

Remuneration system for members of the Management Board

A. Principles of the remuneration system for the members of the Management Board of SAF-HOLLAND SE

The remuneration system for the Management Board contributes to the furtherance of the business strategy at SAF-HOLLAND: The structure of the remuneration system should motivate the members of the Management Board to reach the strategic and financial goals laid out in Strategy 2025. Moreover, the system encourages the Management Board of SAF-HOLLAND SE to always give priority to the long-term development of the Company. As part of the steady development of the Company, added value should be created for customers, shareholders, employees and for the Company itself.

The remuneration system for the members of the Management Board should be simple, clear and understandable. It complies with the requirements of the German Stock Corporation Act (AktG) and the recommendations of the German Corporate Governance Code in the version dated December 16, 2019 (GCGC). The main features of the system, in terms of the structure and amount of Management Board remuneration, are explained below.

This remuneration system for the members of the Management Board applies to all service contracts entered into or prolonged with members of the Management Board of the Company on or after March 15, 2022.

B. Procedure for setting the remuneration system

Fundamental aspects of remuneration

The system of management board remuneration is set by the Supervisory Board. For this purpose, the Supervisory Board is supported by its Remuneration and Nomination Committee. The committee develops recommendations for the system of Management Board remuneration, which are discussed and decided by the Supervisory Board. Where needed, the Supervisory Board can draw on external consultants, making sure they are independent.

Every year the Supervisory Board reviews the remuneration of each individual member of the Management Board in terms of amount and structure. The remuneration system for the members of the Management Board is reviewed by the Supervisory Board every two years. Resolutions on remuneration are generally prepared by the Remuneration and Nomination Committee. If necessary, the Remuneration and Nomination Committee may recommend to the Supervisory Board to make amendments to the remuneration system. In the event of substantial changes, and at least every four years, the remuneration system will be submitted to the Annual General Meeting for approval.

If the Annual General Meeting does not approve the remuneration system submitted to it for approval, a revised remuneration system is to be submitted at the next Annual General Meeting for approval by resolution.

Proportionality of remuneration

When setting the amount of total remuneration, the Supervisory Board ensures that it is commensurate with the tasks and performance of the respective member of the Management Board. The criteria for assessing the appropriateness of remuneration therefore lie in the individual tasks and performance of the members of the Management Board. When setting the total remuneration, the Supervisory Board ensures that the customary level of remuneration does not exceed the level paid at a suitable peer group of comparable companies in an external comparison nor to the overall workforce in an internal comparison, unless there is special justification for doing so. The external assessment is primarily based on a comparison to other companies listed on the SDAX. For comparative purposes, SAF-HOLLAND is positioned within the respective peer group market on the basis of the criteria of sales, headcount and market capitalisation. Based on this positioning, the remuneration paid to the members of the Management Board is reviewed to ensure that it conforms with market practice. For this purpose, the Supervisory Board is supported by an independent external expert in executive remuneration. To assess the conformity of total Management Board remuneration internally within the Company, the Supervisory Board considers the pay levels and employment conditions of the employees of the Company, *i.e.* senior management and the workforce as a whole; the ratio of Management Board remuneration to remuneration of senior management and the workforce as a whole over time is also considered (vertical comparison of remuneration). In addition, the economic position and performance of the Company should be appropriately considered.

Variable remuneration components should be measured on a multi-year basis. With regard to variable remuneration, the Supervisory Board ensures that long-term variable remuneration components exceed the short-term ones, in accordance with the recommendation of the GCGC. At the same time, short-term variable remuneration also places sufficient emphasis on annual operating targets, which serve as the basis for future corporate development.

