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# ***Report of the independent auditor***

hGears AG  
Schramberg

Remuneration Report pursuant to § 162 AktG for the Financial Year  
from January 1 to December 31, 2021





## Contents

## Seite

Remuneration Report 2021 ..... 1

Report of the independent auditor on the formal audit of the remuneration report pursuant to § 162 Abs. 3 AktG ..... 1

General Engagement Terms for Wirtschaftsprüfer and  
Wirtschaftsprüfungsgesellschaften dated January 1, 2017





# Remuneration Report 2021

## Introduction

At the beginning of fiscal year 2021, hGears AG was a German limited liability company operating under the name hGears Holding GmbH. On April 27, 2021, hGears GmbH was converted into a stock corporation (operating under the name hGears AG) as part of a change in legal form. hGears AG has been a listed company since May 21, 2021.

As a listed company, hGears AG is required to publish a remuneration report in accordance with section 162 of the German Stock Corporation Act (*AktG*). The remuneration report presents and explains in a clear and comprehensible manner the remuneration granted and owed individually to the current members of the Management Board and the Supervisory Board of hGears AG in the fiscal year 2021. The report complies with the requirements of the German Stock Corporation Act (*AktG*).

Due to rounding, some figures in this report may not add up precisely to the totals provided and percentages may not precisely reflect the absolute values to which they relate.

The compensation report was prepared by the Management Board and Supervisory Board and will be submitted to the next Annual General Meeting of the Company on 22. June 2022 in accordance with section 120a (4) *AktG* for voting.



## Table of Contents

<b>A.</b>	<b>Remuneration of the Members of the Management Board.....</b>	<b>3</b>
<b>I.</b>	<b>Overview of the Remuneration System.....</b>	<b>3</b>
<b>II.</b>	<b>Management Board Remuneration in the Financial Year 2021 .....</b>	<b>4</b>
<b>1.</b>	<b>Fixed remuneration.....</b>	<b>4</b>
<b>2.</b>	<b>Short-term variable remuneration (STI) .....</b>	<b>5</b>
<b>a.</b>	<b>Basic features and functioning of the STI .....</b>	<b>5</b>
<b>b.</b>	<b>STI for the financial year 2021.....</b>	<b>9</b>
<b>3.</b>	<b>Long-term variable Remuneration (LTI).....</b>	<b>9</b>
<b>a.</b>	<b>Basic features and functioning of the LTI .....</b>	<b>9</b>
<b>b.</b>	<b>Stock options granted under the 2021 SOP .....</b>	<b>13</b>
<b>c.</b>	<b>Stock option rights granted under SOP 2021 / Tranche 2021.....</b>	<b>14</b>
<b>4.</b>	<b>Special remuneration for special merits or achievements.....</b>	<b>14</b>
<b>5.</b>	<b>One-time special payment.....</b>	<b>14</b>
<b>6.</b>	<b>Granted and owed remuneration .....</b>	<b>15</b>
<b>7.</b>	<b>Contribution of remuneration to strategic objectives .....</b>	<b>17</b>
<b>8.</b>	<b>Malus and Claw Back.....</b>	<b>17</b>
<b>9.</b>	<b>Compliance with the maximum remuneration.....</b>	<b>17</b>
<b>B.</b>	<b>Remuneration of the members of the Supervisory Board .....</b>	<b>19</b>



## **A. Remuneration of the Members of the Management Board**

### **I. Overview of the Remuneration System**

The total remuneration and the individual remuneration components of the Management Board are in an appropriate relationship to the tasks of the respective Management Board member, the respective personal performance, the performance of the Management Board as a whole and the economic situation of hGears AG. Successes are rewarded and missed targets lead to an appropriate reduction of the variable remuneration. The remuneration structure is not intended to encourage taking inappropriate risks.

The Supervisory Board as a whole is responsible for determining the compensation of the individual members of the Management Board and for defining, reviewing and implementing the compensation system for the entire Management Board. In doing so, it also takes into account the guidelines and recommendations on the system of Management Board remuneration of the German Corporate Governance Code (GCGC) in its currently applicable version. The present system of Management Board remuneration was determined by the Supervisory Board in accordance with the legal requirements in sections 87 (1), 87a (1) of the German Stock Corporation Act ("**AktG**"), resolved on 29 March 2022 and will be submitted to the Annual General Meeting of hGears AG on 22. June 2022 for approval. In the event of any significant change to the remuneration system, but at least every four years, the remuneration system will be presented again to the Annual General Meeting for approval in accordance with section 120a (1) sentence 1 AktG.

