



GESCO AG

Executive Board remuneration system

Remuneration for Executive Board members comprises **three components**:

- a fixed component,
- a variable, performance-related component and
- a component linked to long-term incentives.

Fixed component

The **fixed component** comprises annual base salary, additional benefits and pension commitments. The additional benefits consist mainly of the private use of company vehicles as well as regular, preventative medical examinations. An annual payment is made in the form of a pension contribution as a fixed percentage of the fixed salary.

Variable component

The variable component is generally granted in the form of a performance-related bonus, which is geared towards the Group's net income after minority interest. Two-thirds of the bonus is based on the Group's net income after minority interest for the financial year and one-third on the median of Group net income after minority interest for the financial year and the two financial years preceding it.

The variable component is capped without exception at twice the annual base salary. As the bonus is linked to Group earnings, it may not be paid out at all in certain cases. If Group net income after minority interest is negative, in other words the company has made a loss for the year, this loss is carried forward to the next year and reduces the basis for calculating the bonus. If Group net income after minority interest is negative in the financial year prior to an Executive Board member leaving or in the same year that an Executive Board member leaves, the particular Executive Board member shares in the loss. The bonus is paid on a pro rata basis in the year of departure.

Remuneration components with long-term incentives

The remuneration components with long-term incentives constitute **stock options** issued to Executive Board members on the basis of the approved stock option programme. The stock option programme is designed so that Executive Board members have to contribute GESCO shares acquired with their own private funds, which may not be resold for the duration of the vesting period. Ten options are granted for each share. The vesting period is four years and two months after the option is issued; after the end of the vesting period, the options are exercised on a defined issue date.

The average XETRA closing price of the GESCO share in the six months prior to the Annual General Meeting is the key factor in determining the issue price. The average closing price of the SDAX price index over the same period serves as a benchmark. The profit from the programme is determined once the vesting period of four years and two months is over, with the average closing price of the GESCO share and the average closing price of the SDAX price index for the six months prior to the end of the vesting period being the deciding factor.

If and how many options can be exercised depends on the achievement of an **absolute** and **relative performance target**. The **absolute performance target** is met when the price of the GESCO share has developed positively at the time the option is exercised. The **relative performance target** is met when the price of the GESCO share has outperformed the SDAX at the time the option is exercised. If both targets are met, the Executive Board members are able to exercise all of their options. If the absolute performance target is met, but not the relative performance target, the Executive Board members may only exercise 50 % of their options, with the remaining 50 % expiring completely without recourse. If neither target is met at the point at which the options may be exercised, all options of the corresponding tranche expire completely without recourse. The maximum profit of the Executive Board members is **capped** at 50 % of the exercise price. The profit from the programme is paid out in cash.

as at July 2018