

REMUNERATION REPORT

Remuneration report

This remuneration report contains information about the principles, procedures for determining remuneration and components of remuneration of the Board of Directors and management of Phoenix Mecano AG. It is also based on the Articles of Incorporation, the transparency requirements set out in the Swiss Code of Obligations (CO), the SIX Swiss Exchange Directive on Information relating to Corporate Governance and the principles of the Swiss Code of Best Practice for Corporate Governance drawn up by Economiesuisse. The disclosures required under Articles 13–16 of the Swiss Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO) are contained in a separate section at the end of this remuneration report.

REMUNERATION PRINCIPLES AND GOVERNANCE

Remuneration of the management and Board of Directors is based on the following principles:

- Transparency (simplicity, clarity)
- Business success (value creation, shareholder benefit)
- Adherence to market rates of executive pay (benchmarking of similar companies, qualifications and experience)

The 2023 ordinary Shareholders' General Meeting voted on Board of Directors and management remuneration. In addition, the following members of the Compensation Committee were re-elected: Beat Siegrist, Ulrich Hocker, Dr Martin Furrer. The committee is chaired by Beat Siegrist.

The Compensation Committee meets as often as required, but at least once a year. In 2023, two meetings of the Compensation Committee were held, as well as discussions in connection with the introduction of a long-term incentive programme. The tasks, powers, responsibilities and working methods of the Compensation Committee are described on page 35 of the corporate governance report. The Compensation Committee can call in external compensation specialists to offer neutral advice or provide studies or data as a basis for comparison in setting remuneration.

PROCEDURES FOR DETERMINING REMUNERATION

The composition and level of remuneration awarded to the Board of Directors and management are based on sector and labour market comparisons. The Compensation Committee relies in particular on salary comparisons with other industrial companies listed on the SIX Swiss Exchange with similar sales (EUR 100 million to EUR 3 billion), headcounts (1 000 to 15 000) and geographical presence (global), which operate in the same sectors (industrial components, mechanical engineering) and are headquartered in Switzerland.

The variable remuneration of management members and the Executive Chairman of the Board of Directors is based on business criteria.

In this way, Phoenix Mecano ensures that management bonuses are conditional upon the creation of added value for shareholders.

The reference indicators for this are the Group's result of the period and equity for the past financial year, or, in the case of the COO and CCO, the operating result and net operating assets of the Industrial Components and Enclosure Systems divisions.

Special or one-off items are taken into account, as they also impact on shareholders. In the interests of transparency, leverage effects and complex derivative structures are excluded from the outset.

The non-executive members of the Board of Directors receive only a fixed remuneration in cash, so that they can exercise their supervisory and overall guidance function free from conflicts of interest with the management.

STRUCTURE OF REMUNERATION

The non-executive Board of Directors is remunerated in cash for all of its duties, including ordinary and any extraordinary meetings, committee activities and other extraordinary activities. Expenses are not reimbursed separately. Only in the case of cross-border travel are the actual costs reimbursed.

In the reporting year, the management of Phoenix Mecano consisted of four members: the CEO, CCO, CFO and COO. The CEO and CFO hold responsible positions with an overall management role, while the CCO and COO perform management functions for the Industrial Components and Enclosure Systems divisions. Remuneration for management members therefore follows two different models, based in each case on a simple, but effective formula. Remuneration for the Executive Chairman of the Board of Directors is based on the same formula as for the CEO and CFO.

Each member of the management and the Executive Chairman of the Board of Directors receive a fixed remuneration in cash, taking into account their qualifications, experience and area of responsibility, at prevailing market conditions (see also under Procedures for determining remuneration).

