2025+ Compensation System
for the management board members of Formycon AG

1. Objectives and principles of the 2025+ Compensation System

The supervisory board of Formycon AG, a company headquartered in Munich and registered in the Commercial Register of Munich Local Court (the "**Company**" and, together with its subsidiaries, the "**Formycon Group**") adopted the following compensation system for the members of the Company's management board (the "**2025+ Compensation System**") on 29 April 2025. The 2025+ Compensation System establishes a framework for the Company's supervisory board ("**Supervisory Board**") to determine the compensation of the Company's management board ("**Management Board**") members.

The aim of the 2025+ Compensation System is to support successful and sustainable corporate governance while offering the Management Board members competitive compensation in line with the market.

In designing the 2025+ Compensation System, the Supervisory Board was guided in particular by the following principles:

- **Strategy orientation**

  The 2025+ Compensation System as a whole makes a significant contribution to promoting and implementing the Company's business strategy by defining suitable performance criteria and setting ambitious targets. The 2025+ Compensation System thus provides important incentives for results-oriented corporate governance, sustainable growth and increasing the long-term corporate value of the Company.

- **Pay for performance and appropriateness**

  The individual compensation of Management Board members should be commensurate with their duties and performance. To ensure this, the fixed and variable compensation components depend on each Management Board member's area of responsibility. Variable compensation components are tied to the achievement of ambitious performance targets and share price development ("pay for performance").

- **Long-term nature and sustainability**

  The 2025+ Compensation System is designed to promote sustainable and long-term Company development. In order to link the compensation to the long-term development of the Company, the long-term variable compensation constitutes a significant proportion of total compensation, exceeding short-term variable compensation. Furthermore, the 2025+ Compensation System includes performance criteria that foster sustainable action by the Company.

- **Capital market orientation**

  To align Management Board members' actions with the Company's long-term, positive development and shareholders' interests, long-term variable compensation is granted on a share-based basis. This principle is reflected in the structure of long-term variable compensation components as performance share units.

- **Clarity and comprehensibility**

  The 2025+ Compensation System is designed to be clear and comprehensible. It adheres to the requirements of the German Stock Corporation Act (*Aktiengesetz* – AktG) and complies with the recommendations of the German Corporate Governance Code (version dated 28 April 2022) (the "**GCGC**"), except where deviations are declared.

The 2025+ Compensation System applies to all Management Board service agreements to be concluded or extended beyond 1 January 2025. It was implemented in all existing Management Board service agreements.

2. Overview of the 2025+ Compensation System

Management Board members' compensation comprises fixed and variable components, which together determine their total compensation. The non-performance-based and therefore fixed compensation comprises base salary, fringe benefits and a pension allowance if individually agreed. Performance-based and therefore variable compensation includes short-term variable compensation ("**STI**") as an annual bonus and long-term variable compensation ("**LTI**") in the form of (virtual) performance share units ("**PSUs**"). In addition, the 2025+ Compensation System includes further design elements, such as maximum compensation in accordance with section 87a(1), sentence 2, no. 1 of the German Stock Corporation Act, malus and clawback provisions and severance payment caps.

The following diagram shows the compensation components and the other design elements of the 2025+ Compensation System, which are described in more detail below:

2025+ Compensation System

Fixed compensation components	Variable compensation components	
	Short-term variable compensation	**Long-term variable compensation**
Base salary + **Fringe benefits** + **Pension allowance (if individually agreed)**	Performance targets: • Financial performance o Revenues o EBITDA o Cashflow • Portfolio • Operations & intellectual property • Technology & innovation • Supporting functions o Organisational development and human resources o IT digitalization o ESG	Performance targets: • Performance condition 1 o Pipeline & innovation o Commercialisation & strategic growth o ESG, sustainability & culture • Performance condition 2 o EBITDA
	Cap on (overall) target achievement and payout in cash: 150% (of the target value)	Cap on (overall) target achievement: 200% Cap on payment in shares or cash: 400% of base salary

Amount of the maximum compensation

Maximum compensation of the individual Management Board members depending on their function

Further design elements

Malus and clawback

Severance payment caps

3. Compensation components in detail

3.1 Fixed compensation components

As fixed compensation components, the Management Board members receive a base salary, fringe benefits and a pension allowance if individually agreed.