The total compensation of each individual Management Board member comprises the following components:

- Non-performance-related remuneration (basic remuneration plus fringe benefits)
- Short-term variable remuneration (Short Term Incentive or "STI")
- Long-term variable compensation (participation in the long-term incentive program, "LTI")
- Possible special compensation for special merits or achievements.

The following table provides an overview of the main components of the Management Board compensation system:

Compensation Component		Factors
Basic remuneration (monthly, cash)	Fringe benefits (yearly, cash)	Management Service Agreement
Short-term variable remuneration (STI) (yearly, cash)		<ul style="list-style-type: none"> <li>• Performance target / proportion:               <ul style="list-style-type: none"> <li>○ Group sales (50%)</li> <li>○ Group-EBITDA (25%)</li> <li>○ ESG-target (25%)</li> </ul> </li> </ul>
Long-term variable remuneration (LTI) (Stock options plan)		<ul style="list-style-type: none"> <li>• granting of stock option in three tranches on a yearly basis</li> <li>• Performance target met regardless of share price development</li> <li>• Waiting period for exercise of stock options: 4 years after granting</li> </ul>
Special compensation (if paid, yearly, cash)		Special merits or achievements that are economically advantageous for the company

## II. Management Board Remuneration in the Financial Year 2021

### 1. Fixed remuneration

The fixed, non-performance-related compensation component consists of a fixed basic remuneration and appropriate fringe benefits.

The fixed remuneration was granted for the financial year 2021 starting with the entry into force of the employment contracts with the Executive Board members on May 21, 2021, the date of first-time admission of the shares to trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange.

*Basic remuneration*





The basic remuneration is paid to the Management Board member on a monthly pro-rata basis as a salary.

The annual basic remuneration for the Management Board member Pierluca Sartorello (CEO) is EUR 400,000.00 gross and for the Management Board member Daniel Basok (CFO) EUR 250,000.00 gross.

#### *Fringe benefits*

In addition to the basic remuneration, Management Board members are granted certain monetary and non-monetary fringe benefits to an appropriate extent.

These include in particular subsidies for health and pension insurance, the conclusion of accident insurance for the benefit of the Management Board member, and the provision of a company car for appropriate business and private use. The Company bears the operating and maintenance costs for the company car.

Furthermore, the members of the Management Board are covered by a directors' and officers' liability insurance (liability insurance for financial losses). This provides for a deductible of 10% of the respective damage, limited per year to 150% of the respective fixed compensation.

In addition, the Company grants Management Board member Daniel Basok an allowance for the cost of a second residence up to a maximum monthly rent of EUR 1,500.00 for three years from the start of the term of the Management Board member's contract of service.

## **2. Short-term variable remuneration (STI)**

### **a. Basic features and functioning of the STI**

Each Management Board member receives an annual performance-related bonus ("**Short-Term Variable remuneration**," "**Short-Term Incentive**," or "**STI**") if certain targets are achieved.

The STI is linked to the achievement of certain financial corporate targets for the respective fiscal year, which are determined on the basis of key figures from the consolidated financial statements ("**Financial STI**"), and to the achievement of a non-financial



corporate target in the area of environmental, social and governance (ESG) ("**Non-Financial STI**"). The respective STI targets are set annually as part of the Supervisory Board's approval of the budget for the relevant fiscal year.

The financial STI is divided into two partial bonuses for the achievement of budgeted IFRS consolidated net sales ("**Partial Bonus I**") and for the achievement of budgeted adjusted IFRS consolidated EBITDA ("**Partial Bonus II**"). The orientation towards the two target figures of Group sales and Group EBITDA obliges the Management Board to pay attention to growth and profitability at the same time and thus promotes the strategic goal of profitable growth of the Company.

As part of the non-financial STI, a further partial bonus is granted for achieving the ESG annual target ("**Partial Bonus III**"). The additional consideration of non-financial sustainability criteria as part of the STI emphasizes the social and environmental responsibility of the company as well as the goal of sustainable corporate development.

The target achievement corridors of the Partial Bonuses of the STI are defined as follows:

Partial bonus I:

If 90% of the budgeted annual IFRS Group sales target is not achieved, the target achievement is 0% and there is no entitlement to partial bonus I. If 100% of the budgeted annual IFRS Group sales target is achieved, the target achievement is 100% and 100% of Partial Bonus I is earned. If 90% of the budgeted annual IFRS Group sales target is achieved or exceeded, Partial Bonus I is earned on a pro rata basis up to 100% target achievement (straight-line pro rata). The relevant target achievement corridor is between 90% and 100% of the target.

