevant remuneration report in order not to reveal strategic projects relevant to competition ex ante.

The respective KPIs are supported by measurable targets and associated specifications consistent with 100-percent target achievement. These targets are set based on long-term strategic planning and taking into account the values achieved for the previous year. Based on the level corresponding to 100 percent target achievement, specific levels of target achievement are derived and a cap (200 percent) and a threshold (0 percent) are defined accordingly. Target achievement for the individual KPIs between these anchor values will be determined by linear interpolation. The respective targets are resolved by the Supervisory Board at the proposal of the Personnel Matters Committee.

Illustration: Overview of STI target curves



3.3.2. Determining target achievement

The Supervisory Board determines target achievement at its accounts meeting following the end of the financial year. For financial KPIs, this will be based on the audited consolidated financial statements of the HEIDELBERG Group approved by the Supervisory Board. The Supervisory Board's decision regarding strategic and non-financial KPIs will be prepared by the Personnel Matters Committee.

3.3.3. Payment

The annual variable remuneration (gross) is payable with the salary statement following the Annual General Meeting that adopts the resolution on the annual financial statements of the financial year relevant to the STI.

Any obligations to purchase shares are established and deducted in line with the corresponding provisions (section 4).

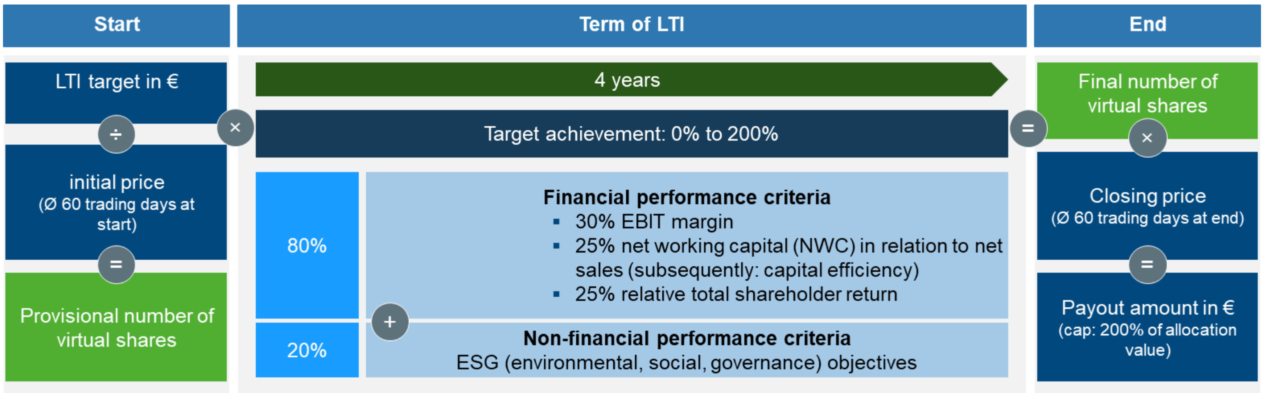
3.4. Long-term, multi-year variable remuneration – long-term incentive (LTI)

The LTI is a long-term, multi-year performance-based remuneration component granted in annual tranches and in the form of virtual shares, referred to as performance share units (PSUs). This ensures that the vast majority of the variable remuneration is shared-based and designed to be long-term.

The LTI reflects the long-term strategy and provides the members of the Management Board with uniform incentives for achieving key goals in line with long-term strategic planning. Furthermore, the LTI rewards the Management Board members for the share price performance of Heidelberger Druckmaschinen

Aktiengesellschaft and hence ensures that the interests of the Company's shareholders are taken into account. With its four-year term, a further aim of the LTI is retention, i.e. encouraging Management Board members to remain with the Company.

Illustration: Overview of the LTI



3.4.1. Weighting and composition of the LTI

The volume ("LTI target amount") of the performance-based, multi-year variable remuneration (LTI) amounts to 100 percent of the fixed remuneration (gross) in the event of 100 percent target achievement, up to a maximum of 200 percent of the annual fixed remuneration in the event of maximum target achievement (200 percent). The performance period is four financial years. At the start of the performance period for the LTI, KPIs for target achievement are defined for the performance period as a whole and the LTI target amount described above is converted into virtual shares of Heidelberger Druckmaschinen Aktiengesellschaft. For conversion, the initial price is calculated as the arithmetic mean (closing prices) of the Company's shares in XETRA trading on the Frankfurt Stock Exchange (or an equivalent successor system) over the 60 trading days immediately preceding the start of the performance period. The LTI target, divided by the initial price calculated in this manner to two decimal places in line with commercial practice, results in the number of provisionally allocated virtual shares.

