

Compensation report

2023

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Compensation report 2023

The compensation report pursuant to Section 162 of the German Stock Corporation Act (AktG) describes the main features of the compensation system as well as the individual compensation of the current and former members of the Executive Board and Supervisory Board of FUCHS SE for the 2023 financial year.

The current compensation system for the members of the Executive Board of FUCHS SE has been in place since financial year 2021. It was adopted by the Supervisory Board, after being prepared by the Personnel Committee, at the Supervisory Board meeting held on March 8, 2021 and approved by the Annual General Meeting held on May 4, 2021. At the meeting of the Supervisory Board on December 9, 2022, after preparation work by the Personnel Committee, the Supervisory Board decided to adjust the performance-based compensation with regard to the performance factor, which was renamed to sustainability factor. Its criteria were also tightened. The compensation system for the members of the Supervisory Board, which is set out in Section 16 of the Articles of Association, was adopted at the Annual General Meeting on May 4, 2021. The Compensation Report for the financial year 2023 was published pursuant to Section 162 German Stock Corporation Act (AktG), and examined in terms of content by the auditor beyond the requirements of Section 162 Para. 3(1) and (2) German Stock Corporation Act (AktG). The compensation report on the compensation individually granted and due to the members of the FUCHS SE Executive Board and Supervisory Board for the financial year 2022 was approved by the Annual General Meeting on May 3, 2023 by a majority of 93.15%, which is why the basic design of the compensation report remains unchanged.

Compensation for members of the Executive Board

Overview of the compensation system

1. General

The following criteria are relevant for defining the compensation for members of the Executive Board:

- duties of the individual board member,
- performance of the Executive Board,
- economic situation of the company,
- success and future outlook of the company,
- reasonableness of the compensation, taking into account a horizontal and vertical comparative analysis.

The compensation system for members of the Executive Board thus creates incentives for successfully implementing the corporate strategy and for the company's long-term performance.

a. Procedure for setting the level of compensation

By law, the Supervisory Board is the body responsible for setting, reviewing and implementing compensation/the compensation system for members of the Executive Board. The Personnel Committee is responsible for preparing the relevant Supervisory Board decisions.

Based on the compensation system, the Supervisory Board sets the target and maximum compensation for the members of the Executive Board in advance for a period of several years. It also defines the long-term targets geared toward sustainable company success to determine the sustainability factor in advance for a period of several years. These targets are guided by the strategic guidelines at the FUCHS Group (FUCHS) and relate to the Executive Board. Using a horizontal and vertical comparative analysis, the Supervisory Board ensures that Executive Board compensation is appropriate.

In the December of a calendar year, the Supervisory Board's Personnel Committee prepares a recommendation on the Executive Board's target achievement with regard to the sustainability factor. Based on this recommendation, the Supervisory Board then makes a decision on the sustainability factor at its December meeting. The Supervisory Board makes the final decision on the amount of variable compensation for the

past financial year at the Supervisory Board meeting in March, which is also when a resolution is passed on the approval of the annual financial statements.

Horizontal analysis:

The level of compensation was set in 2020 based on a peer group of various companies – all of which were MDAX-listed at the time – selected on the basis of belonging to the chemicals industry, the nature of their business, and their main shareholder (listed companies with one family as majority shareholder). Characteristics such as company size, profitability and compensation structure were also taken into account. Taking these criteria into consideration, the members of the Executive Board are offered compensation that is standard for the market while also being competitive and in line with regulatory requirements. The peer group comprises Brenntag AG, Dürr AG, Knorr-Bremse AG, Lanxess AG and Symrise AG.

Vertical analysis:

The internal company compensation structure is also applied when setting compensation for Executive Board members. The vertical review is prepared in accordance with the recommendation of the German Corporate Governance Code with two comparison groups. Firstly, the ratio of Executive Board compensation to staff costs for all Group employees is considered. Secondly, compensation for senior executives within the Group is compared. This peer group comprises the members of the Group Management Committee (excluding members of the Executive Board) and the managing partners of the Group companies.

b. Review of the compensation system

The system for compensating members of the Executive Board is reviewed by the Supervisory Board each year. The Personnel Committee conducts a horizontal and a vertical analysis. If changes are required, the Personnel Committee prepares a recommended resolution for the Supervisory Board.

In accordance with the provisions of Section 120a of the German Stock Corporation Act (AktG), the compensation system must be submitted to the Annual General Meeting for approval if any material changes are made and at least every four years. If the Annual General Meeting does not approve the compensation system, a revised compensation system must be presented for resolution no later than the subsequent Annual General Meeting.

c. Conflicts of interest

Given that the Supervisory Board is responsible for setting, reviewing, and implementing the compensation system for members of the Executive Board, potential conflicts of interest are in principle avoided. If conflicts of interest were to occur in the future, FUCHS SE's general regulations for handling conflicts of interest on the Supervisory Board apply.

2. Compensation components

Compensation for members of the Executive Board comprises non-performance-based and performance-based components. These components are made up of the following elements:

- Non-performance-based compensation:
 - Fixed compensation
 - Additional benefits
 - Pension expenses

- Performance-based compensation:
 - STI (short-term incentive) means short-term, one-year compensation
 - LTI (long-term incentive) means long-term, multi-year compensation

Where contracts are concluded or terminated during the year, fixed compensation and performance-based compensation are granted on a pro rata basis.

a. Non-performance-based compensation

Non-performance-based compensation is fixed compensation based on the full year and is paid in 13 equal installments (two installments are paid in November). Annual fixed compensation for the Chairman of the Executive Board is €880 thousand and €550 thousand for the other members of the Executive Board.

In addition to fixed compensation, contracts also provide for additional benefits.

These include the following:

- benefits in kind in the form of the personal use of a company car,
- benefits in kind in the form of accident insurance.