3.1.1 Base salary

The Management Board members receive a fixed base salary for the entire financial year. The amount of the base salary is determined by the individual member's range of tasks, area of responsibility and experience. The base salary is usually paid in twelve (12) equal monthly instalments at the end of each month. If a Management Board member joins or leaves the Company during the year, their base salary is granted *pro rata temporis*. The base salary accounts for 30.0% to 50.0% of the target total compensation of the relevant Management Board member.

The base salary ensures an appropriate base income to attract and retain highly qualified Management Board members while discouraging unreasonable risk-taking. The base salary thus contributes to the Company's long-term development.

3.1.2 Fringe benefits

In addition to their base salary, Management Board members receive standard market fringe benefits. These primarily include allowances for statutory or private health and long-term care insurance and the provision of a Company car for business and private use. Accident insurance, legal expenses insurance and directors' and officers' liability insurance (D&O insurance) with a deductible in line with the German Stock Corporation Act provisions are also provided for Management Board members. Additional fringe benefits may be agreed individually with Management Board members.

These fringe benefits serve to cover costs and compensate for economic disadvantages that are directly related to or promote Management Board activities.

In order to attract qualified candidates for the Management Board, the Supervisory Board may supplement first-time Management Board members' compensation with an appropriate, market-driven sign-on bonus, for example, to compensate for forfeited benefits from previous employment or service relationships.

Fringe benefits have a share of 1.0% to 5.0% of the target total compensation of the relevant Management Board member. The fringe benefits are limited to a maximum of 10% of the base salary.

3.1.3 Pension allowance

The Management Board members may be granted an annual pension allowance amounting to a maximum of 10% of their individual base salary. The pension allowance is either paid out in cash or transferred in favour of a later pension benefit in full or in part by means of deferred compensation into a pension commitment of equal value. The pension allowance accounts for 0.0% to 5.0% of the target total compensation of the Management Board member.

The purpose of the pension allowance is to partially secure the Management Board members' pension benefits.

3.2 Variable compensation components

In addition to their non-performance-based base salary, fringe benefits and if applicable pension allowance, Management Board members receive performance-based variable compensation. The variable compensation consists of two components: short-term variable compensation (STI) in the form of an annual bonus and long-term variable compensation (LTI) in the form of (virtual) performance share units (PSUs).

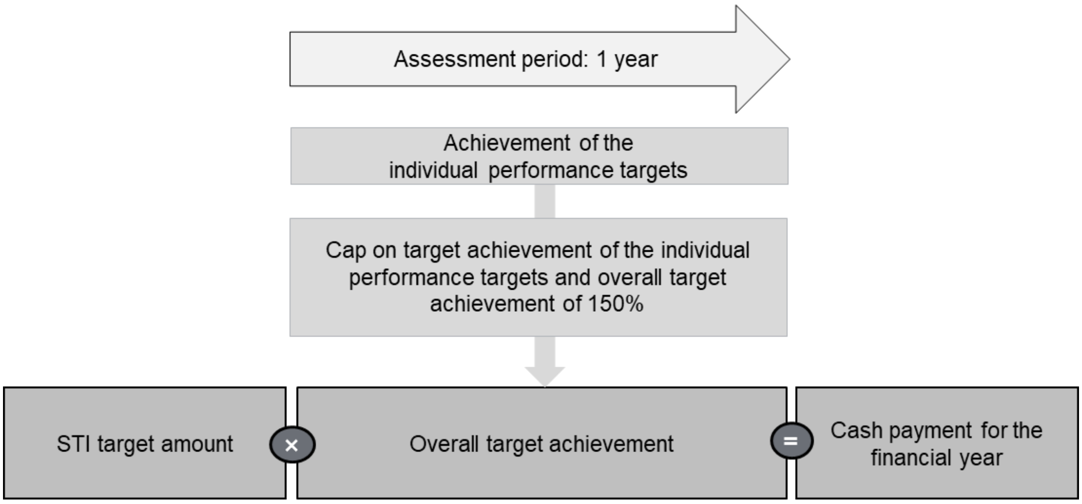
The STI and LTI differ primarily in their performance criteria and assessment periods. The performance criteria of the STI are measured over an assessment period of one (1) year, while the performance criteria of the LTI are measured over an assessment period (performance period) of four (4) years.

