



22 June 2022

Notice of Annual General Meeting

hGears

the **heart** of your
performance



hGears AG

Schramberg

WKN: A3CMGN

ISIN: DE000A3CMGN3

Invitation to the Annual General Meeting

We hereby invite the shareholders of our company to the **Annual General Meeting**

to take place at

Wednesday, June 22, 2022, 10 a.m. (CEST).

The Annual General Meeting of the Company will be held as a **virtual Annual General Meeting without shareholders or their authorized representatives attending in person** (with the exception of the voting representatives of the Company).

The virtual Annual General Meeting will be streamed live (audio and video) on the Internet for all duly registered shareholders and their authorized representatives. Shareholders exercise their voting rights exclusively by means of postal voting (in writing or by means of electronic communication) or by authorizing the voting representatives appointed by the Company. The location of the Annual General Meeting as referred to by the German Stock Corporation Act (*Aktiengesetz - AktG*) is the Frankfurt Marriott Hotel, Hamburger Allee 2, 60486 Frankfurt am Main, Germany.

Agenda

1. **Presentation of the hGears AG's adopted annual financial statements and the approved consolidated financial statements, the management report of hGears AG and the hGears Group, the explanatory report of the Management Board on the disclosures in accordance with sections 289a and 315a of the German Commercial Code (*Handelsgesetzbuch - HGB*) and the report of the Supervisory Board for fiscal year 2021**

The Supervisory Board approved the annual financial statements and the consolidated financial statements prepared by the Management Board in accordance with section 172 AktG; the annual financial statements are thus adopted. The Annual General Meeting is therefore not required to adopt a resolution on this item 1 of the agenda.

The annual financial statements of hGears AG as of December 31, 2021, which were prepared in accordance with the provisions of the HGB, show a net accumulated loss. The agenda for this year's Annual General Meeting therefore does not contain any item requiring a resolution to be adopted by the Annual General Meeting on the appropriation of net retained profits.

2. **Resolution on official approval of the actions of the members of the Management Board for fiscal year 2021**

The Management Board and Supervisory Board propose that the actions of the members of the Management Board be approved for fiscal year 2021.

3. **Resolution on official approval of the actions of the members of the Supervisory Board for fiscal year 2021**

The Management Board and Supervisory Board propose that the actions of the members of the Supervisory Board be approved for fiscal year 2021.

4. **Resolution on the election of the auditor of the annual and consolidated financial statements for fiscal 2022**

Based on the recommendation of its Audit Committee, the Supervisory Board proposes the appointment of

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft,
Frankfurt am Main, Zweigniederlassung Stuttgart

as the auditor of the annual and consolidated financial statements for fiscal year 2022.

The Audit Committee has declared that its recommendation is free from undue third-party influence and that, in particular, no clauses restricting its choice as referred to by Article 16(6) of the EU Audit Regulation (Regulation (EU) No. 537/2014 of the European Parliament and of the Council of April 16, 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC) have been imposed on it.

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

Pursuant to section 120a AktG, the Annual General Meeting of a listed company must resolve on the approval of the remuneration system for the members of the Management Board adopted by the Supervisory Board pursuant to section 87a AktG whenever there is a significant change, but at least every four years.

Taking into account the requirements of section 87a (1) AktG, the Supervisory Board adopted the remuneration system for members of the Management Board set out in the section entitled "NOTES TO ITEM 5 OF THE AGENDA - Remuneration system for members of the Management Board" following the agenda.

The Supervisory Board proposes to resolve:

The remuneration system for the members of the Management Board described under "NOTES TO ITEM 5 OF THE AGENDA - Remuneration system for members of the Management Board" following the agenda is approved.

6. **Resolution on the remuneration of the members of the Supervisory Board and on the corresponding amendment to the Articles of Association**

Pursuant to section 113 (3) AktG, the Annual General Meeting of a listed company has to resolve on the remuneration of the members of the Supervisory Board at least every four years.

The current remuneration of the members of the Supervisory Board is set out in item 13 of the Articles of Association of hGears AG. According to this, the members of the Supervisory Board receive a purely fixed remuneration, which depends on the function in the Supervisory Board.

The remuneration for the Supervisory Board shall now include remuneration for membership of the Audit Committee formed by the Supervisory Board with effect from January 1, 2022. The remuneration for membership of the Audit Committee shall apply from January 1, 2022.

The Management Board and Supervisory Board therefore propose to the Annual General Meeting that the remuneration system for the members of the Supervisory Board described after the agenda under "NOTES TO ITEM 6 OF THE AGENDA - Remuneration system for members of the Supervisory Board" be adopted with effect from January 1, 2022, and that accordingly section 13 of the Articles of Association of the Company be amended as follows:

"13. Remuneration

- 13.1 Each member of the Supervisory Board receives an annual fixed remuneration of EUR 30,000.00, plus value added tax, if applicable.
- 13.2 In deviation from clause 13.1, the Chairman of the Supervisory Board shall receive EUR 40,000.00 and the Deputy Chairman of the Supervisory Board EUR 35,000.00, in each case plus value added tax, if applicable.
- 13.3 In addition to the annual fixed remuneration pursuant to items 13.1 and 13.2, the members of the Audit Committee receive an annual fixed remuneration in the amount of EUR 15,000.00. The Chairman of the Audit Committee receives an annual fixed remuneration in the amount of EUR 17,500.00.
- 13.4 Supervisory Board members serving on the Supervisory Board for only part of the fiscal year receive compensation that is lower in proportion to the time served.
- 13.5 The remuneration is payable after the end of the respective fiscal year.
- 13.6 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 if the members of the Supervisory Board are entitled to invoice the Company separately for value-added tax and exercise this right.

13.7 The Company may take out liability insurance for the benefit of the members of the Supervisory Board covering the legal liability arising from their Supervisory Board activities."

With the effectiveness of the amendment to clause 13 of the Articles of Association, the new rules on Supervisory Board compensation shall apply for the first time to the financial year beginning on January 1, 2022.

7. **Resolution on the approval of the remuneration report**

Pursuant to section 162 AktG, the Management Board and Supervisory Board shall prepare a compensation report and submit it to the Annual General Meeting for approval in accordance with section 120a (4) AktG.

The remuneration report was audited by the auditor in accordance with section 162(3) AktG to determine whether it contains the disclosures required by law in accordance with section 162 (1) and (2) AktG. The report on the audit of the remuneration report is attached to the remuneration report.

The Management Board and the Supervisory Board propose that the remuneration report prepared and approved in accordance with section 162 AktG for fiscal year 2021 be approved.

The remuneration report has been reproduced as an annex to the agenda under "NOTES TO ITEM 7 OF THE AGENDA - Remuneration report in accordance with section 162 AktG for fiscal year 2021" and will be published on the Company's website at

<https://ir.hgears.com/annual-general-meeting/>

from the time that the Annual General Meeting is convened. The remuneration report will also be accessible there during the Annual General Meeting as well.

8. **Resolution on the Reduction of Conditional Capital 2021/II and corresponding amendment to the Articles of Association**

By resolution of the Annual General Meeting on May 5, 2021, the Stock Option Programme 2021 was resolved in order to grant subscription rights to shares in the Company (Stock Option Rights) to members of the Management Board of the Company and selected executives of the Company and of companies affiliated with the Company within the meaning of sections 15 et seq. AktG. The Management Board was authorized, with the approval of the Supervisory Board, to grant up to 738,400 subscription rights (Stock Option Rights) to up to 738,400 no-par value bearer shares of the Company under the Stock Option Programme 2021 until the end of May 4, 2026. The Supervisory Board alone was authorized to grant Stock Option Rights to the members of the Management Board of the Company.

Conditional Capital 2021/II was created to service the Stock Option Rights, authorizing the issue of up to 738,400 no-par bearer shares.

As part of the Stock Option Programme 2021, a total of 190,500 Stock Option Rights were issued to members of the Management Board and selected executives of companies affiliated with the Company within the meaning of sections 15 et seq. AktG.

The performance target for the Stock Option Rights issued under the 2021 tranche was not achieved under the 2021 Stock Option Programme. Therefore, the 190,500 Stock Option Rights issued under the 2021 tranche can no longer be exercised. As a result, Conditional Capital 2021/II no longer needs to be maintained to cover the 190,500 Stock Option Rights of the 2021 tranche in the amount of EUR 190,500.00 (corresponding to 190,500 no-par value bearer shares of the Company with a pro-rata amount of the share capital of EUR 1.00 per share).

Under agenda item 9, the Annual General Meeting will be asked to pass a resolution on a new authorization to issue up to 190,500 Stock Option Rights to members of the Management Board of the Company and selected executives of the Company and of companies affiliated with the Company within the meaning of sections 15 et seq. AktG (Stock Option Programme 2022).

The up to 190,500 no-par bearer shares of the Company required to fulfill the Stock Option Rights are to be granted by means of a Conditional Capital 2022/I still to be created.

The existing Conditional Capital 2021/II shall be reduced by EUR 190,500.00 to the amount of EUR 547,900.00, as it only needs to be maintained in this amount. The total nominal amount of the conditional capitals of the Company, including Conditional Capital 2021/I in the amount of EUR 3,261,600.00 (clause 4.3 of the Articles of Association) as well as Conditional Capital 2022/I, which is still to be created, will amount to a total of EUR 4,000,000.00 as before and will therefore not exceed half of the share capital available at the time of the resolution on the conditional capital increase.