In terms of pension commitments, the following distinctions are made:

- The pension commitments for Executive Board members appointed before January 1, 2016, equal a percentage of the average fixed compensation of the last three years before the termination of the contract of employment. This percentage does not exceed 40% and increases successively with the duration of service of the Executive Board member. The corresponding pension provision is determined using the projected unit-credit method. Current service expenses, which may be subject to significant variability depending on the market interest rate, are recognized as annual pension expenses.
- Since January 1, 2016, there have been pension provisions in place for new members of the Executive Board via the Allianz provident fund. There are no additional obligations other than the requirement to pay contributions to this provident fund. The annual payments are recognized as pension expenses.

Executive Board members are entitled to receive a regular pension if their Executive Board contract ends with or after completion of their 65th year of age.

b. Performance-based compensation

Performance-based compensation is calculated on the same basis for the STI and LTI using the following formula:



The Chairman of the Executive Board receives an individual share of 0.64% of the value calculated, and other members of the Executive Board each receive an individual share of 0.32%. Performance-based compensation is paid in March after the Supervisory Board meeting to approve the previous financial year's annual financial statements.

FVA (FUCHS Value Added)

The FVA is the key performance indicator of the FUCHS Group. It is based on the variable compensation for local, regional and global management.

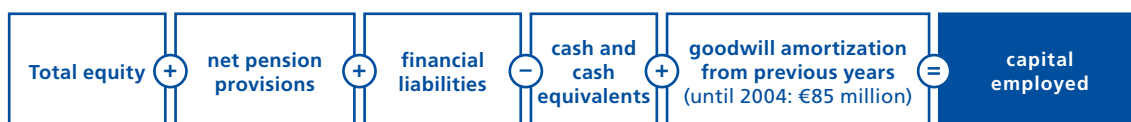
As an economic benefit, FVA embodies a holistic approach that looks at both profit and capital employed. It is therefore an expression of the strategic objectives and geared towards the long term:



EBIT (earnings before interest and tax) is the relevant profit indicator. EBIT illustrates operating performance and is not affected by financing or tax effects.

Capital employed is reflected in the net assets and financial position. Capital expenditure is largely influenced by capital expenditure on property, plant and equipment and on intangible assets, as well as by changes in net operating working capital (NOWC). Property, plant and equipment and acquisitions are monitored on the basis of investment appraisals, while NOWC is monitored through targeted management of its components (inventories as well as accounts receivables and trade payables). The capital employed for a financial year is determined on the basis of the Group’s interest-bearing financial resources and is calculated as an average of the parameters of the portfolio at five quarterly figures, starting from December 31 of the previous year.

Capital employed is thus calculated over five reporting dates as followed:



To calculate the costs of capital employed, the weighted average cost of capital (WACC), which is determined on the basis of the capital asset pricing model (CAPM), is used. The level of WACC is reviewed annually on the basis of up-to-date capital market data as of the end of the reporting period, and adjusted accordingly. The WACC is included in the FVA as a pretax interest rate because the earnings component is also taken into consideration as a pretax figure (EBIT).

Only when the recorded earnings are higher than the costs of the capital employed is value created and entitlement to variable compensation arises.

The FVA for the financial year in question is determined when the annual financial statements are adopted and the consolidated financial statements approved.

Sustainability factor

The sustainability factor, referred to as performance factor until its re-adjustment by the Supervisory Board, measures the annual achievement of agreed long-term objectives. It is established by the Supervisory Board on an annual basis and is the same for all members of the Executive Board. The sustainability factor ranges from a minimum of 0.75 (equivalent to a target attainment of 75%) to a maximum of 1.25 (equivalent to a target attainment of 125%). The sustainability factor continues to be guided by the FUCHS strategic guidelines and now refers to the three categories Ecology, Economics and Social. The Supervisory Board defines several subcategories for each of these categories, and these are valid for several years. The re-adjustment ensures that the sustainability factor is tightened and that the incentive structure remains in line with the company’s strategy. The targets are for the entire Executive Board.

The target attainment and therefore the sustainability factor is determined in an annual overview in December. The Supervisory Board makes this decision on the basis of the target attainment proposed by the Personnel Committee.

Variable compensation comprises the following:

- 45 % Short-Term Incentive (STI)
- 55 % Long-Term Incentive (LTI)

As both the STI and the LTI are dependent on the FVA and the sustainability factor, both are designed to take account of long-term company success and, thus, on a multi-year assessment basis. The distinction between the two is relevant with regard to the further obligation to use the LTI.

Members of the Executive Board must invest over half of the LTI in FUCHS SE preference shares (ISIN DE000A3E5D64) within two weeks of it being paid. As recommended by the German Corporate Governance Code, this ensures that variable compensation is predominantly share-based, taking into account the tax burden. This means that the preference shares acquired do not represent additional compensation for members of the Executive Board. As recommended under the German Corporate Governance Code, the preference shares acquired are subject to a four-year lock-up period. The vesting period begins when they are posted to the individual securities accounts and must be observed in full even if the Executive Board contract is terminated prematurely. During this period, the shares held by members of the Executive Board will be exposed to all the risks and rewards of capital market performance. The preference shares are acquired jointly for all members of the Executive Board in order to ensure standard acquisition terms.

c. Target and maximum compensation

Target compensation is the total amount paid to an Executive Board member for a financial year when target attainment is 100% for all compensation components. The achievement of targets is expressed in the compensation system by the sustainability factor. Achieving the target of 100% corresponds to a sustainability factor of 1.0. Target compensation is 2.5 times fixed compensation. Target compensation is €2,200 thousand for the Chairman of the Executive Board and €1,375 thousand for ordinary Executive Board members. Target total compensation comprises individual additional benefits and pension expenses as well as target compensation.

