

Remuneration Policy 2020 for the Executive Board of AT&S AG

I. Principles and objectives of the Remuneration Policy

The Remuneration Policy detailed below provides shareholders with the extensive list of remuneration components that members of the Executive Board may benefit from. The Policy also aims at providing transparency on the mechanisms and processes followed to define and implement each component of the remuneration.

One of the purposes of this document is therefore to regroup pre-existing information publicly disclosed to enhance readers' friendliness. In addition, the Remuneration and Nomination Committee understand the capital market, regulator and wider range of stakeholders' expectation for higher remuneration reporting standards.

A. Principles for the remuneration policy

The following remuneration principles (remuneration policy) for the members of the Executive Board of AT&S AG (AT&S) were based on a proposal by the Nomination and Remuneration Committee in its function as a remuneration committee in accordance with C-Rule 43 of the Austrian Corporate Governance Code (ACGC) and approved by a resolution of the Supervisory Board on 04 June 2020. They are intended for application after their presentation to AT&S's 26th Annual General Meeting. In accordance with § 78b (1) of the Austrian Stock Corporation Act, the remuneration policy must be presented to the Annual General Meeting for voting at least every fourth financial year.

B. Objectives for the remuneration policy

When instituting the Remuneration Policy, the Nomination and Remuneration Committee's purpose is to appropriately reward the Executive Board considering the scope of responsibilities of each beneficiary and their evolutions, their seniority, their background and experience. The appropriateness is assessed with respect to pay magnitude and practices at comparable companies. Appropriate remuneration should also create sustainable performance incentives, supporting the company's long-term strategy and development, and aligning Executive Board Members' interest with those of shareholders.

Executive compensation should be understood as a mean to attract and retain talented and experienced profiles, relevant to an international company, publicly listed on the Vienna Stock Exchange, with a wide spectrum of high-technology products and intensive Research and Development to drive innovation. This implies maintaining balance at several levels:

- The quantum of fixed remuneration is at the basis of the package as variable components are indexed to it. Therefore, its amount should remain consistent internally, with the responsibilities and profile of the Executive Board Member, and competitive versus comparable companies.
- Incentive remuneration should support sustainable performance, as defined by the company's strategy, notably over the long-term thereby leading to a balance between performance and risk taking.

- Considering the company's competitive environment, the incentive remuneration should provide with balanced incentives over the short and the long term, to support reactivity, continuous performance, within a multi-year framework.
- In no case should the remuneration policy be viewed as excessive. It's payout and vesting progressivity, taking into consideration, is set up to maintain moderation while defining ambitious targets and maintaining a degree of flexibility to consider exceptional performance.

II. Remuneration components benefitting the Executive Board

To fulfill the above-mentioned objectives, the Remuneration and Nomination Committee relies on the following components:

- Base salary
- Short-term variable remuneration
- Long-term variable remuneration
- Benefits:
 - Company car (including private use)
 - Pension contributions
 - Accident insurance
 - D&O insurance

A. Base salary

Base salaries were set up taking into consideration the positioning of the company compared to market standards and practices in place at comparable companies. In order to ensure this in the long term, base salaries are reviewed annually.

Executive board	Contractual base salary in € over the last years			
	2019/20	2018/19	2017/18	2016/17
CEO	520,000	520,000	520,000	520,000
CFO	420,000	380,000	380,000	n/a
COO	420,000	405,000	405,000	405,000

In addition, and for information purpose the company discloses the following remuneration ratios for January 2020:

	Gross remuneration p. a. on target in €	Ratio CEO: Austria	Ratio CEO: Group
CEO	896,000	1	1
Average employees in Austria	56,000	16	-
Average employees in Group	21,500	-	42

For other Executive Board Members the ratio to Austria is 1:11, for the Group it is 1:29.

The difference between the Austrian and Group ratios can be explained by the different remuneration practices and pay levels around the globe. The AT&S' staff includes a significant number of foreign employees, a number of which is based abroad (more than 85 % outside Europe, most of them in Asia). Across the globe, employees are paid and employed according to market standards.