The Management Board and Supervisory Board propose that the following be resolved:

1. reduction of Conditional Capital 2021/II

The existing Conditional Capital 2021/II in the amount of EUR 738,400.00 (clause 4.4 of the Articles of Association) shall be reduced by EUR 190,500.00 to EUR 547,900.00.

2. Amendment of clause 4.4, Sentence 1 of the Articles of Association

Clause 4.4 sentence 1 of the Articles of Association is amended as follows:

"The share capital of the Company is conditionally increased by up to EUR 547,900.00 by issuing up to 547,900 no-par value bearer shares (Conditional Capital 2021/II)."

9. **Resolution on the authorisation to issue Stock Option Rights to members of the Management Board and selected executives of the Company and affiliated companies (Stock Option Programme 2022) and resolution on the creation of conditional capital to service the Stock Option Programme 2022 and corresponding amendment to the Articles of Association**

The Company intends to resolve on the implementation of a new Stock Option Programme in order to be able to grant option rights for shares in the Company to members of the Management Board of the Company, selected executives of the Company and companies affiliated with the Company within the meaning of sections 15 et seq. AktG ("**Stock Option Programme 2022**").

The programme serves as a targeted incentive for the programme participants and at the same time is intended to achieve a bonding effect of the programme participants to the Company.

The Management Board and Supervisory Board therefore propose to adopt the following resolution:

1. Authorisation to issue Stock Option Rights to members of the Management Board and selected executives of the Company and affiliated companies ("**Stock Option Programme 2022**").

The Management Board is authorised to grant up to a total number of 190,500 subscription rights ("**Stock Option Rights**") for up to 190,500 no-par value bearer shares of the Company within the framework of the Stock Option Programme 2022, subject to the approval of the Supervisory Board up to and including November 30, 2022 ("**Authorisation Period**"). The Supervisory Board alone is authorised to grant Stock Option Rights to members of the Management Board of the Company in accordance with the following provisions.

The authorisation shall become effective as soon as the Conditional Capital 2022/I to be resolved under clause 2 below has been registered in the commercial register ("**Effective Date**").

The key parameters for the granting of Stock Option Rights and for the issuance of shares to settle exercised Stock Option Rights, as soon as they have been exercised, are determined as follows:

- (a) Stock Option Rights

Each stock option right entitles the holder to acquire one no-par value bearer share in the Company with a pro-rata amount in the share capital of the Company of EUR 1.00 per share against payment of the relevant Exercise Price as determined under lit. (e) above, in accordance with the more detailed provisions of the Stock Option terms and conditions.

The new shares shall participate in the profits from the beginning of the financial year for which, at the time of the issuance, the Annual General Meeting has not yet passed a resolution on the appropriation of any profit.

(b) Beneficiaries

The circle of Beneficiaries includes members of the Management Board of the Company, selected executives of the Company and its affiliated companies within the meaning of sections 15 et sqq. AktG ("**Beneficiaries**"). The Management Board is responsible, subject to the approval of the Supervisory Board, for determining the exact circle of Beneficiaries and the volume of the Stock Option Rights to be granted to the respective Beneficiaries. Insofar as members of the Management Board of the Company shall be granted Stock Option Rights, the Supervisory Board shall be exclusively responsible for determining and granting the said Stock Option Rights.

The shareholders of the Company do not have a statutory right to subscribe to the Stock Option Rights.

The total volume of the up to 190,500 Stock Option Rights is allocated to the eligible groups of persons as follows:

- in total up to 169,000 Stock Option Rights to members of the Management Board of the Company ("**Group 1**");
- in total up to 21,500 Stock Option Rights to selected executives of the Company and its affiliated companies within the meaning of sections 15 et sqq. AktG ("**Group 2**").

The Beneficiaries must be in an employment or service relationship with the Company or one of its affiliated companies within the meaning of sections 15 et sqq. AktG or be members of the Management Board of the Company at the time the Stock Option Rights are granted (respectively "**Employment Relationship**").

(c) Issuance of the Stock Option Rights, issue date and issue periods

The issuance of the Stock Option Rights shall be effected by the conclusion of a written subscription agreement (also "**Subscription Rights Agreement**") between the Company and the respective Beneficiary. To the extent that members of the Management Board shall be granted Stock Option Rights, the Company shall be represented by the Supervisory Board.

The Stock Option Rights shall be issued to the Beneficiaries within the scope of a tranche (SOP 2022 Tranche).

The granting of the Stock Option Rights of the SOP 2022 tranche shall take place within 20 stock exchange trading days after the effective date.

The day on which Stock Option Rights are granted is hereinafter referred to as the "**Issue Date**".

(d) Waiting Period for initial exercise, Exercise Periods, and black-out periods

The Waiting Period for the initial Exercise of Stock Option Rights is four years commencing on the Issue Date of the respective Stock Option Rights ("**Waiting Period**"). After the expiry of the Waiting Period, Stock Option Rights may be exercised if the performance target for these Stock Option Rights pursuant to lit. (f) have been achieved within the Exercise Periods and outside any black-out periods until the expiry of the Stock Option Rights (hereinafter lit (g)).

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

In all other respects, the restrictions resulting from general legal provisions, in particular the Market Abuse Regulation (*Marktmissbrauchsverordnung*) and the German Securities Trading Act (*Wertpapierhandelsgesetz*), must be observed.

The Management Board and - with regard to the members of the Management Board of the Company - the Supervisory Board may establish black-out periods at their due discretion in order to minimise the potential for prohibited insider trading. The Supervisory Board may extend the Exercise Period in the event that black-out periods are established.

(e) Exercise Price and cap

Each Stock Option Rights issued entitles the holder to subscribe to one share in the Company at the Exercise Price.

Upon exercise of the Stock Option Rights, the Exercise Price shall be payable for each share to be subscribed for. The Exercise Price corresponds to the arithmetic mean of the closing prices of the shares of the Company in Xetra trading on the Frankfurt Stock Exchange on the five trading days prior to the Issue Date ("**Exercise Price**").

In the event of extraordinary, unforeseen developments, the Supervisory Board may limit the [Stock Option Rights] granted to the members of the Management Board in whole or in part in terms of content or scope.

(f) Performance target

The Stock Option Rights of the SOP 2022 tranche may be exercised upon the expiry of the Waiting Period subject to the fulfilment of the following performance target set out below:

The arithmetic mean of the closing prices of the shares of the Company in Xetra trading (or in a comparable successor system) on the Frankfurt Stock Exchange on the last 20 trading days prior to December 31, 2022, exceeds EUR 26.16.

(g) Non-transferability and forfeiture of Stock Option Rights

The Stock Option Rights are granted as non-transferable subscription rights. The Stock Option Rights are not transferable, alienable, pledgeable or

otherwise encumberable, except in the case of inheritance or with the prior written consent of the Supervisory Board.

Stock Option Rights may only be exercised within 24 months after the expiry of the Waiting Period ("**Expiry Date**"). All subscription rights that have not been exercised within the Exercise Periods prior to the Expiry Date will expire without compensation.

(h) Regulation of further details

The Management Board, subject to the approval of the Supervisory Board, and - with regard to the members of the Management Board - the Supervisory Board shall be authorised to determine the further details regarding the issuance of shares from the Conditional Capital 2022/I (clause 2 below) and the additional conditions of the Stock Option Programme 2022, in particular the terms and conditions applicable to Stock Option Rights. The further details include in particular, but not limited to, provisions on taxes and costs, the procedure for the grant of Stock Option Rights to the individual Beneficiaries and the exercise of the Stock Option Rights, provisions in relation to the forfeiture of subscription rights in the event the Management Board member service agreement or Employment Agreement with the Company is terminated, provisions regarding the possibility of seeking compensation for the acquired subscription rights in the event of a change of control, on the limitation of liability of the Company, provisions allowing for the pay-out from exercising Stock Option Rights to be adequately limited in cases of extraordinary developments and anti-dilution provisions as well as further procedural rules.

2. Creation of conditional capital to service the Stock Option Programme 2022 (Conditional Capital 2022/I)

The share capital of the Company shall be conditionally increased by up to EUR 190,500.00 by issuing up to 190,500.00 no-par value bearer shares (Conditional Capital 2022/I). The Conditional Capital 2022/I serves exclusively the purpose of granting Stock Option Rights to members of the Management Board of the Company and to selected executives of the Company and affiliated companies in accordance with the provisions of the authorisation resolution of the Annual General Meeting of June 22, 2022. The conditional capital increase shall only be implemented to the extent that holders of Stock Option Rights exercise their subscription rights to shares of the Company and to the extent that no other forms of fulfilment (e.g. fulfilment in cash or servicing with treasury shares) are used.

The new shares issued on the basis of the exercise of Stock Option Rights shall participate in the profits from the beginning of the financial year for which, at the time of the issuance of the new shares, no resolution of the Annual General Meeting has yet been passed on the appropriation of any profit. The Management Board of the Company, with consent of the Supervisory Board, is authorised to determine the further details of the implementation of the conditional capital increase, unless Stock Option Rights and shares are to be issued to

members of the Management Board of the Company; in this case, the Supervisory Board shall determine the further details of the implementation of the conditional capital increase.