Maximum compensation is four times the amount of fixed compensation. The maximum compensation is €3,520 thousand for the Chair of the Executive Board and €2,200 thousand for ordinary Executive Board members. The total maximum compensation comprises individual additional benefits (appropriate company car and accident insurance), pension expenses and maximum compensation. The pension commitments for Executive Board members appointed before January 1, 2016, do not exceed 40% of the average fixed compensation of the last three years before the ending of the contract of employment. Pension commitments for the other members of the Executive Board are defined contribution plans and amount to €220 thousand annually. In light of the volatility of the annual actuarial calculation of the provision expenses for the members of the Executive Board appointed for the first time before January 1, 2016, the maximum amount for the total of individual additional benefits and provision expenses is €600 thousand for the Chairman of the Executive Board and €400 thousand for the regular members of the Executive Board. This results in a maximum total compensation (Section 87a (1) sentence 2 no. 1 of the German Stock Corporation Act (AktG)) of €4,120 thousand for the Chairman of the Executive Board and €2,600 thousand for the members of the Executive Board.

The following table shows the share of target and maximum compensation (excluding additional benefits and pension commitments in each case) and of target and maximum total compensation (additional benefits and pension commitments allocated to fixed compensation in each case) made up of fixed compensation, the STI, and the LTI:

Breakdown of target and maximum compensation and of target and maximum total compensation

in %	Target compensation	Maximum compensation	Target total compensation	Maximum total compensation
Fixed compensation	40	25	≈47	36
Variable compensation	60	75	≈53	64
thereof STI	27	34	≈23	29
thereof LTI	33	41	≈29	35

The share of target total compensation attributable to fixed compensation and to variable compensation may vary due to annual fluctuations in the additional benefits and pension commitments granted. As a general rule, the target amounts of the variable compensation components will exceed the fixed compensation components (basic compensation, additional benefits, and pension commitments). The compensation system ensures that the LTI always accounts for a higher share than the STI. This way, along with the long-term nature of the FVA model and the sustainability factor, the Supervisory Board gears Executive Board compensation towards the company's long-term development.

3. Contractual agreements

a. Contractual terms and commitments in the event of premature termination

The basic regulations of Executive Board compensation were agreed with the members of the Executive Board in their employment contracts. Additional agreements are concluded with members of the Executive Board regarding variable compensation and the criteria relevant to measuring the sustainability factor. These are valid for multiple years.

Subject to prior mutual agreement, the term of the employment contracts is equal to the period of appointment. The requirements under stock corporation law and the recommendations of the German Corporate Governance Code are observed when appointing and reappointing members of the Executive Board. Initial appointments are generally not for more than three years. Reappointments are for a maximum of five years.

If Executive Board employment is terminated prematurely without cause, in accordance with the recommendations of the German Corporate Governance Code, the employment contracts provide for a compensation payment that is limited to a maximum of twice the annual compensation (sum of total compensation for last two financial years) and does not recompense more than the remaining term of the contract of employment (cap); whereby no premature payment of performance-related variable compensation is made in the event of premature contract termination. The contracts do not provide for any extraordinary termination rights or redundancy payments in the event of a change in control. This also applies if a member of the Executive Board is permanently unable to work. If a member of the Executive Board is temporarily unable to work, the member will continue to be paid the contractually agreed compensation for a duration of six months.

b. Extraordinary developments and variable compensation

In the event of extraordinary developments, the Supervisory Board can adjust the variable compensation calculated in accordance with the specifications above and set it higher or lower.

c. Clawback regulations for variable compensation

FUCHS SE is contractually entitled to recover, in full or in part, variable compensation components already paid to members of the Executive Board. The right of recovery applies if, after payment of the variable compensation, it becomes apparent that the key indicators for this purpose had to be corrected retrospectively due to objective errors in accordance with the rules governing accounting and would have resulted in no or lesser compensation on the basis of the corrected indicators.

d. Accepting board positions within and outside the Group

If members of the Executive Board accept Supervisory Board or other board positions at companies affiliated with FUCHS SE, they are not compensated for this separately. If, in exceptional cases, compensation for a position within the Group cannot be excluded, depending on the nature of the compensation, this is offset against the Executive Board member's other compensation or the Executive Board member assigns it to FUCHS SE.

Supervisory Board or similar positions at external companies must be approved by the Supervisory Board. The Supervisory Board will make a decision on whether to offset the compensation for the individual case in question. It has so far chosen not to do so.

e. Post-contractual non-compete clause

Members of the Executive Board are subject to a 12-month post-contractual non-compete clause. FUCHS SE can waive this clause before the employment relationship is ended. If it does so, the right to compensation lapses one year after the declaration, regardless of whether the employment relationship remains in effect. The Executive Board member will receive compensation equal to one half of the contractually agreed compensation for the duration of the non-compete clause. For the variable components, this is based on the average for the last three years. Other income is taken into account in compensation. Compensation is deducted from any redundancy payment in accordance with the recommendation of the German Corporate Governance Code.

Individual compensation for members of the Executive Board

The compensation granted and owed to the members of the Executive Board for their activities in the 2022 financial year pursuant to Section 162 Para. 1 (1) of the German Stock Corporation Act (AktG) was in accordance with the compensation system.

In the 2023 financial year, the Executive Board of FUCHS SE consisted of the following members:

- Stefan Fuchs, Member of the Executive Board since 1999, Chairman of the Executive Board since January 1, 2004
- Isabelle Adelt, Member of the Executive Board since November 1, 2022
- Dr. Sebastian Heiner, Member of the Executive Board since January 1, 2023
- Dr. Lutz Lindemann, Member of the Executive Board since January 1, 2009, left the Board on March 31, 2023
- Dr. Ralph Rheinboldt, Member of the Executive Board since January 1, 2009
- Dr. Timo Reister, Member of the Executive Board since January 1, 2016

Compensation is granted already at the point when the activity underlying the compensation has been fully performed (earnings-oriented approach). This means that the variable compensation for the activity upon which it is based in the 2023 financial year is reported as having been allocated in the reporting year, even though payment will not be made until March 2024. This ensures transparent and comprehensible reporting and safeguards the link between performance and remuneration in the reporting period. This principle also applies accordingly to the presentation of the target (total) compensation and the maximum (total) compensation.