Partial bonus II:

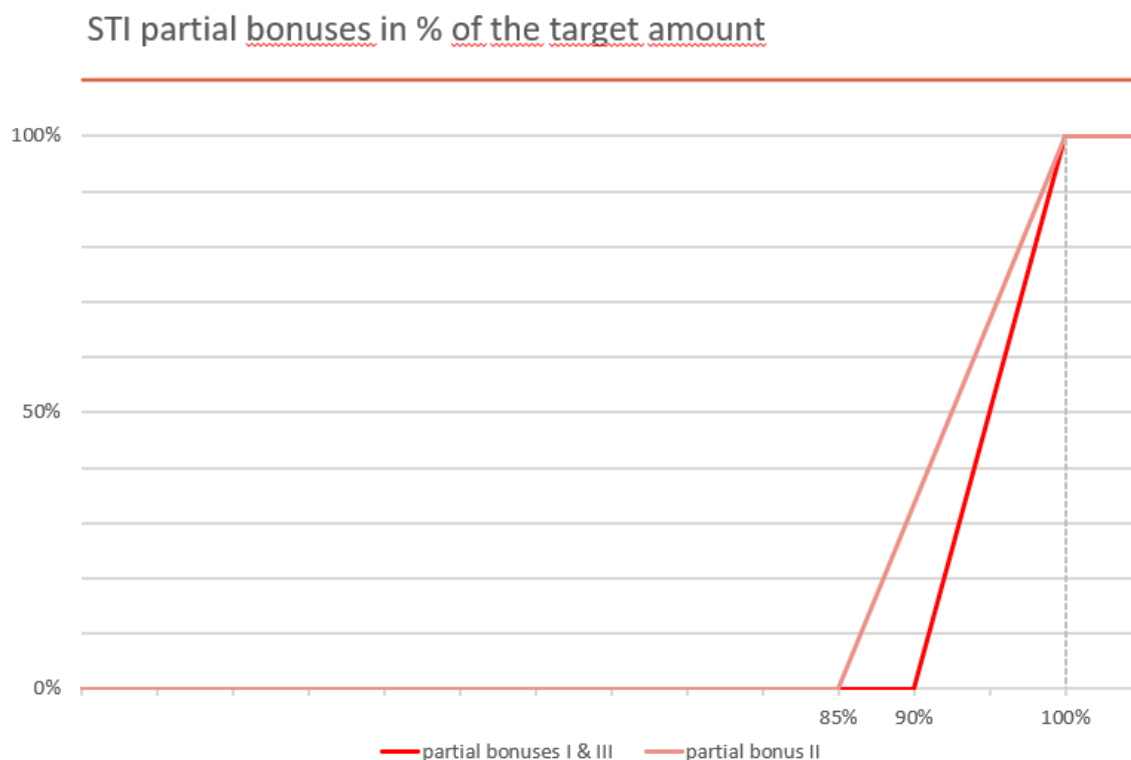
If 85% of the budgeted adjusted IFRS Group EBITDA target for the year is not achieved, the target achievement is 0% and there is no entitlement to Partial Bonus II. If 100% of the budgeted adjusted Group EBITDA target for the year is achieved, the target achievement is 100% and Partial Bonus II is 100% earned. If 85% of the budgeted adjusted consolidated EBITDA annual target is achieved or exceeded, Partial Bonus II is earned on a pro rata basis up to 100% target achievement (straight-line pro rata). The relevant target achievement corridor is between 85% and 100% of the target.

## Partial bonus III:

If 90% of the defined ESG annual target is not achieved, target achievement is 0% and there is no entitlement to Partial Bonus III. If 100% of the defined ESG annual target is achieved, the target achievement is 100% and 100% of Partial Bonus III is earned. If 90% of the defined ESG annual target is achieved or exceeded, Partial Bonus III is earned on a pro rata basis up to 100% target achievement (linear pro rata). The relevant target achievement corridor is between 90% and 100% of the target.

The target compensation (granted if 100% of target is achieved) is defined in the respective Management Board service contracts.

The relationship between target achievement and the amount of the respective STI partial bonuses is shown in the following chart:





The Supervisory Board may increase or decrease the calculated individual STI gross amount for a fiscal year by a maximum of 5% in the case of the CEO and 10% in the case of the CFO in order to create an overall picture that is consistent with the personal performance contribution of the Management Board member. Such an adjustment and the determination of the specific individual percentage adjustment factor shall be made solely by the Supervisory Board in its due discretion, taking into account suitable assessment criteria based on the given target parameters (e.g. leadership quality, contribution to the achievement of strategic, financial, technical or product-related targets, sustainable increase in the value of the share or comparable parameters).

The maximum total amount of the STI for a fiscal year thus ranges between 0% and a maximum of 105% of the STI target compensation in the case of the CEO and between 0% and 110% of the STI target compensation in the case of the CFO.