3.2.1 Short-term variable compensation

The STI is a performance-based variable compensation component with a one-year assessment period, potentially resulting in a cash payment. It rewards Management Board members for the Company's success in the previous financial year. The STI incorporates financial and non-financial performance criteria that include sustainability-related performance targets in addition to strategic and operational performance targets. Growth, profitability and sustainability aspects are balanced. In this way, the STI incentivises the implementation of business strategy and promotes the Company's long-term, sustainable development.

Total STI target achievement is capped at 150%, limiting the payout to 150% of the relevant target amount. At 100% overall target achievement, the STI accounts for 10.0% to 25.0% of each Management Board member's target total compensation.

The STI functionality is illustrated in the diagram below:



Target amount

The STI target amount, payable at 100% overall target achievement, is specified in individual Management Board service agreements ("**STI Target Amount**"). A Management Board member's STI Target Amount typically ranges from 20% to 80% of their base salary.

Performance criteria

The annual STI amount depends on achieving certain performance criteria. Aligned with the strategic focus on sustainable growth and profitability, the Supervisory Board has defined the following STI performance criteria:

- **Financial performance**
  - Revenues
  - EBITDA
  - Cashflow
- **Portfolio**
- **Operations & intellectual property**
- **Technology & innovation**
- **Supporting functions**
  - Organisational development and human resources
  - IT digitalisation
  - ESG

Definition of performance targets and target values

The Supervisory Board annually sets STI performance targets based on the defined criteria. A performance target can also be made up of various sub-targets. These targets can be set collectively for the Management Board or individually for each member.

In addition, the Supervisory Board annually determines the weighting of the performance targets in relation to each other and the target values for the individual performance targets. For each performance target, the Supervisory Board establishes specific target values corresponding to 0% (lower limit), 100% (target), and 150% (cap) achievement. It may also set intermediate target values leading to achievement levels between 0% and 150%. The Supervisory Board also determines the methods for determining target achievement at its discretion.

Determination of target achievement

At the end of the one-year assessment period for the STI, the Supervisory Board determines whether and to what extent the performance targets have been achieved. The following applies to each performance target: If the lower limit for a target value is not exceeded, target achievement is 0%. If the upper target value is reached or exceeded, the maximum target achievement is 150% (cap). Target achievement between two adjacent target values is determined by linear interpolation, unless otherwise specified by the Supervisory Board.

The degree of overall target achievement is calculated by multiplying the target achievement levels of the individual performance targets by their respective weightings and then adding them together. Maximum overall target achievement is capped at 150%.

When determining overall target achievement, the Supervisory Board – following GCGC recommendations – may appropriately consider extraordinary developments (particularly exceptional economic, tax, or comparable effects unrelated to Management Board member performance). In such cases, the Supervisory Board may increase or decrease the calculated overall target achievement accordingly. If the Supervisory Board exercises this option, the reasons will be appropriately explained and disclosed.

Payout amount and payout

The overall target achievement is then multiplied by each Management Board member's STI target amount to determine their STI payout amount. The payment for a past financial year is made in cash to the relevant Management Board member with the next regular pay run after a corresponding resolution by the Supervisory Board. As the overall target achievement is capped at 150%, the STI payout is also limited to 150% of the relevant STI target amount. If a Management Board member joins or leaves the Company during the year, their STI is granted *pro rata temporis*.

Information on applied performance targets, target values, adjustments, and respective target achievements are disclosed retrospectively after the assessment period in the compensation report for the relevant financial year.