In addition, the members of the management and the Executive Chairman of the Board of Directors receive a variable remuneration component (bonus). To determine this component, a minimum profit margin of 4%, calculated in relation to the Phoenix Mecano Group's balance-sheet equity, is first set aside, or, in the case of the CCO and COO, a minimum profit margin of 6%, calculated in relation to the net operating assets of the Industrial Components and Enclosure Systems divisions. This minimum profit is not taken into account in determining the bonus. Bonuses can only be paid if the result of the period,

or, in the case of the CCO and COO, the operating result of the two aforementioned divisions, as recorded in the Phoenix Mecano Group's consolidated financial statements, exceeds this minimum amount (for shareholders). No bonus is paid in the event of losses. All management members and the Executive Chairman of the Board of Directors receive their bonus as a percentage of the respective results less the aforementioned minimum rate of return. The bonus is limited to a maximum of twice the fixed salary, or, in the case of the CCO and COO, to CHF 500 000. The percentage received by individual management members and the Executive Chairman of the Board of Directors is set in advance, taking into account the individual's areas of responsibility.

LONG-TERM INCENTIVE

The Executive Chairman of the Board of Directors and the members of the management of Phoenix Mecano AG are participating in a share-based, long-term incentive (LTI) programme for the first time in 2023. At the beginning of the vesting period, each plan participant is allocated performance share units (PSUs) totalling 20% of their fixed remuneration. The PSUs are converted into freely available registered shares in Phoenix Mecano AG after the three-year vesting period. The extent of the PSUs to be converted depends on two equally weighted performance conditions:

1. the return on capital employed (ROCE) and
2. the relative total shareholder return (rTSR). The ROCE target is set by the Board of Directors at the start of the vesting period and compared with the ROCE actually achieved each year. The rTSR is measured in relation to a comparison group. For both performance conditions, the maximum degree of target achievement is limited to 150%. The market value of the PSUs is determined at the time of allocation using a Monte Carlo simulation, taking into account expected dividend payments, and is recognised in the statement of income over the vesting period. The number of PSUs is adjusted annually based on the change in performance.

There were no direct share allocations in the reporting year, and no options were organised.

SOCIAL SECURITY AND FRINGE BENEFITS

The Phoenix Mecano Group operates a pension plan in Switzerland with a BVG-Sammelstiftung (collective foundation), in which the insurance risks are reinsured and the investment risks are borne by the insured (semi-autonomous pension solution). Members of the management and the Executive Chairman of the Board of Directors are affiliated with this pension plan. Pension payments are based on retirement savings, to which annual retirement credits and interest are added. Upon retirement, the legal framework provides for the payment of an annuity as well as a lump-sum payment. The annuity is calculated by multiplying the relevant retirement savings by the current conversion rate. In addition to retirement benefits, pension benefits also include disability pensions and, in the event of death, partner's and orphan's pensions and, where applicable, a lump-sum death benefit. The Phoenix Mecano Group has also taken out group accident insurance for death and disability as well as daily sickness benefits insurance for members of the management and the Executive Chairman of the Board of Directors.

Management members and the Executive Chairman of the Board of Directors receive lump-sum expenses in accordance with the expense regulations approved by the relevant tax authorities. If they wish, members of the management and the Executive Chairman of the Board of Directors are given a company car for business and private use.

The compensation awarded to members of the Board of Directors is subject to the usual social security contributions. With the exception of the Chairman, members of the Board of Directors do not participate in the Phoenix Mecano pension plan.

ADDITIONAL FEES

In principle, no fees or other allowances for additional services to Phoenix Mecano AG or any of its Group companies are awarded to members of the Board of Directors and management or persons related to them.

CONTRACTUAL TERMS AND CONDITIONS

The employment contracts of management members provide for a maximum notice period of 12 months.

SEVERANCE PAY

There is no contractual provision for severance pay for members of the Board of Directors or management.

RULES LAID DOWN IN THE ARTICLES OF INCORPORATION

The Articles of Incorporation include the following rules concerning the vote on Board of Directors and management remuneration, the determination of performance-related pay and the allocation of equity securities, convertible rights and options, as well as concerning loans, credit facilities and post-employment benefits for members of the Board of Directors and management (extract from the Articles of Incorporation of Phoenix Mecano AG, version dated 17 May 2023):

Article 16

Each year the Shareholders' General Meeting shall, with binding effect, separately approve, based on a proposal by the Board of Directors, the maximum total amounts of the remuneration of the Board of Directors, the management (including any delegate) and any advisory board, for the next financial year commencing after the ordinary Shareholders' General Meeting (the "approval period"). The maximum total amounts approved by the Shareholders' General Meeting may be paid by the company and/or by one or more Group companies.