The achievement of the STI target for the past financial year shall be determined by the Supervisory Board no later than at the meeting of the Supervisory Board to adopt the annual financial statements and approve the consolidated financial statements for the past financial year of the Company.

The Supervisory Board is entitled to exclude from the basis for calculating the STI extraordinary income/developments which have led to non-recurring additional income not attributable to an increase in operating business (e.g. sale of part of the company and/or assets, sale of shares, raising of hidden reserves, book profits and comparable influences). The same applies to extraordinary expenses/developments that have resulted in non-recurring additional expenses not attributable to a decline in operating business. Eliminations can be made at any time, but no later than the time when the targets are determined to have been achieved.

The STI for the past fiscal year is paid out annually in cash to the individual Management Board members after the Annual General Meeting of the Company.

If the Management Board service contract begins or ends during a fiscal year, the STI is first determined according to the respective target achievement for the fiscal year in question and then reduced pro rata temporis. The STI for fiscal year 2021 will not be reduced pro rata temporis.



## b. STI for the financial year 2021

Management Board Member, Position	Bonus components	Pro-portion	Target	Target met in %	STI Bonus Amount
Pierluca Sartorello CEO	Partial Bonus I	50%	kEUR 123,905	100%	EUR 225,000.00
	Partial Bonus II	25%	kEUR 19,444	100%	EUR 112,500.00
	Partial Bonus III	25%	Publication of first ESG Report	100%	EUR 112,500.00
Daniel Basok CFO	Partial Bonus I	50%	kEUR 123,905	100%	EUR 70,000.00
	Partial Bonus II	25%	kEUR 19,444	100%	EUR 35,000.00
	Partial Bonus III	25%	Publication of first ESG Report	100%	EUR 35,000.00

Management Board Member, Position	STI Total Bonus Amount	Discretion (+/-)	STI Total Bonus Payment Amount
Pierluca Sartorello CEO	EUR 450,000.00	-	EUR 450,000.00
Daniel Basok CFO	EUR 140,000.00	-	EUR 140,000.00

## 3. Long-term variable Remuneration (LTI)

### a. Basic features and functioning of the LTI

As long-term variable compensation ("**Long Term Incentive**" or "**LTI**"), the members of the Management Board are granted option rights to shares in the Company under a stock option program.

By resolution dated May 5, 2021, the Annual General Meeting of the Company authorized the Management Board, with the consent of the Supervisory Board, and - to the extent that members of the Management Board are among the participants entitled to stock options - the Supervisory Board of the Company to grant up to 738,400 subscription rights ("**Stock Option Rights**") to up to 738,400 no-par value bearer shares of the Company with



a par value of EUR 1.00 ("**Company Share**") to the beneficiaries. In order to be able to service the stock option rights if they are exercised, the Annual General Meeting resolved on May 5, 2021 to create conditional capital of up to EUR 738,400.00 by issuing up to 738,400 new no-par value bearer shares ("**Conditional Capital 2021/II**").

On the basis of this authorization, the Supervisory Board of the Company resolved on June 2, 2021 to introduce the SOP 2021 for the Management Board ("**SOP 2021**"). The objective of SOP 2021 is to provide targeted incentives for members of the Management Board of the Company by issuing option rights to shares in the Company. At the same time, program participants are to be tied to the Company and participate in the long-term performance of the Company.

The beneficiaries are members of the Management Board of the Company ("**Beneficiaries**") if they are in an employment relationship with the Company at the time the stock option rights are granted. A total of up to 509,600 stock option rights may be issued to members of the Management Board.

#### *Content of the stock option rights*

Each stock option right granted under SOP 2021 entitles the holder of the stock option right in accordance with these terms and conditions to subscribe for one share of the Company representing a pro rata amount of the share capital of EUR 1.00 from Contingent Capital 2021/II created for this purpose against payment of the exercise price. Alternatively, the Company may grant treasury shares against payment of the exercise price.

#### *Issue periods for the stock option rights*

The stock option rights will be issued in three annual tranches (2021 tranche, 2022 tranche and 2023 tranche). The 2022 and 2023 tranches will each be issued on the tenth stock market trading day after publication of the annual financial report for the 2021 financial year ("**2022 Tranche**") and for the 2022 financial year ("**2023 Tranche**").

For the fiscal year 2021, the granting of the stock option rights of the 2021 tranche took place on June 2, 2021 ("**2021 Tranche**").