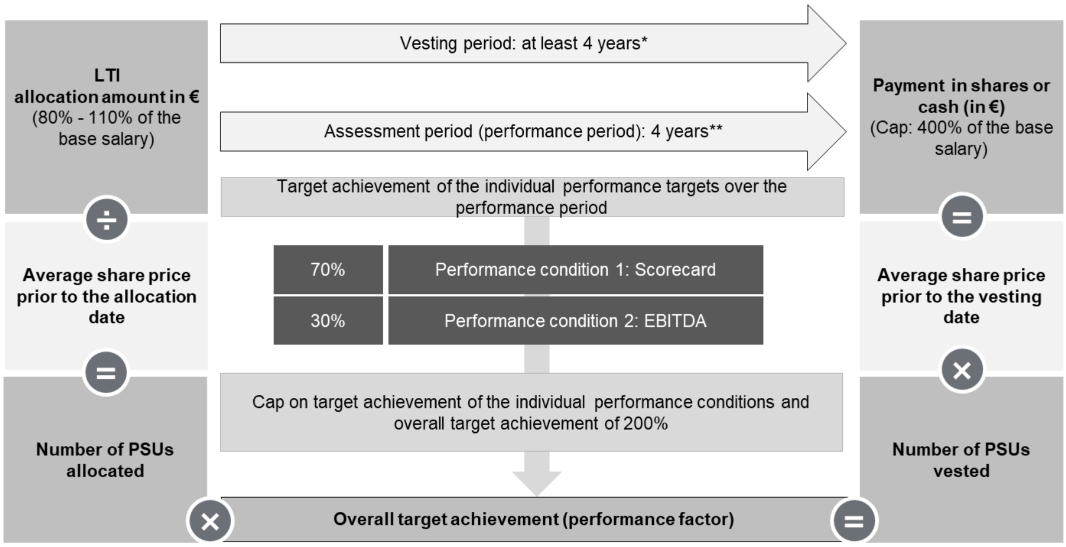
3.2.2 Long-term variable compensation

The LTI is a performance-based variable compensation component with a four-year assessment period (performance period), potentially resulting in a payment in shares or cash. (Virtual) performance share units (PSUs) are allocated to Management Board members as an LTI. The LTI aims to allow Management Board members to participate in the Company's future, long-term success. It is designed to promote goal-orientation among Management Board members for joint success and foster their commitment to the Company.

The LTI incorporates both financial and non-financial performance criteria, including strategic, operational, and sustainability-based objectives. In this way, the LTI incentivises the implementation of business strategy and promotes the Company's long-term, sustainable development. At the same time, the LTI enables the Management Board members to participate in the Company's share price development. This harmonises the goals of the Management Board members and the shareholders and promotes the strategy of sustainably increasing shareholder value. The vesting period of at least four years encourages the Management Board members to focus on sustainably increasing the Company's long-term value.

The overall target achievement (performance factor) of the LTI is capped at 200%. Payment in shares or cash is limited to 400% of the relevant annual base salary. At a performance factor of 100%, the LTI accounts for 30.0% to 55.0% of each Management Board member's target total compensation.

The LTI functionality is illustrated in the diagram below:



* from the allocation date

** as a rule, from 1 January of the financial year in which the allocation is made

Allocation and allocation amount

The LTI is allocated annually in PSU tranches. A PSU grants a Management Board member an unsecured, conditional right to the future transfer or issue of Company shares and/or a cash payment, without share ownership rights like dividends or voting rights.

The number of PSUs allocated annually depends on the relevant base salary of the Management Board member. The Supervisory Board determines an allocation amount for each Management Board member, ranging between 80% and 110% of their annual base salary ("**LTI Allocation Amount**"). The LTI Allocation Amount depends on the function and responsibility of the relevant Management Board member. The number of PSUs allocated is calculated by dividing the LTI Allocation

Amount by the average price of the Company's shares and rounding up to the nearest whole PSU. The average share price over a period determined by the Supervisory Board, commencing prior to the relevant allocation date, is decisive.

Performance criteria

PSU payouts depend on achieving certain performance criteria and the Company's share price development. Aligned with the strategic focus on sustainable growth and profitability, the Supervisory Board has defined the following LTI performance criteria, summarised in performance conditions, as well as the respective weighting of these performance conditions in relation to each other as a rule:

Performance condition 1	
Pipeline & innovation	70%
Commercialisation & strategic growth	
ESG, sustainability & culture	
Performance condition 2	
EBITDA	30%

These criteria reflect long-term corporate goals and consist of a scorecard with defined targets (performance condition 1) and the EBITDA assessed over the relevant performance period (performance condition 2). The performance condition 1 takes into account targets from the categories “Pipeline & innovation”, “Commercialisation & strategic growth” and “ESG, sustainability & culture” and is weighted at a total of 70% within the performance factor. The performance condition 2 addresses EBITDA performance over the performance period. EBITDA is defined as earnings before interest, taxes, depreciation and amortisation, as published annually in euros in the Formycon Group’s consolidated financial statements. The performance condition 2 is weighted at 30% within the performance factor.

