

## **Remuneration Policy of ams AG**

### **1. Introduction**

In accordance with Section 78a of the Austrian Stock Corporation Act (AktG), this policy sets out the principles for the remuneration of the Management Board and Supervisory Board of ams AG. It was established by resolution of the Supervisory Board on April 24, 2020 and is to be applied as of the beginning of the financial year 2020 after its presentation to the Annual General Meeting.

The remuneration policy defines the principles on which the remuneration of the Management Board and the Supervisory Board of ams AG is based. The fixed and variable as well as the share-based remuneration granted to members of the Management Board and the fixed compensation granted to members of the Supervisory Board elected by the Annual General Meeting will be elaborated. Furthermore, the relevant criteria in this context, the respective procedure for determining the remuneration, the framework of the board functions and any deviation from the remuneration policy are presented.

The overall objective of this remuneration policy is to promote the business strategy and long-term development of the company in the interests of shareholders.

Pursuant to Section 78b (1) AktG and Section 98a AktG in conjunction with Section 78b (1) AktG, the remuneration policy must be submitted to the Annual General Meeting for approval at least every fourth financial year and in case of any significant change.

### **2. Remuneration of the Management Board**

#### **2.1. Principles for the remuneration of the Management Board**

The remuneration policy ensures that the total remuneration of the members of the Management Board is commensurate with the performance of the company and with customary remuneration in comparable positions in the worldwide semiconductor and technology industry and that it supports the business strategy and long-term development of the company. Moreover, the remuneration policy takes into account the size as well as the development of the business of the ams group.

Considering the remuneration and employment conditions of the employees of ams AG, with regard to ongoing and future stock option plans, members of the Management Board as well as selected employees and executives of ams AG are given the opportunity to participate in the success of the Company. The objectives of this participation scheme are to promote the alignment of interests between the shareholders of the company and the employees, who make a decisive contribution to the increase in value of ams AG, the long-term commitment of the employees and to maintain the attractiveness of ams AG on the labour market.

The structure of these stock option plans is designed over a period of several years to ensure a sufficient incentive for the long-term commitment of all participants (including the members of the Management Board) and a common orientation towards the sustainable development of ams AG. The remuneration is

in an appropriate relation to the performance of the company; this is ensured, inter alia, by a partial orientation towards performance-related variables.

Furthermore, when determining the compensation, the conditions offered by leading global semiconductor and technology companies in order to attract special talent and take advantage of new talent pools in the midst of an increasingly mobile global labour market are taken into account. The offered remuneration is sufficiently attractive to reward qualified executives in line with international market conditions.

The remuneration of the members of the Management Board reflects the responsibility as lawful representatives of ams AG and the scope of activities of the respective member as determined by the assignment of functions. In addition, relevant professional experience and skills profile is considered to a significant extent.

## **2.2. Procedure for the remuneration policy**

The Compensation Committee of the Supervisory Board is responsible for the preparation, regular review and implementation of the compensation policy for the Management Board. The former reviews the remuneration components of the Management Board regarding their appropriateness in relation to the economic situation and development of the ams group when necessary and adjusts them if applicable. Where appropriate, external consultants are called to assist, whereby conflicts of interest must be avoided.

The fixed remuneration components and the conditions of the variable remuneration within the underlying remuneration policy are determined by the Compensation Committee in consultation with the Supervisory Board for the individual members of the Management Board regarding the term of the respective contract. In order to avoid conflicts of interest, the members of the Management Board are not entitled to attend those meetings of the Compensation Committee. The specific objectives of the variable remuneration are defined in accordance with the remuneration policy on an annual basis and the stock option plans for their duration. These factors are stipulated for the individual members of the Management Board by the Compensation Committee and the Committee for Long Term Incentive Plan ("LTIP Committee") respectively.

## **2.3. Remuneration**

The remuneration of the members of the Management Board consists of a fixed remuneration (base salary) and a variable performance bonus. In addition, the members of the Management Board participate in stock option programs (as well as selected employees and executives).

### **2.3.1 Fixed remuneration components**

#### **2.3.1.1. Base salary**

The base salary reflects the professional experience and the area of responsibility of the individual member of the Management Board. Accordingly, the chairman of the management board receives a higher base salary due to his special responsibility and importance to ams AG. The base salary is in line

with comparable international companies in the semiconductor and technology industry and market conditions. Therefore, it is correspondingly attractive for top international talents.

