

## Remuneration System for the Management Board of Nordex SE

### 1. Guidelines and principles of the Remuneration System

The Nordex Group develops, produces and distributes onshore wind turbines, i.e. turbines for the generation of onshore wind energy, which are installed worldwide. Its service organisation currently supports more than 8,383 wind turbines worldwide with a nominal output of 21.0 gigawatts. Thus, the products and services of the Nordex Group are already an essential part of environmentally and climate-friendly power generation.

Nordex SE's corporate strategy is aimed at creating a competitive and global company with long-term sustainable and positive future prospects — with innovative products decarbonization of the economy shall be promoted and a significant contribution to the fight against climate change shall be made. This way, also an increase in the value of the company for its shareholders shall be achieved on a sustainable basis. The success of this development is measured using financial and non-financial performance criteria and is also considered accordingly in the remuneration system for the company's Management Board (in the following referred to as the **Remuneration System**). The remuneration structure shall provide effective incentives for the Management Board to implement the corporate strategy successfully. Therefore, the remuneration paid to Nordex SE's members of the Management Board is to include variable components which reward achieving the targets set and which are reduced accordingly if the targets are not met and may even cease entirely in certain circumstances. This aims to establish a clear link between corporate success and remuneration.

When determining the remuneration of the Management Board, the Supervisory Board shall consider the following principles in particular:



## **2. Procedures for establishing, implementing and reviewing the Remuneration System**

### **2.1 Establishment and implementation of the Remuneration System**

The Remuneration System is determined by the Supervisory Board in accordance with sections 87 (1), 87a (1), 107 (3) sentence 7 of the German Stock Corporation Act (**AktG**). The Supervisory Board is supported in this by the Executive Committee, which as the Personnel and Nominations Committee draws up proposals and recommendations on the structure and further development of the Remuneration System.

The remuneration conditions of the employees of Nordex SE employed in Germany and its German group companies are taken into account in determining the remuneration of the Management Board by means of a vertical comparison (see section 3.2.2); other employment conditions of the employees of Nordex SE or its worldwide Group companies are not taken into account when determining the Remuneration System.

With regard to the avoidance of potential conflicts of interest, the general requirements of the German Stock Corporation Act and the German Corporate Governance Code in the version of 16 December 2019 (**GCGC**) are being considered in the determination and implementation as well as the review of the Remuneration System.

If necessary, external advisors can be consulted to determine the Remuneration System. In the context of mandating remuneration consultants, attention is paid to their independence.

The Remuneration System adopted by the Supervisory Board will be submitted to the Annual General Meeting for approval in accordance with section 120a (1) sentence 1 AktG. If the Annual General Meeting does not approve the Remuneration System, a revised Remuneration System will be submitted for a resolution to the next Annual General Meeting at the latest.

This Remuneration System shall apply to all new management board member service contracts to be concluded or management board member service contracts to be extended effective after 5 May 2021. Service contracts concluded with members of the Management Board who were already appointed at that time shall continue to apply unaffected within the framework of the statutory transitional provisions until a possible extension of the service contract; however, they may be adapted to the provisions of this Remuneration System by mutual agreement.

### **2.2 (Regular) review of the Remuneration System**

Based on the preparation and recommendations of the Executive Committee, the Supervisory Board regularly reviews the Remuneration System for the Management Board with regard to any need for adjustment or further development. In case of significant changes, but no later than every four years, the Remuneration System for the Management Board is again submitted to the Annual General Meeting for approval.

## **3. Determination of the remuneration of the Management Board**

In accordance with the provisions of the German Stock Corporation Act, when determining the remuneration of the members of the Management Board, the Supervisory Board ensures that the remuneration is in an appropriate proportion to the tasks and performance of the member of the Management Board and the situation of the company, is geared towards the long-term and sustainable development of the company and does not exceed the customary remuneration without special reasons.

### 3.1 Appropriateness

The function and area of responsibility of the individual members of the Management Board are taken into account when determining the amount of the total target remuneration. The Supervisory Board may therefore, at its reasonable discretion, make function-specific differentiations in the remuneration of the members of the Management Board, taking into account criteria such as market practice, the experience of the member of the Management Board, the length of service on the Management Board and the area of responsibility of the member of the Management Board.

### 3.2 Customary practice

In assessing the customary nature of the remuneration of the Management Board, both horizontal compatibility with reference companies and vertical compatibility with the remuneration structures of the staff employed in Germany of Nordex SE and its German group companies are taken into account.

