

Compensation report

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Compensation report

Introduction

This Compensation Report contains information on the compensation of the members of the Board of Directors and the Executive Board. The report was prepared in accordance with the Ordinance against Excessive Compensation with respect to Listed Stock Corporations (OaEC). Furthermore, the report is consistent with the Swiss Code of Best Practice for Corporate Governance of the Swiss Business Federation *economiesuisse* and Chapter 5 of the Appendix to the SIX Exchange Regulation Corporate Governance Directive.

The information included under the headings “Remunerations” and “Loans and Credits” was audited by the statutory auditors.

Compensation policy and principles

The Starrag Group ensures comprehensive transparency regarding the compensation of members of the Board of Directors and the Executive Board. Within the Starrag Group, compensation is based on the principles of value-based management with the aim of guaranteeing that management compensation is in line with market conditions and thus ensuring that qualified executives can be recruited and remain with the company in the long-term. Compensation policy also promotes entrepreneurial thinking and approaches and aligns the interests of executive bodies with those of the shareholders.

The compensation of the members of the Board of Directors and the Executive Board is determined on the basis of individual tasks and performance, the course of business of the company, market conditions in the respective global sales and local labour market as well as salary comparisons with regard to the function, business activity, size and internationality of employers with similar positions. These criteria are applied individually for each

member of the Executive Board at their due discretion.

Responsibilities in determining compensation

The responsibilities in determining the compensation are regulated on the basis of the Ordinance against Excessive Compensation with respect to Listed Stock Corporations (OaEC) in the Articles of Association and Organisational Regulations of Starrag Group Holding AG.

General Meeting

The General Meeting has the non-transferable power to:

- elect and dismiss members of the Compensation Committee;
- approve the compensation of the Board of Directors and the Executive Board
- determine the statutory principles governing the performance-related compensation of the members of the Board of Directors and the Executive Board, as well as other provisions of the Articles of Association in accordance with the Ordinance against Excessive Compensation with respect to Listed Stock Corporations.

Each year, the ordinary General Meeting approves the maximum total compensation of the Board of Directors for the period until the next ordinary General Meeting and the maximum total compensation of the Executive Board for the financial year following the General Meeting.

In addition, the General Meeting approves the Compensation Report retrospectively in a non-binding consultative vote.

Board of Directors

Subject to the powers of the General Meeting, the Board of Directors is responsible, at the request of the Compensation Committee, for determining the compensation that is to be paid to the members of the Board of Directors and the members of the Executive Board. In particular, at the request of the Compensation Committee it has the following tasks and responsibilities:

- defining the compensation system for the members of the Board of Directors and the Executive Board in accordance with the Articles of Association;
- reviewing the fixed compensation of the members of the Board of Directors and the Executive Board and determining the same, within the framework of the total compensation approved by the General Meeting;
- determining any additional compensation for the members of the Board of Directors for special tasks and bonuses for extra services within the framework of the total compensation approved by the General Meeting;
- determining variable profit-sharing plans for the members of the Board of Directors and the Executive Board in accordance with the Articles of Association and within the framework of total compensation approved by the General Meeting;
- preparing the Compensation Report.

Compensation Committee

The Compensation Committee shall have the following tasks and responsibilities (fundamental principles):

- drafting and periodic review of the compensation policy and principles of the Starrag Group and periodic review of the implementation thereof, and submission of proposals and recommendations to the Board of Directors;

- preparing all relevant decisions of the Board of Directors relating to the compensation of the members of the Board of Directors and the Executive Board, and submitting proposals to the Board of Directors concerning the nature and amount of the annual compensation of the members of the Board of Directors and the Executive Board, and preparing a proposal for the maximum total amount of compensation.

The Compensation Committee held several meetings by phone and writing in the fulfilment of its statutory duties. In 2018, the Compensation Committee developed and introduced a new system for the variable salary component of the Executive Board members valid for the period from 2018 to 2020, with the aim of focusing even more consistently on growth and increasing the profitability of the units and the Group. The variable salary components of the Executive Board members, which depend on EBIT improvements, were redefined for the years 2022 to 2023 according to this proven system.

The Board of Directors and the Compensation Committee can engage external experts on compensation issues to obtain neutral advice and/or data as a basis for comparison of compensation levels. The Board of Directors and the Compensation Committee performed their duties during the past year without the involvement of external consultants.

Compensation elements

Board of Directors

The members of the Board of Directors each receive fixed compensation and variable profit-based compensation. The Board of Directors may grant additional compensation to individual members for extra duties (serving on committees, etc.).

In the financial years 2021 to 2023, the net profit is the basis of assessment for variable profit-sharing compensation for the members of the Board of Directors, reduced by an advance interest on equity capital depending on the development of interest rates. The amount of the advance interest and the shares of the individual members of the Board of Directors in the basis of assessment as well as the other details (payout terms and date, any limitation on the variable profit sharing, etc.) are determined by the Board of Directors. If net profit falls below the defined amount of advance interest, no variable profit-sharing compensation will be paid. Variable profit-sharing compensation for the members of the Board of Directors is capped at CHF 125'000 per member.

The fixed compensation is paid monthly in cash. The variable profit-sharing compensation is paid annually in cash after the consolidated financial statement has been approved by the General Meeting. The company does not have any share participation plans.