The base salary is paid in up to 14 instalments, each at the end of the month. The exercise of board functions in group companies or affiliated companies does not increase the fixed base salary. The amount of the base salary is stipulated individually within the respective employment contract of each member of the Management Board.

### **2.3.1.2 Remuneration in kind**

Board members are provided with an upper-middle class passenger car for business and private purposes. The selection of the type takes into account the representative character of the company

### **2.3.1.3 Other benefits**

The Company may take out D&O insurance for members of the Management Board for the duration of their respective Management Board function. In addition, ams AG may under certain circumstances take out a private accident insurance policy for the benefit of the members of the Management Board or for the benefit of a third party named by the respective member of the Management Board.

Pension commitments for members of the Management Board are generally not provided for. Generally, no early retirement schemes are established.

### **2.3.2 Variable compensation components**

As part of the short-term variable remuneration, the award of a performance bonus and the possibility of special bonuses are intended. The determination and fulfilment of the criteria for granting variable remuneration is determined by detailed calculations conducted by the Compensation Committee and assessed at the beginning of the year following the assessed performance year.

A long-term remuneration component exists in the form of stock option plans. These medium- to long-term stock option plans provide incentives for the long-term development of the company and ensure that the remuneration of the Management Board is commensurate with the company's performance compared to the international semiconductor and technology industry.

#### **2.3.2.1 Performance bonus**

In addition to the fixed annual gross salary, the members of the Management Board receive a variable performance bonus. This bonus is determined annually by the Compensation Committee on the basis of the group's approved annual budget after the respective Supervisory Board's resolution on the budget. It is based on monetary targets. These targets and their weighting are determined annually based on various financial key performance indicators such as net sales, EBIT or similar performance targets. The Compensation Committee may also set additional bonus criteria, including non-financial ones, at its own discretion. A target value and the possibility of exceeding it are defined at the beginning of each financial year. If the target value is met, a bonus of up to 100% of the annual gross salary is granted, and up to 200% if it is exceeded.

The design of the targets and the possibilities of achieving them are based on an external benchmarking of remuneration for comparable positions in the international semiconductor and technology industry.

The performance bonus is due for payment no later than 30 days after the resolution on the results of the fiscal year in question has been adopted, although the payment terms may vary depending on customary national practices.

### **2.3.2.2 Special bonuses**

Under certain circumstances, the Supervisory Board may grant a special bonus in addition to the performance bonus. The Compensation Committee or the LTIP Committee determine the structure and definition of such special bonuses. This possibility of additional variable remuneration is intended to reward special commitment and exceptional performance and to give the Supervisory Board the opportunity to react to exceptional situations and circumstances.

ams AG reserves the right to reclaim variable remuneration components of the members of the Management Board if it turns out that they were paid out on the basis of obviously false data.

### **2.3.3. Share-based remuneration components**

#### **2.3.3.1 Principles**

Stock option plans represent a significant portion of the medium- and long-term remuneration of the members of the Management Board. Within the framework of differently designed plans, the Management Board as well as selected employees and executives are given the opportunity to participate in the success of ams AG. The objectives of these stock option plans are to strengthen the alignment of interests between shareholders and employees, to provide an incentive for the generation of enhanced value, to ensure long-term commitment of employees and to maintain a motivating remuneration system that offers additional income opportunities to employees.

Stock option plans are consistent with the remuneration offered by leading international semiconductor and technology companies in order to attract special talent & executives in the midst of an increasingly mobile global labour market.

The promotion of the long-term development of ams AG is respected in the design of the stock option plans by establishing vesting periods of up to several years. Furthermore, the achievement of objectives as a condition for exercising the granted options is linked to financial performance indicators aiming at the long-term success of ams AG.

The total amount of options outstanding under ongoing stock option plans must not exceed ten percent (10 %) of the share capital at any time. Share options may be granted to selected members of the Management Board, senior managers and other employees. A certain percentage of the options provided under the stock option plans is intended for employees below Management Board level. The eligibility of participation may be linked to conditions such as professional experience, years of service, areas of responsibility and position within the company or participation in other stock option plans.