The measurement parameters for variable compensation (STI and LTI) for members of the Executive Board are as follows:

Measurement parameters for variable compensation (STI and LTI)

Variable compensation (STI and LTI) Individual component		Share of Chairman of the Executive Board	Share of ordinary member of the Executive Board
		0.64%	0.32%
2023 financial year			
FVA in € million	212		
Sustainability factor		€ thousand	€ thousand
min	0.75	1,017	508
max	1.25	1,694	847
Sustainability factor 2023	1.2	1,627	813
2022 financial year			
FVA in € million	172	827	
Performance factor		€ thousand	€ thousand
min	0.75	827	414
max	1.25	1,378	689
Performance factor 2022	1.2	1,323	662

By way of an overall assessment, the Supervisory Board set the sustainability factor for the 2023 financial year at 1.2. The key criteria for setting the sustainability factor for the 2023 financial year are as follows, with an overview showing the sub-targets individually weighted:

- The Environmental sub-target was rated with a factor of 1.10, taking into account that the sustainability theme is present throughout the whole organization. In particular, account has been taken of the following: Scope 1 to 3 targets are defined within the 2025 (cradle-to-gate CO₂-neutral products) and 2040 (cradle-to-grave scope) targets. Another milestone is the establishment of a recognized calculation method for the lifecycle assessment of a lubricant.
- The Economic sub-target was rated with a factor of 1.25, taking into account the performance compared to the market situation and the peer group. This includes record results in terms of sales revenues, EBIT and free cash flow in an extremely difficult market environment. While other companies had to adjust their forecast downwards during 2023, FUCHS outperformed its forecast and met market expectations. This was achieved despite the impact of the war in Ukraine and sanctions against Russia, the Gaza war, strikes in the US auto industry, and a Chinese economy only gradually recovering from the consequences of its zero-COVID policy. FUCHS also achieved above-average performance in terms of sales revenues and EBIT in peer-to-peer comparison with various internationally active companies in the chemical industry, as well as customers and suppliers in the lubricants industry.
- The Social sub-target was rated with a factor of 1.15 on account of the transparent corporate governance activities. The various governance systems have been externally audited, and the company is determined to tackle the challenges of future CSR reporting obligations and to set the stage for changes in the Group at an early stage. Further progress has been made in both corporate culture in the form of the Net Promotor Score and succession planning. The newly composed Executive Board has been very well assembled while at the same time implementing the company-wide FUCHS2025 objectives. FUCHS has also supported several social projects in different countries.

The pre-tax WACC relevant to the variable compensation for the 2023 financial year is 10.5% (10.0%).

The details of the compensation of the individual members of the Executive Board in the financial years 2022 and 2023 and the pension expenses can be taken from the following tables.

Total compensation of the Executive Board in financial year 2023

The total compensation excluding current service expenses pursuant to Section 162 of the German Stock Corporation Act (AktG) is only relevant for the members of the Executive Board who were appointed for the first time before January 1, 2016, i.e. for Stefan Fuchs, Dr. Lutz Lindemann and Dr. Ralph Rheinboldt. For the other members of the Executive Board in the reporting period, Isabelle Adelt, Dr. Sebastian Heiner and Dr. Timo Reister, there are no differences with regard to the disclosure of total compensation with/without IAS current service expenses because they receive an annual amount as a pension expense.

Total compensation for members of the Executive Board

		Stefan Fuchs Chairman of the Executive Board				Isabelle Adelt Member of the Executive Board				
		2023			2022		2023		2022	
		in T €	in % TC	in % AktG	in T €	in % TC	in T €	in % TC	in T €	in % TC
Fixed compensation	Base compensation	880	33	35	880	35	550	34	92	38
	Additional benefits	19	1	1	19	1	35	2	5	2
	Pension costs	–	–	–	–	–	220	14	37	15
	IAS current service expenses	164	6	–	299	12	–	–	–	–
	Total	1,063	40		1,198	48	805	50	134	55
Variable compensation	Short-term variable compensation									
	STI for 2023	732	27	29	–	–	366	23	–	–
	STI for 2022	–	–	–	595	24	–	–	50	20
	Long-term variable compensation									
	LTI for 2023	895	33	35	–	–	447	28	–	–
	LTI for 2022	–	–	–	728	29	–	–	61	25
	Total	1,627	60		1,323	52	813	50	110	45
Total compensation (TC)	2,690	100		2,521	100	1,618	100	244	100	
	Total compensation without current service expenses pursuant to Section 162 of the German Stock Corporation Act (AktG)	2,526		100	2,222		1,618		244	

Total compensation for members of the Executive Board

		Dr. Sebastian Heiner Member of the Executive Board				Dr. Lutz Lindemann Member of the Executive Board				
		2023		2022		2023			2022	
		in T €	in % TC	in T €	in % TC	in T €	in % TC	in % AktG	in T €	in % TC
Fixed compensation	Base compensation	550	35	–	–	137	35	40	550	37
	Additional benefits	8	0	–	–	4	1	1	22	1
	Pension costs	220	14	–	–	–	–	–	–	–
	IAS current service expenses	–	–	–	–	45	11	–	258	17
	Total	778	49	–	–	186	48		829	56
Variable compensation	Short-term variable compensation									
	STI for 2023	366	23	–	–	92	24	27	–	–
	STI for 2022	–	–	–	–	–	–	–	298	20
	Long-term variable compensation									
	LTI for 2023	447	28	–	–	112	29	32	–	–
	LTI for 2022	–	–	–	–	–	–	–	364	24
	Total	813	51	–	–	203	52		662	44
Total compensation (TC)	1,591	100	–	–	389	100		1,491	100	
	Total compensation without current service expenses pursuant to Section 162 of the German Stock Corporation Act (AktG)	1,591				344		100	1,234	