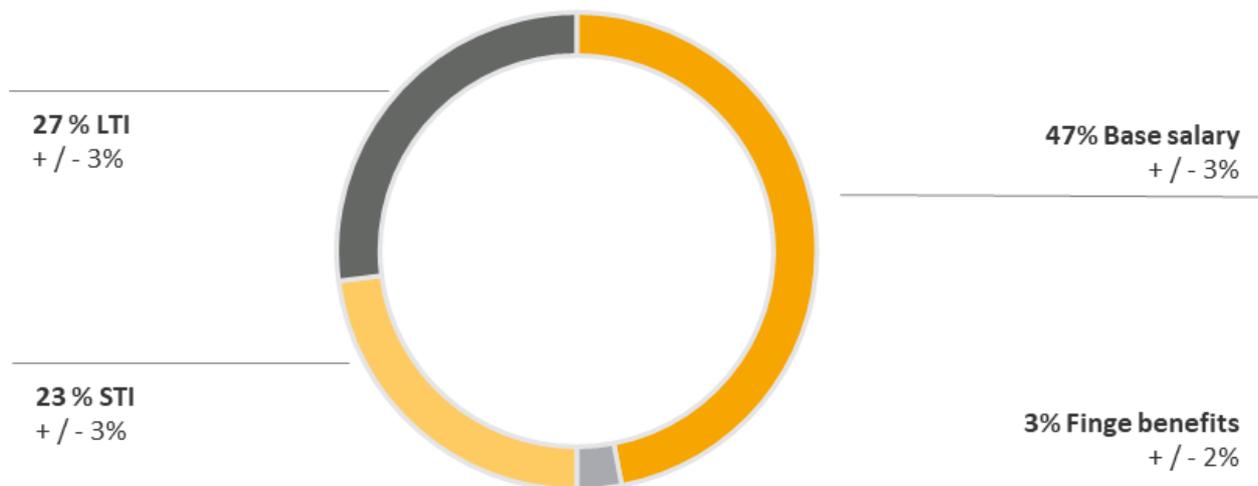
According to Section 87a (2) sentence 2 AktG, the Supervisory Board may temporarily deviate from the remuneration system of the Management Board if this is necessary for the long-term well-being of the Company. This includes for example, a need to adjust the remuneration system to provide an adequate incentive if the business strategy is significantly changed or there are far-reaching changes to the economic situation (such as severe economic crises, wars or pandemics) under which the original performance criteria and/or indicators of the remuneration system lapse, provided that the specific impacts of such circumstances could not have been foreseen. It is expressly stated that general unfavourable market developments do not constitute an exception that would justify any deviation from the remuneration system.

In terms of procedure, any such deviation requires a resolution of the Supervisory Board that expressly stipulates in a suitable form the duration of the deviation, the deviation as such, but also the grounds for the deviation (*i.e.* why the deviation is necessary for the long-term well-being of the Company). The components of the remuneration system that can be deviated from in exceptional circumstances are the method, the rules on determining the structure of remuneration and its amount as well as the individual components, including, but not limited to, the performance criteria. Objectively, the Supervisory Board can deviate from the respective shares of the individual components of remuneration and also from their respective criteria. Likewise, it may set the base salary differently on a case-by-case basis if this is necessary for the well-being of the Company, but not beyond the maximum amount set by the Annual General Meeting.

The remuneration system does not provide for the possibility of special remuneration (special bonuses) for the members of the Management Board (e.g. sign-on and retention bonuses or payments for special tasks or extraordinary performance). No subsequent changes may be made to the targets or the comparative parameters pursuant to G.8 of the GCGC.

Total target remuneration and maximum remuneration

The target total remuneration is calculated in such a way that, as a rule, the target amount of the variable components approximately corresponds to the share of the fixed components (base salary and fringe benefits). Furthermore, within the variable components, the share of long-term variable components should exceed the share of short-term variable components. As a rule, approximately 47% of the total target remuneration for the respective Management Board member should be accounted for by the annual base salary and 3% by fringe benefits. The STI should account for around 23% of the total, while the LTI should account for approximately 27%. The percentage weighting between the various components of the remuneration can vary by around 2 to 3 percentage points. In the event of possible future adjustments to the remuneration of members of the Management Board, the Supervisory Board has resolved for these to take the form of variable components in order to raise the share of variable remuneration components.



In accordance with Section 87a AktG, a maximum remuneration has been set for the sum of the components specified above. Including the fixed base salary, fringe benefits and the cap on variable components, this amounts to EUR 1,993,250 for the Chairman of the Management Board and EUR 1,050,000 for the ordinary members of the Management Board.

Overview of the maximum remuneration of the members of the Management Board:

| | Chairman of the Management Board | Ordinary member of the Management Board |
|---|----------------------------------|---|
| Maximum target remuneration according to § 87a para. 1 sent. 2 No. 1 Stock Corporation Act (AktG) | 1.984.000€ | 1.050.000€ |

C. Components of the remuneration system

The total remuneration of the members of the Management Board of SAF-HOLLAND SE for the activities to be performed by them in accordance with their service contracts consists of non-performance-related fixed components and performance-related variable components. The following table provides a summary of the individual components of their remuneration packages.