The Supervisory Board is authorised to amend the wording of the Articles of Association in accordance with the scope of the capital increase from the Conditional Capital 2022/I.

3. Amendment of the Articles of Association

The following new clause 4.5 shall be inserted in the Articles of Association for the purpose of creating the Conditional Capital 2022/I:

*"The share capital of the Company is conditionally increased by up to EUR 190,500.00 by issuing up to 190,500 no-par value bearer shares (**Conditional Capital 2022/I**). The Conditional Capital 2022/I serves exclusively the purpose of issuing shares of the Company to service subscription rights to shares of the Company granted to members of the Management Board of the Company and selected executives of the Company as well as of companies affiliated with the Company within the meaning of sections 15 et seq. AktG in the form of Stock Option Rights in accordance with the authorisation resolution of the Annual General Meeting of June 22, 2022. The conditional capital increase shall only be implemented to the extent that Stock Option Rights are granted in accordance with the aforementioned authorisation resolution (Stock Option Programme 2022), the holders of the Stock Option Rights exercise these rights and the Company does not grant treasury shares to service the Stock Option Rights. The new no-par value bearer shares shall participate in the profits from the beginning of the financial year for which the Annual General Meeting has not yet passed a resolution on the appropriation of profits at the time of issue. The Supervisory Board is authorised to amend the wording of the Articles of Association in accordance with the respective utilisation of the Conditional Capital 2022/I and after the expiry of all Exercise Periods. The Management Board, with consent of the Supervisory Board, and - with respect to the members of the Management Board - the Supervisory Board shall be authorised to determine the further details regarding the issue of shares from the Conditional Capital 2022/I."*

NOTE TO ITEM 9 OF THE AGENDA (Resolution on the authorisation to issue Stock Option Rights to members of the Management Board and selected executives of the Company and affiliated companies (Stock Option Programme 2022) and resolution on the creation of conditional capital to service the Stock Option Programme 2022 and corresponding amendment to the Articles of Association)

The Company intends to resolve on the implementation of a new Stock Option Programme in order to be able to grant option rights for shares in the Company to members of the Management Board of the Company, selected executives of the Company and companies affiliated with the Company within the meaning of sections 15 et seq. AktG ("**Stock Option Programme 2022**", "**SOP 2021**").

The objective of the Stock Option Programme 2022 is to provide Beneficiaries with a targeted incentive by issuing option rights to shares in the Company. The share subscription enables them to participate in the development of the share price so that the goals of the management and the interests of the shareholders are aligned even more closely. This gives the Beneficiaries an incentive to increase the value of the Company on a long-term and sustainable basis.

The Management Board is to be authorized by resolution of the Annual General Meeting, with the approval of the Supervisory Board, to grant up to 190,500 subscription rights ("**Stock Option Rights**") to up to 190,500 no-par value bearer shares of the Company under the Stock Option Programme 2022 until the end of November 30, 2022 ("**Authorization Period**"). Only the Supervisory Board is authorized to grant Stock Option Rights to members of the Management Board of the Company.

The total volume of up to 190,500 Stock Option Rights is distributed among the entitled groups of persons as follows:

- a total of up to 169,000 Stock Option Rights to members of the Management Board of the Company; and
- a total of up to 21,500 Stock Option Rights to selected executives of the Company and of companies affiliated with the Company within the meaning of sections 15 et seq. AktG.

The Stock Option Rights are to be covered by new shares from Conditional Capital 2022/I, which has yet to be created. The shareholders of the Company have no statutory subscription rights to the Stock Option Rights.

As part of the long-term variable compensation component for the members of the Management Board of the Company and for the executives of the hGears Group, the SOP 2022 is intended to supplement the Stock Option Programme 2021 already in place in order to be able to continue to incentivize the Management Board members and executives in a targeted manner by issuing Stock Option Rights. Further information on the structure of the SOP 2021 can be found in the Compensation Report pursuant to § 162 AktG for the financial year 2021 (section A. I. 3 of the Compensation Report). The compensation report is printed after the agenda under "NOTES TO ITEM 7 OF THE AGENDA - Remuneration report in accordance with section 162 AktG for fiscal year 2021".

After the volume has been reduced in accordance with agenda item 8, a maximum of 547,900 new shares can be issued from Conditional Capital 2021/II to service SOP 2021 and a maximum of 190,500 new shares can be issued from Conditional Capital 2022/I still to be created to service SOP 2022. The exclusion of subscription rights associated with SOP 2021 and SOP 2022 is therefore limited to a maximum of 7.1% of the capital stock at the time of the resolution. Serving the stock options with new shares can therefore lead to a maximum dilution of the shareholders' rights of 7.1%. This corresponds to the maximum dilutive effect of the 2021 SOP at the time of the IPO in May 2021.

In overview, the proposed resolution of the Management Board and Supervisory Board for the issue of the Stock Option Rights under the 2022 SOP provides for the following:

Subject matter of the Stock Option Rights

Each stock option right granted under the SOP 2022 shall entitle the Management Board member, in accordance with the terms and conditions of the SOP 2022, to subscribe for one share in the Company representing a pro rata amount of the capital stock of EUR 1.00 from the Contingent Capital 2022/I created for this purpose against payment of the Exercise Price.

Issue period for the Stock Option Rights

The Stock Option Rights are to be issued to the Beneficiaries in one tranche. The granting of the Stock Option Rights is to take place within 20 stock market trading days after the Conditional Capital 2022/I to be resolved by the Annual General Meeting has been entered in the Commercial Register.

Waiting and term period and Exercise Periods for the Stock Option Rights

The Stock Option Rights granted to the Beneficiaries shall be exercisable at the earliest after the expiry of a Waiting Period of four years from the date of granting of the Stock Option Rights ("**Waiting Period**"). The term of the Stock Option Rights shall commence on the grant date and end 24 months after the end of the Waiting Period. The Exercise Period for the Stock Option Rights will thus be 24 months after the end of the Waiting Period.

Exercise of Stock Option Rights and Exercise Price

The 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 provided that the performance target specified below is met.

Upon exercise of the Stock Option Rights, the Exercise Price is payable for each share to be subscribed. The Exercise Price corresponds to the arithmetic mean of the closing prices of the Company's shares in Xetra trading on the Frankfurt Stock Exchange on the five trading days prior to the Issue Date ("**Exercise Price**").

Exercise Periods

After expiry of the Waiting Period, Stock Option Rights for which the performance target has been achieved may be exercised within the Exercise Periods specified in the authorization

granted by the Annual General Meeting and outside any exercise blocking periods until the Stock Option Rights expire.

Performance target

The Stock Option Rights are to be exercisable if the following performance target is achieved:

The arithmetic mean of the closing prices of the shares of the Company in Xetra trading (or in a comparable successor system) on the Frankfurt Stock Exchange on the last 20 trading days prior to December 31, 2022 exceeds EUR 26.16. The performance target thus corresponds to the arithmetic mean of the closing prices of the shares of the Company in Xetra trading on the Frankfurt Stock Exchange on the five trading days following the date of admission of the shares of the Company to trading on the regulated market of the Frankfurt Stock Exchange on [May 21, 2021].

Limitation in the event of extraordinary developments

The Supervisory Board 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 Supervisory Board has sole responsibility for such refusal.

NOTES TO ITEM 5 OF THE AGENDA - Remuneration system for members of the Management Board

Remuneration system of the Management Board members of the hGears AG according to section 87a AktG

A. PRINCIPLES OF THE REMUNERATION SYSTEM AND CONTRIBUTION IN SUPPORT OF THE BUSINESS STRATEGY AND THE LONG-TERM DEVELOPMENT OF THE COMPANY

The remuneration system for the Management Board aims to remunerate the members of the Management Board appropriately in line with their duties and responsibilities and to take into account the performance of each member of the Management board and the success of the Company. Accordingly, the remuneration system includes variable remuneration components in addition to fixed remuneration components.

It is the Company's goal 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 revenue and Group-EBITDA in the framework of the short-term variable remuneration component 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 hGears AG. The additional consideration of non-financial sustainability criteria emphasizes the social and ecological responsibility of the Company as well as the goal of sustainable corporate development.

The share-based component of long-term variable remuneration allows Management Board members to participate in the development of the share price, thus further aligning the objectives of management with the interests of shareholders. This gives the Management Board an incentive to increase the value of the Company in the long term and on a sustainable basis.

The system for the remuneration of Management Board members is designed to be simple, clear and comprehensible and complies with the requirements of the AktG. Where it deviates from the recommendations of the German Corporate Governance Code ("**GCGC**"), such deviation is explained and justified in accordance with the statutory requirements in the Declaration of Conformity.

B. THE REMUNERATION SYSTEM IN DETAIL

I. REMUNERATION COMPONENTS

1. OVERVIEW OF THE REMUNERATION SYSTEM

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

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

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

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

2. REMUNERATION COMPONENTS IN DETAIL

a. Fixed remuneration

Basic remuneration

The fixed, non-performance-related remuneration component consists of a fixed amount as the basic remuneration. The basic remuneration is paid to the Management Board member on a monthly pro-rata basis as a salary. It will be contractually agreed with the respective Management Board members, regularly reviewed and, if necessary, adapted by mutual agreement with the Management Board member concerned.