If an approved maximum total amount for remuneration of the management is insufficient to compensate any members appointed after the resolution of the Shareholders' General Meeting up to the commencement of the next approval period, the company shall have at its disposal an additional amount per person of up to 50% of the previously approved maximum total remuneration of the management for the approval period in question. The Shareholders' General Meeting shall not vote on the additional amount appropriated.

In addition to the approval pursuant to paragraph 1, the Shareholders' General Meeting may, each year, with binding effect, separately approve, based on a proposal by the Board of Directors, an increase in the approved maximum total amounts for remuneration of the Board of Directors, the management and any advisory board for the approval period ongoing at the time of the relevant Shareholders' General Meeting and/or for the preceding approval period. The Board of Directors shall be entitled to pay all kinds of authorised remuneration using the approved maximum total amounts and/or the additional amounts.

In addition, the Board of Directors may give the Shareholders' General Meeting the opportunity to hold an advisory vote on the remuneration report for the financial year preceding the Shareholders' General Meeting in question.

If the Shareholders' General Meeting refuses to approve a maximum total amount for the members of the Board of Directors, the management or any advisory board, the Board of Directors may submit new proposals at the same Shareholders' General Meeting. If the Board of Directors does not submit new proposals or if the new proposals are also rejected, the Board of Directors may convene another Shareholders' General Meeting at any time, subject to legal requirements and the Articles of Incorporation.

Article 23

The company may pay executive members of the Board of Directors and the members of the management performance-related remuneration. The amount of this remuneration shall be based on the qualitative and quantitative targets and parameters set by the Board of Directors, in particular the overall success of the Group. The performance-related remuneration may be paid in cash or through the allocation of equity securities, conversion or option rights or other rights to equity securities. The Board of Directors shall specify detailed rules for the performance-related remuneration of members of the Board of Directors, the management and any advisory board. Non-executive members of the Board of Directors shall receive a fixed remuneration only.

The company may allocate equity securities, conversion or option rights or other rights to equity securities to members of the Board of Directors, the management and any advisory board as part of their remuneration. If equity securities, conversion or option rights or other rights to equity securities are allocated, the amount of the remuneration shall correspond to the value of the allocated securities and/or rights at the time of the allocation according to generally accepted valuation methods. The Board of Directors may stipulate a lock-up period for retaining the securities and/or rights and determine when and to what extent the beneficiaries acquire permanent entitlement and under what conditions any lock-up periods lapse and the beneficiaries immediately acquire permanent entitlement (e.g. in the event of a change of control, substantial restructuring or certain types of employment contract termination). The Board of Directors shall specify detailed rules.

Article 24

Loans and credit to members of the Board of Directors, the management and any advisory board may not as a rule exceed 100% of the annual remuneration of the individual in question.

REMUNERATION FOR FINANCIAL YEARS 2023 AND 2022 PURSUANT TO ERCO (AUDITED)

The following remuneration was awarded for financial year 2023:

in 1000 CHF	Position	Fixed remuneration	Variable remuneration	Share-based remuneration Number	1000 CHF	Social security and pension	Total remuneration
Benedikt A. Goldkamp	Chairman of the Board of Directors	725	514	432	122	197	1 558
Ulrich Hocker	Independent Lead Director	257				16	273
Dr Florian Ernst	Member of the Board of Directors	64				5	69
Dr Martin Furrer	Member of the Board of Directors	64				5	69
Claudine Hatebur de Calderón	Member of the Board of Directors	35				2	37
Dr Anna Hocker	Member of the Board of Directors	35				2	37
Beat Siegrist	Member of the Board of Directors	64				5	69
Remuneration of the Board of Directors		1 244	514	432	122	232	2 112
Remuneration of the management		1 732	894	1 030	291	432	3 349
Remuneration of the Board of Directors and management		2 976	1 408	1 462	413	664	5 461
Highest individual management salary: Dr Rochus Kobler	CEO	694	514	410	116	188	1 512

