

**Remuneration system for the members of the Executive Board  
of the  
DMG MORI AKTIENGESELLSCHAFT**

- Publication pursuant to Section 120a (2) AktG -

Pursuant to the new provision in Section 120a (1) AktG introduced in the Act Implementing the Second Shareholders' Rights Directive (ARUG II), the annual general meeting of listed companies shall resolve on the approval of the remuneration system for the members of the Executive Board submitted by the Supervisory Board at least every four years as well as in the event of any significant changes to the existing remuneration system. This provision replaces the previous provision of Section 120 (4) sentence 1 AktG, which provided for a voluntary resolution of the annual general meeting. The Annual General Meeting of DMG MORI AKTIENGESELLSCHAFT had previously approved the remuneration system for the Executive Board by resolution of 5 May 2017.

Even if such resolution at DMG MORI AKTIENGESELLSCHAFT was not yet required by law at the Annual General Meeting 2020, the intention was to have such a resolution passed, particularly since the Supervisory Board has resolved changes to the remuneration system for the members of the Executive Board with effect from 1 January 2020.

Against this background, the Supervisory Board – after discussion by the Personnel, Nomination and Remuneration Committee – proposed to the 118<sup>th</sup> Annual General Meeting of DMG MORI AKTIENGESELLSCHAFT to approve the following remuneration system for the members of the Executive Board, which was resolved by the Supervisory Board with effect from 1 January 2020. The 118<sup>th</sup> Annual General Meeting of DMG MORI AKTIENGESELLSCHAFT approved the resolution under agenda item 4 with 99.81 % of the votes cast on 15 May 2020.

**1. Basic principles of the remuneration system for the members of the Executive Board of DMG MORI AKTIENGESELLSCHAFT**

The way in which the remuneration system at DMG MORI AKTIENGESELLSCHAFT is designed contributes to the promotion of its corporate strategy by encouraging and motivating the members of the Executive Board to actively pursue and achieve the strategic targets, namely sustainable growth and further improvement of the service provided by DMG MORI AKTIENGESELLSCHAFT. The intention is to create incentives for a long-term development with a focus on creating value and promoting innovations while avoiding excessive risks.

The fundamental structuring of the system and the specific design the Executive Board remuneration has been given by the Supervisory Board is based on the following guiding principles:

- a) Extraordinary performance should be appropriately rewarded whereas failure to achieve set targets should lead to a substantial reduction in remuneration ("pay for performance orientation").
- b) The performance of the Executive Board members as the Company's governing body is to be promoted without unduly restricting the entrepreneurial freedom of the Executive Board members in their individual areas of responsibility. Since key strategic targets can only be achieved across areas of responsibility based on contributions made by all members of the Executive Board, short and long term remuneration components are to be linked to various key performance indicators, while at the same time giving due regard to the performance contributions of the Executive Board members' individual areas of responsibility.
- c) The remuneration system for the members of the Executive Board is fully compatible with the remuneration systems for the Group's other management levels and the employees.
- d) The remuneration of the Executive Board members should be in line with market standards and take into account the size, complexity and orientation of the Company as well as its economic situation.

On this basis, the Executive Board members are to be offered a competitive remuneration package that conforms to the market and is in line with regulatory requirements and provides an incentive for a sustainable management by the Executive Board. This will ensure that DMG MORI AKTIENGESELLSCHAFT attracts the best available candidates for the Executive Board in the present and in the future.

The new remuneration system is designed in a way that is simple, clear and comprehensible. The remuneration system resolved by the Supervisory Board with effect from 1 January 2020 complies with the requirements of the German Stock Corporation Act as amended by the Act Implementing the Second Shareholders' Rights Directive (ARUG II) and essentially with the recommendations of the German Corporate Governance Code as published in the German Federal Gazette on 20 March 2020. The newly created system gives the Supervisory Board the necessary freedom to react to organizational changes and to respond to changes in the economic environment and the market situation when concretely designing the Executive Board remuneration. In view of the control and profit & loss transfer agreement existing between DMG MORI AKTIENGESELLSCHAFT and DMG MORI GmbH, a 100 % subsidiary of DMG MORI CO., LTD., on the one hand, and the low free float of the Company's share, on the other, the Supervisory Board decided not to provide for a remuneration component in shares or a share-based remuneration component.