### **2.3.3.2 Procedure**

The LTIP Committee is responsible for preparing the general policy and parameters of the stock option plans of ams AG. These are for the Supervisory Board and the Annual General Meeting to resolve. Subsequently, the available options are granted by simple resolution of the LTIP Committee. The LTIP Committee reviews, amends and approves the proposal of the Management Board for the award of stock options to employees and decides on the stock options to be awarded to the members of the Management Board on the basis of the respective stock option plans.

### **2.3.3.3 Design of the stock option plans**

The award of options does not require any personal investment by the participants. Generally, each option granted entitles the participant to purchase one no-par value share of ams AG. Members of the Management Board shall maintain a qualifying interest in shares. The amount of this shareholding measured by the average weighted price of the shares over a period of the previous 12 (twelve) months is 300% of the base salary for the Chairman of the Management Board and 200% of the base salary for the other members of the Management Board. Half of the qualifying interest may be held in shares and half in vested options. Furthermore, management board members shall retain shares (Exe-Hold) with a value equal to 33% of the net of taxes gain arising from the acquisition of shares pursuant to any of the company's share incentive plans until the end of the fiscal year in any case.

The number of stock options granted is determined by the LTIP Committee based on the following criteria:

- Company-related position of the employee;
- Contribution of the employee to the implementation of the strategic goals of ams AG; and/or
- Contribution of the employee to the increase in value of ams AG, as well as to the (over) achievement of (published) company goals.

The granting of stock options under the defined stock option plans may be spread over several years, usually one allocation per year. Each allocation is divided into tranches. For the individual stock options, performance criteria and financial targets for the exercise of the granted options are defined within the respective plans. These can be based on key figures such as adjusted earnings per share, relative total shareholder return or similar financial performance indicators. In addition, upper limits for the fair value of the stock options granted are set based on the gross annual salary. The exercise price of the stock options granted can range from EUR 1.00 up to the weighted share price within a certain period of time. The exercise period may vary depending on the stock option plan. The earliest possible exercise date of the options is subject to the provisions of the respective stock option plan and the decision of the responsible committee on the fulfilment of the performance criteria. There is generally no retention period for the option granted. Within the different stock option plans, different types of options can be determined, which are linked to different financial target criteria as exercise conditions.

## **2.4. Term and termination of the Management Board mandate**

The employment contracts of the members of the Management Board are concluded for the duration of their mandate. Generally, members of the Management Board are appointed for a period of three years

by resolution of the Supervisory Board. Reappointments are permitted by resolution of the Supervisory Board on the recommendation of the Nomination Committee.

In accordance with section 75 (4) of the Austrian Stock Corporation Act (AktG), members of the Management Board may be dismissed from their position for good cause or may be dismissed if there is a reason for dismissal within the meaning of section 27 of the Austrian Salaried Employees Act (AngG). Consequently, the employment contract is terminated at the time of dismissal. In these cases or in the event of resignation from office without the consent of the Supervisory Board, the Management Board member concerned is not entitled to any remuneration for termination or other form of compensation in connection with the termination of the employment relationship.

In the absence of good cause or in the event of illness or accident, whereas the Management Board member is unable to perform his duties for three months and the reason for the impediment is not expected to be settled within the next three months, as well as in the event of occupational disability within the meaning of Section 273 ASVG, any termination compensation in connection with the termination of the employment relationship is due. This compensation for termination is limited in total to 200% of the annual remuneration of the last financial year of service. The amount of the compensation for termination is based on years of service with the company. Granted stock options that remain in existence as described in subpara 5 of this clause do not stipulate compensation for the termination of the respective mandate.

Within the scope of the BMSVG, ams AG makes contributions to an employee provision fund in the statutory amount. There are no entitlements to a statutory severance payment from ams AG. If a claim for severance pay has arisen in connection with a previous employment relationship, prior to appointment to the Management Board, such claim may be granted in the amount contractually agreed upon after termination of the board function and the associated termination of the employment contract.

In the event of termination of the employment, all options granted that were not yet exercisable at that time expire, unless the reason for termination is retirement, ill health, injury or disability evidenced, redundancy or a decision by the responsible committee of the Supervisory Board. In this case, any options granted will remain in existence and may be exercised at any time until the expiry of the respective stock option plan. Same applies in the event that ams AG has not made an indexed and equivalent (*wertgesichertes und gleichwertiges Angebot*) offer six months prior to the expiration of the employment contract of the member of the Management Board. Any options granted but not exercised beyond this date lapse unless otherwise agreed.