Components and structure of the remuneration system at a glance:

| Remuneration Component | Brief Summary | Purpose and connection to the strategy |
|----------------------------------|--|---|
| Fixed annual base salary | <ul style="list-style-type: none"> Fixed contractually agreed remuneration paid monthly | <ul style="list-style-type: none"> Ensures appropriate, fixed income to ensure no undue risk taken Attracts and retains board members who can develop and successfully implement the strategy on the basis of their experience and expertise |
| Fringe benefits | <ul style="list-style-type: none"> Particularly use of company car, subsidies for health and long-term care insurance | |
| Short-term variable remuneration | <ul style="list-style-type: none"> As a rule, 50% financial and 25% non-financial performance targets Maximum amount: 125% of the respective target Payment in the following year | <ul style="list-style-type: none"> Provides an incentive to board members to focus on successfully implementing the business priorities for the year |
| Long-term variable remuneration | <ul style="list-style-type: none"> Grants of virtual share units (Performance Share Unit Plan) Performance targets: <ul style="list-style-type: none"> Development of share price Business performance ESG targets Maximum amount (cap): 200% of the grant value Payment: in the fifth year after granting | <ul style="list-style-type: none"> Links the development of Management Board compensation directly to share price performance and thus to investor interest Provides an incentive to Management Board members to raise the value of the company in the long-term Proves SAF-HOLLAND's social responsibility and documents the importance of sustainable corporate action |

Non-performance-related fixed remuneration

Fixed annual base salary

The base salary represents a fixed compensation for the full year and is granted on a monthly basis. Unlike many other companies, the members of the Management Board do not receive pension benefits from the Company for their services. To counterbalance this, Company introduced a remuneration component in the 2018 financial year that is added to the base salary.

Fringe benefits

The taxable fringe benefits granted to the Management Board consist primarily of the use of company cars and the costs of coverage for occupational accident insurance. Furthermore, D&O insurance cover is provided. In addition, subsidies towards health and pension insurance are paid in accordance with the provisions of social security law.

Performance-related variable remuneration

The variable remuneration paid to members of the Management Board is linked to the performance and aligned towards the short and long-term development of the Company. The variable performance-related remuneration consists of a short-term component and a long-term component. The short-term incentive (STI) relates to performance in the respective financial year, and the long-term incentive (LTI) represents share-based variable remuneration measured on performance over a number of years. The two components are based on different assessment bases and have different performance parameters, corresponding to their

respective performance periods. These variable performance-related components are granted on the basis of financial and non-financial performance criteria. Both components of variable remuneration are presented in detail below.

Short-term incentive (STI)

The short-term variable remuneration or short-term incentive (STI) is linked to the measurable performance of the Company over the past financial year and the degree to which individual goals are attained. The STI is calculated using financial and non-financial performance criteria, which are based on the key performance indicators explained below and individual targets derived from them.

In terms of the business targets, the three parameters are Group sales, the Net Working Capital ratio and the adjusted EBIT margin. The share of business goals amounts to 75%. With the help of the individual targets, the individual performance of each Management Board member is taken into account in the remuneration. Individual goals consist of non-financial goals. The individual goals likewise consist of three goals and are weighted at 25% of the total. Depending on their current relevance and the needs of the Company, various individual sustainability goals are selected from the areas of strategic business development, corporate culture, diversity, employees and leadership, environment and corporate social responsibility.

Overview of the goals and their percentage weighting:

| Type of target | Target definition | Weighting in % |
|-----------------------------|--|---|
| Corporate targets | <ul style="list-style-type: none"> – Group sales – Adjusted EBIT – Net Working Capital ratio | <ul style="list-style-type: none"> – 25% – 25% – 25% |
| Possible individual targets | <ul style="list-style-type: none"> – Strategic business development – Corporate culture – Diversity – Employees and leadership – Environment – Corporate Social Responsibility | <ul style="list-style-type: none"> – 25% |
| Total amount | | <ul style="list-style-type: none"> – 100% |

The Supervisory Board sets the performance targets on the basis of the corporate planning submitted by the Management Board before the beginning of the financial year for which the short-term incentive is granted.