#### 3.2.1 Horizontal comparison

In the horizontal - external - comparison, a group of companies suitable in terms of Nordex SE's market position (in particular sector, size (revenues, number of employees worldwide, market capitalization), country (headquarter location and reach of operations)) is used to assess market standards (**Peer Group**). These are other companies from relevant stock market segments (currently MDAX, SDAX, or RENIXX) as well as a comparable group consisting of international listed companies from the energy and mechanical engineering sectors and comparable industries.

#### 3.2.2 Vertical comparison

The vertical comparison takes into account the ratio of the remuneration of the Management Board to the remuneration of senior management in the sense of the first and second management levels below the Management Board, as well as the relevant total workforce. For purposes of the vertical comparison, all employees of Nordex SE employed in Germany and its German group companies are considered to be the relevant total workforce. In addition to the current ratios of the remuneration of the two comparison groups to the remuneration of the Management Board, the Supervisory Board also takes into account the development of the remuneration of the groups described over time.

## 4. Components, structure and limitation of the remuneration of the Management Board

### 4.1 Components and structure

#### 4.1.1 Remuneration components

The remuneration of the members of the Management Board consists of fixed (hereinafter also referred to as **fixed remuneration**) and variable (hereinafter also **variable remuneration**) components.

The fixed remuneration is granted irrespective of Nordex SE's performance and consists of the annual base salary, non-cash benefits and other emoluments (hereinafter also referred to as **fringe benefits**).

On the one hand, the variable remuneration consists of a short-term variable remuneration in the form of a so-called *Short Term Incentive* (hereinafter also referred to as **STI**) with a one-year assessment basis. On the other hand, a long-term variable remuneration with a multi-year assessment basis is provided as a so-called *Long Term Incentive* (hereinafter also referred to as **LTI**).

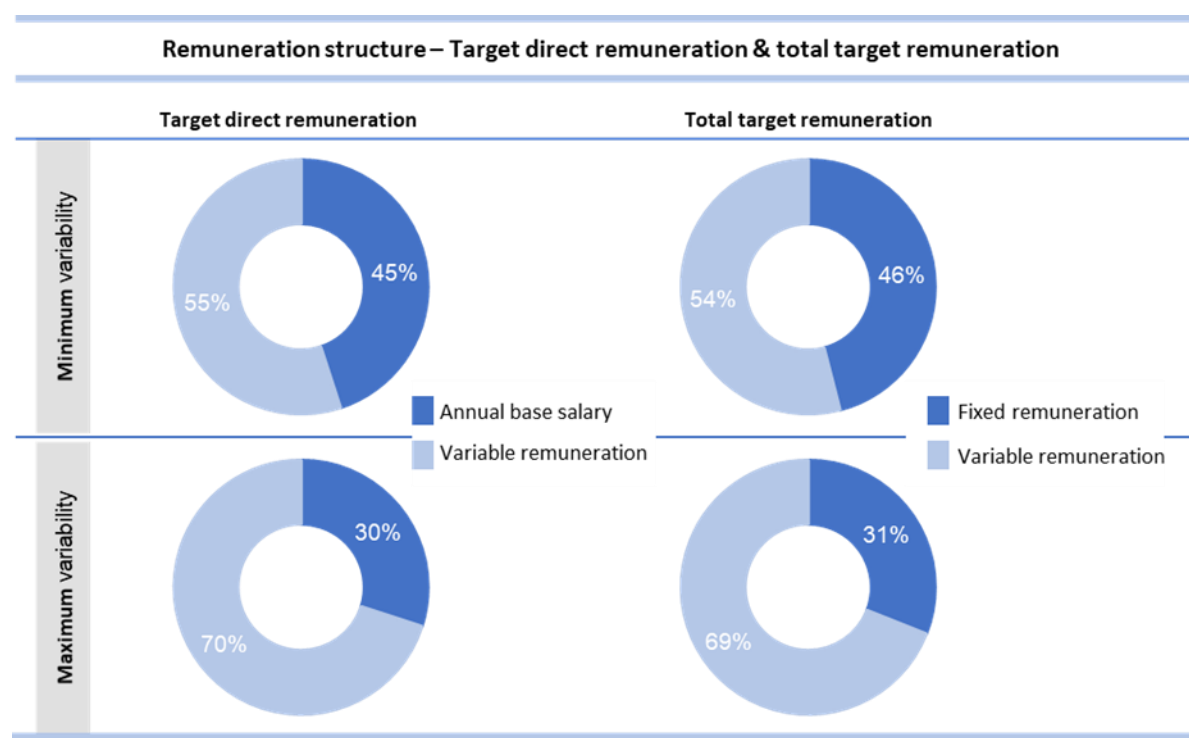
#### 4.1.2 Relative shares of the remuneration components