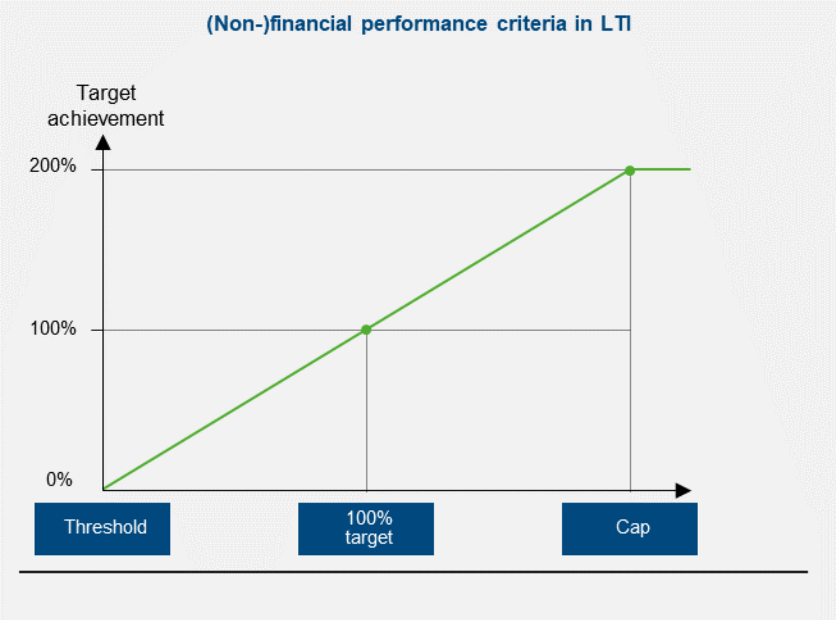
At the end of the performance period, the final number of virtual shares will be calculated based on KPI target achievement.

The outperformance of each KPI target is permitted and can, at most, result in a doubling (200 percent) of the provisionally allocated virtual shares. Failure to achieve KPIs results in no payout.

Target achievement amounts to 100 percent if the target for the LTI bonus component is achieved. When the plan is established, the KPI targets are linked to a fulfillment threshold defined by the Supervisory Board in the course of determining the targets. This fulfillment threshold must be reached in order for the LTI to be paid out for the respective KPI. If the fulfillment threshold is not reached, the payment for the respective LTI component amounts to 0 percent.

In the event of outperformance up to a defined value, the maximum target achievement is 200 percent performance (cap); achievement between values is determined by linear interpolation.

Illustration: Overview of LTI target curves



The specific financial and non-financial KPIs are determined by the Supervisory Board before the start of each LTI tranche and communicated to the Management Board. The financial targets contribute 80 percent to overall target achievement for the LTI. They comprise the relative total shareholder return (rTSR) at 25 percent, the EBIT margin as the profitability indicator at 30 percent and working capital in relation to net sales at 25 percent. In the medium term, the latter is to be replaced by the return on capital employed (ROCE), also weighted at 25 percent. In grading targets, the Supervisory Board takes into account at all times that they are intended to promote the business strategy and the value creation program in particular. The financial KPIs are calculated using the same methods as are applied in HEIDELBERG's audited and adopted annual financial statements.

As a financial target, rTSR specifically reflects the interests of our shareholders and ensures the alignment of interests between the Management Board and shareholders. It describes the performance of the share price plus theoretically reinvested gross dividends during the four-year performance period relative to the performance of other share prices and is determined on the basis of data from a recognized data provider (e.g. Bloomberg, Thomson Reuters). The 100-percent target for rTSR demands an outperformance of up to one percentage point over the defined peer group. The Supervisory Board is guided by prevailing market practice in setting the range between the threshold (0 percent) and the cap (200 percent). To calculate target achievement, HEIDELBERG's share performance over the four-year performance period is compared to that of a suitable peer group. The arithmetic mean of closing prices (up to four decimal places) over the last 60 trading days before the start of the assessment period and the last 60 trading days before the end of the assessment period is calculated. The peer group used is currently a combination of the two equally weighted indices DAXsubsector Industrial Machinery and MSCI Europe Capital Goods to take into account benchmarks from national and international listed companies in a similar business area. The Supervisory Board regularly reviews the benchmark indices in order to reflect the strategic ongoing development of business with a diversification of the end markets adequately in the peer group. Adjustments may be necessary to ensure that the KPI is effective as the underlying development of different sectors is not congruent. In particular, adjustments are necessary if the share of sales of a new business area outside the capital goods sector, as defined by the Global Industry Classification Standards, amounts to 20 percent or more. Any adjustments will be reported on extensively and transparently in the relevant remuneration report.