The following remuneration was awarded for financial year 2022:

in 1000 CHF	Position	Fixed remuneration	Variable remuneration	Social security and pension	Total remuneration
Benedikt A. Goldkamp	Chairman of the Board of Directors	725	324	172	1 221
Ulrich Hocker	Independent Lead Director	257		17	274
Dr Florian Ernst	Member of the Board of Directors	64		5	69
Dr Martin Furrer	Member of the Board of Directors	64		5	69
Beat Siegrist	Member of the Board of Directors	64		5	69
Remuneration of the Board of Directors		1 174	324	204	1 702
Remuneration of the management		1 156	437	264	1 857
Remuneration of the Board of Directors and management		2 330	761	468	3 559
Highest individual management salary: Dr Rochus Kobler	CEO	694	324	159	1 177

All compensation is short term in nature, except for the share-based remuneration.

The Phoenix Mecano Group's consolidated statements of income for 2023 and 2022 include no compensation for former members of the Group's bodies who left in the preceding period or before. In financial years 2023 and 2022, legal fees amounting to CHF 0.053 million and CHF 0.035 million respectively worldwide were paid to law firm Baker McKenzie, in which Dr Martin Furrer is a partner in Zurich.

LOANS TO CORPORATE OFFICERS

Phoenix Mecano AG and its Group companies have not granted any securities, loans or credits to current or former members of the management and Board of Directors or persons related to them.

EXTERNAL MANDATES OF THE MEMBERS OF THE BOARD OF DIRECTORS AND MANAGEMENT

The following table lists all external mandates exercised by the members of the Board of Directors and management in comparable positions in other undertakings with commercial objects within the meaning of Art. 626 para. 2 no. 1 of the Swiss Code of Obligations (OR) and which in accordance with Art. 734e OR must be disclosed in the remuneration report, as well as all activities and functions of the members of the Board of Directors and management in accordance with Point 3.2 or Point 4.2 (Other activities and vested interests) of the Annex to the Directive on Information relating to Corporate Governance of 29 June 2022:

Member of the Board of Directors	Company	Position	
Benedikt A. Goldkamp	Model Holding AG	Member of the Board of Directors	
	IBG Industrie-Beteiligungs-Gesellschaft mbH, & Co. Kommanditgesellschaft, Cologne, Germany	Deputy Chairman of the Board of Partners	B
Ulrich Hocker	DMG MORI AKTIENGESELLSCHAFT, Bielefeld, Germany	Deputy Chairman of the Supervisory Board	B
	Feri AG, Bad Homburg, Germany	Deputy Chairman of the Supervisory Board	B
	Deutsche Schutzvereinigung für Wertpapierbesitz e.V. (DSW)	Chairman	B
	Deutsche Bank AG – Cologne region, Cologne, Germany	Member of the Advisory Board	
	IBG Industrie-Beteiligungs-Gesellschaft mbH & Co. Kommanditgesellschaft, Cologne, Germany	Chairman of the Board of Partners	B
	Investmentgemeinschaft Gilgenberg KG, Düsseldorf, Germany	Managing Director	
	Investmentgemeinschaft Gilgenberg KG, Luxembourg, Luxembourg	Managing Director	
	Gilgenberg Vermögensverwaltungs-KG, Cologne, Germany	Managing Director	
Dr Florian Ernst	Grundstücksgemeinschaft Hocker GbR, Düsseldorf, Germany	Managing Director	
	Tabouret S.A., Luxembourg, Luxembourg	Member of the Board of Directors	
Dr Florian Ernst	Finerco GmbH	Managing Director	