Total compensation for members of the Executive Board

		Dr. Timo Reister Member of the Executive Board				Dr. Ralph Rheinboldt Member of the Executive Board				
		2023		2022		2023			2022	
		in T €	in % TC	in T €	in % TC	in T €	in % TC	in % AktG	in T €	in % TC
Fixed compensation	Base compensation	550	34	550	38	550	37	40	550	39
	Additional benefits	11	1	21	1	17	1	1	17	1
	Pension costs	220	14	220	15	–	–	–	–	–
	IAS current service expenses	–	–	–	–	107	7	–	195	14
	Total	781	49	791	54	674	46		762	54
Variable compensation	Short-term variable compensation									
	STI for 2023	366	23	–	–	366	25	27	–	–
	STI for 2022	–	–	298	21	–	–	–	298	21
	Long-term variable compensation									
	LTI for 2023	447	28	–	–	447	30	32	–	–
	LTI for 2022	–	–	364	25	–	–	–	364	26
	Total	813	51	662	46	813	55		662	46
Total compensation (TC)	1,594	100	1,453	100	1,487	100		1,424	100	
	Total compensation without current service expenses pursuant to Section 162 of the German Stock Corporation Act (AktG)	1,594		1,453		1,380		100	1,229	

Total compensation for members of the Executive Board

		Dagmar Steinert						Total	
		Member of the Executive Board						2022	
		2023		2022		2023		2022	
		in T €	in % TC	in T €	in % TC	in T €	in % TC	in T €	in % TC
Fixed compensation	Base compensation	–	–	504	38	3,217	34	3,126	37
	Additional benefits	–	–	12	1	94	1	96	1
	Pension costs	–	–	220	17	660	7	477	6
	IAS current service expenses	–	–	–	–	315	3	752	9
	Total	–	–	736	56	4,287	46	4,450	53
Variable compensation	Short-term variable compensation								
	STI for 2023	–	–	–	–	2,288	24	–	–
	STI for 2022	–	–	255	19	–	–	1,794	21
	Long-term variable compensation								
	LTI for 2023	–	–	–	–	2,795	30	–	–
	LTI for 2022	–	–	334	25	–	–	2,214	26
Total	–	–	589	44	5,082	54	4,008	47	
	Total compensation (TC)			1,324	100	9,369	100	8,458	100
	Total compensation without current service expenses pursuant to Section 162 of the German Stock Corporation Act (AktG)			1,324		9,054		7,707	

The variable compensation for 2023 will be finalized at the Supervisory Board meeting in March 2024. Variable compensation is paid after the Supervisory Board meeting, with the requirement to acquire preference shares taking effect after this. The same procedure was followed for the variable compensation for 2022 that was established at the Supervisory Board meeting in March 2023 and subsequently paid out. Accordingly, the following table does not contain any information on preference shares acquired as part of variable compensation for the 2023 financial year. As of December 31, 2023, a total of 34,860 preference shares would have had to be acquired for all members of the Executive Board at the closing price of €40.30 per preference share.

The preference shares acquired as part of variable compensation and the freezing periods applicable for these are shown in the table. Note that the freezing period on the preference shares acquired under variable compensation was only three years until the financial year 2019.

→ [# 13 Preference share program \(variable compensation, LTI\)](#)

Preference share program variable compensation (LTI)

Year of compensation LTI	2019	2020	2021	2022
Year share acquired	2020	2021	2022	2023
Time of acquisition	03/20/2020	03/10/2021	03/21/2022	03/09/2023
End of the blocking period	03/19/2023	03/09/2025	03/20/2026	03/08/2027
Price at acquisition in €	34.08	43.31	33.95	36.99
Price at the end of the blocking period				
Performance until end of blocking period				
Performance until Dec 31, 2023	18%	-7%	19%	9%
Preference shares	Shares	Shares	Shares	Shares
Current members				
Stefan Fuchs	9,001	8,045	11,697	9,838
Isabelle Adelt				819
Dr. Timo Reister	4,505	4,026	5,849	4,923
Dr. Ralph Rheinboldt	4,505	4,026	5,849	4,923
Total	18,011	16,097	23,395	20,503
Former members				
Dr. Lutz Lindemann	4,505	4,026	5,849	4,923
Dagmar Steinert	4,505	4,026	5,849	4,507
Total	9,010	8,052	11,698	9,430
Shares with blocking period Jan 1, 2023	27,021	24,149	35,093	0
Shares acquired in 2023				29,933
Blocking period expiring in 2023	-27,021			
Shares with blocking period Dec 31, 2023	0	24,149	35,093	29,933

It should be clarified that the LTI arithmetically consists of a cash portion and a share portion. The cash portion is used to repay the tax burden attributable to the LTI, the share portion serves the obligation to acquire preference shares. Taking into account a flat-rate tax charge of 50 % (income tax taking into account the top tax rate, solidarity surcharge and church tax), the net amount of the LTI paid out is to be invested entirely in preference shares. The flat-rate tax burden of 50 % must also be taken into account for the STI. Thus, a net view of the total variable compensation (45 % STI and 55 % LTI) ensures that the variable compensation is granted on a predominantly share-based basis.

No loans have been granted to members of the Executive Board.

There was no reason to recover variable compensation components already granted from the members of the Executive Board.

After resigning from the Executive Board, Dr. Lutz Lindemann served as a consultant to FUCHS SE from April 1, 2023, to May 31, 2023. According to the contractual compensation, Dr. Lindemann received compensation of €200,000 plus applicable value-added tax and compensation for necessary expenses. The compensation does not constitute compensation for previous service as a member of the Executive Board.

The members of the Executive Board have received no benefits or commitments from third parties with respect to their work as Executive Board members.

The following table shows the total compensation (including service cost IAS) for the financial year 2023 in relation to the total target compensation.

Target and maximum total compensation for the 2023 financial year

Members of the Executive Board	Total compensation		Total minimum compensation	Target total compensation (TTC)	Maximum total compensation
	in € thousand	in % of the TTC	in € thousand	in € thousand	in € thousand
Stefan Fuchs	2,690	113	1,063	2,383	4,120
Isabelle Adelt	1,618	99	805	1,630	2,600
Dr. Sebastian Heiner	1,591	99	778	1,603	2,600
Dr. Lutz Lindemann	389	99	186	392	650
Dr. Timo Reister	1,594	99	781	1,606	2,600
Dr. Ralph Rheinboldt	1,487	99	674	1,499	2,600

The total compensation of the members of the Executive Board is equal to or lower than the target total compensation for the respective Executive Board member. The target total compensation was exceeded by the Chairman of the Executive Board by 13 % and undershot by the regular members of the Executive Board by 1 % each.