## **2.5. Deviation from the remuneration policy**

A temporary deviation from the established remuneration policy is only permitted under exceptional circumstances, if the deviation is necessary to ensure the long-term development and profitability of ams AG. Deviations from the remuneration policy may only be made regarding the variable remuneration components (see point 2.3.2). An exceptional circumstance is defined as follows:

- Major changes in the legal or regulatory environment;
- Significant deterioration in the economic environment;
- Unforeseen resignation or dismissal of a member of the Management Board for good cause when equivalent replacement does not seem feasible within the scope of this compensation policy.

The Compensation Committee must examine whether an exceptional circumstance exists and submits a corresponding proposal for deviation from the established remuneration policy to the Supervisory Board for resolution. Once a resolution has been passed, variable remuneration that deviates from the remuneration policy may be embedded in the concerning contracts.

### **3. Remuneration of the Supervisory Board**

#### **3.1 Principles for the remuneration of the Supervisory Board**

The remuneration of the Supervisory Board is commensurate with the performance of the company and designed to promote the long-term development and business strategy of ams AG. Moreover, the remuneration policy takes into account the size as well as the development of the business of the ams group. It appropriately reflects the responsibility and scope of activities of each individual member of the Supervisory Board. Furthermore, it represents a market-conform and attractive remuneration in order to attract and retain qualified members for the with high responsibility associated body of the Supervisory Board. It provides sufficient incentives for members of the Supervisory Board to act in accordance with the long-term development and business strategy of ams AG. In addition, it facilitates a professionally and personally balanced composition of the members, especially regarding diversity and internationality of the body.

#### **3.2 Procedure for the remuneration policy**

The Supervisory Board is responsible for the preparation and regular review of the remuneration policy for the Supervisory Board. Remuneration within the underlying remuneration policy is determined annually at the Annual General Meeting based on a proposal by the Supervisory Board. The proposal to the Annual General Meeting may also be initiated by a shareholder. The binding resolution on the remuneration of the members of the Supervisory Board by the Annual General Meeting avoids conflicts of interest in connection with the remuneration policy.

#### **3.3 Remuneration**

The remuneration of the Supervisory Board generally consists of a uniform base remuneration for serving on the company's Supervisory Board. In view of the extended scope of activities and the higher level of responsibility, the Chairman of the Supervisory Board, the Deputy Chairman, and the chairmen of committees are granted a higher base remuneration than ordinary members of the Supervisory Board.

The Annual General Meeting may resolve that the members of the Supervisory Board receive an attendance fee for attending meetings of the Supervisory Board or a committee. The Annual General

Meeting may resolve to pay special remuneration for extraordinary activities of one of its members that go beyond the general duties of the Supervisory Board.

The Company takes out D&O insurance for members of the Supervisory Board. The employee representatives on the Supervisory Board perform their functions on an honorary basis in accordance with section 110 (3) of the ArbVG and do not receive any remuneration. Each member of the Supervisory Board, including the employee representatives on the Supervisory Board, is entitled to reimbursement of reasonable cash expenses.

### **3.4. Terms of office and termination of the Supervisory Board mandate**

Unless a different period of office is determined by the Annual General Meeting, the Supervisory Board members are elected for a period of three years. The Articles of Association do not provide for a staggered term of office for members of the Supervisory Board. The re-election of departing members is permitted.

Each member of the Supervisory Board may resign from office by written notification to the Chairman of the Supervisory Board. The resignation becomes effective four weeks after receipt, unless the resignation is declared for a differing date. The appointment of the Supervisory Board members may be revoked by the General Meeting before the end of the term of office by a resolution passed by 50% of the votes cast. If the function of a member of the Supervisory Board begins or ends during the financial year, the remuneration described in point 3.3. is granted pro rata. A Supervisory Board member delegated by the Works Council may be dismissed by the Works Council.

### **3.5. Deviation from the remuneration policy**

A temporary deviation from the established remuneration policy is only permitted in exceptional circumstances (defined in point 2.5.), if the deviation is necessary to ensure the long-term development and profitability of ams AG. In such cases, the Annual General Meeting may, by passing a resolution, adjust the base remuneration of the individual members of the Supervisory Board to the economic situation of the company.