### *Waiting period and term of the stock option rights*

The stock option rights allocated to the beneficiary may be exercised at the earliest after the expiry of a waiting period of four years from the issue date of the respective stock option rights ("**Waiting Period**"). The term of the stock option rights begins on the issue date and ends 24 months after the end of the waiting period. Stock option rights that have not been exercised by the end of the term expire without replacement and without the need for a declaration by the Company.

### *Exercise of stock option rights and exercise price*

Stock option rights may only be exercised during their term and after expiry of the waiting period. Exercise is only possible during certain exercise periods and on condition that the performance targets specified below are met.

When exercising the stock option right, the exercising beneficiary must pay the exercise price per share for each share to be subscribed. The exercise price per share is EUR 26.16 ("**Exercise Price**").

### *Exercise periods*

After expiry of the waiting period, stock option rights for which the respective performance target has been achieved may be exercised within the exercise periods and outside any exercise blocking periods until the stock option rights expire. Exercisable stock option rights of a tranche may be exercised in full or in part in one or more exercise periods.

The subscription rights may be exercised in each case within three weeks of publication of the annual financial report, the half-yearly financial report and after publication of a quarterly financial report for a financial year ("**Exercise Periods**").

### *Performance targets*

The performance targets for each individual tranche of stock option rights consist of the increase in the Company's share price determined in accordance with the following provisions:



- **Tranche 2021:** The arithmetic mean of the closing prices of the Company's shares in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange on the last 20 trading days before December 31, 2021 exceeds the exercise price by 15%;
- **Tranche 2022:** The arithmetic mean of the closing prices of the Company's shares in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange on the last 20 trading days before December 31, 2022 exceeds the exercise price by 30%; and
- **Tranche 2023:** The arithmetic mean of the closing prices of the Company's shares in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange on the last 20 trading days before December 31, 2023 exceeds the exercise price by 50%.

#### *Limitation in the event of extraordinary developments*

The Company is entitled to refuse the exercise of stock option rights to the extent that their exercise would lead to a disproportionately high compensation of the beneficiary due to extraordinary, unforeseen developments. The Supervisory Board has sole responsibility for such refusal.

#### *Expiration of stock option rights*

If the beneficiary's employment relationship with the Company ends during the term of the stock option rights granted to him and if the beneficiary does not immediately thereafter enter into a new employment relationship with another affiliated company ("good leaver"), the following shall apply:

- The beneficiary has the right to exercise all stock option rights exercisable on the date of termination of employment until the end of the term during an exercise period.
- In addition, all stock option rights granted to the beneficiary which have not yet vested shall vest on the date of termination of employment and, to the extent that the stock option rights vest, may be exercised until the end of the term during an





exercise period. If stock option rights can no longer be exercised in accordance with the above provision, they shall be forfeited without compensation.

If the beneficiary's employment relationship with the Company or one of its affiliated companies ends due to death, receipt of an early or standard retirement pension or a pension due to full reduction in earning capacity, the above provision shall apply accordingly. If the employment relationship ends as a result of death, the heirs shall take the place of the beneficiary.

If the employment relationship of the beneficiary with the Company or one of its affiliated companies ends during the term of the stock option rights granted to him due to termination by the Company for good cause for which the beneficiary is responsible within the meaning of section 626 (1) of the German Civil Code ("bad leaver"), all stock option rights not yet exercised at the time of the declaration of termination shall be forfeited without compensation.

#### **b. Stock options granted under the 2021 SOP**

The members of the Management Board of the Company Pierluca Sartorello (CEO) and Daniel Basok (CFO) participate in the SOP 2021 as beneficiaries.

Pierluca Sartorello is entitled during the term of the SOP 2021 and the Management Board service agreement to an allocation of 104,000 stock option rights each under the Tranches 2021 and 2022 and 2023, provided that the reference value of the stock option rights of the respective annual tranche does not exceed the amount of EUR 1,000,000.00 at the time the stock option rights are granted.

During the term of the SOP 2021 and the Management Board service agreement, Daniel Basok is entitled to an allocation of 65,000 stock option rights each under the Tranches 2021 and 2022 and 67,600 stock option rights under the Tranche 2023, provided that the reference value of the stock option rights of the respective annual tranche does not exceed the amount of EUR 640,000.00 at the time the stock option rights are granted.

The reference value of a stock option right corresponds to the fair value of the stock option at the grant date, which is to be determined using recognized financial mathematical methods (e.g. Monte Carlo method).