In terms of target attainment, as a rule, the lower limit for the bonus is 50% and the upper limit 125%. If the sum of the weighted individual target achievement is below 50% (threshold), there is no *pro rata* payout of the bonus. The amount of the remuneration to be paid is calculated by multiplying the percentage of target achievement with the target bonus. In the year of joining and leaving the Company, the Management Board member is entitled to a bonus on a *pro rata*

temporis basis. This can be fixed at 100% for the year in which a member joins the Company during the course of the year. The short-term incentive is paid out in the following financial year.

Based on all the individual measured target achievement factors, the overall target achievement factor is calculated by weighting the individual factors. Multiplying the total target achievement factor by the STI target amount yields the STI payout amount. The upper and lower limits of 125% and 75% referred to above apply. Payment is made at the end of the first quarter of the financial year following the year for which the respective STI was granted. The consolidated financial statements for the financial year must be approved by the Supervisory Board before the STI is paid out.

Calculation of the STI payout:



Long-term incentive (LTI)

The long-term variable remuneration or long-term incentive (LTI) is a variable share-based remuneration component whose objective is to increase the value of the Company in the long-term. The aim of the LTI is to create a sustainable connection between the interests of the Company's management and senior management with the interests of the shareholders of SAF-HOLLAND SE. This is realised by means of the Performance Share Unit Plan (PSUP) introduced in 2013 that takes into account both company performance and share price performance and, since 2022, also non-financial targets. The PSUP provides for a performance period of four years. With the aid of the PSUP, the interests of the members of the Management Board and the shareholders are to be even more closely aligned with a view to achieving a sustainable increase in the value of the Company. The inclusion of non-financial targets demonstrates SAF-HOLLAND's social responsibility and at the same time documents how important sustainable corporate action is to the Management Board. In addition, the PSUP ensures long-term commitment of the Management Board to the Company and increases its motivation.

The participants receive virtual shares at the beginning of the performance period.

The number of virtual shares at the beginning of the performance period is determined by dividing the respective grant by the average share price in the last two months of the year preceding the grant. Upon expiration of the performance period, the number of virtual shares

granted is adjusted by multiplying it with a target-achievement factor. The target achievement factor is calculated as the ratio of the average realised corporate performance (adjusted EBIT margin) and the sustainability target during the performance period to the average target value previously set for both targets for the performance period. The weighting of the corporate performance is 80% and that of the sustainability target 20%.

The long-term variable remuneration is paid out with the payroll on the basis of the audited consolidated financial statements.

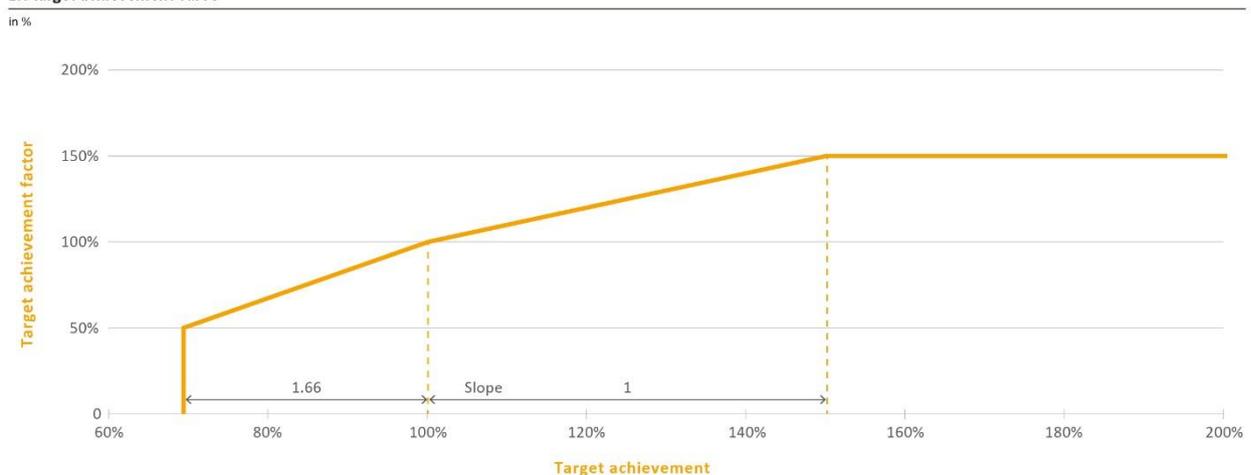
The amount of the participants' payment entitlement is determined by multiplying the virtual shares with the average share price during the last two months of the performance period and the target-achievement factor.

