



Remuneration Report 2022

Introduction

hGears AG is a listed company and as such required to publish a remuneration report in accordance with section 162 of the German Stock Corporation Act (*AktG*). The remuneration report presents and explains in a clear and comprehensible manner the remuneration granted and owed individually to the members of the Management Board and the Supervisory Board of hGears AG in the fiscal year 2022. The report complies with the requirements of the German Stock Corporation Act (*AktG*).

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

The remuneration report was prepared by the Management Board and Supervisory Board and will be submitted to the Annual General Meeting of the Company on 13. June 2023 in accordance with section 120a (4) *AktG* for voting. The remuneration report for the financial year 2021, which was prepared on the basis of the provisions of section 162 *AktG* for the first time, was subjected to a formal review by the auditor PricewaterhouseCooper (PwC) and submitted to the Annual General Meeting on 22. June 2022 for voting under agenda item 7. The report of PwC on the audit was attached to the Remuneration Report 2021 and published on the Company's website. The Annual General meeting approved the submitted remuneration report with an approval rate of 61.92%, so that no adjustment in the form of the Remuneration Report was necessary.

Pursuant to section 120a *AktG* the General Meeting of a listed company must resolve on the approval of the remuneration system for the members of the executive board adopted by the supervisory board pursuant to section 87a *AktG*, whenever there is a significant change, but at least every four years. The remuneration system of the company was submitted to the Annual General Meeting on 22. June 2022 for approval under agenda item 5. The Annual General Meeting approved the remuneration system for the members of the Executive Board with a majority of 65.84%. The remuneration system applies to all active members of the Executive Board in the financial year 2022.



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A. Remuneration of the Members of the Management Board

I. Overview of the Remuneration System

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

The Supervisory Board as a whole is responsible for determining the remuneration of the individual members of the Management Board and for defining, reviewing and implementing the remuneration system for the entire Management Board. In doing so, it also takes into account the guidelines and recommendations on the system of Management Board remuneration of the German Corporate Governance Code (GCGC) in its currently applicable version. The present system of Management Board remuneration was determined by the Supervisory Board in accordance with the legal requirements in sections 87 (1), 87a (1) of the German Stock Corporation Act ("**AktG**"), resolved on 29 March 2022 and submitted by the Annual General Meeting of hGears AG on 22. June 2022. 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 remuneration 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 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



II. Management Board Remuneration in the Financial Year 2022

1. Fixed remuneration

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

Basic remuneration

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

The basic remuneration granted in the financial year 2022 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 remuneration.

In addition, the Company grants Management Board member Daniel Basok a contribution towards 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 revenue ("**Partial Bonus I**") and for the achievement of budgeted adjusted IFRS Group 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.

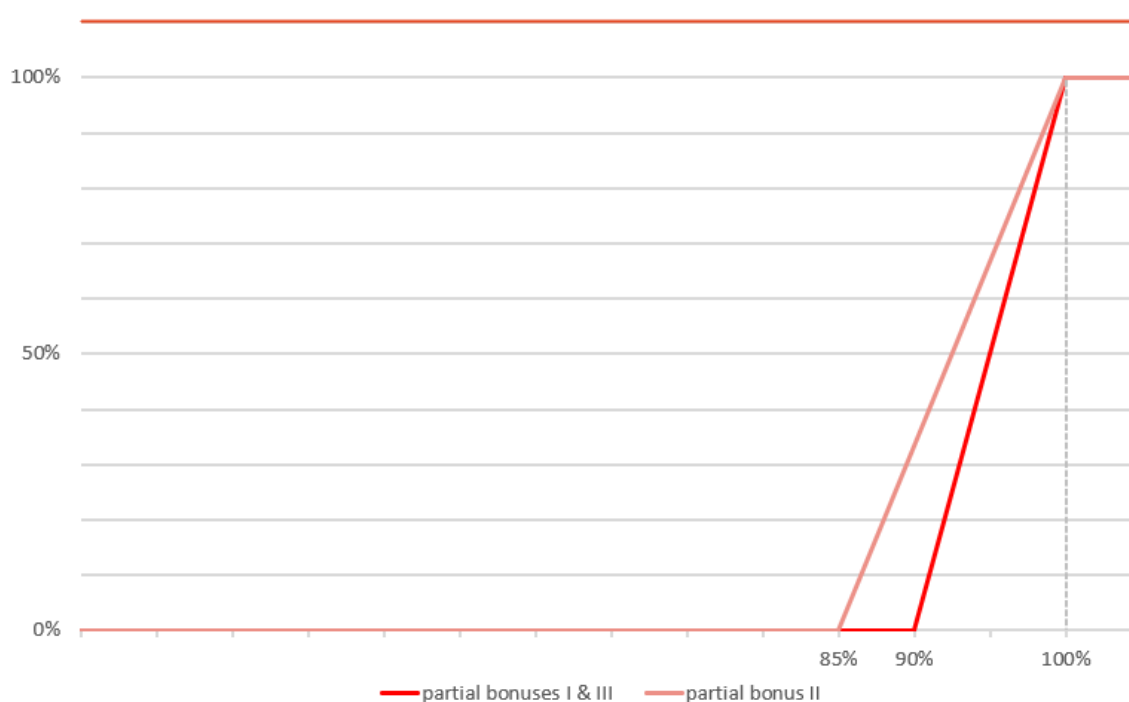
Partial bonus III:

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:

STI partial bonuses in % of the target amount



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 remuneration in the case of the CEO and between 0% and 110% of the STI target remuneration 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.

b. STI for the financial year 2022

Management Board Member, Position	Bonus components	Pro-portion	Target	Target met in %	STI Bonus Amount
Pierluca Sartorello CEO	Partial Bonus I	50%	kEUR 147,969	14.4 %	EUR 46,864.58
	Partial Bonus II	25%	kEUR 22,308	0 %	EUR 0
	Partial Bonus III	25%	Implementation of EU-Taxonomy requirements for 2022	100 %	EUR 162,500.00
Daniel Basok CFO	Partial Bonus I	50%	kEUR 147,969	14.4 %	EUR 10,093.91
	Partial Bonus II	25%	kEUR 22,308	0 %	EUR 0
	Partial Bonus III	25%	Implementation of EU-Taxonomy requirements for 2022	100 %	EUR 35,000.00

Management Board Member, Position	STI Total Bonus Amount	Discretion (+/-)	STI Total Bonus Payment Amount
Pierluca Sartorello CEO	EUR 650,000.00	-	EUR 209,364.58
Daniel Basok CFO	EUR 140,000.00	-	EUR 45,093.91

3. Long-term variable Remuneration (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 stock option programmes.

a. SOP 2021

i. Basic features and functioning of the LTI (SOP 2021)

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**"). By resolution of the Annual General Meeting on 22. June 2022 the Conditional Capital 2021/II was reduced by EUR 190,500.00 to up to EUR 547,900.00 by issuing up to 547,900 new, no-par values bearer shares.

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 specifically incentivise members of the Management Board of the Company by issuing option rights to shares of 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.

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 Conditional 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).



- For the fiscal year 2021, the granting of the stock option rights of the 2021 tranche took place on June 2, 2021 ("**2021 Tranche**").
- The granting of the stock option rights of the 2022 tranche for the 2022 financial year took place on 13. April 2022 ("**2022 Tranche**").
- The 2023 tranche will be issued on the tenth trading day after the publication of the annual financial report for the 2022 financial year ("**2023 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 remuneration 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 day 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 become not yet exercisable shall vest on the date of termination of the employment relationship and, to the extent that the stock option rights becomes exercisable, 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 and indemnification.

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

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

ii. 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 was 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 was entitled to an allocation of 65,000 stock option rights each under the Tranches



2021 and 2022 and is entitled to an allocation of 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 performance targets for the 2021 tranche were not achieved, so that the stock option rights allocated on the basis of the granted share options could not be exercised.