Member of the Board of Directors	Company	Position	
Dr Martin Furrer	Baker McKenzie Switzerland AG	Member of the Board of Directors	
	PILATUS Flugzeugwerke AG	Member of the Board of Directors	B
	Alaid Holding AG	Member of the Board of Directors	G
	Qogir Holding AG	Member of the Board of Directors	G
	SAGARMATHA II Holding AG	Member of the Board of Directors	G
	BELA Holding AG	Member of the Board of Directors	G
	Burger Holding AG	Member of the Board of Directors	B, G
	Burger Söhne Manufacturing AG	Member of the Board of Directors	K
	Protabaco AG	Member of the Board of Directors	K
	Burger Immobilien AG	Member of the Board of Directors	G
	Domaine de la Grande Ile SA	Member of the Board of Directors	K
	wm100 holding AG	Member of the Board of Directors	G
	wm19 holding AG	Member of the Board of Directors	K
	Zebra IV AG	Member of the Board of Directors	K
	wm2030 holding AG	Member of the Board of Directors	G
Zebra VII AG	Member of the Board of Directors	G	
Beat Siegrist	Schweiter Technologies AG	Member of the Board of Directors	B
	INFICON HOLDING AG	Member of the Board of Directors	B
	Bomatec Holding AG	Member of the Board of Directors	
	The Island Rum Company AS, Oslo, (Norway)	Member of the Board of Directors	
	Beat Siegrist Beteiligungen AG	Member of the Board of Directors	
Dr Anna Hocker	Radicalisation Capital UG	Managing Director	G
	Crafthunt GmbH, Munich, Germany	Managing Director	G
Claudine Hatebur de Calderón	Cofinanz Hatebur AG, Zurich	Chairwoman of the Board of Directors	G
	Hatebur Umformmaschinen AG, Reinach BL	Chairwoman of the Board of Directors	G
	Employee benefits foundation of Hatebur Umformmaschinen AG	Foundation board member	G
	Swissmem, Zurich	Council member	B
	Swiss Association of Privately Held Companies, Basel	Member	
Dr Rochus Kobler	De Martin AG	Member of the Board of Directors	
René Schäffeler	Genossenschaft Alterswohnungen Stein am Rhein	Chairman of the Board of Directors	
Ines Kljucar	The Equity Alliance, USA	Advisor	

B = Activities and functions in accordance with Point 3.2 or Point 4.2 (Other activities and vested interests) of the Annex to the Directive on Information relating to Corporate Governance of 29 June 2022
 G = Associated company or company under common control
 K = Controlled company



REPORT OF THE STATUTORY AUDITOR

To the general meeting of Phoenix Mecano AG, Stein am Rhein

REPORT ON THE AUDIT OF THE REMUNERATION REPORT ACCORDING TO ART. 734A-734F CO

Opinion

We have audited the remuneration report of Phoenix Mecano AG (the Company) for the year ended 31 December 2023. The audit was limited to the information pursuant to Art. 734a–734f of the Swiss Code of Obligations (CO) in the tables marked “audited” on page 46 of the remuneration report.

In our opinion, the information pursuant to Art. 734a–734f CO in the remuneration report (pages 43 to 47) complies with Swiss law and the Company’s articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor’s Responsibility for the Audit of the Remuneration Report” section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

The board of directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables marked “audited” in the remuneration report, the consolidated financial statements, the stand-alone financial statements and our auditor’s reports thereon.

Our opinion on the remuneration report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the remuneration report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the remuneration report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Remuneration Report

The board of directors is responsible for the preparation of a remuneration report in accordance with the provisions of Swiss law and the Company’s articles of incorporation, and for such internal control as the board of directors determines is necessary to enable the preparation of a remuneration report that is free from material misstatement, whether due to fraud or error. It is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor’s Responsibilities for the Audit of the Remuneration Report

Our objectives are to obtain reasonable assurance about whether the information pursuant to Art. 734a–734f CO is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this remuneration report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the remuneration report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the board of directors respectively its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors respectively its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Zurich, 19 April 2024
BDO Ltd

Christoph Tschumi
Auditor in charge
Licensed Audit Expert

Marc Furlato
Licensed Audit Expert