The annual base salary together with the STI and LTI, assuming a degree of target achievement of 100% each, plus the value of the fringe benefits together constitute the total target remuneration of a member of the Management Board. With regard to the total target remuneration of a member of the Management Board, the variable remuneration components generally outweigh the fixed remuneration components.

Among the variable remuneration components, in turn, the share of long-term variable remuneration prevails within the target remuneration structure (i.e. in the case of 100% target achievement).

The annual base salary together with STI and LTI, assuming a degree of target achievement of 100% each — however without considering fringe benefits — constitutes the target direct remuneration. Depending on the member of the Management Board, the annual base salary is approximately between 30% and 45% of the target direct remuneration of a member of the Management Board, while the variable remuneration therefore corresponds to approximately 70% to 55% of the target direct remuneration.

The share of all fixed remuneration of the total target remuneration for one year is, between approximately 31% and 46% depending on the member of the Management Board, while the variable remuneration (STI and LTI in the case of 100% target achievement) accounts for between approximately 69% and 54% of the total target remuneration.



The relative proportions of the fixed and variable remuneration components in relation to the total target or target direct remuneration may differ for the individual members of the Management Board with regard to their portfolio, responsibilities and duties, among other things.

For purposes of the abovementioned particulars of the relative proportions, fringe benefits were taken into account as part of the fixed remuneration at a total flat rate of 5% of the respective annual base salary. Due to the fluctuating valuation of fringe benefits, slight shifts of a few percentage points in the aforementioned relative proportions may occur.

## 4.2 Overview of the Remuneration System

The following chart provides an overview of the regular components of the Remuneration System:

Overview: Regular remuneration components				
Fixed remuneration		Variable remuneration		Shareholding obligation/ reinvestment
Annual base salary	Fringe benefits, e.g. private use of company car, allowances for health and long-term care insurance, accident insurance coverage	Short-term incentive (STI) <ul style="list-style-type: none"> <li>▶ 50% financial corporate target</li> <li>▶ 50% individual performance targets</li> </ul>	Long-term incentive (LTI) <ul style="list-style-type: none"> <li>▶ 80% share-based target (capital market target)</li> <li>▶ 20% non-financial sustainability targets (LTI-ESG targets)</li> </ul>	
		Capped at 200% of target amount	Capped at 300% of target amount	
<i>Responsibilities, experience and market situation</i>		<i>Incentivizing achievement of operational and strategic targets</i>		<i>Alignment of interests between shareholders and MB members</i>
<b>Malus and clawback</b> (Reduction or clawback of variable remuneration components)				
<b>Maximum remuneration</b> defined according to the MB member's role				

The respective purpose and contractual form of all compensation components can also be found in summary form in the overview table in *Annex 1*.

## 4.3 Maximum remuneration

The variable remuneration components are each capped in amount. The STI payout is capped at 200% of the target amount. The LTI payout amount is capped at 300% of the target amount.

In addition, the Supervisory Board has determined an overall cap for all remuneration components that may accrue to a member of the Management Board for one year of Management Board activities (in the following also referred to as **maximum remuneration**). This consists of the fixed remuneration and all short-term and long-term variable remuneration components. When determining the maximum remuneration, a certain buffer has been taken into account, among other things, with a view to possible fluctuations or adjustments of remuneration components. The determined maximum remuneration is therefore not identical with the sum of the maximum achievable remuneration agreed on the basis of the service contracts. The maximum remuneration specified in this Remuneration System does not release the Supervisory Board from reviewing the appropriateness of the specific remuneration limits when determining the individual remuneration of a member of the Management Board. Furthermore, the maximum remuneration does not represent a budget to be distributed annually, but rather a financial limit that may not be exceeded by the Supervisory Board when determining the remuneration of the members of the Management Board.

The maximum remuneration for the Chairman of the Management Board is set at EUR 5 million gross p.a. For the other members of the Management Board, the maximum remuneration is set at EUR 3.5 million gross p.a. each. The determination of the maximum remuneration for the members

of the Management Board of Nordex SE is based on the median remuneration of the remuneration systems published by MDAX companies at the time the Remuneration System was prepared.