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. In addition, the Management Board members receive reimbursement of expenses for travel and other expenses. All benefits in kind are appropriately taxed by the company.

In addition, the Company provides directors' and officers' liability insurance (D&O insurance) for the members of the Management Board with the usual coverage for the event that a Management Board member is held liable, for a breach of duty committed in the course of

his duties, by a third party or by the Company on the basis of statutory liability provisions under private law for a pecuniary loss. The insurance conditions are specified in the respective insurance policy. The deductible corresponds to the minimum deductible pursuant to section 93(2) sentence 3 of the AktG, as amended. If statutory provisions require a change in the conditions of the insurance, the Supervisory Board may adjust the conditions of the insurance accordingly at any time.

b. Short-term variable remuneration (STI)

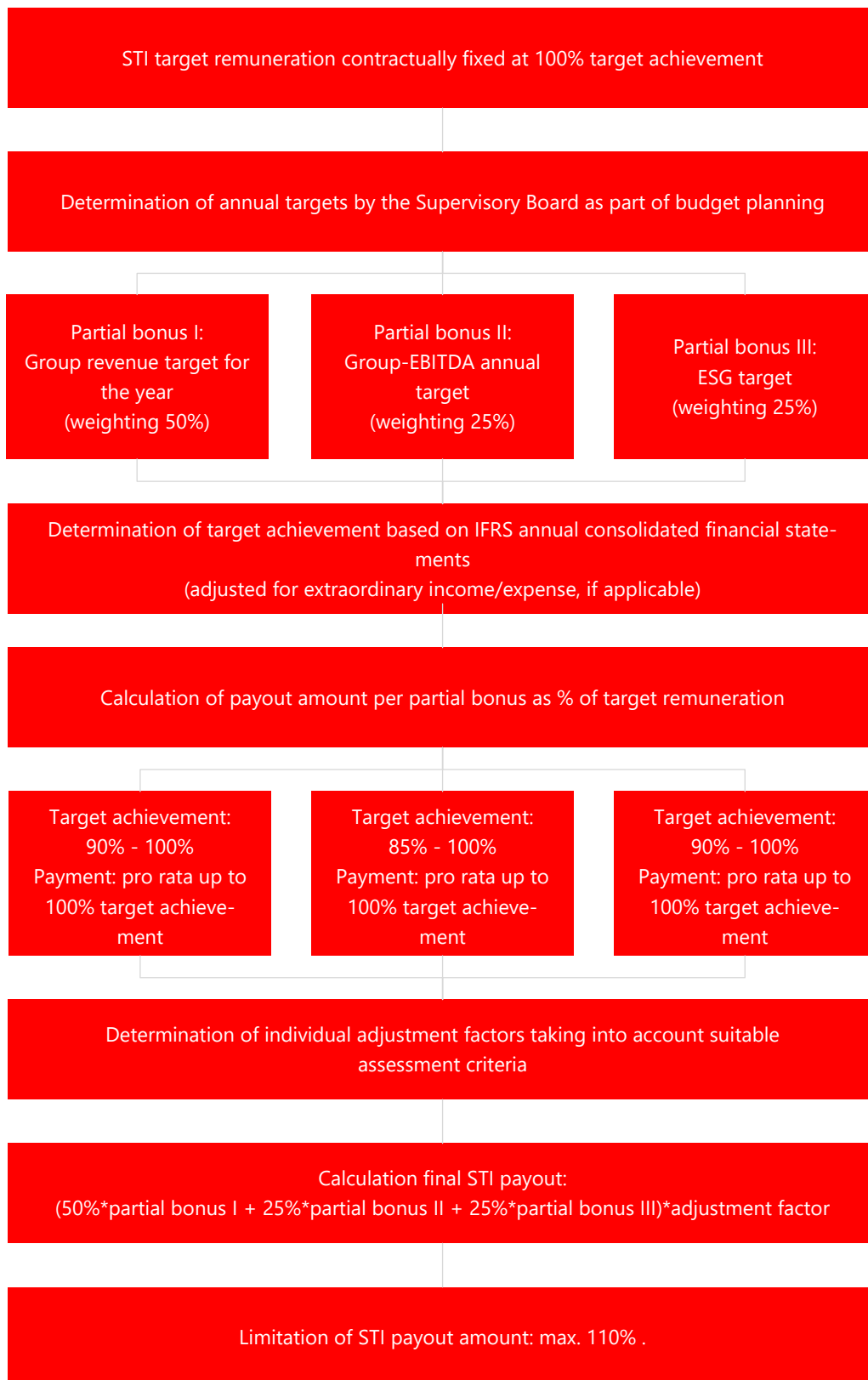
Each Management Board member receives an annual performance-related bonus ("**Short-Term Variable remuneration**", "**Short-Term Incentive**," or "**STI**") if certain targets are achieved.

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, but no later than the end of March of the fiscal year for which the respective STI tranche will be granted.

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 STI is structured as follows:



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.

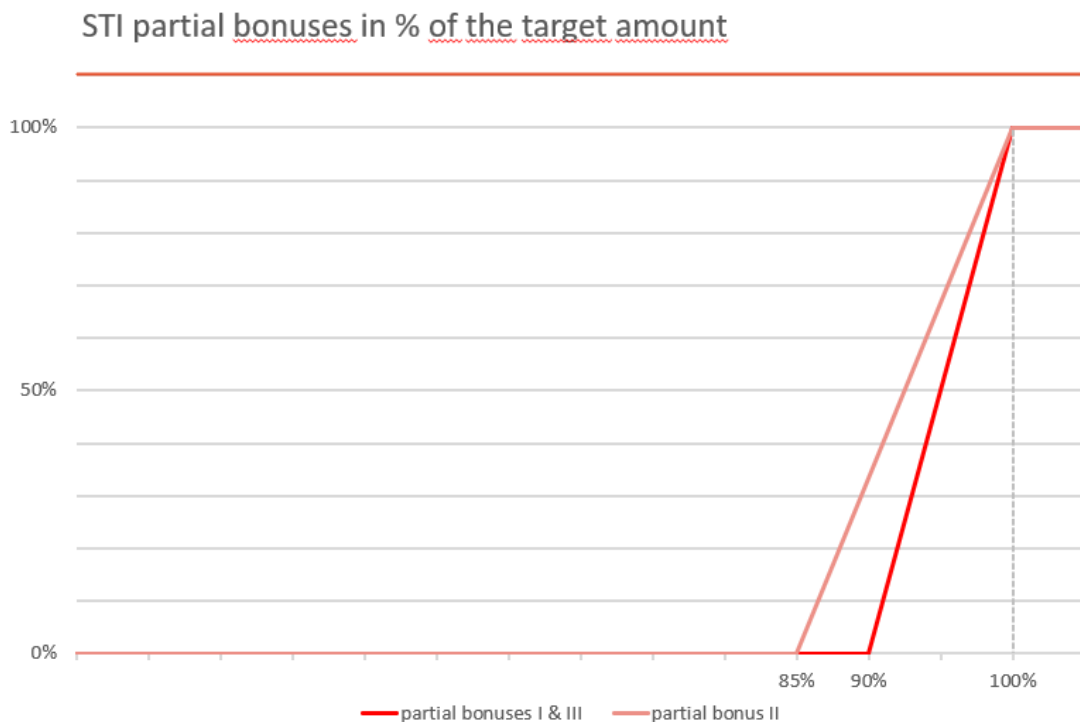
Partial bonus II:

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 remuneration (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 **10%** 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 110% of the STI target for a member of the Management Board.

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.

c. Long-term variable remuneration (Participation in the Long Term Incentive program, "LTI")

As long-term variable remuneration ("**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.

Real Stock Option Rights may only be issued to members of the Management Board by the Supervisory Board on the basis of a corresponding authorization by the Annual General Meeting of the Company pursuant to section 192 (2) no. 3 AktG ("**Authorization**"). Pursuant to section 193 (2) no. 4 AktG, the authorization of the Annual General Meeting must in particular specify the performance targets, acquisition and Exercise Periods and the Waiting Period for the first-time exercise of the Stock Option Rights.

Subject to a corresponding authorization by the Annual General Meeting, the Supervisory Board will also introduce stock option programs for the members of the Management Board as LTI in the future (the stock option program hereinafter also "**SOP**"). The objective of SOP is to provide targeted incentives for members of the Management Board of the Company by issuing option rights to shares in the Company. The share subscription component

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

The Beneficiaries are members of the Management Board of the Company if they are in an Employment Relationship with the Company at the time the Stock Option Rights are granted

Content of the Stock Option Rights

Each stock option right granted under SOP 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 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 in the context of the SOP will be issued in three annual tranches Subject to a corresponding authorization by the Annual General Meeting, the Supervisory Board may, however, determine that the issue of Stock Option Rights under the SOP be issued in one or two annual tranches or in more than three annual tranches.

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 ("**Exercise Price**") shall be determined by the Annual General Meeting within the scope of the authorization.

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.