The calculation of the PSUP payout is as follows:



The prerequisite for exercising appreciation rights is the achievement of a defined performance target. The performance target is fulfilled if during the entitlement period the Group has achieved an average minimum operating performance measured by the performance indicators "adjusted EBIT" and a sustainability target. A level of target achievement that is below 70% results in a target achievement factor of "0" and no payout.

LTI target achievement curve



A potential payment may be temporarily withheld by the Supervisory Board if imminent and urgent financial factors to which SAF-HOLLAND SE and/or a Group company are exposed make a payment impossible. Generally, the Supervisory Board is allowed to suspend or terminate the

LTI plan at any time. Rights under plans already granted cannot be subsequently changed without the participant's consent.

The maximum payout under the terms of the PSUP is 200% of the allocation (maximum value) in each case. This cap in conjunction with the fixed base salary and the upper limit of 125% of the short-term variable remuneration thereby constitute the maximum limit for the remuneration of the members of the Management Board.

If a Management Board member leaves the Company prior to the expiration of the performance period as a result of death, disablement, disability or retirement according to the contractually agreed age, the member or their surviving dependents will receive any potential payout on a *pro rata temporis* basis on the payment due date.

The loss of all rights under the PSUP is limited to the case of termination for good cause by the Company. If the service contract is terminated for other reasons, a payment is made on the payment date at the amount that the Management Board member is entitled to on the payment date on a *pro rata temporis* basis. Notwithstanding the above rule, the virtual shares allocated for the years 2019, 2020 and 2021 are vested. This means that they will not be reduced on a *pro rata temporis* basis if the service contract is terminated before the end of the respective assessment period.

D. Supplementary clauses

Malus and clawback

The Supervisory Board is permitted to take into account extraordinary developments and events to an appropriate extent. In such cases, the service contracts with the members of the Management Board provide for a malus and a clawback provision. This applies in particular to the granting of performance-related variable components, and in this respect mainly to the LTI. In justified cases, entitlements to variable remuneration may be cancelled (malus). Another option is to reclaim a payment already made (clawback). If it transpires that a member of the Management Board has intentionally breached a material duty and this breach of duty meets the definition of a "gross breach of duty" justifying their dismissal from the Management Board (Section 84 (3) AktG), the malus or clawback provision may apply.

A gross breach of duty may exist, for example, in the following cases:

- A violation of Section 93 AktG or of other legal obligations
- Breach of a material contractual obligation
- Violation of the Company's core principles e.g. the Compliance Policy, SAF-HOLLAND Code of Conduct

It is not necessary for the Company to prove that it has suffered any loss as a result of the breach of duty. Asserting these clawback or malus rights and the extent to which they are exercised lies at the discretion of the Supervisory Board. The clawback or malus rights are also enforceable even if the appointment to the Management Board or the employment relationship has already ended at the time the right is asserted. However, clawback or malus rights are generally not exercised if there has not been any financial loss or reputational harm to the Company. Clawback or malus rights lapse if more than 2.5 years have elapsed since the date of the violation. The defence allowed by Section 818 (3) of the German Civil Code (BGB) is excluded.

If it is not possible to clawback or withhold an amount not exceeding 50% of the allocated virtual shares under the LTI, or not to the extent required, the Company may also withhold STI payments as a secondary option. However, it is not permitted to clawback any STI payments already granted. Any other claims for damages asserted by the Company against the member of the Management Board shall remain unaffected by the aforementioned provisions.

The assignment or pledging of remuneration claims arising from the service contracts of Members of the Management Board is subject to the prior approval of the Supervisory Board.