Definition of performance targets and target values

The Supervisory Board annually sets specific performance targets based on the performance criteria and communicates these in the allocation certificate. A performance target can also be made up of various sub-targets. These targets can be set collectively for the Management Board or individually for each member.

In addition, the Supervisory Board annually determines the weighting of the performance targets summarised in performance condition 1 relative to each other and the target values for individual performance targets. For each performance target, the Supervisory Board establishes specific target values corresponding to 0% (lower limit), 100% (target), and 200% (cap) achievement. It may also set intermediate target values leading to achievement levels between 0% and 200%. The Supervisory Board also determines the methods for determining target achievement at its discretion.

Determination of target achievement

At the end of the four-year performance period, the Supervisory Board determines whether and to what extent the performance targets have been achieved. Unless otherwise specified in the allocation certificate, the performance period begins on 1 January of the financial year in which the PSUs are allocated. The following applies to each performance target: If the lower limit for a target value is not exceeded, target achievement is 0%. If the upper target value is reached or exceeded, target achievement is 200% (cap). Target achievement between two adjacent target values is determined by linear interpolation, unless otherwise specified by the Supervisory Board. The overall target achievement for the performance condition 1 is calculated by multiplying individual performance target achievement levels determined over the four-year performance period by their respective weightings and then adding them together.

The level of the performance factor is calculated by multiplying the target achievement levels of the performance conditions 1 and 2, determined over the four-year performance period, by their respective weightings and then adding them together. The performance factor is capped at 200%.

When determining the performance factor, the Supervisory Board – following GCGC recommendations – may appropriately consider extraordinary developments (particularly exceptional economic, tax, or comparable effects unrelated to Management Board member performance). In such cases, the Supervisory Board may increase or decrease the performance factor accordingly. This also applies to capital measures (e.g. capital increases, spin-offs or share splits). If the Supervisory Board exercises this option, the reasons will be appropriately explained and disclosed.

Payout

PSU payouts can only occur after a vesting period of at least four years, starting from the PSU allocation date. At the end of this vesting period, the number of PSUs eligible for payout in shares or cash is calculated with effect from the last day of the vesting period by multiplying the number of PSUs allocated by the performance factor and rounding up to the nearest whole PSU.

The number of PSUs calculated on the basis of the performance factor is paid out, either fully or partially, in Company shares at a ratio of 1:1, subject to any applicable legal restrictions and the Company's guidelines. The Company can service the PSUs with treasury shares or newly issued shares from authorised capital. Alternatively, the Supervisory Board has the discretion to pay out the PSUs fully or partially in cash. The payout amount for each PSU corresponds to the volume-weighted average closing price of the Company's shares. The average share price over a period determined by the Supervisory Board, commencing prior to the end of the respective vesting period, is decisive.

The total payout, whether in shares or cash, is capped at 400% of the annual base salary of the relevant Management Board member at the time of the PSU allocation. The payout value is based on the cash payout amount per PSU.

Information on applied performance targets, target values, adjustments, and respective target achievements are disclosed retrospectively after the performance period in the compensation report for the relevant financial year.

3.3 No discretionary special payments

Under the 2025+ Compensation System, the Supervisory Board is not permitted to award discretionary bonuses or special payments to Management Board members for outstanding performance.

4. Caps and maximum compensation

To maintain a balanced risk/reward profile and ensure that the 2025+ Compensation System remains incentivising, the variable compensation components (STI and LTI) are structured to allow for zero payout. Additionally, specific caps are in place: for the STI, the overall target achievement is capped at 150%, limiting the STI payout to 150% of the target amount. For the LTI, the performance factor is capped at 200%, with payment in shares or cash limited to 400% of the annual base salary. This restricts potential gains from share price performance within the LTI during the vesting period.