## 2. The procedure for determining the remuneration of the Executive Board

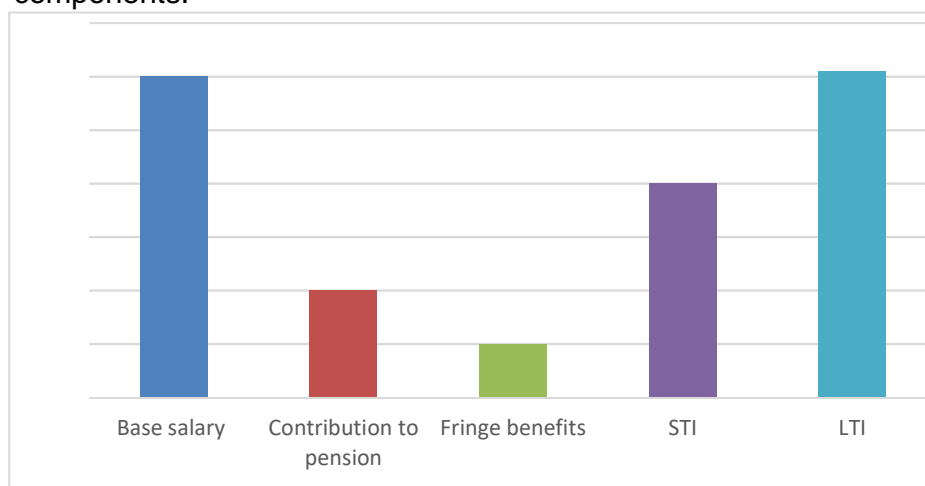
The Supervisory Board establishes the Executive Board remuneration system. The discussions to be held and the resolutions to be passed by the Supervisory Board for this purpose are prepared by the Personnel, Nomination and Remuneration Committee. It develops recommendations regarding the Executive Board remuneration system, which are also discussed in detail and resolved on by the Supervisory Board. The Supervisory Board may involve external consultants. When external remuneration experts are to be engaged, their independence will have to be ensured and they will specifically be requested to provide a confirmation of their independence. The remuneration experts involved by the Supervisory Board will be revolved on a regular basis. Applicable rules for handling conflicts of interest will also be applied to the procedure for determining, implementing and reviewing the remuneration system.

The remuneration system resolved by the Supervisory Board will be submitted to the Annual General Meeting for approval. If the system is not approved by the Annual General Meeting, a revised remuneration system will be submitted for voting at the latest at the following Annual General Meeting.

The Personnel, Nomination and Remuneration Committee regularly reviews the system for remuneration of the Executive Board and presents appropriate proposals to the Supervisory Board. In the event of significant changes, but at least every four years, the remuneration system will again be submitted to the Annual General Meeting for approval.

## 3. Components of the Executive Board remuneration

The remuneration of the Executive Board members of DMG MORI AKTIENGESELLSCHAFT consists of fixed and variable remuneration components. In addition to the base salary ("fixed salary"), the fixed, non-performance based remuneration consists of fringe benefits and pension commitments (in particular to the defined contribution pension scheme). Short-term incentives (STI) and long-term incentives (LTI) are granted as performance-based incentives linked to the achievement of specific, measurable targets and are therefore variable remuneration components.