As a result, the Remuneration and Nomination Committee believes that they are in line with the objectives of the Remuneration Policy disclosed above.

B. Short-term and long-term variable remunerations

The variable schemes are designed to incentivize Executive Board members to deliver high and sustainable performance, including short-term milestones that take into consideration the long-term vision for the company. This combination of short- and long-term achievements is at the basis of our "Vision to Strategy" that can be summarized as follows:

- Expansion of technology leadership
 - Leading provider of new interconnect solutions
 - Innovation revenue rate: > 20%
- Focus on sustainable profitable growth
 - ▪ Medium-term revenue target of € 2.0 billion with an EBITDA margin of 25-30%
- Creation of shareholder value
 - Long-term ROCE ≥ 12%
- Sustainable Management
 - 80% renewable energy
 - Life cycle assessment of product groups
 - 30% women in leadership positions

1. Short-term variable remuneration

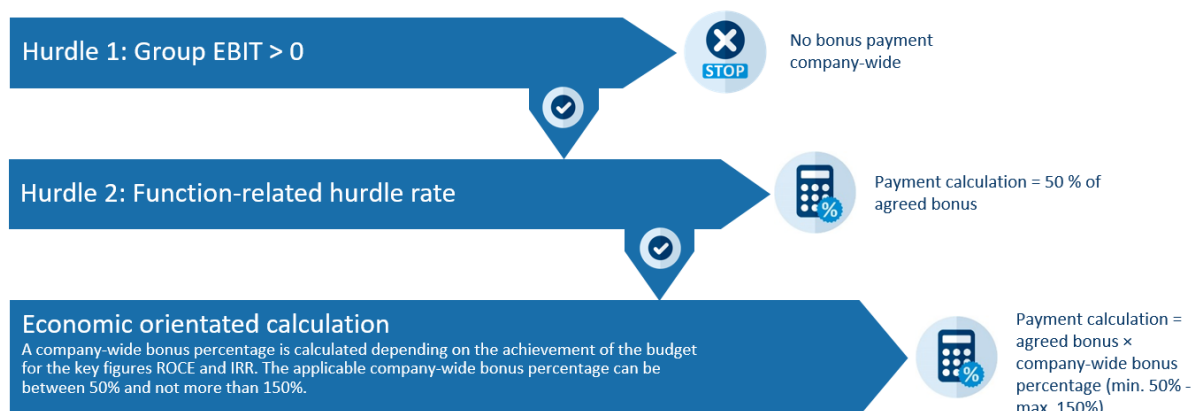
The short-term variable remuneration is designed to incentivize the Executive Board members and support the achievement of yearly-predefined targets on a range of performance indicators. The Supervisory Board approves the targets in the yearly budget. The selected performance indicators are in line with the company's strategy, operational reporting and "Vision to strategy". Therefore, the short-term variable remuneration rewards the Executive compensation for their contribution to the achievement of key milestones tailored to the company.

This award can range from 0 to 90% of the base salary with a 60% of base salary award for on-target performance for the CEO as the Chairman of the Executive Board. For other Executive Board members, the award can range from 0 to 75% of the base salary with a 50% of base salary award for on-target performance – for the Deputy Chairman of the Executive Board, the bonus can be raised to the level of the CEO.

a) Mechanism for the short-term variable remuneration

The below flow chart describes the circumstances and scenario leading to the payment of an annual variable award.

AT&S Global profit sharing calculation scheme



There will be no bonus pay out in case there is no positive EBIT generated (= Hurdle 1). Otherwise, the bonus pay out will be at least 50% of the contractual bonus on target. In case the EBIT margin of AT&S Group is above 70% of the budget (= Hurdle 2), the bonus pay out will be calculated as described below with reference to the Group ROCE and IRR (Innovation revenue rate) performance. To provide further details and transparency regarding the calculation methodology, you may refer to the below table, that provides a **schematic illustration**:

Indicator	Weight (A)	Performance*	Level of achievement** (B)	Contractual multiplier (C)	Weighted payout (% of base salary)
ROCE	90%	-4%p	50%	CEO: 0.6 Other: 0.5	(A×B×C)
		On-target*	100%		
		+4%p	150%		
		Linear between these points			
IRR	10%	-10%p	50%	CEO: 0.6 Other: 0.5	(A×B×C)
		On-target*	100%		
		+10%p	150%		
		Linear between these points			

*The target is equal to the percentage budgeted.