In addition, the 2025+ Compensation System implements a cap on total Management Board compensation in accordance with section 87a (1), sentence 2, no. 1 of the German Stock Corporation Act ("**Maximum Compensation**"). This caps the total benefits a Management Board member can receive for a financial year, regardless of when payments are made. The Maximum Compensation comprises the base salary for the financial year (paid out in the same year), the short-term variable compensation for the relevant financial year (paid out in the following financial year) and the long-term variable compensation for the relevant financial year (paid out in later financial years) as well as all other fringe benefits, sign-on bonuses and other compensation for the relevant financial year, such as a pension allowance for the relevant financial year (generally paid out in the same financial year).

The Maximum Compensation for each Management Board member may be lower than the sum of potentially achievable payments from individual compensation components determined or allocated for a financial year. If payments to a Management Board member were to exceed the relevant Maximum Compensation, the amounts received as part of the long-term variable compensation (whether paid in cash or settled in shares) would be reduced to ensure the Maximum Compensation is not exceeded. This Maximum Compensation cap remains in effect even after the end of the Management Board appointment and termination of the relevant service agreement.

The Maximum Compensation (gross amount) is set at

- € 2,100,000 per financial year for the Chairperson of the Management Board,
- € 1,900,000 per financial year for the Management Board member with the function of a Chief Financial Officer and
- € 1,600,000 per financial year for the other ordinary Management Board members.

5. Malus/clawback

Under the 2025+ Compensation System, the Supervisory Board is authorised to withhold (malus) or reclaim (clawback) variable compensation components, in full or in part, at its reasonable discretion, provided the circumstances of the individual case justify this. Such justifying circumstances exist in particular if the Management Board member breaches material duties or is otherwise responsible for significant breaches of duty.

Variable compensation already paid out can be reclaimed in cases of incorrect accounting, especially if the calculation basis was objectively wrong and required retrospective correction in accordance with the relevant accounting regulations, and a lower or no payment amount of the variable compensation would have been owed on the basis of corrected accounting.

The Supervisory Board ensures that contractual provisions are in place to detail the conditions for withholding or reclaiming variable compensation. These provisions also specify the consequences, including full or partial forfeiture of individual or all variable components. The claim for repayment generally expires three (3) years after the variable compensation component is paid.

This provision does not affect the Management Board member's obligation to pay damages to the Company, particularly as outlined in section 93(2) of the German Stock Corporation Act.

6. Crediting of compensation

Compensation granted to Management Board members for Supervisory Board positions in Formycon Group companies is deducted from their base salary. The Supervisory Board may also decide to fully or partially deduct compensation received by Management Board members for external Supervisory Board roles outside the Formycon Group from their base salary.

7. Compensation structure

The Supervisory Board determines each Management Board member's specific target total compensation based on the 2025+ Compensation System. The fixed target total compensation is commensurate with the duties and performance of the Management Board member and the situation of the Company and does not exceed the usual compensation without special reasons.

Target total compensation comprises the sum of relevant compensation components, including annual base salary, annual STI target amount, annual LTI allocation value, fringe benefits and pension allowance. The STI and LTI are based on an overall target achievement or a performance factor of 100% in each case.

Accordingly, the base structure of the target total compensation consists of around 31.0% – 60.0% from the fixed compensation (base salary with a share of around 30.0% – 50.0% of the target total compensation, fringe benefits with a share of around 1.0% – 5.0% of the target total compensation and any pension allowance with a share of around 0.0% – 5.0% of the target total compensation), around 10.0% – 25.0% from the STI and around 30.0% – 55.0% from the LTI.

Around 40.0% – 80.0% of the target total compensation relates to performance-based variable compensation components (STI and LTI). Accordingly, the planned share of short-term and long-term variable compensation generally exceeds the share of fixed compensation. The planned share of long-term variable compensation in turn exceeds the share of short-term variable compensation. This emphasises the long-term orientation of the compensation structure.

The specific relative share of the target total compensation for a financial year depends on the function of the Management Board member and the fringe benefits, pension allowances, target amounts of the STI and the allocation values of the LTI determined by the Supervisory Board as part of this 2025+ Compensation System.