#### 4. The individual remuneration components

- a) Fixed remuneration components: The fixed, non-performance based remuneration consists of the base salary, fringe benefits and pension commitments (defined contribution pension scheme).
- Base salary: Each member of the Executive Board receives a fixed base salary, which is payable in 12 monthly instalments.
  - Fringe benefits: Fringe benefits are determined for each member of the Executive Board, including the maximum amount. This covers benefits in favor of the members of the Executive Board, including, but not limited to, benefits in kind and fringe benefits granted by the Company, such as a company car or, for example, taking out insurances.
  - Pension commitments: Specific amounts are granted for each Executive Board member which must be transferred to their individual pension schemes. Each granted amount will be provided to each Executive Board member for investment in an external pension scheme. The Supervisory Board reviews the appropriateness of the amount on an annual basis.
- b) Variable remuneration components: The variable performance-based remuneration consists of a short-term and a long-term component – the so-called STI (short-term incentive) and the LTI (long-term incentive). The actual amount of the variable remuneration depends on the achievement of financial and other performance parameters which are derived from both operational and strategic targets. DMG MORI AKTIENGESELLSCHAFT focuses on safeguarding and increasing the Company's success as well as the Company's value in all relevant forms. The aim is to strengthen the earning power and market position of DMG MORI AKTIENGESELLSCHAFT in the long term and to incentivize profitable and efficient management. In addition to traditional key performance indicators, key targets for a sustainable development of the Company, such as the improvement of service or the optimization of the Company's market position, are also considered. The performance criteria are determined on the basis of appropriate key performance indicators established for the Company. The Supervisory Board ensures that the targets defined by it are demanding and ambitious.

If targets are not met, the variable remuneration can drop to zero. If the targets are exceeded, the degree of achievement is limited to 200 %.

The remuneration resulting from the achievement of targets is modified by two sustainability factors ("modifiers") which are defined when the reward for achieving the targets is granted and which are intended to strengthen in particular the efforts of the Executive Board to achieve future growth on the basis of sustainable management.

- c) Short-term incentive (STI): The STI rewards the contribution made during a fiscal year to the operational implementation of the corporate strategy and thus – indirectly – to the long-term development of the Company. In particular, the STI takes into account the overall responsibility of the Executive Board and the collaboration of its members in achieving the targets.

For this reason, the STI system is based on two target dimensions, which can be weighted differently and are modified by sustainability factors (“modifiers”). Both the market position (measured by the performance criterion “order intake”) and the earnings situation (measured by the performance criterion “EBIT”) are taken into account. These targets that are related to the Company are then modified by a sustainability factor (“modifier”) which has a range from 80 % to 120 %. In particular, the modifier is intended to reward the actions taken and the successes achieved by the Executive Board which contribute towards safeguarding the Company's success on a sustainable basis. These targets underlying the modifier include for example investments or the development of market shares and positions. In future, other activities, such as in research and development, marketing, productivity, quality or service, or compliance with environmental targets (e.g. emission limits) can also be considered.

Based on the recommendation of the Remuneration Committee, the Supervisory Board specifies the concrete performance criteria and the key performance indicators and focus topics including the methods for measuring performance and the modifiers as well as their weighting before the beginning of the respective fiscal year. In doing so, the Supervisory Board puts particular emphasis on ensuring that clear and measurable qualitative targets are defined, with due regard to the current strategy and market position. In particular, the target values are defined in this context.

The STI is established in the degree of target achievement in a range from 0 % to 200 %.

The targets and modifiers defined by the Supervisory Board before the beginning of each fiscal year are disclosed and explained in the remuneration report in consideration of the areas on which the operational focus is placed in the relevant fiscal year.

Determination of target achievement: After the end of the fiscal year, the target achievement for the relevant key performance indicators is determined and modified by applying the modifiers. The remuneration report provides transparent information about the target values and the degree of target value achievement.

The parameters for the STI do not change during a fiscal year. Only in cases of extraordinary developments, where the effects are not sufficiently reflected in target achievement, can the Supervisory Board make appropriate adjustments as regards the target setting. This can lead to either an increase or decrease in remuneration. Market developments which are generally unfavorable are not deemed extraordinary developments during the fiscal year. If any extraordinary developments resulting in an adjustment should occur, this will be reported in detail and transparently in the annual remuneration report.