Payments under the LTI in accordance with a so-called Performance Share Unit Plan (in the following also referred to as **PSUP**) are allocated to the year to which the underlying tranche of performance share units (**PSU**) is attributed. Fringe benefits are recognised at the monetary benefit for tax purposes. If the sum of the benefits for a financial year exceeds the specified maximum remuneration, the amount paid out under the PSUP for that financial year will be reduced by the exceeding amount.

Any severance payments in the event of premature termination of a service relationship of a member of the Management Board and other special benefits that do not serve as consideration for the services of a member of the Management Board but may be granted by the Supervisory Board on an occasion-related basis (e.g. relocation expenses, compensation payments for bonus losses at the previous employer, non-compete compensation) are not included in the maximum remuneration and are not limited by it. Any payments made to members of the Management Board by third parties which are not subsidiaries of Nordex SE (e.g. shareholders) are also not included in the maximum remuneration and are not subject to the requirements of this Remuneration System. This does not affect their disclosure pursuant to section 162 (2) No. 1 AktG.

## **5. Remuneration components in detail**

### **5.1 Fixed remuneration**

#### **5.1.1 Annual base salary**

The annual base salary is a fixed cash payment based on the calendar year, which is paid in twelve equal monthly instalments.

#### **5.1.2 Fringe benefits**

In addition, each member of the Management Board receives non-cash benefits and other emoluments in line with market conditions as fringe benefits. Fringe benefits include:

- Private use of a company car provided by the company in accordance with Nordex's internal company car regulations with a fixed monthly leasing rate or, at the choice of the member of the Management Board, use of an economically comparable rental car subscription. The private use of the company car is taxed as a non-monetary benefit, the tax is borne by the member of the Management Board. The costs associated with the operation of the company car are borne by Nordex SE.
- Contributions to health and long-term care insurance up to the amount of the employer's contribution to statutory health and long-term care insurance.
- Continued payment of remuneration in the event of illness for six months.
- In the event of death, continued payment of the annual base salary for up to six months.
- Conclusion of accident insurance for the member of the Management Board against work-related and private accidents.
- Inclusion in the insurance coverage of the D&O insurance (market standard, taking into account the statutorily required deductibles) taken out by the company including criminal law protection, if applicable.

In principle, all members of the Management Board are entitled to the same fringe benefits, although they may vary in individual cases depending on the personal situation and utilization, particularly in terms of the amount. The Supervisory Board may grant other or additional fringe benefits customary in the market, such as the assumption of costs for an additional place of residence at the place of employment in the case of new hires.

## **5.2 Variable remuneration**

### **5.2.1 Short-term variable remuneration: STI**

A certain target amount is contractually stipulated for the STI, which corresponds to the pay-out amount if 100% of the target is achieved. The specific amount of the STI depends on two equally weighted performance criteria, firstly (i) the achievement of a specific financial corporate target set for the whole Management Board and secondly (ii) the performance evaluation of the member of the Management Board based on specific individual performance criteria. The financial corporate target is based on the development of a profitability indicator, either EBITDA, EBIT or EBT, which is set by the Supervisory Board before the beginning of the financial year. The individual performance criteria include non-financial performance criteria linked to operational management ratios, which also focus on the fundamentals of future corporate development (order intake margin, quality and product costs), and may also include targets from the areas of occupational safety and health or from the areas of environment, social issues and good corporate governance (in the following also referred to as **ESG targets**), insofar as these are not already used for the assessment of the LTI. In addition to the non-financial individual performance criteria, the individual performance criteria set for the members of the Management Board may also include supplementary financial targets for all or only for individual members of the Management Board related to key indicators of capital commitment (*Working-Capital-ratio*) and/or free cash flow. The relevant individual performance criteria are determined by the Supervisory Board prior to the beginning of the relevant financial year. In principle, the targets and associated performance criteria are collectively derived from corporate planning, which ensures that the STI is linked to corporate strategy.

