



# **Remuneration Policy**

## **governing the remuneration of members of the Management Board and the Supervisory Board of Mayr-Melnhof Karton AG (MMK AG)**

### **1. Preamble**

The following revised principles for the remuneration (remuneration policy) of the members of the Management Board and Supervisory Board of MMK AG were drawn up at the proposal of the Committee for Management Board Issues by resolution of the Supervisory Board in its meeting on March 14, 2022 and submitted to the 28<sup>th</sup> Annual General Meeting on April 27, 2022 for voting. The background to the revision was, in addition to experience gained from the first-time application of the legal requirements with regard to the disclosure of remuneration of the Management Board and Supervisory Board, also the consideration of shareholders' reactions and the endeavor to achieve a higher degree of transparency.

With effect from the financial year 2022, this revised remuneration policy replaces the previous remuneration policy, which was drawn up at the proposal of the Committee for Management Board Issues by resolution of the Supervisory Board at its meeting on March 16, 2020 and submitted for voting at the 26<sup>th</sup> Annual General Meeting.

The remuneration policy must be submitted to the Ordinary Shareholders' Meeting for voting in accordance with Section 78b AktG at least every fourth financial year as well as in the case of any significant change.

### **2. Remuneration policy for the Management Board**

#### **2.1. Objectives of the remuneration policy**

The remuneration policy is intended to ensure that the total remuneration of the Management Board includes appropriate incentives to promote the implementation of corporate strategy and the long-term development of the Company. The remuneration of the Management Board is to be commensurate with the Company's situation and in line with market conditions at comparable companies.

The Company's strategy is geared towards the sustainable creation of added value and growth with appropriate risk in the areas of core competence. A sustained high return on capital employed (ROCE) and a continuous dividend policy are designed to satisfy both the interests of the company and its shareholders.

The remuneration policy is intended to motivate the Management Board to actively pursue the Company's strategy. When setting targets, care is taken to ensure the long-term positive development of the Company and to avoid unreasonable risks. At the same time, it is intended to establish an incentive to achieve ambitious goals through special performance. In addition to financial criteria, non-financial performance criteria are also taken into account when setting objectives.

Remuneration corresponds to the overall responsibility of the Management Board in connection with its duties, but is differentiated according to individual responsibility in line with the distribution of areas of responsibility.

## **2.2. Principles of the remuneration system**

The members of the Management Board receive both fixed and variable remuneration in order to provide attractive as well as performance-based remuneration that encourages behavior in line with the business strategy. The variable compensation components are both short-term and long-term in nature and are based on the achievement of financial and non-financial performance criteria.

The annual profit-sharing as a short-term variable component creates incentives for the achievement of certain Group or divisional key indicators and, together with non-financial performance indicators, takes into account the employment conditions of employees and the responsibility of MMK AG towards the environment. The annual profit-sharing is capped in total as well as per achievement of the individual key performance indicators.

The possibility of granting a so-called "long-term profit-sharing" upon achievement of certain Group key indicators over an observation period of several years ensures a remuneration oriented towards long-term business development. The long-term profit-sharing is also capped at a maximum amount.

The variable remuneration components of the Management Board's compensation generally provide an incentive for corporate development with sustainable value creation at a reasonable risk.

## **2.3. Fixed remuneration**

Fixed remuneration or fixed compensation consists of base salary, benefits in kind, pension commitments and pension contributions or substitute pension payments.

### **a. Base salary**

The level of the basic salary is based on customary market remuneration for members of the Management Board in companies of comparable size or in comparable industries. This policy of determining basic salary enables the Company to be attractive to suitable managers and to retain them over the long term. The contracts of employment provide for 14 payments per year. The base salary can be index-linked by means of a suitable index.

### **b. Benefits in kind**

All Management Board members are provided with a company car, which may also be used privately, and a driver if necessary. In addition, accident and D&O insurance is taken out for Management Board members.

### **c. Pension contributions**

Management Board members are granted a defined contribution or defined benefit pension commitment or pension substitute payments.

The base salary and other components of fixed remuneration guarantee a competitive income that reflects the scope of the responsibilities and areas of activity of the individual member of the Management Board as well as the complexity of their activity.

## 2.4. Variable remuneration

The short-term component of the variable remuneration consists of an annual profit-sharing bonus, measured against financial and non-financial Group and divisional key figures of MMK AG.

The performance criteria of the long-term profit-sharing as a long-term component are determined in a three-year observation period and form the basis of the remuneration. A three-year observation period reflects the focus on the long-term growth of MMK AG.

Provided that the defined targets are achieved, the total remuneration is composed of approximately 3/4 variable (performance-related) remuneration and approximately 1/4 fixed remuneration. With this strong performance component, it promotes the objectives of the business strategy, as well as alignment with shareholder interests.