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).

iii. Stock option rights granted under SOP 2021 / Tranche 2022

By resolution of the Supervisory Board dated April 13, 2022, a total of 169,000 stock option rights were issued to members of the Management Board under the 2022 tranche as follows:

Management Board Member	Granted stock option rights / Tranche 2022	Current value at grant date
Pierluca Sartorello	104.000 Stock option rights	EUR 212,113.84
Daniel Basok	65.000 Stock option rights	EUR 132,571.15

The performance target for the 2022 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, 2022 did not exceed the exercise price by 30%.

b. SOP 2022

i. Basic features and functioning of the LTI (SOP 2022)

By resolution of 22. June 2022, the Annual General Meeting of the Company authorised 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 190,500 subscription rights ("**Stock Option Rights**") for up to 190,500 no-par value bearer shares of the Company with a par value of EUR 1.00 ("**Company Shares**") to the beneficiaries until the end of 30.



November 2022. In order to be able to service the Stock Option Rights in the event of their exercise, the Annual General Meeting resolved by way of a resolution dated 22. June 2022 to create conditional capital in the amount of up to EUR 190,500.00 by issuing up to 190,500 new no-par value bearer shares ("**Conditional Capital 2022/I**").

On the basis of this authorization, the Supervisory Board of the Company resolved on [3. August] 2022 to introduce the SOP 2022 for the Management Board ("**SOP 2022**"). The objective of the SOP 2022 is to specifically incentivise members of the Management Board of the Company by issuing option rights on shares of the Company. At the same time, the programme participants are to be bound to the company and participate in the long-term performance of the company.

The beneficiaries are members of the Management Board of the Company ("**Beneficiary**") if they are in an employment relationship with the Company at the time the Stock Option Rights are granted.

Content of the Stock Options Rights

Each Stock Option Right granted under the SOP 2022 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 the Conditional Capital 2022/I created for this purpose against payment of the exercise price. Alternatively, the Company may grant treasury shares against payment of the exercise price.

Issue date for the Stock Option Rights

The Stock Option Rights were issued in one tranche on 3. August 2022 ("**SOP 2022 Tranche**").

Waiting period and term of the Stock Option Rights

The waiting period and term of the Stock Option Rights under the SOP 2022 correspond to the SOP 2021; in this respect, reference is made to the explanations given above regarding the waiting period and term.

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 subject to the fulfilment of the performance targets set out below.

Upon exercise of the Stock Option Rights, the exercise price shall be paid 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

The exercise periods of the Stock Option Rights from the SOP 2022 correspond to the SOP 2021; in this respect, reference is made to the explanations on exercise periods given above.

Performance target

The Stock Option Rights of the SOP 2022 tranche may be exercised after the expiry of the waiting period if and to the extent that the arithmetic mean of the closing prices of the Company's shares in Xetra trading (or in a comparable successor system) on the Frankfurt Stock Exchange on the last 20 trading days prior to 31. December 2022 exceeds EUR 26.16.

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 remuneration of the beneficiary due to extraordinary, unforeseen developments. The responsibility for rejection lies exclusively with the Supervisory Board.

Expiration of Stock Option Rights

The regulations on the forfeiture of Stock Option Rights from the SOP 2022 correspond to the SOP 2021; in this respect, reference is made to the explanations given above on the forfeiture of Stock Option Rights.



ii. Stock Options granted under the SOP 2022

The members of the Management Board of the Company's Pierluca Sartorello (CEO) and Daniel Basok (CFO) participate in the SOP 2022 as beneficiaries.

Pierluca Sartorello was entitled to an allocation of 104,000 Stock Option Rights each under the 2022 SOP.

Daniel Basok was entitled to an allocation of 65,000 Stock Option Rights each under the 2022 SOP.

iii. Stock Option Rights granted under the SOP 2022

By resolution of the Supervisory Board dated 3. August 2022, a total of 169,000 Stock Option Rights were issued to the members of the Management Board under the SOP 2022 tranche as follows:

Board member	Stock Option Rights granted / 2022 tranche	Fair value at grant date
Pierluca Sartorello	104.000 Stock Option Rights	EUR 2.760,52
Daniel Basok	65.000 Stock Option Rights	EUR 1.725,33

The performance target for the SOP 2022 tranche of Stock Option Rights was not 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 did not exceed EUR 26.16 on the last 20 trading days prior to 31. December 2022.