**The total level of achievement is the weighted sum of levels of achievement per indicator.

b) Further details on the performance indicators

EBIT/EBIT margin: The EBIT is in use for the bonus calculation as it shows the operating result over operating sales - if the EBIT is too low or even negative, there is no bonus distribution.

ROCE: AT&S uses the return on capital employed (ROCE) to measure its operating performance from the point of view of investors using the ratio of the result adjusted for finance costs – net and average capital employed. This ratio serves to derive the extent to which AT&S fulfils its investors’ interest requirements. The average cost of capital is derived from the minimum return investors expect for providing equity or borrowings. Overall, the ROCE contributes to the creation of shareholder value and a sustainable, profitable growth.

IRR: The inclusion of the IRR plays an important role for a sustainable design of variable remuneration since the ability to innovate – i.e., the development of new technologies, products or product properties – represents a key element in the future economic success of a company and is easy to measure: the IRR is the share of total revenue of products which have been launched in the last three years and are technologically innovative. It reflects the expansion of technology leadership and sustainable development.

2. Long-term variable remuneration

The long-term variable remuneration is designed to further align the Executive Board members long-term risk profile with that of shareholders. Therefore, it focuses on stock price performance and shares profitability.

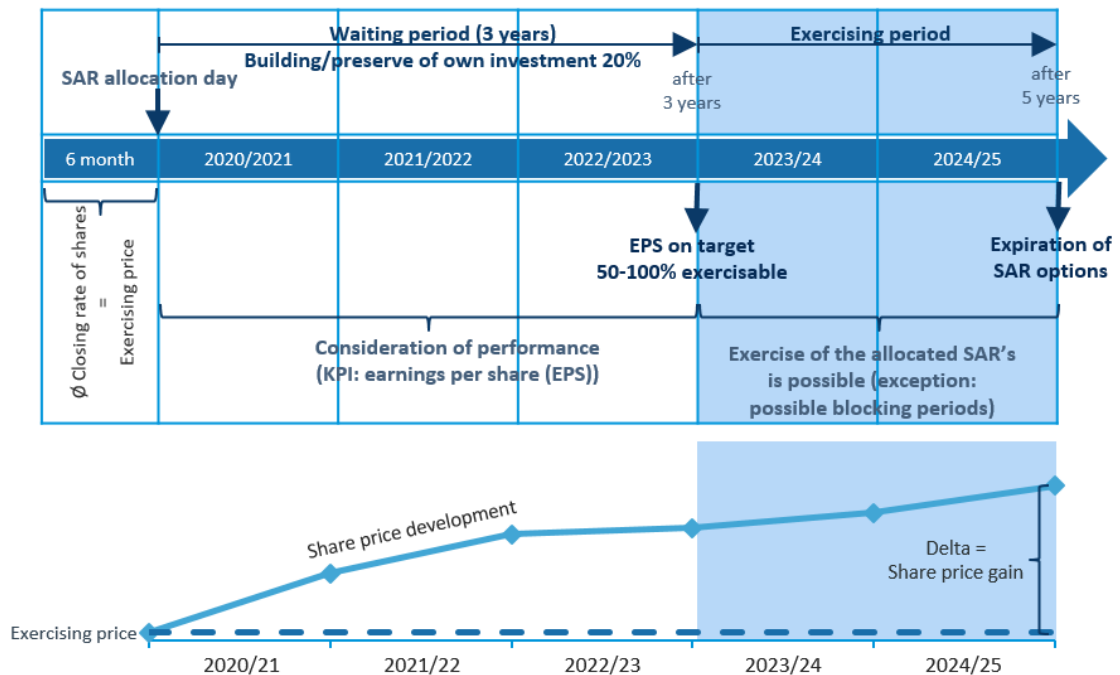
To achieve this, yearly awards are made in the form of Stock Appreciation Rights (SAR) that vest in proportion of and EPS-based performance condition. SAR are rights to appreciation in value based on share performance over a defined period. As with stock options, but without a granting of actual shares or an option for such granting, the recipient receives financial remuneration only if the performance of the share price is positive.