If a Management Board member is granted a sign-on bonus as part of the initial appointment, the proportions of the individual compensation components may differ.

8. Compensation-based legal transactions

8.1 Term

The service agreements of the Management Board members are concluded for the duration of their appointment and extended for the duration of any reappointment, taking into account the standard retirement age. Initial appointments typically have a maximum term of three (3) years, while reappointments can be for up to five (5) years.

8.2 Termination of contract

Termination with due notice of Management Board service agreements is not possible; however, both parties retain the right to terminate for good cause without notice. If a Management Board appointment ends prematurely, the service agreement automatically terminates at the latest upon expiry of the relevant notice period (linking clause). Automatic termination may also apply if the Management Board member becomes permanently incapacitated or reaches the statutory retirement age under the statutory pension scheme.

The Supervisory Board can define leaver rules for each compensation component and for each case in which the Management Board service agreement or appointment to the Management Board ends. This includes cases such as retirement or incapacity, death, termination with due notice or for good cause of the service agreement, or removal of the Management Board member from office for good cause. These rules determine the conditions for full, partial, early or delayed payout of compensation components, or their forfeiture. Generally, variable compensation is paid according to the targets, comparison parameters, due dates and holding periods specified in the plan conditions, which are referred to or agreed in the service agreement with the Management Board member, unless otherwise agreed.

In accordance with the above provisions, the Supervisory Board may also establish compensation-based provisions for each compensation component in the event of a temporary revocation of appointment under section 84(3) of the German Stock Corporation Act.

8.3 Severance payment and transitional allowance

Management Board members may be granted a severance payment if their appointment is terminated prematurely. This does not apply if the Management Board member resigns from office as a Management Board member (except for good cause) or if the Company has good cause to revoke the appointment or to terminate the service agreement.

Management Board service agreements include a severance payment cap. Payments for premature termination are limited to two (2) years' compensation, not exceeding the compensation for the remaining service agreement term. For the calculation of the relevant annual compensation, a maximum of the annual base salary and the annual short-term variable compensation may be taken into account.

If the Management Board service agreement expires naturally, the Management Board member may be granted a transitional payment in the amount of their annual base salary plus the annual short-term variable compensation.

8.4 Post-contractual non-compete clause

The Supervisory Board may agree a post-contractual non-compete clause with Management Board members for a period of up to two (2) years. If such a post-contractual non-compete clause applies, the Management Board members can receive ex gratia compensation of up to half of their base salary for each year of the clause. These payments must be offset against any severance payments.

8.5 Change of control

Management Board service agreements may include commitments for benefits in the event of premature termination of a Management Board position due to a change of control.

In the event of a change of control, a member of the Management Board may be granted the right to terminate their service contract with a notice period of six (6) months to the end of a calendar month. This special right of termination can be exercised within three (3) months of the change of control becoming known. If exercised, the Management Board member may be granted a severance payment, subject to the aforementioned cap. The above applies to the amount of the severance payment.

The conditions of the relevant LTI plan may also include a provision stating that in the event of a change of control, the LTI plan ends and the number of allocated PSUs is paid out *pro rata temporis* with a performance factor of 100% upon termination of the LTI plan. The term “change of control” may be defined differently in the LTI plan than in connection with the special termination right of the Management Board service agreement.

9. Procedure for determining, implementing and reviewing the compensation system

The Supervisory Board is responsible for determining, implementing and reviewing the compensation and compensation system for Management Board members. It is supported in this by its Nomination and Remuneration Committee (“**Nomination and Remuneration Committee**”), which provides recommendations. The Supervisory Board discusses and, where necessary, passes resolutions regarding recommendations of the Nomination and Remuneration Committee and other matters relating to the individual compensation of Management Board members.

In accordance with section 87a(1), sentence 1 of the German Stock Corporation Act, the Supervisory Board adopts a clear and comprehensible compensation system for the Management Board members. This system is submitted to the General Meeting for approval in accordance with section 120a(1) of the German Stock Corporation Act. In the event of significant changes, but at least every four (4) years, the compensation system for the Management Board members is resubmitted to the General Meeting for approval. If the General Meeting does not approve the proposed compensation system for Management Board members, a revised version will be presented for approval at the next Annual General Meeting at the latest. The Supervisory Board will explain all significant changes and outline how shareholder votes and feedback on the compensation system and, where applicable, reports have been addressed.