The current STI is therefore designed as follows:



- d) Long-term incentive (LTI): The long-term, sustainable commitment to DMG MORI AKTIENGESELLSCHAFT must be the focus of all activities of the Executive Board. Only in this way can sustainable growth be promoted and sustainable value be created. A substantial part of and sustainable value be created. A substantial part of long-term success of DMG MORI AKTIENGESELLSCHAFT, in particular taking into account its earnings performance. The LTI is aimed at achieving earnings and other operational targets over an extended period in order to ensure the Company's success in implementing its strategy, including in the area of non-financial key indicators.

There will be no long-term remuneration consisting of shares or based on shares. The LTI is granted in cash because the remuneration is to be based solely on factors that can be influenced by the Executive Board. However, the development of the DMG MORI AKTIENGESELLSCHAFT share and, consequently, the development of any share-based remuneration system program based on the development of the DMG MORI AKTIENGESELLSCHAFT share would be driven by factors not within the control of the Executive Board. DMG MORI AKTIENGESELLSCHAFT does not pay any dividend as a result of the control and profit & loss transfer agreement existing with DMG MORI GmbH. Nor is the earnings performance to the extent that it can be influenced by the Executive Board as a rule a factor which would have any impact on the price of the DMG MORI AKTIENGESELLSCHAFT share. Apart from any potential speculative elements, in particular the compensation and settlement provided for in the control and profit & loss transfer agreement has an impact on the share price, but not the performance of the Executive Board.

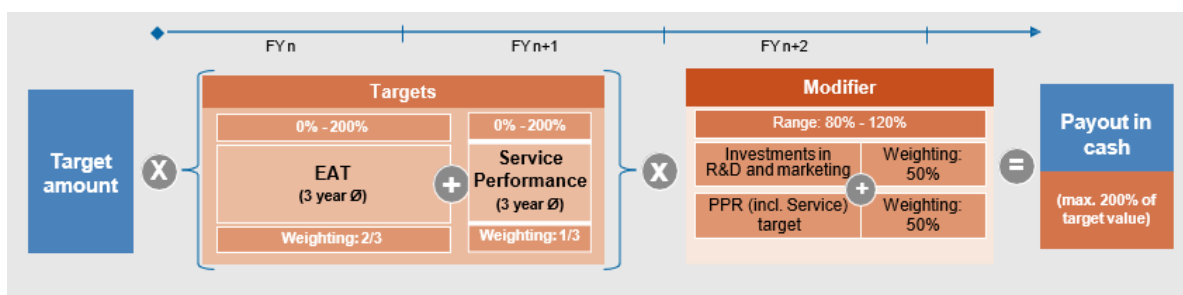
In order to be able to adequately reflect the performance of a member of the Executive Board and the Executive Board as a whole, the LTI is granted on the basis of an indicator-based remuneration which is measured over a period of three years ("performance period"). The LTI is based on two financial targets and measurable sustainability targets in the form of a modifier. The financial performance criteria represent important key performance indicators of DMG MORI AKTIENGESELLSCHAFT (earnings after taxes – EAT – and the service performance). These targets are weighted according to their importance.

The modifier with a range of +20 % / -20 % also reflects sustainability targets which currently include adherence to research, development and marketing budgets and the development of Product Problem Reports (PPR). The targets are selected with a view to safeguarding long-term and sustainable development in line with the strategy. Going forward, targets in productivity, quality or service, the development of market shares and market positions or compliance with environmentally relevant targets (e.g. emission limits) and other targets can be reflected.

The LTI has a range from 0 % to 200 % depending on the degree of target achievement. When setting targets before the beginning of a fiscal year, the Supervisory Board ensures that the sustainability targets in STI and LTI are complementary.

Performance with respect to sustainability targets is also measured by comparing the planned values with the achieved figures. The maximum LTI cash payment is also limited to a maximum of 200 % of the target amount.