a) Features of the SAR awards

- The initial award at grant date would be 50,000 SAR for the CEO and 30,000 for other Executive Board Members. The exercise price is calculated at market value without discount (average price of the last 6 months before allocation). The individual SAR payout is capped at twice the exercise price.
- The performance assessment period lasts 3 years: this is the “Qualifying period” in the below chart.
- The SAR can be exercised from the end of the qualifying period, for a duration of 2 years.
- Beneficiaries own investment in company’s shares equal to 20% of one annual allocated SAR amount is a prerequisite that must be maintained from the end of the Qualifying period until the exercising of the last SAR. If the own investment has not been made in full by the end of the Qualifying period (after three years), all previously allotted SAR of the corresponding programme are forfeited.

- The EPS target derives from the company’s 5 years planning. Such target is considered sensitive and confidential. However, to maintain high standard performance incentives, the EPS target is set at a level that is at least as challenging as the company’s mid-term planning.

The below chart summarizes the mechanism in place for the SAR performance measurement. Example for an allocation on 01.04.2020.



b) Further details on the EPS performance condition, exercise price, and final vesting

The EPS established by the medium-term plan for the reporting date of the third year following the allotment applies as the target. If, at the end of the vesting period, less than 50% of the EPS target has been achieved, the allotted SAR are forfeited. If 100% or more of the EPS target has been achieved at the end of the vesting period, all of the allotted SAR may be exercised. If achievement of the target is between 50% and 100%, the allotted SAR may be exercised in linear proportion to the percentage achieved.

The exercise price is determined on the allotment date and is equal to the average closing price of AT&S shares on the Vienna Stock Exchange during the six months preceding the respective allotment date.

The performance of the share price determines the amount of the LTI awarded to the recipient: The difference between the exercise price of the relevant virtual allotment and the closing price of the AT&S share on the Vienna Stock Exchange on the exercise date is multiplied by the number of SAR. There are no premiums on the exercise price and pay-outs are made in cash. In the event of

exceptionally positive performance, the pay-out amount per SAR is limited to the amount represented by 200% of the respective exercise price.

c) Rational to support the choice of EPS as performance indicator

Achieving target EPS reflects the company's overall development. The share price development reflects the capital market's confidence in the company's future, thus increasing the value of the shares as a transaction currency. Consequently, it generally strengthens the capital base for equity measures.

III. Explanation of the terms and notice period for employment contracts

- First appointment 3 - 5 years – extensions generally for 3 - 5 years.
- Notice period of 12 months.
- Removal generally in accordance with § 75 para. 4 AktG (Stock Corporation Act).
- Termination provisions are set forth specifically in the contract.
- Clawback rule for short-term variable awards.
- Change of Control: special termination right.
- Additional pensions: 10% of gross salary (excl. variable portions & benefits in kind) is paid monthly into pension fund.

A. Termination payment

1. Triggering Event

Executive Board members are contractually entitled to termination benefits in accordance with the Salaried Employees Act, applied mutatis mutandis ("old system for severance pay"), if the employment relationship is terminated.

In the event of premature termination of the employment relationship by the respective Board member for reasonable cause, or where the function becomes obsolete for legal reasons, the termination payment is due.

However, where an Executive Board member resigns from his/her appointment or is removed from office for severe breach of duty, and in the event of death, payment of salary ceases at the end of the applicable month.