### c. Stock option rights granted under SOP 2021 / Tranche 2021

By resolution of the Supervisory Board dated June 2, 2021, a total of 169,000 stock option rights were issued to members of the Management Board under the 2021 tranche as follows:

<b>Management Board Member</b>	<b>Granted stock option rights / Tranche 2021</b>	<b>Current value at grant date</b>
Pierluca Sartorello	104.000 Stock option rights	EUR 347,542.00
Daniel Basok	65.000 Stock option rights	EUR 217,213.00

The performance target for the 2021 tranche of stock option rights was not achieved. The arithmetic mean of the closing prices of the Company's shares in Xetra trading on the Frankfurt Stock Exchange on the last 20 trading days before December 31, 2021 did not exceed the exercise price by 15%.

### 4. Special remuneration for special merits or achievements

The Supervisory Board may, at its reasonable discretion, set "special compensation" for each Management Board member for special services or achievements not covered by the compensation otherwise granted (e.g. within agreed STI targets) and which have a significant economic benefit for the Company.

The amount of the special compensation shall be based on the economic benefit achieved for the Company and shall be contractually limited.

Special compensation for special merits and achievements was not granted for fiscal year 2021.

### 5. One-time special payment

During the reporting period, the Management Board member Daniel Basok (CFO) received a one-time performance-related special payment in the gross amount of EUR 750,000.00 for his services in connection with the Company's IPO that took place in fiscal year 2021 ("IPO Bonus"). The Management Board member used a portion of the IPO Bonus amounting to EUR 210,002.00 to purchase shares in the IPO of the Company.



## 6. Granted and owed remuneration

The following table shows the compensation granted and owed to the members of the Management Board in fiscal year 2021 in accordance with section 162 (1) sentence 1 AktG. Accordingly, the table contains all amounts actually received by the individual Management Board members in the reporting period ("**Compensation Granted**") and all compensation legally due but not yet received ("**Compensation Owed**").

In the section "Short-term variable remuneration," the bonus is considered "compensation owed" because the underlying service has been rendered in full by the balance sheet date of December 31, 2021. Thus, the paid bonus amounts are stated for the reporting year 2021, even though payment will not be made until after the end of the reporting year 2021. This enables transparent and understandable reporting and ensures the link between performance and compensation in the reporting period.

The fixed compensation components include the non-performance-related basic compensation and fringe benefits. The variable performance-related compensation components are divided into the one-year STI and the multi-year LTI.

In addition to the compensation amounts, the relative share of all fixed and variable compensation components in total compensation must also be disclosed in accordance with section 162 (1) sentence 2 no. 1 AktG. The relative proportions stated here relate to the compensation components granted and owed in the respective financial year in accordance with section 162 (1) sentence 1 AktG.

Table: Granted and owed remuneration

Granted and owed remuneration pursuant to section 162 (1) sentence 1 AktG – in the financial year 2021

At December 31, 2021 Acting members of the Management Board		Pierluca Sartorello		Daniel Basok	
		CEO		CFO	
		2021		2021	
		In kEUR	In % TR	In kEUR	In % TR
<b>Performance-independent Remuneration</b>	Base remuneration <sup>1</sup>	244	23%	153	12%
	+ Fringe benefits	23	2%	30	2%
	= <b>Total</b>	<b>267</b>	<b>25%</b>	<b>183</b>	<b>14%</b>
<b>Performance-dependent Remuneration</b>	+ <b>Short-term variable remuneration (STI)</b>	450	42%	140	11%
	+ <b>Long-term variable remuneration (LTI)</b>	348	33%	217	17%
	+ <b>Special compensation</b>	-	-%	-	-
	+ <b>One-time special payment (IPO Bonus)</b>	-	-%	<b>750</b>	<b>58%</b>
	= <b>Total Remuneration (TR i. S. d. section 162 AktG)</b>	<b>1,065</b>	<b>100%</b>	<b>1,290</b>	<b>100%</b>
	= Ratio of non-performance-independent to performance-dependent	33%		17%	

At the beginning of fiscal year 2021, hGears AG was a German limited liability company operating under the name hGears Holding GmbH. On April 27, 2021, hGears GmbH was converted into a stock corporation (operating under the name hGears AG) as part of a change in legal form. Against this background, the remuneration report 2021 of hGears AG does not contain a vertical comparison (Section 162 (1) sentence 2 No. 2 AktG) to prior-year figures.

<sup>1</sup> The base compensation indicates the compensation pro rata for the financial year 2021 starting with the entry into force of the service contracts with the members of the Management Board on May 21, 2021, the date of the admission of the shares to trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange.



## **7. Contribution of remuneration to strategic objectives**

The company's goal is to grow in the coming years by expanding existing offerings and establishing new product offerings, and to sustainably increase the value of the company in the interests of its shareholders.

The remuneration of the Management Board makes an important contribution to supporting these strategic goals and the long-term development of hGears AG.