Performance targets

The performance target for each individual tranche of the Stock Option Rights issued to the Management Board members under the SOP is to be a certain percentage increase in the share price compared with the Exercise Price, subject to a corresponding stipulation in the authorization of the Annual General Meeting. For this reason, a share price hurdle above the Exercise Price is to be set which must be exceeded at a certain point in time after the issue of the Stock Option Rights in order for the Stock Option Rights to be exercised. As the share

price directly reflects the valuation of the company on the capital market, in this way - as well as through an Exercise Price that exceeds the current share price - the exercisability of the Stock Option Rights can be made dependent on a corresponding minimum increase in the value of the company.

Limitation in the event of extraordinary developments

The Supervisory Board is entitled to refuse the exercise of Stock Option Rights to the extent that their exercise would lead to a disproportionately high remuneration of the beneficiary due to extraordinary, unforeseen developments. The Supervisory Board has sole responsibility for such refusal.

d. Special Remuneration for special merits or achievements

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

- an exceptionally high workload and/or exceptional success in connection with M&A activities of the company; or
- exceptional success in the sustained strategic, technical, product or structural development of the company; or
- exceptional performance and/or success in connection with reorganizations of the Company; or
- other comparable exceptional merits or achievements. The amount of the special compensation shall be based on the economic benefit generated for the Company and shall be contractually limited.

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

e. Imputation of remunerations

Any additional employment - whether paid or unpaid - requires the prior written consent of the Supervisory Board. The Supervisory Board also decides whether remuneration received by the Management Board member for additional employment outside the hGears Group is to be offset against the remuneration owed by the hGears Group.

1. f. Possibilities of reducing or reclaiming variable remuneration components (Malus/Claw-Back)

If the Company's economic situation deteriorates, the Supervisory Board is entitled pursuant to section 87 (2) AktG to reduce the remuneration of the Management Board members to an appropriate level to ensure appropriate remuneration with an effect for the future.

In addition to this statutory provision, Malus provisions exist in both the STI and the LTI. The STI can be reduced by up to 10% at the discretion of the Supervisory Board (cf. the explanations in section 2. b.).

With regard to the LTI, the Company is entitled to refuse the exercise of Stock Option Rights to the extent that their exercise would lead to disproportionately high remuneration for the beneficiary due to extraordinary, unforeseen developments. The Supervisory Board has sole responsibility for such rejection.

II. TARGET TOTAL REMUNERATION: RATIO OF FIXED AND VARIABLE REMUNERATION COMPONENTS

The Supervisory Board determines a specific target-total remuneration for each individual Management Board member in accordance with the Management Board member's duties and responsibilities. The target-total remuneration relates in each case to a full fiscal year and is made up of the sum of all remuneration components relevant to the total remuneration which - irrespective of the time of payment - are granted for the fiscal year in question. In the case of benefits in kind granted as fringe benefits, the relevant value for income tax purposes is applied in each case.

The relative share of fixed annual remuneration, i.e. non-performance-related remuneration (fixed basic remuneration and fringe benefits), in the target total remuneration for each Management Board member is generally between 20 % and 30 %, and the relative share of variable remuneration is between 70 % and 80 %. The relative share of the STI in the target total remuneration is between 20 % and 30 %, and the relative share of the LTI in the target total remuneration is between 50 % and 60 %.

In the case of one-time benefits or benefits granted for a limited period, the above relative shares of the individual remuneration components in the target total remuneration may also be deviated from for individual fiscal years.

III. MAXIMUM REMUNERATION FOR INDIVIDUAL MEMBERS OF THE MANAGEMENT BOARD

The maximum remuneration for each Management Board member is the sum of the maximum values of the individual remuneration components fixed remuneration, short-term variable remuneration (STI), long-term variable remuneration (LTI), and any Special Remuneration, as determined on the basis of the individual contractual agreements.

Notwithstanding this, the maximum remuneration is generally limited to EUR 2,600,000.00 gross for the CEO position and to EUR 1,400,000.00 gross for other Management Board members. The Supervisory Board observes that these limits are not reached in any of the current Management Board contracts. In addition, the maximum remuneration does not represent the level of remuneration for the members of the Management Board sought by the Supervisory Board or considered appropriate. It merely sets an absolute limit to avoid disproportionately high Management Board remuneration and is hence to be clearly distinguished from the target total remuneration based on ambitious targets. The maximum remuneration includes all fixed and variable remuneration components.

IV. REMUNERATION-RELATED TRANSACTIONS

1. DURATION AND REQUIREMENTS FOR THE TERMINATION OF REMUNERATION RELATED TRANSACTIONS

The service contracts of Management Board members are concluded for the duration of their appointment. Initial appointments are made for a maximum of three years; extensions of the term of appointment may be for up to five years.

In view of the fixed duration of Management Board service contracts, there is generally no provision for their ordinary termination. If the Management Board member becomes incapacitated for the purpose of work during the term of the service contract, the contract shall generally end three months after the end of the month in which the permanent incapacity for work was established.

Besides that, the respective Management Board service agreement may only be terminated before the end of its term by mutual consent through a termination agreement or through extraordinary termination for good cause. Extraordinary termination for good cause by the

Company may also be effected in particular in the event of revocation of the appointment of a member of the Management Board by the Supervisory Board for good cause in accordance with section 84 (3) AktG. In this case, the statutory periods of notice pursuant to section 622 BGB shall apply to the termination, unless there is, at the same time, good cause for immediate termination of the Management Board service agreement by the Company in accordance with section 626 BGB.

2. REGULATIONS IN THE EVENT OF THE RESIGNATION OF MANAGEMENT BOARD MEMBERS

a. Fixed remuneration

The fixed remuneration is paid for the last time for the month in which the employment contract ends..

b. STI

If the employment contract ends during a fiscal year, the STI is first determined in accordance with the respective target achievement for the fiscal year in question and then reduced proportionally.

c. LTI

With regard to the long-term variable remuneration, a distinction is made as to whether the selected Management Board member (hereinafter also referred to as the "**Beneficiary**") is a so-called "**Good Leaver**" or a "**Bad Leaver**".

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 remuneration.

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) BGB ("**Bad Leaver**"), all Stock Option Rights not yet exercised at the time of the declaration of termination shall be forfeited without remuneration.

d. Severance payment cap

If the service agreement is terminated prematurely by ordinary termination or by justified extraordinary termination by the Management Board member for good cause for which the

Company is responsible, the Management Board member shall be entitled to a severance payment.

The Management Board member shall not be entitled to severance pay in the event of justified extraordinary termination by the Company for a good cause.

In the event of premature termination of Management Board duties, payments to the Management Board member including fringe benefits may not exceed the value of one year's total remuneration; in addition, they may not exceed the total remuneration for the remaining term of the Management Board member's service contract. The severance payment cap shall be calculated on the basis of the total remuneration for the past fiscal year and, where appropriate, also on the basis of the expected total remuneration for the current fiscal year.

3. PROCEDURES FOR DETERMINING, IMPLEMENTING AND REVIEWING THE REMUNERATION SYSTEM

The system of Management Board remuneration is determined by the Supervisory Board in accordance with statutory requirements and is reviewed by the Supervisory Board on a regular basis.

In particular, the Supervisory Board also reviews the appropriateness of the remuneration in comparison with the remuneration of senior management and the rest of the workforce in relation to the Group companies (vertical appropriateness) and compares their respective remuneration with that of the Management Board. For these purposes, the Supervisory Board defines senior management as the group of executives at the first management level below the Management Board. The Supervisory Board looks not only at the current remuneration ratio, but also at how it has developed over time. The present remuneration system is also based on a review of vertical appropriateness in accordance with these principles.

In addition, the Supervisory Board also aims to review the appropriateness of the remuneration in comparison to the remuneration of the Management Board within a peer group (horizontal appropriateness). At present, however, the Supervisory Board has not yet been able to determine a suitable peer group, as in the view of the Supervisory Board, taking into account the business model and the size of the listed company, there are currently no companies that could be considered as a peer group for the purposes of assessing the horizontal appropriateness of Management Board remuneration. However, the Supervisory Board considers the Management Board remuneration under the present Management Board remuneration system to be appropriate, particularly in view of the level of Management Board remuneration in other listed companies.

If necessary, the Supervisory Board will engage an external remuneration consultant to review appropriateness. If an external remuneration consultant is engaged, the Supervisory Board shall ensure that the consultant is independent. If necessary, the Supervisory Board will engage an external remuneration consultant to review the appropriateness. In the event that an external remuneration consultant is engaged, the Supervisory Board shall ensure that the consultant is independent.

Any conflict of interest in the establishment, implementation and review of the remuneration system shall be treated by the Supervisory Board in the same way as other conflicts of interest in the person of a Supervisory Board member. The Supervisory Board member concerned must therefore disclose any conflict of interest and will not participate in the adoption of resolutions or in the deliberations. Early disclosure of any conflicts of interest ensures that the decisions of the Supervisory Board are not influenced by improper considerations.

The remuneration system adopted by the Supervisory Board is submitted to the Annual General Meeting for approval. If the Annual General Meeting does not approve the remuneration

system put to the vote, a revised remuneration system will be submitted for resolution at the latest at the following Annual General Meeting in accordance with section 120a (3) AktG.