2. Amount of Termination Payment

When the termination payment is due, the remuneration is payable until the end of the employment contract and would amount to a maximum of one annual salary and bonus payment on target for the financial year in which the employment relationship is terminated.

B. Specific Situation in case of "Change of Control"

The contracts of all members of the Executive Board include a "Change of Control" clause, which defines the benefits related to the termination of the Executive Board appointment as a result of a change of control.

1. Triggering Event

A change of control exists in the event that a shareholder of the company has obtained control of the company in accordance with Section 22 of the Austrian Takeover Act by holding at least 30% of the voting rights (including the voting rights of third parties attributable to the shareholder pursuant to the Austrian Takeover Act), or the company has been merged with a non-Group legal entity, unless the value of the other legal entity amounts to less than 50% of the value of the company according to the agreed exchange ratio. In the event of a change of control, the Executive Board member is entitled to resign for good cause and to terminate the Executive Board contract at the end of each calendar month within a period of six months after the change of control takes legal effect, subject to a notice period of three months (“special termination right”).

2. Amount of Termination Payment in case of Change of Control

If the special termination right is exercised or the employment contract is terminated by mutual agreement within six months of the change of control, the Executive Board member is entitled to the payment of his/her remuneration entitlements for the remaining term of this contract, however, for a maximum of three annual gross salaries. Other remuneration components shall not be included in the calculation of the amount of the severance payment and shall be excluded from it. If a termination benefit has been agreed in the employment contract, the Executive Board member is also entitled to this termination benefit in the event the special termination right is exercised or the Executive Board contract is terminated by mutual consent in the event of a change of control.

Beyond that, there are no entitlements.

The agreement of such a contract clause is considered market standard by the Nomination and Remuneration Committee and serves to ensure that Executive Board members exercise their tasks in the best interests of the company in such situations.

IV. Supervisory Board and Remuneration Committee oversight

A. Conflict of interest

As a rule, members of the Executive Board shall make their decisions without being influenced by their own interests or the interests of controlling shareholders, on the basis of facts and in compliance with applicable laws. They must disclose personal interests in transactions of the company and any other conflicts of interest to the Supervisory Board immediately and inform their Executive Board colleagues.

If a member of the Remuneration Committee and/or a member of the Supervisory Board has a conflict of interest with regard to the remuneration of the Executive Board, the member shall proactively report this conflict of interest and shall abstain from voting.

B. Review and maintenance of the Remuneration Policy

The remuneration policy is in force for a period of four years from the date it was approved by shareholders. However, and if the Remuneration Committee deems this in line with the company’s

interest, the remuneration policy can be reviewed before the end of the four years period. In such situation, the reviewed policy would be submitted to shareholders' approval.

Under exceptional circumstances, the Supervisory Board has discretion to amend certain features of the remuneration policy such as the choice of performance conditions, the way performance targets are set, in order to keep taking into consistent consideration the environment in which the company evolves and is impacted by external factors. Any such changes would, however, remain in line with the general caps and pay magnitudes defined in the policy so there is no blank check provisions or excessive discretion. Exceptional circumstances are defined exclusively as situations where deviation from the remuneration policy is necessary for the long-term development of the company or to ensure its profitability.

In case of appointment of a new Executive Board member, the ongoing remuneration policy would apply to the provisions of its employment contract. The latter should, therefore, comply with the remuneration policy.

Exceptional awards can eventually be awarded to Executive Board members. However, such award is limited to situations where significant external circumstances of a political, social or economic nature lead to massive additional burdens and shall not exceed 30% of the base salary.

When defining and amending the remuneration policy, the Remuneration Committee may engage with several stakeholders such as shareholders, employees' representatives, regulators, and consultants in order to take into consideration a broad range of points of views and feedback.

The yearly application of such remuneration policy will be subject to a specific reporting that will provide clarity on the amounts due under each component of the package. Although the overall package is linked to factual elements, a degree of discretion may be introduced from time to time as explained above. In such situation, the supporting rationale will be provided to maintain transparency.