Pensions for the Executive Board

Regarding pension expenses, the following distinction is made between the members of the Executive Board:

- Stefan Fuchs, Dr. Lutz Lindemann and Dr. Ralph Rheinboldt joined the Executive Board before January 1, 2016. Therefore, the current service cost according to IFRS is reported as a pension expense. Due to his retirement on March 31, 2023, Dr. Lutz Lindemann is no longer an active member of the Executive Board as of December 31, 2023, and the associated pension expenses will be attributable to the former members of the Executive Board.
- Isabelle Adelt, Dr. Sebastian Heiner and Dr. Timo Reister were appointed to the Executive Board as of or following January 1, 2016, and therefore they receive pension provisions through the Allianz provident fund. There are no additional obligations other than the requirement to pay contributions to this provident fund.

The present value of pension commitments for defined benefit commitments less fund assets, which equates to the provision amount, is shown in the table.

→ [# 15 Present value of pension commitments](#)

Present value of pension commitments as per IFRS

21/31/2023	Current value (DBO)	Plan assets	Pension provision
in € thousand			
Stefan Fuchs	5,515	4,473	1,042
Dr. Ralph Rheinboldt	3,429	2,850	579
Total	8,944	7,323	1,621
2022/12/31	Current value (DBO)	Plan assets	Pension provision
in € thousand			
Stefan Fuchs	4,273	4,072	201
Dr. Lutz Lindemann	4,221	4,089	132
Dr. Ralph Rheinboldt	2,602	2,609	-7
Total	11,096	10,770	326

Compensation of former members of the Executive Board and their surviving dependents

The compensation of former Executive Board members and their surviving dependents in 2023 amounted to €650 thousand (595). The pension provisions required for this – pension obligation less plan assets – came to €534 thousand (-394). The corresponding pension provision is determined using the projected unit-credit method. Current service expenses, which may be subject to significant variability depending on the market interest rate, are recognized as annual pension expenses. The former members of the Executive Board were not subject to any obligation to invest any element of the compensation in shares of the company.

Of the former Executive Board members, Dr. Lutz Lindemann, Dr. Georg Lingg and Dr. Alexander Selent have ceased their activities within the last ten financial years. For the financial year 2023, Dr. Lingg did not receive any pension benefits due to his age, Dr. Lindemann received a pension payment of €53 thousand, and Dr. Selent received a pension payment of €110 thousand.

Comparative presentation of the compensation and earnings development

The following comparative presentation shows the annual change in the total compensation of the current and former members of the Executive Board, the company's earnings performance and the average compensation per employee of the Group over the last five financial years. Secondly, compensation for senior executives within the Group is compared. This peer group comprises the members of the Group Management Committee (excluding members of the Executive Board) and the managing partners of the Group companies.

The vertical compensation comparison is strongly influenced by exchange rates, company acquisitions, and changes at the local companies, and is therefore subject to fluctuations.

Relative change in compensation and profit over time

Comparative presentation of total compensation and total compensation excluding current service expenses IAS pursuant to Section 162 of the German Stock Corporation Act (AktG)

	2023	Change	Change
		2023 vs. 2022	2022 vs. 2021
Current members of the Executive Board			
Total compensation	in € thousand	in %	in %
Stefan Fuchs	2,690	6	-6
Isabelle Adelt*	1,618	85	-
Dr. Sebastian Heiner*	1,591	-	-
Dr. Lutz Lindemann	389	-284	-5
Dr. Timo Reister*	1,594	9	-4
Dr. Ralph Rheinboldt	1,487	4	-6
Total compensation without current service expenses IAS pursuant to Section 162 of the German Stock Corporation Act (AktG)			
Stefan Fuchs	2,526	12	-5
Dr. Lutz Lindemann	344	-258	-5
Dr. Ralph Rheinboldt	1,380	11	-5
Former members of the Executive Board			
Dr. Lutz Lindemann (retired)	53	-	-
Dr. Alexander Selent (retired)	110	1	6
Average salary of employer			
Employees in the FUCHS Group	78	4	7
Senior executives of the FUCHS Group	327	16	4
Profit development FUCHS Group	in € million		
FVA	212	19	-19
Earnings after tax (HGB)	231	25	-17

Comparative presentation of total compensation and total compensation excluding current service expenses IAS pursuant to Section 162 of the German Stock Corporation Act (AktG)

	Change	Change	Change
	2021 vs. 2020	2020 vs. 2019	2019 vs. 2018
Current members of the Executive Board			
Total compensation	in %	in %	in %
Stefan Fuchs	9	9	-20
Isabelle Adelt*	-	-	-
Dr. Sebastian Heiner*	-	-	-
Dr. Lutz Lindemann	8	10	-17
Dr. Timo Reister*	6	7	-11
Dr. Ralph Rheinboldt	8	10	-18
Total compensation without current service expenses IAS pursuant to Section 162 of the German Stock Corporation Act (AktG)			
Stefan Fuchs	8	6	-21
Dr. Lutz Lindemann	8	6	-19
Dr. Ralph Rheinboldt	7	6	-19
Former members of the Executive Board			
Dr. Lutz Lindemann (retired)	-	-	-
Dr. Alexander Selent (retired)	1	1	7
Average salary of employer			
Employees in the FUCHS Group	9	-3	1
Senior executives of the FUCHS Group	12	2	-10
Profit development FUCHS Group			
FVA	24	-5	-31
Earnings after tax (HGB)	22	-8	-2

* The total compensation corresponds with the total compensation excluding current service expenses IAS pursuant to Section 162 of the German Stock Corporation Act (AktG)

Compensation for members of the Supervisory Board

Overview of the compensation system

The compensation of the Supervisory Board members is definitively based on Section 16 of the Articles of Association of FUCHS SE; no ancillary or supplementary arrangements exist. The compensation rules apply equally to the shareholder representatives and to the employee representatives on the Supervisory Board.