The orientation towards the two control parameters Group sales and Group EBITDA within the framework of the STI obliges the Management Board to pay attention to growth and profitability at the same time and thus promotes the strategic goal of profitable growth of the company. The additional consideration of non-financial sustainability criteria as part of the STI emphasizes the social and ecological responsibility of the Company and the goal of sustainable corporate development.

The share-based component of the LTI enables Management Board members to participate in the development of the share price, thus more closely aligning the objectives of management and the interests of shareholders with each other. This gives the Management Board an incentive to increase the value of the Company on a long-term and sustainable basis.

## **8. Malus**

Malus rules exist in both the STI and the LTI. The STI can be reduced by up to 5% for the CEO and by up to 10% for the CFO at the discretion of the Supervisory Board (see above). Under the LTI (SOP 2021), the Company is entitled to refuse the exercise of stock option rights to the extent that their exercise would lead to disproportionately high compensation for the beneficiary due to extraordinary, unforeseen developments. The responsibility for the rejection lies exclusively with the Supervisory Board.

No variable remuneration components were withheld in the financial year 2021.

## **9. Compliance with the maximum remuneration**

In addition to the cap on variable compensation components, the remuneration system adopted by the Supervisory Board provides for a maximum amount for total remuneration in a financial year. The maximum remuneration set is MEUR 2.6 for the CEO position and



MEUR 1.4 for other members of the Management Board. According to the total compensation of the Management Board members Pierluca Sartorello (CEO) and Daniel Basok (CFO) for the financial year 2021 reported in section 6 of this Remuneration Report, the maximum remuneration resolved by the Supervisory Board was already complied with in the financial year 2021, whereby the IPO bonus as a one-time special payment to the Management Board member Daniel Basok was not to be taken into account within the framework of the maximum remuneration pursuant to section 87a (1) sentence 2 no. 1 AktG.



## **B. Remuneration of the members of the Supervisory Board**

hGears AG was established on 27 April 2021 by way of a change of legal form of the limited liability company "hGears Holding GmbH", Schramberg (Local Court of Stuttgart, HRB 737541) in accordance with sections 190 et seq. of the German Transformation Act. In accordance with section 8.1 of the Articles of Association, the Supervisory Board of the Company consists of five members elected by the Annual General Meeting. The current Supervisory Board members were elected by the Annual General Meeting on April 8, 2021.

The remuneration of the Supervisory Board is structured as a purely fixed remuneration. It takes into account the responsibility and scope of activities of the Supervisory Board members. The Chair and Deputy Chair positions on the Supervisory Board are remunerated additionally. It is laid down in Art. 13 of the Company's Articles of Association.

Accordingly, the members of the Supervisory Board receive a fixed remuneration of EUR 30,000.00 for each full financial year of their membership of the Supervisory Board. The Chairman of the Supervisory Board receives EUR 40,000.00 and the Deputy Chairman receives EUR 35,000.00. Members joining or leaving the Supervisory Board during a financial year receive the fixed remuneration on a pro rata temporis basis.

For fiscal year 2021, the current members of the Supervisory Board will therefore receive compensation pro rata from April 27, 2021.

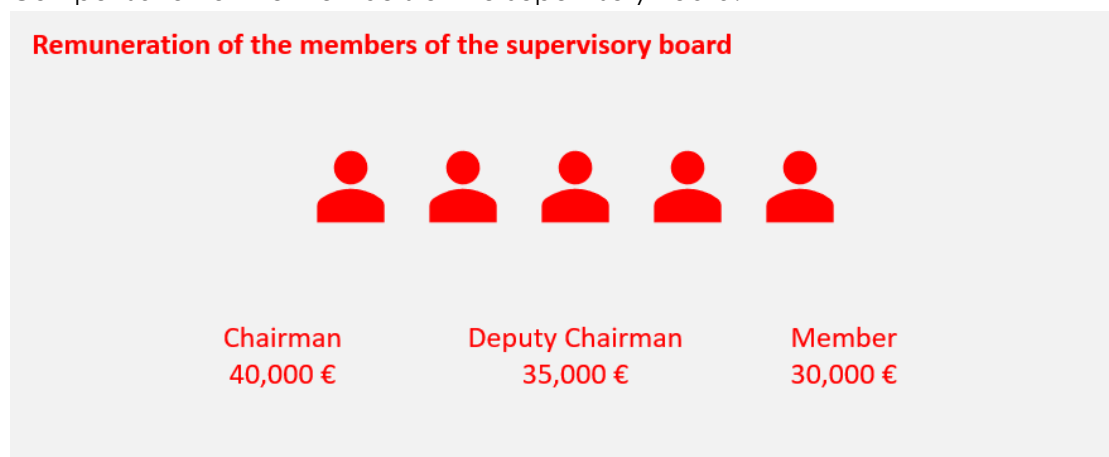
The remuneration is payable after the end of the respective financial year.