4. 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.

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



Special remuneration for special merits and achievements was not granted for fiscal year 2022.

5. Granted and owed remuneration

The following tables show the remuneration granted and owed to the members of the Management Board in fiscal year 2022 in accordance with section 162 (1) sentence 1 AktG. Accordingly, the tables contain all amounts actually received by the individual Management Board members in the reporting period ("**Remuneration Granted**") and all remuneration legally due but not yet received ("**Remuneration Owed**").

In the section "Short-term variable remuneration," the bonus is considered "remuneration owed", as the underlying performance was fully achieved by the balance sheet date of December 31, 2022. Thus, the paid bonus amounts are stated for the reporting year 2022, even though payment will only be made after the end of the reporting year 2022. This enables transparent and understandable reporting and ensures the link between performance and remuneration in the reporting period.

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

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

Tables: Granted and owed remuneration

Remuneration granted and owed pursuant to section 162 (1) sentence 1 AktG – in the financial year 2022		Pierluca Sartorello CEO					
		2022		2021		Change 2022 compared to 2021	
		In kEUR	In % TR	In kEUR	In % TR	In kEUR	In % TR
As at 31. December 2022 acting member of the Executive Board							
Performance-independent remuneration	Basic remuneration ¹	400	47	244	23	+156	+64
	+ Ancillary services	26	3	23	2	+3	+13
	= Total	426	50	267	25	+159	+60
Performance-related remuneration	+ Short-term variable remuneration (STI)	209	25	450	42	-241	-54
	+ Long-term variable remuneration (LTI)	215	25	348	33	-133	-38
	IPO-Bonus	-	-	-	-	-	-
	+ Special remuneration	-	-	-	-	-	-
	= Total remuneration (TR within the meaning of section 162 AktG)	850	100	1.065	100	-215	-20
	= Ratio success-independent to success-dependent	100%		33%			

¹ The base remuneration indicates the remuneration pro rata for the financial year 2021 starting with the entry into force of the employment contracts with the members of the Executive Board on 21. May 2021, the day of the first admission of the shares to trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange.

Remuneration granted and owed pursuant to section 162 (1) sentence 1 AktG – in the financial year 2022		Daniel Basok CFO					
		2022		2021		Change 2022 compared to 2021	
		In kEUR	In % TR	In kEUR	In % TR	In kEUR	In % TR
As at 31. December 2022 acting member of the Executive Board							
Performance-independent remuneration	Basic remuneration ²	250	52	153	12	+97	+63
	+ Ancillary services	51	11	30	2	+21	+70
	= Total	301	63	183	14	+118	+64
Performance-related remuneration	+ Short-term variable remuneration (STI)	45	9	140	11	-95	-68
	+ Long-term variable remuneration (LTI)	134	28	217	17	-83	-38
	+ IPO-Bonus	-	-	750	58	-750	-100
	+ Special remuneration	-	-	-	-	-	-
	= Total remuneration (TR within the meaning of section 162 AktG)	480	100	1.290	100	-810	-63
	= Ratio success-independent to success-dependent	168%		17%			

² The base remuneration indicates the remuneration pro rata for the financial year 2021 starting with the entry into force of the employment contracts with the members of the Executive Board on 21. May 2021, the day of the first admission of the shares to trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange.



6. Contribution of remuneration to strategic objectives

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

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

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

The LTI share subscription enables the members of the Management Board to participate in the development of the share price, so that the objectives of the management and the interests of the shareholders are aligned even more closely. This gives the Management Board an incentive to increase the value of the Company on a long-term and sustainable basis.

7. Malus regulation

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). Within the framework of the LTI (SOP 2021 and SOP 2022), 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 responsibility for the rejection lies exclusively with the Supervisory Board.

No variable remuneration components were withheld in the financial year 2022. No claw-back provision was agreed and no remuneration components were reclaimed.