1. Procedure for reviewing the structure and amount of compensation

The Supervisory Board regularly reviews the compensation paid to its members. The structure and amount of compensation of the Supervisory Board is reviewed in terms of its appropriateness, taking account of compensation at other comparable companies. As the work of a Supervisory Board member fundamentally differs from the work of a company employee, compensation of the Supervisory Board is not compared with company employees' compensation on a vertical basis.

Appropriate compensation of the Supervisory Board ensures that FUCHS SE can continue to attract exceptionally qualified candidates to the Supervisory Board. Compensation of the Supervisory Board therefore makes a long-term contribution to promoting the corporate strategy and the company's long-term performance.

2. Conflicts of interest

Due to the statutory division of powers, members of the Supervisory Board are involved in the process of reviewing their compensation system. To avoid the conflict of interest that this entails, the decision on the final compensation system is by law made by the Annual General Meeting and the corresponding resolution proposal is submitted by the Executive Board and the Supervisory Board.

3. Compensation components

a. Fixed compensation

The members of the Supervisory Board receive a fixed compensation of €85 thousand, payable after the end of the financial year. The granting of a pure fixed compensation is consistent with the prevailing practice in other listed companies. Purely fixed compensation of Supervisory Board members is also provided for in Suggestion G.18 sentence 1 of the German Corporate Governance Code (DCGK).

b. Increased compensation for the Chair and Deputy Chair of the Supervisory Board

The Chair of the Supervisory Board shall receive double the amount of the annual fixed compensation and the Deputy Chair shall receive one and a half times the amount of the annual fixed compensation. The increased compensation reflects the increased time spent by the Chairman and Deputy and equates to Recommendation G.17 of the German Corporate Governance Code (DCGK).

c. Obligation to purchase preference shares

At least 20% of the fixed compensation must be invested in preference shares of the company with a vesting period of four years, with this vesting period continuing even when members leave the Supervisory Board. Members of the Supervisory Board are reimbursed up to €600 for the costs of holding the preference shares, where evidence of these costs is provided.

d. Compensation for committee activities

The members receive fixed compensation of €20 thousand payable after the end of the financial year for their work on the Audit Committee and the same in the amount of €10 thousand for their work on the Personnel Committee. The Chair of the Audit and Personnel Committees shall receive double the aforementioned payments. The increased compensation takes into account the increased time spent on committee activities and equates to Recommendation G.17 of the German Corporate Governance Code (DCGK). Members of the Nomination Committee do not receive any separate compensation.

e. Compensation or joining or leaving the Supervisory Board during the year

Supervisory Board and committee members who have not been a member of the Supervisory Board or committee for a full financial year receive pro rata compensation.

f. Date of payment

The compensation for the immediately preceding financial year is paid after the meeting of the Supervisory Board at which it is decided to approve the financial statements for the immediately preceding financial year. The presentation is based on the earnings-oriented approach. Accordingly, the compensation for the 2023 financial year is reported as having been allocated in the reporting year because the activity underlying the compensation has been rendered in full, even though the payment will not be made until March 2024.

Individual compensation for members of the Supervisory Board

In the 2023 financial year, the compensation system for the Supervisory Board was applied in accordance with the regulations set out in Section 16 of the Company's Articles of Association.

There were no changes in the composition of the Supervisory Board in the financial year 2023.

The details of the granted and payable compensation of the individual members of the Supervisory Board in the financial year 2023 are shown in the following table.

→ [# 20 Compensation of the Supervisory Board](#)

Compensation granted and owed in the 2023 financial year

in € thousand	Fixed compensation	Compensation for committee activities	Total compensation
Dr. Susanne Fuchs	128	30	158
Jens Lehfeldt	85	–	85
Dr. Christoph Loos	170	20	190
Ingeborg Neumann	85	50	135
Cornelia Stahlschmidt	85		85
Dr. Markus Steilemann	85	30	115
Total	638	130	768

The preference shares acquired and the vesting periods for these are shown below:

→ [# 19 Preference share program](#)

Preference share program

Preference share program, Supervisory Board

Year of membership of the Supervisory Board	2017	2018	2019	2020	2021	2022
Year share acquired	2018	2019	2020	2021	2022	2023
Time of acquisition	05/14/2018	05/09/2019	05/07/2020	03/10/2021	03/21/2022	03/09/2023
End of the blocking period	05/13/2023	05/08/2024	05/06/2025	03/09/2025	03/20/2026	03/08/2027
Price at acquisition in €	45.16	34.61	34.82	43.31	34.21	36.69
Price at the end of the blocking period	35.70					
Performance until end of blocking period	-21%					
Performance until 12/31/2023	-11%	16%	16%	-7%	18%	10%
Preference shares	Shares	Shares	Shares	Shares	Shares	Shares
Current members						
Dr. Susanne Fuchs	200	427	292	287	922	696
Jens Lehfeldt	-	-	190	216	498	464
Dr. Christoph Loos	-	-	-	142	615	771
Ingeborg Neumann	305	427	292	216	790	464
Cornelia Stahlschmidt	-	-	-	142	498	464
Dr. Markus Steilemann	-	-	-	-	-	307
Total	505	854	774	1,003	3,323	3,166
Former members						
Dr. Kurt Bock	-	-	380	432	1,112	317
Lars-Eric Reinert	-	-	-	76	-	-
Dr. Erhard Schipporeit	-	-	-	113	-	-
Total	-	-	380	621	1,112	317
Shares with blocking period Jan 1, 2023	505	854	1,154	1,624	4,435	0
Shares acquired in 2023						3,483
Blocking period expiring in 2023	-505	-	-	-	-	-
Shares with blocking period Dec 31, 2023	0	854	1,154	1,624	4,435	3,483

Since the 2021 financial year, members of the Supervisory Board receive purely fixed compensation, of which at least 20% must be invested in preference shares of the company. It is paid after the meeting of the Supervisory Board at which it is decided to approve the annual financial statements for the immediately preceding financial year. The obligation to purchase preference shares with a vesting period of four years takes effect thereafter. The freezing period also applies even if the Supervisory Board contract is terminated. Accordingly, the table does not contain any information on preference shares acquired as part of variable compensation for the 2023 financial year. As of December 31, 2023, a total of 3,187 preference shares would have had to be acquired at the closing price of €40.30 per preference share for all members of the Supervisory Board.