In addition to the remuneration, the Company reimburses the expenses incurred by the members of the Supervisory Board in the performance of their duties upon presentation of proof. Value-added tax is reimbursed by the Company insofar as the members of the Supervisory Board are entitled to invoice the Company separately for value-added tax and exercise this right.

No further commitments were made by the Company.

The Supervisory Board did not form any committees during the reporting period. The Audit Committee was formed with effect from January 1, 2022 and thus after the end of the reporting period.

Compensation of the members of the Supervisory Board:



Member of the supervisory board/ Additional position	Remuneration <sup>2</sup>
	EUR
Prof. Volker Michael Stauch Chairman of the Supervisory Board	EUR 27,287.67
Christophe Hemmerle Deputy Chairman of the Supervisory Board	EUR 23,876.71
Daniel Michael Kartje	EUR 20,465.75
Christoph Mathias Seidler	EUR 20,465.75
Dr. Gabriele Fontane	EUR 20,465.75

<sup>2</sup> Pro rata for the calendar year 2021, starting on the effective date of the change of legal form on April 27, 2021.





Schramberg, 29 March 2022

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Volker Stauch  
(Chairman of the Supervisory  
Board)

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Pierluca Sartorello  
(Chairman of the Management  
Board)



On completion of our audit, we issued an auditor's report dated 29 March 2022 in German language. The following text is a translation of this auditor's report. The German text is authoritative:

**Report of the independent auditor on the formal audit of the remuneration report pursuant to § 162 Abs. 3 AktG**

To hGears AG, Schramberg

*Opinion*

We have formally audited the remuneration report of the hGears AG, Schramberg, for the financial year from January 1 to December 31, 2021 to determine whether the disclosures pursuant to § [Article] 162 Abs. [paragraphs] 1 and 2 AktG [Aktiengesetz: German Stock Corporation Act] have been made in the remuneration report. In accordance with § 162 Abs. 3 AktG, we have not audited the content of the remuneration report.

In our opinion, the information required by § 162 Abs. 1 and 2 AktG has been disclosed in all material respects in the accompanying remuneration report. Our opinion does not cover the content of the remuneration report.

*Basis for the opinion*

We conducted our formal audit of the remuneration report in accordance with § 162 Abs. 3 AktG and IDW [Institut der Wirtschaftsprüfer: Institute of Public Auditors in Germany] Auditing Standard: The formal audit of the remuneration report in accordance with § 162 Abs. 3 AktG (IDW AuS 870). Our responsibility under that provision and that standard is further described in the "Auditor's Responsibilities" section of our auditor's report. As an audit firm, we have complied with the requirements of the IDW Quality Assurance Standard: Requirements to quality control for audit firms [IDW Qualitätssicherungsstandard - IDW QS 1]. We have complied with the professional duties pursuant to the Professional Code for German Public Auditors and German Chartered Auditors [Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer - BS WP/vBP], including the requirements for independence.

*Responsibility of the Management Board and the Supervisory Board*

The management board and the supervisory board are responsible for the preparation of the remuneration report, including the related disclosures, that complies with the requirements of § 162 AktG. They are also responsible for such internal control as they determine is necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.



*Auditor's Responsibilities*

Our objective is to obtain reasonable assurance about whether the information required by § 162 Abs. 1 and 2 AktG has been disclosed in all material respects in the remuneration report and to express an opinion thereon in an auditor's report.

We planned and performed our audit to determine, through comparison of the disclosures made in the remuneration report with the disclosures required by § 162 Abs. 1 and 2 AktG, the formal completeness of the remuneration report . In accordance with § 162 Abs 3 AktG, we have not audited the accuracy of the disclosures, the completeness of the content of the individual disclosures, or the appropriate presentation of the remuneration report.

Stuttgart, 29 March 2022

**PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft**

Marcus Nickel  
Wirtschaftsprüfer  
(German Public Auditor)

Denis Etzel  
Wirtschaftsprüfer  
(German Public Auditor)



# General Engagement Terms

for

## Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften

[German Public Auditors and Public Audit Firms]  
as of January 1, 2017

### 1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

### 2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

### 3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

### 4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

### 5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

### 6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

### 7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [Translators Note: *The German term "Textform" means in written form, but without requiring a signature*] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

### 8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

### 9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

## 10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

## 11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

- a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party
- b) examination of tax assessments in relation to the taxes referred to in (a)
- c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
- d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)
- e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

- a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;
- b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;
- c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and
- d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

## 12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

## 13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

## 14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

## 15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.