Share Ownership Guidelines

In its meeting on March 15, 2022 and after preparation by the Nomination and Remuneration Committee, the Supervisory Board supplemented the existing regulations in the remuneration system with share ownership guidelines for the members of the Management Board. Thus, the Chairman of the Management Board is obliged to acquire SAF-HOLLAND shares in the amount of 150% of a basic annual remuneration (gross) and each ordinary member of the Management Board in the amount of 100% of a basic annual remuneration (gross) and to hold these for the duration of their appointment. Existing shareholdings are taken into account. Virtual shares received by the Management Board member under the Long-term Incentive (LTI) programme are also counted at 50% towards the aforementioned shareholding level. The prescribed shareholding may be built up over a period of four years. The basis of assessment for the value of the share portfolio is the purchase price of the shares at the time of acquisition. After the end of the build-up phase, each member of the Management Board must provide evidence of his shareholding on an annual basis.

The shareholding rules further align the interests of the Management Board as well as the shareholders, and the sustainable and long-term development of SAF-HOLLAND is additionally rewarded.

Post-contractual non-competition clause

The service contracts with the Chairman and some ordinary members of the Management Board generally contain a post-contractual non-competition clause, which prohibits these members from working for or rendering services to a competitor for a period of one year after leaving the

Company. As consideration, they receive non-contractual compensation in accordance with Section 74 (2) HGB of 50% of their last drawn contractual remuneration package.

A contractual non-competition clause generally applies to all members of the Management Board during the terms of their contracts.

Contract terms

The term of the service contracts with members of the Management Board is extended for the full duration of their appointment and is prolonged for the duration of any reappointment. Taking account of the requirements of the GCGC, the term of appointment and the duration of the contracts, respectively, is generally limited to three years upon first time appointment to the Management Board. In the case of reappointment, the term and prolongation of the contract is limited to a maximum of five years in accordance with the requirements of Section 84 AktG.

In the event of termination of the office as member of the Management Board, in particular due to dismissal or resignation, the service contract expires automatically after a grace period of three months to the end of the relevant month (“expiry period”) without the need for notice to be given (condition subsequent). The expiry period commences upon receipt of the resignation from the respective member of the Management Board. In the event of dismissal or resignation, the Company may immediately release the respective Management Board member from the obligation to render any further service, while continuing to pay the remuneration.

Severance agreement

Whether a severance payment is granted or not in the event of premature termination of the service contract due to revocation of the appointment to the Management Board or due to any other premature termination lies at the discretion of the Company. Any severance payment is limited to a maximum of two years’ total remuneration (*i.e.* annual base salary, variable short-term incentive (STI) and variable long-term incentive (LTI)). The calculation of the fixed annual remuneration is based on the previous year or the current year. When considering variable remuneration (STI and LTI), the amount of variable remuneration of the previous financial year is to be applied.

No severance payment is made in the event of a termination of a contract with a member of the Management Board for culpable due cause on the part of that member or termination of the contract at the wish of the member of the Management Board.

Severance payments shall be credited against the non-contractual remuneration.

Change of control

In the event of a change of control, each member of the Management Board has a single right to resign from office upon three months' notice to the end of the respective month and to terminate the service contract on that same date. This extraordinary right of termination only exists within one month of the date on which the Management Board member becomes aware that a change of control has actually taken place. In the event of premature termination of the service contract due to a change of control, the Management Board member has no entitlement to severance pay. A change of control exists, for example,

- if one or more third parties acquire at least 30% of the voting rights in the Company via the purchase of shares or in some other way
- in the case of a merger (Section 2 of the German law of reorganisations (UmwG))
- when the assets of the Company are transferred (Section 174 (1) and (2) UmwG)
- in the event of a legal transfer of the main assets to third parties that do not belong to the SAF-HOLLAND Group, or
- upon conclusion of a contract of control by the Company as a dependent company.

Secondary employment

The acceptance of any secondary employment, whether paid or unpaid, requires the prior written consent of the Company. The same applies to lectures, publications and expert opinions. Accepting appointments to the supervisory boards of other companies, advisory boards, honorary offices in organisations in which the Company is not itself a member or similar bodies also fall under this regulation.

In sum, a member of the Management Board may not hold more than two supervisory board mandates or perform comparable functions in non-Group listed companies and may not chair the supervisory board of a non-Group listed company. This ensures that neither the time involved, nor the remuneration granted conflicts with the tasks to be performed for SAF-HOLLAND SE.

Consent given to accept such secondary employment or office may be revoked at any time taking any required notice to terminate the secondary employment or office into consideration.