In addition to the rTSR, the development of the EBIT margin is currently also used as another financial KPI. The EBIT margin is a central control parameter at HEIDELBERG and reflects the Company's profitability in relation to total sales. The Supervisory Board will set a target regarding the EBIT margin for each of the four performance years at the start of the performance period. Final target achievement for the EBIT margin criterion is determined by the average value of target achievement for the four years.

Another KPI for LTI is net working capital (NWC) as a percentage of net sales. This is an indicator for the internal financing of the intended structural measures and is a relevant parameter in HEIDELBERG's value creation process in particular. The Supervisory Board defines a fixed target for the entire four-year performance period, which in turn is calculated as an average value over the performance period.

In the medium term, the Supervisory Board has the option to replace this KPI with ROCE as a measure of capital efficiency. The Supervisory Board can thus use the necessary levers to shift the focus from the internal financing of the value creation program to capital efficiency, and to create new, effective incentives if necessary. ROCE is defined as the ratio of earnings before interest and taxes (EBIT) to HEIDELBERG's capital employed as a measure of profitability and efficiency of the capital employed.

The non-financial targets comprise sustainability (ESG) objectives. Here, too, targets and ranges for outperformance (200 percent) and underperformance (0 percent) are defined. Before the start of each tranche, the Supervisory Board sets the targets for non-financial KPIs such as environmental goals (e.g. reduction of the carbon intensity of the corporate carbon footprint by 25 percent by 2026), employee goals or efficiency (e.g. generating relevant sales in sustainable business) and other sustainability objectives that can be defined by the Supervisory Board. For HEIDELBERG, sustainability means combining long-term business success with ecological and social responsibility. The sustainability objectives selected by the Supervisory Board are always in line with strategy and differ from the ESG targets defined for the STI.

3.4.2. Determining target achievement and cap

The Supervisory Board determines target achievement at its accounts meeting following the end of the financial year. The basis of assessment for the financial and non-financial KPIs is the figures based on the audited financial statements and the adopted share price. Overall target achievement is measured over a four-year period and calculated as the arithmetic average of annual target achievement.

The final number of virtual shares, also rounded to two decimal places in line with commercial practice, is derived from the ascertained results of the respective target achievement for the KPIs; the cap applicable to the LTI (200 percent of the allocation value for a tranche) is taken into account.

The final number of virtual shares is converted into euro at the price determined using the method described above as of the end of the corresponding performance period and paid out as gross remuneration.

Any obligations to purchase shares are established and deducted in line with the corresponding provisions in accordance with section 4.

3.5. Provisions on members joining and stepping down

In the event of members stepping down from the Management Board or joining the Management Board during the course of the financial year, the fixed remuneration is paid in the amount of one-twelfth of the fixed remuneration for each month.

The proportionate variable remuneration is calculated pro rata temporis while observing the other conditions of the plan. Target achievement and the pro rata share are calculated after the end of the performance period for each tranche affected. The amount thus calculated is payable at the originally intended payment date.

The provisions on early termination as set out in section 11 otherwise apply.

4. INVESTMENT IN SHARES

During their term in office on the Management Board, the members of the Management Board must use their variable remuneration to establish and hold a portfolio of shares in the Company.

This portfolio and the necessary shareholdings are measured as of the date when variable remuneration is paid out.

The portfolio must be built up to match the amount of current (gross) fixed compensation (minimum value). Shares in the Company already held are counted towards this value. There is no obligation to acquire shares using other compensation or private wealth.

The Company is entitled to invest 20 percent of the variable remuneration (before deduction of taxes and contributions) in the form of shares in the Company. The Company commissions a bank or financial service provider to execute the transaction, i.e. to purchase the shares on behalf and for the account of the Management Board member, and bears the associated costs of processing and custody. The purchase is arranged at the earliest possible date providing the following conditions are cumulatively satisfied: (1.) the variable remuneration for the past financial year has been set; (2.) the interim statement for the first quarter of the current financial year has been published; and (3.) there are no statutory or regulatory restrictions preventing the share purchase. The Company's entitlement to invest variable remuneration to build the share investment portfolio in the form of shares ends when leaving office.

Shares can only be sold from the share investment portfolio during the term in office if the above minimum value is demonstrably complied with and statutory and regulatory restrictions do not prohibit the sale.