The LTI can be summarized as follows:



## 5. Determination of the structure and amount of the concrete target total remuneration

Based on the preparations by the Personnel, Nomination and Remuneration Committee, the Supervisory Board determines the target total remuneration for each member of the Executive Board for the coming fiscal year in accordance with the remuneration system. The target total remuneration for each member of the Executive Board is the sum of the base salary, STI for a 100 % target achievement and LTI for a 100 % target achievement.

In addition to an appropriate proportion to the tasks and performance of the members of the Executive Board, in particular the economic situation, the market environment, the success and future prospects of the Company are taken into account. The Supervisory Board places particular emphasis on ensuring that the target total remuneration is in line with market standards. This will be assessed on the basis of the following points:

- **External comparison (horizontal appropriateness):** Remuneration data from the 90 largest listed companies in Germany with listings on the DAX and MDAX are used to assess the market standard of the total remuneration. This horizontal market comparison takes into account the market position, including the size and complexity of DMG MORI AKTIENGESELLSCHAFT, with particular regard to an inclusion of the Company in the above comparison group. The size (e.g. in terms of employees and turnover) and the focus of the business would make the use of the SDAX, on which DMG MORI AKTIENGESELLSCHAFT is currently listed, seem inappropriate. Ultimately, DMG MORI AKTIENGESELLSCHAFT is only included in the SDAX on the basis of its market capitalization.

- Internal comparison (vertical appropriateness): In addition, the development of the Executive Board remuneration in relation to the remuneration of the employees of DMG MORI AKTIENGESSELLSCHAFT is taken into account in an internal (vertical) comparison. In this comparison, the relationship between the Executive Board remuneration and the remuneration of the senior management group and the other employees is compared to the market. To this end, the Supervisory Board has defined the senior management as follows: It consists of Executive Board members with areas of responsibility and managing directors, including all members of the management team. The other employees are all employees in Germany, either paid under or outside collective agreements.

The remuneration system allows the Supervisory Board to structure the target total remuneration in a differentiated manner: The target total remuneration is to be determined by taking into account the function of each of the members of the Executive Board. The different requirements will be considered in determining the absolute level of remuneration and with respect to the remuneration structure. In particular, a function-specific differentiation will be made. In particular, the Chairman of the Executive Board receives a higher total remuneration than the other Executive Board members. When a member of the Executive Board is appointed for the first time, a lower level of remuneration or reduced remuneration components can be determined for the first-time appointment period.

In addition, within the scope of the annual review of the Executive Board remuneration, the Supervisory Board has the option – if needed – to adjust only individual remuneration components instead of all remuneration components, taking into consideration market conditions and appropriateness considerations. In this way, for example, the short-term or long-term remuneration can be adjusted to reflect changes in market standards.

As a result, certain percentage ranges exist for the proportions of the target total remuneration represented by each of the individual remuneration components in the remuneration system. The proportion of the LTI is always greater than the proportion of the STI. The proportion of the fixed remuneration (base salary, fringe benefits and pension commitments) is between 40 % and 50 % of the target total remuneration. Going forward, this percentage may vary as a result of a changed functional differentiation or as a result of the annual review and an alignment to the market standard. In terms of the target total remuneration, the proportion of the STI is within a range of 17 % to 27 % and the proportion of the LTI within a range of 28 % to 38 %.

## **6. Maximum remuneration limits**

The Supervisory Board derives the maximum total remuneration of a member of the Executive Board annually on the basis of the target total remuneration. The maximum total remuneration of an Executive Board member is the maximum limit in terms of amount and thus the actual maximum payment, taking into account the fixed remuneration (including base salary, fringe benefits and pension commitments), STI



and LTI, with the variable remuneration components STI and LTI being limited as follows (payout caps):

- Short-term incentive (STI): 200 % of the target amount
- Long-term incentive (LTI): 200 % of the target amount

The maximum total remuneration is Euro 5,550,000 for the Chairman of the Executive Board Christian Thönes and Euro 2,950,000 for the members of the Executive Board Björn Biermann and Michael Horn.