Pursuant to section 87a (2), sentence 1 of the German Stock Corporation Act, the Supervisory Board must determine the compensation of the Management Board members in accordance with a compensation system approved by the General Meeting. According to section 87(1) of the German Stock Corporation Act, when determining the total compensation of individual Management Board members, the Supervisory Board must ensure that the relevant compensation is commensurate with the members' tasks and performance and the Company's situation, is oriented towards long-term and sustainable development, and does not exceed the usual compensation without special justification. The Supervisory Board regularly reviews the appropriateness of Management Board compensation through both external (horizontal) and internal (vertical) comparative analyses.

- **Horizontal comparison**

  The external comparative analysis of Management Board compensation structure and amount is based on a comparison with other listed companies from comparable sectors, size, and country coverage. The peer group used for the horizontal comparison is disclosed in the compensation report for the relevant financial year.

- **Vertical comparison**

  The internal comparative analysis of Management Board compensation structure and amount considers the structure and amount of compensation paid to Formycon Group employees. The Management Board members' compensation is compared to that of the Company's senior management (Senior Leadership Team) and the total workforce. As part of the vertical comparison, the Supervisory Board also considers the development of compensation levels over time. When determining the compensation system and specific amounts, the Supervisory Board also takes into account the Company's employee compensation conditions.

To develop the compensation system and assess the appropriateness of Management Board compensation, the Nomination and Remuneration Committee and the Supervisory Board consult an external compensation expert as required. Care is taken to ensure the expert's independence from the Management Board and the Company. The Nomination and Remuneration Committee and the Supervisory Board were supported by an independent external compensation expert in developing the 2025+ Compensation System.

The general provisions of the German Stock Corporation Act and the recommendations of the GCGC on handling and avoiding conflicts of interest on the Supervisory Board also apply to the procedure for determining, implementing and reviewing the Management Board compensation system. The Supervisory Board's rules of procedure also address conflict of interest management. Each Supervisory Board member must promptly disclose any existing or potential conflicts of interest to the Chairperson of the Supervisory Board, particularly those arising from consultancy or board functions with customers, suppliers, lenders, or other third parties. Nomination and Remuneration Committee members have the same obligation. Decisions on handling an existing conflict of interest are made on a case-by-case basis. In particular, a Supervisory Board member with a conflict of interest may not participate in meetings, discussions or decisions of the Supervisory Board or the Nomination and Remuneration Committee related to the conflict. In the event of significant and not merely temporary conflicts of interest, the member of the Supervisory Board concerned should resign from office.

10. Temporary deviation from the 2025+ Compensation System

In exceptional cases, the Supervisory Board may temporarily deviate from the 2025+ Compensation System under section 87a(2), sentence 2 of the German Stock Corporation Act if necessary for the Company's long-term well-being. Such situations may arise from macroeconomic or Company-specific exceptional circumstances. Deviations are permitted in particular in cases of significantly changed strategic direction and during economic crises, where the compensation of Management Board members based on the 2025+ Compensation System and the resulting incentive structure do not appear adequate in the Company's interest. Generally unfavourable market developments do not constitute exceptional circumstances in this sense.

Even during temporary deviations, compensation must align with the Company's long-term, sustainable development and reflect Management Board performance.

Components subject to temporary deviation include provisions on compensation structure and amount, performance criteria for variable components, and assessment bases and threshold, target and cap values for individual components. In addition, the Supervisory Board may temporarily grant additional compensation components, replace individual compensation components with others or deviate from the Maximum Compensation if this is necessary to ensure an appropriate level of incentive for Management Board members' compensation.

A temporary deviation from the 2025+ Compensation System under the aforementioned circumstances will only occur after thorough examination of the specific circumstances and alternative courses of action, and on the basis of a proposal by the Nomination and Remuneration Committee through a corresponding Supervisory Board resolution.

In the event of a temporary deviation from the 2025+ Compensation System, the compensation report for the financial year in question will provide comprehensive details of the deviations, including an explanation of their necessity and the specific components of the 2025+ Compensation System from which the deviation was made.

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