The Supervisory Board regularly reviews the system for the remuneration of Management Board members and makes any necessary changes. Whenever there are significant changes to the remuneration system, but at least every four years, the remuneration system is submitted to the Annual General Meeting for approval in accordance with section 120a (1) sentence 1 AktG.

The present system of remuneration for the Management Board is already fundamentally anchored in the employment contracts of the current members of the Management Board of hGears AG.

C. TEMPORARY DEVIATIONS FROM THE REMUNERATION SYSTEM

The Supervisory Board may temporarily deviate from the remuneration system (procedures and regulations governing the remuneration structure) and its individual components, as well as with regard to individual remuneration components of the remuneration system, or introduce new remuneration components if this is necessary in the interests of the long-term well-being of the Company. The Supervisory Board reserves the right to make such deviations in exceptional circumstances such as an economic or corporate crisis. The possibility of deviation in this context covers the procedure, the regulations governing the remuneration structure and amount, and the individual remuneration components and in particular the performance criteria. The Supervisory Board may deviate from both the relative proportion of the individual remuneration components and their individual requirements. It may also temporarily set the fixed remuneration differently in individual cases if this is in the interests of the long-term well-being of the Company. In addition, the Supervisory Board may temporarily grant additional remuneration components or replace individual remuneration components with other remuneration components to the extent necessary to restore the appropriateness of Management Board remuneration in the specific situation. Such deviations may temporarily lead to a deviation from the maximum remuneration for the Chairman of the Management Board or other ordinary members of the Management Board.

NOTES TO ITEM 6 OF THE AGENDA - Remuneration system for members of the Supervisory Board

Remuneration system for the Supervisory Board of hGears AG

The remuneration of the Supervisory Board members is specified in Figure 13 of the Article of Association of hGears AG. Accordingly, the Supervisory Board members receive fixed remuneration based on their function on the Supervisory Board.

The expenses incurred by the Supervisory Board members in the performance of their duties are reimbursed by the Company. The value-added tax is reimbursed by the Company to the extent that the Supervisory Board members are entitled to invoice the Company separately for the value-added tax and exercise this right.

The remuneration system of the Supervisory Board has been enhanced and is now to include remuneration for membership of the Audit Committee, which was formed by the Supervisory Board with effect from January 1, 2022. The remuneration for Audit Committee membership is to apply from January 1, 2022.

The remuneration of the Supervisory Board is as follows:

Fixed remuneration

- The Supervisory Board members receive fixed remuneration for each full financial year of membership of the Supervisory Board amounting to EUR 30,000.00 for the individual member.
- For the Supervisory Chairman, the fixed remuneration is EUR 40,000.00 and for the Supervisory Board Deputy Chairman EUR 35,000.00.

Committee remuneration

- In addition to the fixed remuneration, the Supervisory Board members receive annual remuneration of EUR 15,000.00. The Chairman of the Audit Committee receives an annual remuneration of EUR 17,500.00.

Payment

- The fixed remuneration and the committee remuneration are due to payment at the end of each financial year.

Supervisory Board members who are members of the Supervisory Board or a committee for only part of the financial year or who chair or deputy-chair the Supervisory Board or chair a committee receive the fixed remuneration on a time-proportionate basis.

The Company is authorized to take out financial loss insurance (so called D&O, directors and officers liability insurance) for the Supervisory Board members, with the insurance premium being paid by the Company.

The Company also reimburses Supervisory Board members for any value-added tax due on the remuneration and the reimbursement of expenses to the extent that the Supervisory Board members are entitled to invoice the Company separately for the value-added tax and exercise this right.

The Supervisory Board members receive appropriate remuneration, the structure and amount of which reflect the requirements and responsibilities of the office as well as the time commitment involved. This enables highly qualified candidates to be recruited for the Supervisory Board. Neutrality and objectivity in the interests of the Company are ensured by granting solely fixed remuneration that is not tied to performance. In any case, this complies with the

suggestion G18 of the German Corporate Governance Code. Overall, the remuneration system for the Supervisory Board thus contributes to promoting the Company's business strategy and long-term development.

In accordance with section 113 (3) sentence 1 AktG, the remuneration of the Supervisory Board members is to be reviewed at least every four years and a resolution approving the remuneration passed at the Annual General Meeting; a confirming resolution is also possible under section 113 (3) sentence 2 half-sentence 1 AktG. If the Annual General Meeting does not approve the remuneration system, a revised remuneration system is to be submitted for approval by no later than the following Annual General Meeting. The review also regularly includes a comparison with other listed companies of a comparable size. If necessary, an external remuneration advisor who is independent of the Management Board and Supervisory Board may provide support in this regard. The Supervisory Board and the Management Board jointly submit proposals for revising or confirming the remuneration of the members of the Supervisory Board.

Potential conflicts of interest in the review of the remuneration system are averted through the statutory allocation of powers. This is because the sole decision-making authority on the remuneration for the Supervisory Board is held by the Annual General Meeting in accordance with section 113 AktG. In all other respects, the Supervisory Board's general rules on conflicts of interest apply and stipulate that the Supervisory Board provides information in its report to the Annual General Meeting on any conflicts of interest that have arisen and how they have been averted.

NOTES TO ITEM 7 OF THE AGENDA - Remuneration report in accordance with section 162 AktG for fiscal year 2021

Remuneration report in accordance with section 162 AktG

A. REMUNERATION OF THE MEMBERS OF THE MANAGEMENT BOARD

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 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 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 June 22, 2022, in accordance with section 120a (4) AktG for voting.

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) AktG, resolved on March 29, 2022, and will be submitted to the Annual General Meeting of hGears AG on June 22, 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"> • Performance target / proportion: <ul style="list-style-type: none"> ○ Group sales (50%) ○ Group-EBITDA (25%) ○ ESG-target (25%)
Long-term variable remuneration (LTI) (Stock options plan)		<ul style="list-style-type: none"> • granting of stock option in three tranches on a yearly basis • Performance target met regardless of share price development • Waiting period for exercise of stock options: 4 years after granting
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 Management 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 fiscal year 2021

Management Board Member, Position	Bonus components	Proportion	Target	Target met in %	STI Bonus
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) BGB ("**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:

Management Board Member	Granted Stock Option Rights / Tranche 2021	Current value at grant date
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
Performance-in-dependent Remuneration	Base remuneration ¹	244	23%	153	12%
	+ Fringe benefits	23	2%	30	2%
	= Total	267	25%	183	14%
Performance-dependent Remuneration	+ Short-term variable remuneration (STI)	450	42%	140	11%
	+ Long-term variable remuneration (LTI)	348	33%	217	17%
	+ Special compensation	-	-	-	-
	+ One-time special payment (IPO Bonus)	-	-	750	58%
	= Total Remuneration (TR i. S. d. section 162 AktG)	1.065	100%	1.290	100%
	= 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.

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

¹ 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.

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 April 27, 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.

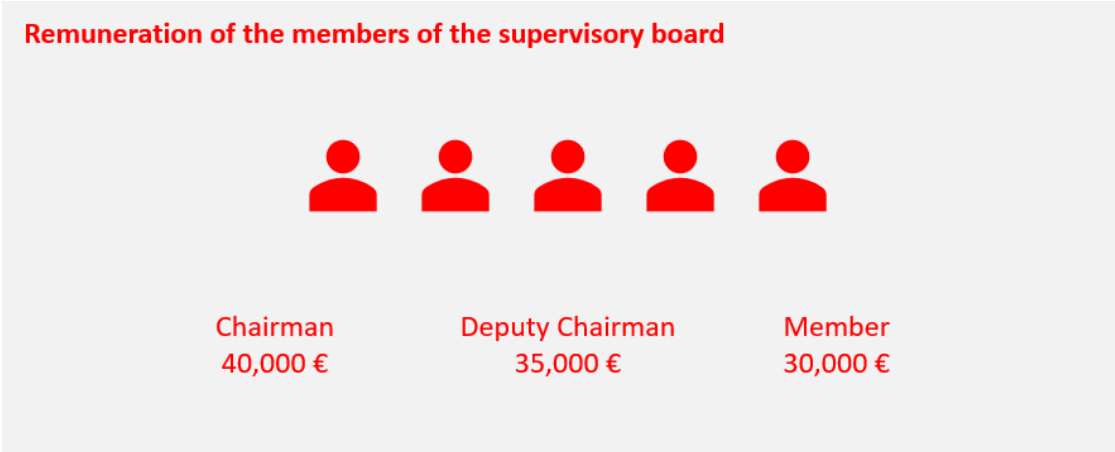
The remuneration is payable after the end of the respective financial year.

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 ²
	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

Schramberg, March 29, 2022

Volker Stauch
(Chairman of the Supervisory Board)

Pierluca Sartorello
(Chairman of the Management Board)

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

Report of the independent auditor on the audit of the remuneration report pursuant to section 162 (3) AktG

Report of the independent auditor on the audit of the compensation report pursuant to section 162 (3) AktG to the hGears AG, Schramberg

Opinion

We have audited the formal aspects of the remuneration report of hGears AG, Schramberg, for the fiscal year from January 1 to December 31, 2021, to determine whether the disclosures required by section 162 (1) and (2) AktG have been made therein. In accordance with section 162 (3) AktG, we have not audited the content of the remuneration report.