5. LIMIT ON TOTAL REMUNERATION – MAXIMUM REMUNERATION

The annual Management Board remuneration is limited to a maximum of € 3.6 million for the Chairman of the Management Board and a maximum of € 2.4 million for an ordinary member of the Management Board. When calculating this maximum remuneration, all payments that flow to a member of the Management Board from the remuneration granted for a financial year (including fringe benefits) must be taken into account.

6. ANCILLARY ACTIVITY AND CONTRIBUTION OF REMUNERATION

The Management Board members must provide the Company with their entire knowledge and ability and their full efforts and work to advocate the Company's interests. This means that other activities, such as ancillary activities or positions on supervisory boards, should be performed only to a very limited extent.

Investments in companies and any secondary employment, whether in return for payment or otherwise – including memberships of supervisory bodies or advisory boards – may be assumed or maintained only with the written approval of the Personnel Matters Committee.

The performance of intragroup mandates is considered to be remunerated through the payment of the contractually agreed Management Board remuneration. Any remuneration received for memberships of supervisory boards and advisory boards of Group companies or affiliates must be paid on to the Company.

The performance of ancillary activities on the part of Management Board members, whether in return for payment or otherwise – especially memberships of external supervisory boards – is subject to the approval of the Supervisory Board.

7. MALUS AND CLAWBACK PROVISIONS

The Company has the right to claim back payments made to members of the Management Board under the STI or LTI, or to delay or cancel pending payments not yet made, if it emerges that the payout was wholly or partially unwarranted because targets were not actually achieved or not achieved to the extent assumed when the payment was calculated.

Furthermore, the Company can claim back variable remuneration already paid out if the member of the Management Board was significantly involved in or responsible for conduct that led to significant losses for the Company or regulatory sanctions, or has severely violated relevant external or internal regulations concerning suitability and conduct.

The claim to repayment can be triggered by misconduct on the part of the member of the Management Board regarding compliance and appropriate conduct or a miscalculation of variable remuneration.

A claim to the repayment of bonuses already paid out arises if it emerges after the end of the reference period that a target was not achieved (“bonus-malus”).

A payout can be canceled in full or in part if, after determination but before payout, a material deterioration in the situation of the Company is found to have occurred.

If the appointment of a member of the Management Board is revoked for cause in the course of a financial year in accordance with section 84 (4) AktG, the Supervisory Board can decide at its own discretion whether any claim to be granted variable remuneration components for the current, past or future financial years will be canceled.

Furthermore, in the event of the actions of the Management Board not being formally approved by the Annual General Meeting or in the presence of cause, including in particular ongoing internal or external investigations, the Supervisory Board has the option to delay the payment of these components after deliberation.

Remuneration can be canceled in full if there is cause for which a member of the Management Board is responsible that entitles or would have entitled the

Supervisory Board to revoke their appointment or to cancel their contract for cause as referred to by section 626 of the German Civil Code (BGB).

8. TEMPORARY DEVIATIONS

The Supervisory Board may temporarily deviate from the remuneration system if this is necessary to ensure the long-term welfare of the Company. For example, this includes adapting the remuneration system to reflect a significant change in business strategy or a severe economic crisis. The exceptional circumstances underlying and requiring the deviation must be stated in a resolution by the Supervisory Board. The components of the remuneration system for which deviations are permitted are the procedure, the maximum remuneration, the individual components, and the structure and amount of the individual components.

Any adjustments will be reported on extensively and transparently in the remuneration report in accordance with section 162 AktG.

9. CHANGE OF CONTROL CLAUSES

No commitments in the event of the early termination of Management Board activity due to a change of control (change of control clause) are agreed, nor are any commitments for severance payments.

10. EMPLOYMENT CONTRACTS

The employment contracts of the Management Board members are concluded for the duration of their appointment and are extended for the duration of any reappointment.

The contract term for the initial appointment of a Management Board member is typically three years.

However, members may be appointed or reappointed for terms until their 65th birthday only.

11. EARLY TERMINATION OF EMPLOYMENT CONTRACT

If the appointment of a member of the Management Board is revoked and there is cause as referred to by section 626 BGB, their contract also ends as of the date that the revocation of their appointment becomes effective. In such event, no further payments will be made to the member of the Management Board from the date that the revocation becomes effective.

In the event of the early termination of a contract, outstanding variable remuneration components relating to the period before contract termination will be paid out according to the originally agreed targets, comparative parameters and the periods established in the remuneration system.

Payments to a member of the Management Board in the event of early termination of work on the Management Board must not exceed the value of two years' remuneration (severance cap) and must not constitute compensation for more than the remaining term of the member's contract. In the event of a post-contractual non-compete clause, the severance payment counts towards the compensation.

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