Should the Annual General Meeting pass a resolution to reduce the proposed maximum total remuneration, this vote for a reduction will be reflected in Executive Board employment contracts when these are concluded or extended.

## **7. Malus and clawback provisions for the variable remuneration**

The Supervisory Board has the option of withholding or reclaiming the short-term and long-term variable remuneration in cases of serious breaches of duty or compliance. The same applies in cases of severely unethical behavior.

In cases of grossly negligent or willful breaches of duties of care of a diligent and conscientious manager pursuant to Section 93 (1) AktG by Executive Board members, the Company is furthermore entitled to reclaim from the Executive Board member, with respect to the performance period in which the breach occurred, any paid-out variable remuneration components (STI and/or LTI), in whole or in part, or to withhold any unpaid variable remuneration components (STI and/or LTI), in whole or in part.

If variable remuneration components (STI and/or LTI) linked to the achievement of specific targets were unduly paid out on the basis of incorrect data, the Company is entitled to reclaim the difference in remuneration resulting from the recalculation of the variable remuneration compared to the original payment made to the Executive Board member. The Company has to demonstrate that the underlying data used in the calculation of the remuneration was incorrect and that therefore the variable remuneration of the Executive Board member was too high.

The possibilities to claim repayment also apply if the appointment or employment of the Executive Board member has already ended at the time the claim for repayment is made. Any claims for damages which the Company may have against the Executive Board member remain unaffected.

## **8. Deduction of compensation for secondary activities**

The members of the Executive Board may take up secondary activities (e.g. public offices, seats on supervisory boards or advisory boards and similar positions (including any committee memberships) as well as appointments to scientific bodies) only with the prior approval of the Supervisory Board. If members of the Executive

Board serve on a supervisory board or hold similar positions within the Group, the compensation received for such a position will be deducted from the remuneration of the respective Executive Board member. If seats on supervisory boards outside the Group are accepted, the Supervisory Board will decide at its duty-bound discretion on a case-by-case basis whether and to what extent the remuneration for such positions is to be deducted. In this context, a key factor will be the extent to which the activity is in the interest of the Company.

#### **9. Commitments granted in connection with the commencement of employment of Executive Board members and similar commitments**

When a person is appointed as a member of the Executive Board for the first time, no additional individual remuneration benefits are to be granted under the Executive Board member's individual employment contract. In particular, no compensation for the loss of benefits from the previous employer and no reimbursement of moving expenses are to be paid.

#### **10. Legal acts related to remuneration**

The remuneration of the members of the Executive Board is governed by their employment contracts, with the variable remuneration components being determined by the Supervisory Board on the basis of this remuneration system.

#### **11. Provisions in connection with termination of employment of Executive Board members**

For new Executive Board employment contracts to be concluded (first-time appointment) or an extension of such contracts, no special provisions for a change of control will be negotiated, in particular neither special rights to terminate the contract nor severance payments.

- Termination by mutual agreement („Good Leaver“): If a member of the Executive Board resigns from office at the request of the Supervisory Board for reasons unrelated to the conduct or the person of the member of the Executive Board, all outstanding LTI tranches will be paid out normally at the end of the relevant performance period. The same applies if a member of the Executive Board withdraws from office for any other reasons for which he or she is not responsible (e.g. regular expiration or mutual termination of the employment contract or any other reasons for withdrawing provided for in the contract). This also includes early retirement and the rejection of an offer of reappointment by the Executive Board member.
- Non-mutual termination („Bad Leaver“): If the Company terminates the employment with a member of the Executive Board for good cause or if a member of the Executive Board unjustifiably terminates the employment contract („Bad Leaver“), all outstanding allocated LTI amounts that did not complete the three-year performance period will be forfeited.

In the event of the death or permanent disability of an Executive Board member, all outstanding LTI tranches are paid out immediately on the basis of 100 % target achievement.