The criteria for the variable compensation are to be determined by the remuneration committee or the Supervisory Board for one board period at a time. The focus of the remuneration is on financial performance indicators, but efficiency and sustainability aspects from non-financial performance indicators are also taken into account. The weighting of the performance criteria is based on the areas of responsibility of the individual Executive Board members.

Target achievement is determined following a separate audit by the auditors.

### 2.4.1. Annual profit-sharing

The financial performance criteria for the annual profit-sharing are as follows:

- a) **EBITDA** (Earnings before Interest, Income Taxes, Depreciation and Amortization) is calculated as operating profit plus depreciation, amortization and impairment of property, plant and equipment, and intangible assets. This measure reflects the operating profitability of Mayr-Melnhof Karton AG.
- b) **Earnings per share or net profit for the year** for divisional results are taken into account as a short-term financial performance indicator for the annual result.
- c) **Return on capital employed (ROCE)** is calculated as operating profit divided by the sum of average total equity, average current and non-current interest-bearing financial liabilities including lease liabilities according to IFRS 16, and less average cash and cash equivalents. ROCE is a key indicator for assessing capital efficiency and profitability and is intended to ensure balanced growth.

The financial performance criteria are calculated on the basis of the IFRS consolidated financial statements and the key indicators defined in the Annual Report. These are adjusted for non-recurring income and non-recurring expenses if they exceed EUR 10 million (e.g. gains/losses from disposals of companies, extraordinary impairments and restructuring). In addition, in the case of acquisitions and company disposals during a financial year, the financial ratios are adjusted according to the periods in which these acquisitions and company disposals affect the ratios.

With regard to the social responsibility and orientation towards sustainable business activities of MMK AG, non-financial indicators are also agreed as performance criteria. These can be, among others, with regard to employee conditions, **reduction in the number of accidents at work** and with regard to the company's environmental footprint, **reduction in CO<sub>2</sub> emissions per ton of cartonboard**. This provides an active incentive to create an even safer working environment.

The target figures for the performance indicators are determined annually by the remuneration committee as part of the periodic budgets. The entitlement to the annual profit-sharing is calculated on the basis of the target bonus per indicator and the additions or deductions resulting from the deviation between the target indicator and the actual achievement of the target. If the calculation arithmetic for the annual profit-sharing results in a negative value, this does not lead to a reduction in fixed remuneration and no carryforward to the next financial year. If necessary to incentivize a member of the Management Board or to recruit qualified members of the Management Board, a minimum performance-related bonus may be agreed. In addition, the granting of the annual profit-sharing may be linked to the achievement of certain key indicators as a condition of execution.

The total of the annual profit-sharing is limited to up to five times fixed remuneration. In addition, the claims arising from the achievement of the individual key indicators are also subject to a maximum amount.

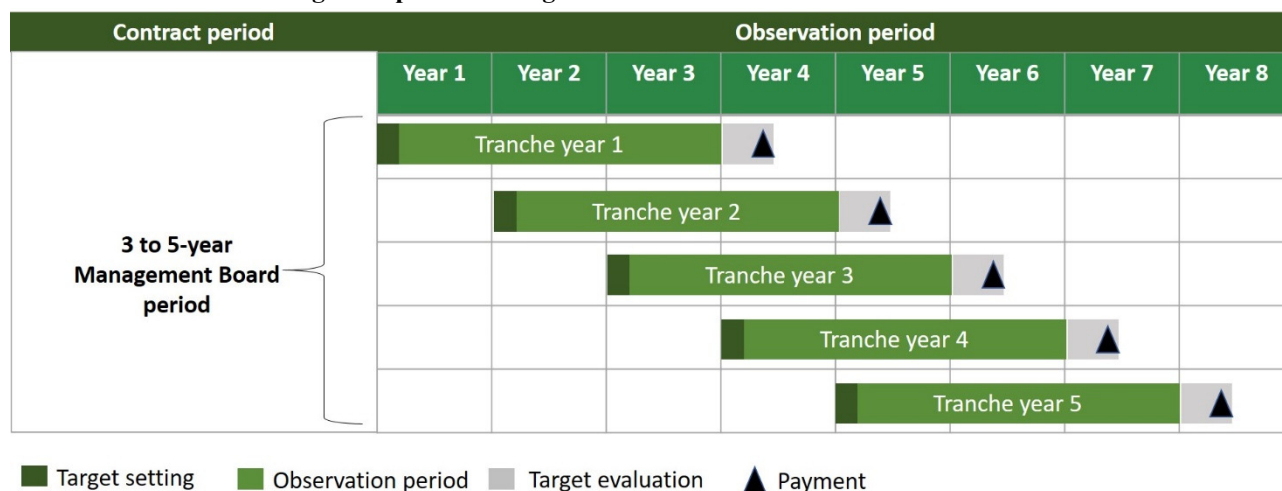
Profit-sharing is paid out in 14 monthly payments (with the fixed salary) or as a lump sum. The entitlement to payment of profit-sharing arises in the following year. In the event of resignation during the year, the annual profit-sharing payment is due pro rata.