8. Compliance with the maximum remuneration

In addition to the limitation on variable remuneration components, the remuneration system adopted by the Supervisory Board provides for a maximum amount for total remuneration in a financial year. The maximum remuneration for the financial year 2022 set is MEUR 2.6 for the CEO position and MEUR 1.4 for other members of the Management Board. According to the total remuneration of the Management Board members Pierluca Sartorello (CEO) and Daniel Basok (CFO) for the financial year 2022 as reported in section 6 of this Remuneration Report, the maximum remuneration resolved by the Supervisory Board was complied with in the financial year 2022.



B. Remuneration of the members of the Supervisory Board

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 as well as the activity in the audit committee 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.

The Supervisory Board has formed an Audit Committee with effect from 1. January 2022. In addition to the annual fixed remuneration, the members of the Audit Committee receive an annual fixed remuneration of EUR 15,000.00, the Chairman of the Audit Committee receives an additional annual fixed remuneration of EUR 17,500.00. The remuneration is payable after the end of the respective financial year.

In addition to the remuneration, the Company reimburses the members of the Supervisory Board for expenses incurred by them in the performance of their duties upon presentation of proof. Value-added tax is reimbursed by the Company to the extent that 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.

Remuneration of the members of the Supervisory Board:

Remuneration of the members of the supervisory board



Chairman
40,000 €

Deputy Chairman
35,000 €

Member
30,000 €

Additional remuneration of the member of the Audit Committee



Chairman
17,500 €

Member
15,000 €

Member of the Supervisory Board/ Additional function	Remuneration granted and owed in 2021 ³	Remuneration granted and owed in 2022		
		Fixed remuneration	Surcharge for special functions	Total remuneration 2022
Prof. Volker Michael Stauch Chairman of the Supervisory Board	27,287.67	40,000.00	-	40,000.00
Christophe Hemmerle Deputy Chairman of the Supervisory Board Chairman of the Audit Committee	23,876.67	35,000.00	17,500.00	52,500.00
Daniel Michael Kartje Member of the Audit Committee	20,465.75	30,000.00	15,000.00	45,000.00
Christoph Mathias Seidler	20,465.75	30,000.00	-	30,000.00
Dr. Gabriele Fontane	20,465.75	30,000.00	-	30,000.00

³ The remuneration indicates the remuneration pro rata for the financial year 2021 beginning with the day of the first admission of the shares to trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange.

C. Comparative presentation of the development of remuneration and earnings

The following comparative presentation shows the annual development of the remuneration granted and owed to the members of the Executive Board and Supervisory Board, the development of the company's earnings and the remuneration of employees.

The average employee remuneration considers the collectively agreed and non-tariff employees as well as executives of hGears Group in Germany (excluding members of the Management Board and Supervisory Board) on a fulltime equivalent basis. The average employee remuneration components, such as basic remuneration, Christmas bonus, supplementary payments, fringe benefits, performance-related remuneration and special payments.

The Company had not retired members of the Executive Board or Supervisory Board by the end of the reporting period.

The development of earnings is presented on the basis of the net income for the year of both the hGears Group and hGears AG.

Table: Comparative presentation of remuneration and earnings development

	Remuneration granted and owed in 2022	Remuneration granted and owed in 2021	Change 2022 compared to 2021	
	In kEUR	In kEUR	In kEUR	In %
Members of the Executive Board				
Pierluca Sartorello	850	1.065	-215	-20
Daniel Basok	480	1.290	-810	-68
Members of the Audit Committee				
Prof. Volker Michael Stauch	40	27	13	+47
Christophe Hemmerle	52	24	28	+117
Daniel Michael Kartje	45	20	25	+125
Christoph Mathias Seidler	30	20	10	+47
Dr. Gabriele Fontane	30	20	10	+47
Employees				
Ø Employees in Germany	60	60	4	+7



Earnings development				
Group net profit (loss) for the year (mEUR) under IFRS	(0.8)	2.4	(3.2)	-136
Net profit (loss) of hGears AG (mEUR) under German Commercial Code HGB	0.8	(6.8)	7.6	+112

Schramberg, 29 March 2023

Volker Stauch
(Chairman of the Supervisory
Board)

Sven Arend
(Chairman of the Management
Board)

Daniel Basok
(Member of the Management
Board)