In our opinion, the disclosures required by section 162 (1) and (2) have been made in the accompanying remuneration report in all material respects. Our opinion does not cover the content of the remuneration report.

Basis of the opinion

We conducted our audit of the remuneration report in accordance with section 162 (3) AktG and in compliance with the IDW Auditing Standard: Audit of the Remuneration Report in Accordance with section 162 (3) AktG (IDW AuS 870). Our responsibilities under this provision and standard are further described in the “Responsibilities of the auditor” section of our report. As an audit firm, we applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1). We complied with the professional obligations pursuant to the WPO [“*Wirtschaftsprüferordnung*”: German Law Regulating the Profession of Wirtschaftsprüfer (German Public Auditor)] and the BS WP/vBP [“*Berufssatzung für Wirtschaftsprüfer/vereidigte Buchprüfer*”: Professional Charter for German Public Accountants/German Sworn Auditors] including the requirements regarding independence.

Responsibilities of the legal representatives and supervisory board

The legal representatives and supervisory board are responsible for the preparation of the remuneration report and the related disclosures in compliance with the requirements of Section 162 AktG. In addition, they are responsible for such internal control as they determine is necessary to enable the preparation of a remuneration report and the related disclosures that are free from material misstatement, whether due to fraud or error.

Responsibilities of the auditor

Our objectives are to obtain reasonable assurance about whether the disclosures required by Section 162 (1) and (2) AktG are made in the remuneration report in all material respects and to express an opinion thereon in a report.

We planned and performed our audit so as to determine the formal completeness of the remuneration report by comparing the disclosures made in the remuneration report with the disclosures required by Section 162 (1) and (2) AktG. In accordance with Section 162 (3) AktG, we have not audited the accuracy of the disclosures, the completeness of the individual disclosures or the fair presentation of the remuneration report.

Stuttgart, March 29, 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Marcus Nickel
Wirtschaftsprüfer

Denis Etzel
Wirtschaftsprüfer

Further information on the invitation

1. Virtual Annual General Meeting without shareholders attending in person

In accordance with section 1(a), (2) and (6) sentence 1 of the German Act concerning measures under the law of companies, cooperative societies, associations, foundations and commonhold property to combat the effects of the COVID-19 pandemic of March 27, 2020 (*Gesetze über Maßnahmen im Gesellschafts-, Genossenschafts-, Vereins-, Stiftungs- und Wohnungseigentumsrecht zur Bekämpfung der Auswirkungen der COVID-19-Pandemie vom 27. März 2020*; Federal Law Gazette I No. 14, 2020, p. 570), as amended by the German Act on the further shortening of the residual debt relief procedure and the adjustment of pandemic related provisions under the law of companies, cooperative societies, associations foundations and commonhold property of December 22, 2022 (*Gesetz zur weiteren Verkürzung des Restschuldbefreiungsverfahrens und zur Anpassung pandemiebedingter Vorschriften im Gesellschafts-, Genossenschafts-, Vereins- und Stiftungsrecht sowie im Miet- und Pachtrecht vom 22. Dezember 2020*; Federal Law Gazette I No. 67, 2020, p. 3332), the applicability of which was extended until August 31, 2022 by the German Act of the establishment of a "Development Aid 2021" Fund and on the temporary suspension of the duty to file for insolvency on account of heavy rainfall and flooding in July 2021 and on the amendments of other law of September 10, 2021 (*Gesetz zur Errichtung eines Sondervermögens „Aufbauhilfe 2021“ und zur vorübergehenden Aussetzung der Insolvenzantragspflicht wegen Starkregenfällen und Hochwassern im Juli 2021 sowie zur Änderung weiterer Gesetze*; Federal Law Gazette I no. 63, p. 4153)(hereinafter referred to as the "**COVID-19 Act**"), the Management Board has determined, with the approval of the Supervisory Board, that the Annual General Meeting will be held without shareholders or their authorized representatives attending in person (with the exception of the voting representatives appointed by the Company) as a virtual Annual General Meeting, and that the shareholders will vote by way of electronic communication in particular. The Annual General Meeting will be held at the Frankfurt Marriott Hotel, Hamburger Allee 2, 60486 Frankfurt am Main, Germany, with the members of the Management Board, the Chairman and the Deputy Chairman of the Supervisory Board, the voting representatives of the Company and a notary public engaged to take the minutes of the Annual General Meeting attending in person.

Holding the 2022 Annual General Meeting as a virtual meeting in accordance with the German COVID-19 Act requires modifications to the procedures of the Annual General Meeting and to shareholders' rights. The Annual General Meeting will be streamed live (audio and video) on the Internet for all duly registered shareholders and their authorized representatives. Shareholders will be permitted to exercise their voting rights and to grant authorizations in writing or by means of electronic communication (postal voting). Shareholders will be granted a right to ask questions by means of electronic communication and can file objections to resolutions of the Annual General Meeting by means of electronic communication.

We ask the shareholders and their authorized representatives to pay special attention to the following information on registering for the virtual Annual General Meeting, exercising voting rights and other shareholder rights.

All times stated in the invitation are Central European Summer Time (CEST) in Germany. In terms of Coordinated Universal Time (UTC), UTC = MESZ minus two hours.

2. **Conditions for participating in the virtual Annual General Meeting and exercising voting rights**

In accordance with Article 15.1 of the Articles of Association, only those shareholders who register for the virtual Annual General Meeting and provide evidence of their shareholdings are entitled to participate in the Annual General Meeting and exercise their voting rights. The registration must be received by the Company in text form (section 126b German Civil Law Act (*Bürgerliches Gesetzbuch – BGB*)) in German or English. Evidence of shareholdings must refer to the start of the 21st day before the Annual General Meeting, i.e. midnight at the start of June 01, 2022 (CEST), (the “**record date**”). Proof of shareholdings pursuant to section 15.1 of the Articles of Association in accordance with section 67c (3) AktG will be sufficient. The registration and proof of share ownership must be received by the Company at the latest by the end of June 15, 2022, 24:00 hours (CEST) at the following address.

hGears AG
c/o Link Market Services GmbH
Landshuter Allee 10
80637 München
E-Mail: inhaberaktien@linkmarketservices.de

Significance of the record date

Only those shareholders who have provided the Company with evidence of their shareholdings will be considered shareholders for the purposes of participating in the Annual General Meeting and exercising voting rights. Entitlement to participate in the Annual General Meeting and the number of voting rights are exclusively determined by the shareholder’s shareholdings as of the record date. The record date does not prevent shareholders from selling their shareholdings. Even in the event of the full or partial sale of shareholdings after the record date, the exercise of shareholder rights, participation in the Annual General Meeting and the number of voting rights are exclusively determined by the shareholder’s shareholdings on the record date, i.e. the sale of shares after the record date has no effect on the shareholder’s entitlement or the number of voting rights. The same applies to the purchases of (additional) shares after the record date. Any person who is not a shareholder on the reference date, for example, but who purchases shares before the virtual Annual General Meeting is not entitled to participate or vote. The record date also has no effect on entitlement to dividends.

After the registration and evidence of shareholdings have been received by the Company, the shareholders or their authorized representatives will be sent a registration confirmation and information on how to electronically access the virtual Annual General Meeting including the individual access data for the portal.

3. Authorization

(a) Procedure for voting through an authorized representative

Shareholders can also exercise their voting rights through an authorized representative, e.g. an intermediary, a voting right consultant, a shareholders' association or another person of their choice. Even in these cases, shareholders must register and provide proof of ownership as of the record date in due time. If the shareholder authorizes more than one person, the Company is entitled to reject one or more of the persons in accordance with section 134 (3), sentence 2 AktG.

Authorized representatives cannot attend the Annual General Meeting in person. They can only exercise the voting rights conveyed by the shareholders they represent by postal voting or by granting (sub-) authorization, in particular to the voting representatives appointed by the Company. Written or electronic form is required to issue, revoke or provide documentary evidence of an authorization to the Company (section 126b BGB).

Shareholders who wish to authorize an intermediary, a voting right consultant, a shareholder association or any equivalent institutions or persons referred to by section 135 AktG to vote on their behalf should note that in such cases the institution or person in question may require a particular form of authorization as they must retain a verifiable record of the authorization in accordance with section 135 AktG. We therefore advise such shareholders to coordinate the proper form of authorization with their authorized representatives.

Evidence of authorization or notice of revocation of such authorization can be submitted to the Company at the following postal or e-mail address:

hGears AG
c/o Link Market Services GmbH
Landshuter Allee 10
80637 München
E-Mail: inhaberaktien@linkmarketservices.de

If the granting or proof of a authorization or its revocation is made by way of a declaration to the Company by mail, this must be received by the Company by June 21, 2022, 24:00 hours (CEST), (date of receipt) for organizational reasons. Transmission to the Company by e-mail is also still possible up to the start of voting on the day of the Annual General Meeting.

Shareholders intending to authorize a representative are requested to use the form provided by the Company for this purpose on the voting rights card sent to them in advance of the Annual General Meeting. In addition, a authorization form can also be downloaded from the Company's website at

<https://ir.hgears.com/annual-general-meeting/>

The exercise of rights by a authorized representative and the connection via the portal require that the authorized representative receives from the principal the access data sent with the voting rights card, unless the access data has been sent directly to the authorized representative.