#### 2.4.2. Long-term profit sharing

Long-term profit-sharing is intended to align the interests of the Management Board and shareholders by creating a balance between the financial success of the Management Board and that of shareholders.

The basis is the budgeted EBIT margin for the next three years based on a three-year plan. The Management Board is entitled to a share in profits in a defined amount for an EBIT margin determined at the outset. Deviations from this average EBIT margin result in additions or deductions from this amount. The first payment of long-term profit-sharing is made in the year of the Ordinary Shareholders' Meeting that decides on the last year of the three-year plan.

**Table 1: Process of the long-term profit-sharing scheme**



The long-term profit-sharing is paid out in 14 monthly installments (with the fixed salary) or as a lump sum. The entitlement to payment of the profit-sharing arises after the end of the observation period. If an appointment period follows another, the profit-sharing is rolled over. The long-term profit-sharing is also payable for those financial years after the employment contract of a member of the Management Board which are still covered by a 3-year observation period. If a member leaves the company during the year, the long-term profit-sharing is paid pro rata.

## **2.5. Other compensation components and agreements**

The employment contracts for the Management Board members may also contain change of control clauses governing the premature termination of Management Board activities and benefits in this connection as a result of a change of control.

The remuneration committee may also grant special bonuses under special circumstances. Special circumstances include the recruitment of a new Management Board member ("sign-on") and the extension of the appointment of an Management Board member ("retention"). Furthermore, a special bonus may be granted on a one-time basis if agreed predefined parameters are achieved due to exceptional performance. The granting of a special bonus and the relevant circumstances must be disclosed appropriately in the respective remuneration report.

## **2.6. Possibility of claiming back variable remuneration components**

It is possible to recover variable remuneration components (clawback) if they were determined and paid on the basis of manifestly incorrect data.

## **2.7. Term and termination of the contracts of the Management Board members**

The contracts of the members of the Management Board generally have a term of 3 to 5 years. Both the Company and the Management Board member may be contractually granted the option to terminate the employment contract prematurely at a certain point in time. In the event of termination or resignation without good cause, the member of the Management Board shall not be entitled to any remuneration for the remaining term of the employment contract (unless there are still claims to profit-sharing from the past activity). In the event of termination of the employment relationship by mutual agreement, full settlement of the remuneration for the remaining term as well as an average or lump-sum profit-sharing payment may be agreed.

The contract of employment may be terminated by the Company with immediate effect if a member of the Management Board is dismissed for culpable acts which would be considered grounds for termination if the provisions of Section 27 of the Austrian Salaried Employees Act were applied in the same manner. In this case, the Management Board member shall have no claim to remuneration for the remaining term of the employment relationship.

## **2.8. Procedure regarding remuneration policy**

The Presidium of the Supervisory Board assumes the tasks of the Personnel Committee and the Remuneration Committee, among others.

In fulfilling these tasks, the Presidium annually determines the appropriateness of the remuneration of the members of the Management Board and negotiates and concludes the Management Board contracts on behalf of MMK AG.

Furthermore, the Executive Committee evaluates the remuneration policy on an ongoing basis, at least every four years or when a new Management Board member is appointed.

Recommendations on remuneration policy are addressed to the Supervisory Board, which subsequently has to adopt appropriate measures. A Supervisory Board member must abstain from voting in the event of a conflict of interest.

### **3. Remuneration policy of the Supervisory Board**

The capital representatives of the Supervisory Board are granted annual remuneration, the amount of which is based on the responsibilities and tasks of the individual Supervisory Board members. It is resolved annually by the Annual General Meeting in the following year and is paid out thereafter.

For their work, Supervisory Board members receive basic remuneration and attendance fees. The basic compensation is indexed. The basic remuneration is distributed according to the specific involvement of the respective Supervisory Board member (assumption of the position as Chairman or Deputy Chairman of the Supervisory Board; involvement as Chairman of a committee, etc.) in accordance with a fixed formula. Attendance fees are paid for each meeting of the Supervisory Board or of a committee, as is reimbursement of cash expenses. The respective chairperson is entitled to an additional attendance fee due to the increased responsibility. The attendance fee shall be paid only once for several meetings held on the same day.

Vienna, March 14, 2022

For the Supervisory Board

Rainer Zellner m.p.

Chairman

This English version is a translation of the German original text