Until the financial year 2019 (share acquisition 2020), the vesting period was five years, with this freezing period expiring upon leaving the Supervisory Board.

No loans have been granted to members of the Supervisory Board.

Comparative presentation of the compensation and earnings development

The following comparative presentation shows the annual change in the compensation granted and payable to the current and former members of the Supervisory Board, the company's earnings performance and the average compensation per employee of the Group over the last five financial years.

Relative change in compensation and profit over time

Comparative presentation of the compensation of the Supervisory Board

Current members of the Supervisory Board	2023	Change 2023 vs. 2022	Change 2022 vs. 2021
	in € thousand	in %	in %
Dr. Susanne Fuchs	158	0	0
Jens Lehfeldt	85	0	0
Dr. Christoph Loos	190	13	36
Ingeborg Neumann	135	0	0
Cornelia Stahlschmidt	85	0	0
Dr. Markus Steilemann	115	34	-
Former members of the Supervisory Board			
Dr. Kurt Bock	-	-	-192
Lars-Eric Reinert	-	-	-
Dr. Erhard Schipporeit	-	-	-
Dr. Jürgen Hambrecht	-	-	-
Horst Münkkel	-	-	-
Average salary of employer			
Employees in the FUCHS Group	78	4	7
Profit development FUCHS Group			
FVA	212	19	-19
Earnings after tax (HGB)	231	25	-17

Comparative presentation of the compensation of the Supervisory Board

Current members of the Supervisory Board	Change 2021 vs. 2020	Change 2020 vs. 2019	Change 2019 vs. 2018
	in %	in %	in %
Dr. Susanne Fuchs	17	23	-8
Jens Lehfeldt	8	52	-
Dr. Christoph Loos	62	-	-
Ingeborg Neumann	14	18	-8
Cornelia Stahlschmidt	63	-	-
Dr. Markus Steilemann	-	-	-
Former members of the Supervisory Board			
Dr. Kurt Bock	7	50	-
Lars-Eric Reinert	-	-66	-11
Dr. Erhard Schipporeit	-	-66	-7
Dr. Jürgen Hambrecht	-	-	-68
Horst Münkkel	-	-	-69
Average salary of employer			
Employees in the FUCHS Group	9	-3	1
Profit development FUCHS Group			
FVA	24	-5	-31
Earnings after tax (HGB)	22	-8	-2

D&O insurance

FUCHS SE has taken out D&O insurance (pecuniary loss liability insurance), which covers the work of the members of the Executive and Supervisory Boards. For the Executive Board, the insurance policy provides for a deductible of 10% of the loss or 1.5 times the individual fixed compensation. Since financial year 2021, there is no longer a deductible for the members of the Supervisory Board.

Mannheim, March 11, 2024

Dr. Christoph Loos

Stefan Fuchs

Chairman of the Supervisory Board

Chairman of the Executive Board

Auditor's Report

To FUCHS SE, Mannheim

We have audited the remuneration report of FUCHS SE, Mannheim, for the financial year from January 1 to December 31, 2023 including the related disclosures, which was prepared to comply with § [Article] 162 AktG [Aktiengesetz: German Stock Corporation Act].

Responsibilities of the Executive Directors and the Supervisory Board

The executive directors and the supervisory board of FUCHS SE are responsible for the preparation of the remuneration report, including the related disclosures, that complies with the requirements of § 162 AktG. The executive directors and the supervisory board are also responsible for such internal control as they determine is necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on this remuneration report, including the related disclosures, based on our audit. We conducted our audit in accordance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report, including the related disclosures, is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts including the related disclosures stated in the remuneration report. The procedures selected depend on the auditor's judgment. This includes the assessment of the risks of material misstatement of the remuneration report including the related disclosures, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the preparation of the remuneration report including the related disclosures. The objective of this is to plan and perform 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the executive directors and the supervisory board, as well as evaluating the overall presentation of remuneration report including the related disclosures.

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

Audit Opinion

In our opinion, based on the findings of our audit, the remuneration report for the financial year from January 1 to December 31, 2023, including the related disclosures, complies in all material respects with the accounting provisions of § 162 AktG.

Reference to an Other Matter – Formal Audit of the Remuneration Report according to § 162 AktG

The audit of the content of the remuneration report described in this auditor's report includes the formal audit of the remuneration report required by § 162 Abs. [paragraph] 3 AktG, including the issuance of a report on this audit. As we express an unqualified audit opinion on the content of the remuneration report, this audit opinion includes that the information required by § 162 Abs. 1 and 2 AktG has been disclosed in all material respects in the remuneration report.

Restriction on use

We issue this auditor's report on the basis of the engagement agreed with FUCHS SE. The audit has been performed only for purposes of the company and the auditor's report is solely intended to inform the company as to the results of the audit. Our responsibility for the audit and for our auditor's report is only towards the company in accordance with this engagement. The auditor's report is not intended for any third parties to base any (financial) decisions thereon. We do not assume any responsibility, duty of care or liability towards third parties; no third parties are included in the scope of protection of the underlying engagement. § 334 BGB [Bürgerliches Gesetzbuch: German Civil Code], according to which objections arising from a contract may also be raised against third parties, is not waived.

Mannheim, March 11, 2024

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Christina Erkmen	Matthias Böhm
Wirtschaftsprüferin	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)