(b) Procedure for voting through a voting representative appointed by the Company

The Company also offers shareholders the option of being represented by a voting representative appointed by the Company but bound by the shareholder's instructions. Written or electronic form is required to issue, revoke or provide documentary evidence of an authorization to the Company (section 126b BGB). The form sent to shareholders with their registration confirmation can be used to authorize a voting representative appointed by the Company. Please note that even when authorizing a voting representative appointed by the Company, shareholders must still register and provide evidence of their shareholdings in line with the above provisions. The authorization and instructions to the voting representative should be submitted to the following postal address or e-mail address before the Annual General Meeting by the end of June 21, 2022 (midnight, CEST):

hGears AG
c/o Link Market Services GmbH
Landshuter Allee 10
80637 München
E-Mail: inhaberaktien@linkmarketservices.de

Moreover, the hGears Shareholder Portal, which can be accessed on the Company's website at

<https://ir.hgears.com/annual-general-meeting/>

can also be used to submit, revoke or modify any authorizations or instructions issued to the voting representatives appointed by the Company before and during the virtual Annual General Meeting until the start of voting.

The voting representatives appointed by the Company cannot accept any instructions to submit questions, propose motions or file objections.

4. **Procedure for postal voting**

Shareholders or their authorized representatives have the option of voting by post. This can be done in writing or by means of electronic communication. The form printed on the registration confirmation can be used for postal voting. Shareholders will receive the postal voting form together with their registration confirmation, which will be sent to them after they have duly registered on time as described above.

Postal votes can be submitted, modified or revoked by written mail or e-mail by the end of June 21, 2022 (midnight, CEST), using the address provided under section 3 a) "Procedure for voting through an authorized representative".

Furthermore, postal votes can be submitted by means of electronic communication using the hGears Shareholder Portal, which can be accessed on the Company's website at

<https://ir.hgears.com/annual-general-meeting/>

Postal votes can be submitted, altered or revoked electronically using the hGears Shareholder Portal before and during the virtual Annual General Meeting until the start of voting.

Please note that even when using the postal vote procedure, shareholders must still register and provide evidence of their shareholdings in line with the above provisions.

Shareholders can find further details on the form sent with their registration confirmation.

5. **Additional information on exercising voting rights**

If voting rights are exercised on time by multiple channels (by letter, e-mail, electronically using the hGears Shareholder Portal or by postal vote in accordance with section 67c(1) and (2) sentence 3 AktG in conjunction with Article 2(1) and (3) and Article 9(4) of the Implementing Regulation (EU) 2018/1212) or if an authorization and any instructions are issued, these will be accepted in the following order regardless of when they are received: 1. electronically using the hGears Shareholder Portal, 2. in accordance with section 67c(1) and (2) sentence 3 AktG in conjunction with Article 2(1) and (3) and Article 9(4) of the Implementing Regulation (EU) 2018/1212, 3. by e-mail and 4. by letter.

If multiple postal votes or authorizations and instructions are received on time by the same channel, the last declaration received is binding.

A vote cast at a later time as such does not count as the revocation of a vote cast at an earlier time.

The last revocation, received on time, of a declaration is binding.

The following applies if declarations with more than one form of a voting right being exercised are received by the same channel: Postal votes take precedence over authorizations/instructions issued to voting representatives of the Company and the latter take precedence over authorizations/instructions issued to an intermediary, a shareholder association, a voting right consultant in accordance with section 134a AktG or an equivalent person in accordance with section 135(8) AktG.

6. **Information on shareholders' rights in accordance with section 122(2), section 126(1), section 127 AktG, section 1(2), sentence 1, no. 3, sentence 2 of the COVID-19 Act**

(a) Additions to the agenda (section 122(2) AktG)

Shareholders whose combined shares amount to at least one-twentieth of the Company's share capital (520,000 shares at the time of the Annual General Meeting being convened) or a pro rata amount of EUR 500,000 can request that items be placed on the agenda and published. Each new item must be accompanied by grounds or a proposed resolution.

The request must be sent to the Management Board in writing. The Company must receive requests for additions to the agenda at least 30 days before the Annual General Meeting, i.e. by the end of May 22, 2022 (midnight, CEST), at the following address:

The Management Board of hGears AG
– Annual General Meeting –
Brambach 38
78713 Schramberg, Germany

Applicants must provide evidence that they have held shares for at least 90 days before the date when the request is received and that they will hold the shares until the Management Board makes a decision on the application.

Additions to the agenda that must be disclosed publicly will be published in the Federal Gazette and passed on for publication to media that can be expected to disseminate the information throughout the entire European Union immediately after the request is received. They will also be published on the Company's website at

<https://ir.hgears.com/annual-general-meeting/>

and shareholders will be made aware of them.

(b) Countermotions and nominations (sections 126(1) and 127 AktG)

Each shareholder is entitled to submit countermotions and nominations to the Company before the Annual General Meeting in accordance with sections 126 (1), 127 AktG. The Company will publish the countermotions and nominations on its website provided that they satisfy the relevant statutory requirements.

If countermotions or nominations must be published in advance by the Company in accordance with sections 126 and 127 AktG, they must be sent to the following address no later than 14 days before the date of the Annual General Meeting, i.e. by no later than the end of June 07, 2022 (midnight, CEST):

hGears AG
– Annual General Meeting –
Brambach 38
78713 Schramberg, Germany
E-Mail: hv@hgears.com

Countermotions and nominations sent elsewhere will not be considered. Furthermore, under certain other conditions governed in more detail by sections

126 and 127 AktG, the Company can also opt not to publish countermotions (or their grounds) or nominations, in full or in part, or it can combine them. Grounds do not have to be provided for nominations. A nomination for a member of the Supervisory Board must contain the name, profession and place of residence of the nominee in addition to information on their membership of other statutory supervisory bodies. The nomination, including the name of the shareholder, any grounds to be disclosed, mandatory disclosures in accordance with section 127(4) AktG and any statement by the administration will be published on the Company's website at

<https://ir.hgears.com/annual-general-meeting/>

As the COVID-19 Act is designed, shareholders cannot submit any countermotions or nominations during the virtual Annual General Meeting. Any countermotions or nominations that must be published in accordance with sections 126 or 127 AktG are considered to have been raised at the virtual Annual General Meeting if the shareholder bringing the motion or making the nomination has been properly authenticated and has registered for the Annual General Meeting.

- (c) Right to ask questions by means of electronic communication (section 1(2), sentence 1, no. 3, sentence 2 of the COVID-19 Act)

Under section 1(2), sentence 1, no. 3 of the COVID-19 Act, any shareholder who has registered for the virtual Annual General Meeting is entitled to exercise their right to ask questions by means of electronic communication. The Management Board has stipulated that questions must be submitted by means of electronic communication no later than one day before the meeting.

Questions must be submitted using the hGears Shareholder Portal, which can be accessed on the Company's website at

<https://ir.hgears.com/annual-general-meeting/>

by no later than the end of June 20, 2022 (midnight, CEST).

The Management Board will decide at its own due discretion how it answers questions, section 1(2), sentence 2 of the COVID-19 Act. Please note that under section 1(2) of the COVID-19 Act, you will be able to participate in the virtual Annual General Meeting electronically this year, but that you will not have any comprehensive right to request information or to speak by means of video and audio transmission beyond the right to ask questions in the manner described above.

Further information on shareholders' rights can be found on the Company's website at

<https://ir.hgears.com/annual-general-meeting/>

7. Filing objections to resolutions adopted at the Annual General Meeting

Subject to the waiver of the requirement to appear at the Annual General Meeting, shareholders who have exercised their voting rights by means of electronic communication or by granting authorization will have the option to object to resolutions adopted at the Annual General Meeting. Such declarations must be sent to the notary public using the hGears Shareholder Portal, which is available on the Company's website at

<https://ir.hgears.com/annual-general-meeting/>

and can be submitted from the start of the Annual General Meeting until it is closed by the chairman of the meeting.

8. **Video and audio stream of the virtual Annual General Meeting**

The video and audio stream of the Annual General Meeting on the Internet will be available to duly registered shareholders or their authorized representatives using the hGears Shareholder Portal, which can be accessed on the Company's website at

<https://ir.hgears.com/annual-general-meeting/>

9. **Total number of shares and voting rights**

At the time of the Annual General Meeting being convened, the share capital of the Company is divided into 10,400,000 shares with the same number of voting rights.

There are therefore 10,400,000 voting rights.

10. **Data protection**

hGears AG processes the personal data of its shareholders and any shareholder representatives in order to prepare and conduct its virtual Annual General Meeting. The purpose of processing this data is to enable shareholders and shareholder representatives to participate in the virtual Annual General Meeting and to exercise their rights before and during the virtual Annual General Meeting.

hGears AG processes this data as the controller in accordance with the provisions of the EU General Data Protection Regulation (GDPR) and all other relevant laws. Details on the handling of personal data and rights in accordance with the European General Data Protection Regulation can be found on the Company's website at

<https://ir.hgears.com/annual-general-meeting/>

Schramberg, May 2022

The Management Board