The members of the Board of Directors are not insured through pension plans or comparable schemes of the company or Group companies. Members of the Board of Directors are not entitled to severance pay or other benefits upon separation of service.

Executive Board

The members of the Executive Board receive fixed compensation and variable profit-sharing compensation. The Board of Directors may resolve special bonuses for exceptional performance.

The Board of Directors determines the variable profit-sharing compensation of the Executive

Board members based on individual performance metrics pertaining to the areas of operation for which they are responsible and/or to collective performance metrics pertaining to the consolidated results.

In the financial years 2021 to 2023, the basis of assessment for the variable profit-sharing compensation of members of the Executive Board was calculated on the basis of the operating result EBIT minus minimum expected results. Group operating result EBIT was one measure of performance. For the business unit managers, a second measure based on the operating result EBIT of their particular area of responsibility was applied. In the average expected result distribution, this second component accounts for around two-thirds of the total variable compensation for the heads of the business units, while the percentage of their compensation based on the Group result amounts to approximately one-third. If the operating result EBIT falls below the specified minimum threshold, no variable compensation will be paid. The variable profit-sharing compensation for the members of the Executive Board is limited to 150% of the fixed compensation.

The fixed compensation is paid monthly in cash. The variable profit-sharing compensation is paid annually in cash after the consolidated financial statement has been approved by the General Meeting. The company does not have any share participation plans. Pension benefits are only paid to members of the Executive Board within the framework of domestic and foreign pension plans and comparable plans of the company or Group companies. The benefits to insured parties and the employer's plan contributions are defined in the aforementioned plans or the corresponding plan regulations.

An additional amount of compensation as defined in Art. 19 of the OaEC equivalent to 40% of the approved total amount of compensation of the Executive Board is available for members appointed to the Executive Board after the maximum total amount is approved.

Compensation may be paid by the company or the corresponding Group company for services rendered at companies that are directly or indirectly controlled by the company. Such compensation must be consolidated at Group level and included in the votes on compensation at the General Meeting.

Company loans and credits to a member of the Executive Board and any guarantees or other collateral offered to secure the obligations of an Executive Board member may not exceed three

times the annual salary of the respective member of the Executive Board.

Members of the Executive Board are not entitled to severance pay or other benefits upon separation of service.

Remuneration

CHF 1'000	2021					2020				
	Fixed	Additional services	Variable	Pension and other	Total	Fixed	Additional services	Variable	Pension and other	Total
Prof. em. Dr. Christian Belz	50	-	-	2	52	43	-	-	2	45
Dr. Erich Bohli	50	9	-	3	62	43	9	-	2	54
Walter Fust (Chairman until 25.4.2020, after Vice-Chairman)	50	25	-	2	77	55	24	-	3	82
Michael Hauser (Chairman from 25.4.2020, previously Vice-Chairman)	130	27	-	12	169	59	-	-	4	63
Adrian Stürm	50	12	-	4	66	43	12	-	3	58
Total Board of Directors	330	73	-	23	426	243	45	-	14	302
Variable as percentage of total compensation			0%					0%		
Total Executive Board	1'892	28	1'130	514	3'564	2'039	36	825	418	3'318
Variable as percentage of total compensation			37%					29%		
Thereof:										
• Dr. Christian Walti, CEO	390	-	300	132	822	364	-	300	95	759
Variable as percentage of total compensation			43%					45%		

Remuneration is reported on a gross basis (incl. 13th month's salary and salary share of company car). The reported contributions to pension and social insurance schemes include the employer's contributions.

Notes regarding compensation

Compensation for additional duties performed by members of the Board of Directors is owed in connection with the service of Walter Fust and Adrian Stürm on the Supervisory Board of Starrag Technology GmbH in Mönchengladbach, the service of Walter Fust on the Board of Directors of Starrag Vuadens SA and as well as of Erich Bohli for the work of the Compensation Committee.

The fixed compensation of the Executive Board was higher in 2020 due to a change in the Group Executive Board. New additions were Alexander Attenberger and Thomas Erne, while departing Executive Board members continued to impact 2020. This was partly compensated by a voluntary waiver of 10% of the fixed compensation by the management.

All compensation was assigned to the appropriate period in accordance with the Swiss GAAP FER accounting and reporting recommendations (accrual basis).

Loans and credits

In the year under review, as well as in previous years, the Starrag Group granted no loans or credits to current or former members of the Board of Directors or the Executive Board. Neither did the Starrag Group provide compensation or any loans or credit to any related parties of current or former members of the Board of Directors or the Executive Board at non-market rates or conditions.

Report of the statutory auditor



Report of the statutory auditor

to the General Meeting of Starrag Group Holding AG

Rorschacherberg

We have audited the accompanying remuneration report of Starrag Group Holding AG for the year ended 31 December 2021. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained on page 60 (Table) and page 61 of the remuneration report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report of Starrag Group Holding AG for the year ended 31 December 2021 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

A handwritten signature in black ink, appearing to be 'OK' with a flourish.

Oliver Kuntze
Audit expert
Auditor in charge

A handwritten signature in black ink, appearing to be 'OM' with a flourish.

Oscar Maier
Audit expert

St. Gallen, 3 March 2022