## Non-Binding Convenience Translation only!

Short-term variable remuneration (STI)		
0% - 200% target achievement		
<i>The Supervisory Board will define targets at the beginning of each financial year</i>		
<b>Type</b>	▶ Annual bonus	
<b>Performance criteria</b>	50%	▶ <b>(Central) financial corporate target:</b> Profitability criteria - EBITDA, EBIT or EBT
	50%	▶ <b>Individual performance targets:</b> Operational KPI (order intake margin, quality and product costs), ESG targets, other financial KPI (Working-Capital-ratio, free cash flow)
<b>Overall target achievement</b>	(50% × target achievement financial corporate target in %) + (50% × target achievement individual performance targets in %)	
<b>Payout amount</b>	Individually contractually agreed STI target amount × overall target achievement in %	
Capped at 200% of target amount		
<i>Targets are deducted from corporate planning and are aligned with corporate strategy</i>		

### **Weighting / determination of target achievement**

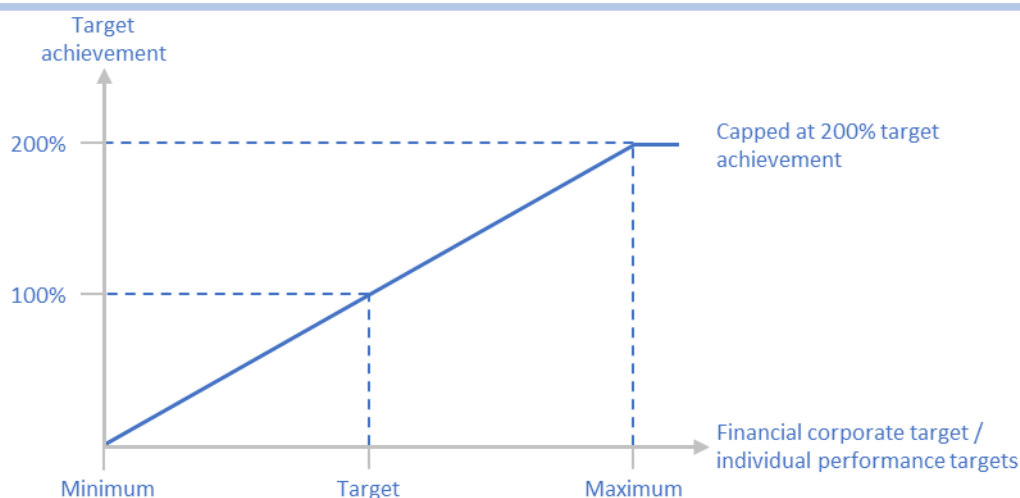
The degree of target achievement with regard to the financial corporate target on the one hand and with regard to the individual performance targets on the other is considered with equal weighting. The weighting of the individual targets within the individual performance criteria is determined by the Supervisory Board in the context of the setting the performance criteria.

In the case of measurable performance criteria, a target value and a targeted range with a minimum and a maximum value are defined, in order to determine the degree of target achievement. If the target value is reached, the degree of target achievement is 100% in each case; if the minimum value is reached or if the value falls below the minimum value, the degree of target achievement is 0%, and if the maximum value is reached or exceeded, the degree of target achievement is 200%. If a value between the minimum and target value and between the target and maximum value is reached, the degree of target achievement is determined by linear interpolation. Taking into account the general business development, the targeted ranges and the associated target achievement curves can be adjusted by the Supervisory Board for the future.

Insofar as measurability of target achievement is – as an exception – not provided for, the Supervisory Board determines the degree of target achievement, within a targeted range of 0% to 200%, at its reasonable discretion. In the event that an assessment is made on the basis of reasonable discretion, the Supervisory Board shall ensure that the assessment is comprehensible.



### Short-term variable remuneration (STI) – Target scale



The degree of overall target achievement for a financial year is determined taking into account each individual target achievement level and the weighting of the performance criteria in relation to each other. Based on the target amount specified in the service contract, the amount of the STI is calculated using the degree of overall target achievement, whereby the payment amount is in any case limited to 200% of the target amount in all cases.

$$\text{Degree of overall target achievement in \%} = (0.5 \times \text{degree of target achievement of financial corporate target in \%}) + (0.5 \times \text{degree of target achievement of individual performance targets in \%})$$

$$\text{STI payment amount} = \text{Individually contractually defined STI target amount} \times \text{degree of overall target achievement in \%} \text{ (limited to 200\% of STI target amount)}$$

The STI is paid out with the salary payment in the month following the Annual General Meeting of Nordex SE in each subsequent year.

#### 5.2.2 Long-term variable remuneration: LTI

The LTI is granted on the basis of virtual shares in accordance with the applicable PSUP. In the service contract, each member of the Management Board is promised a certain target amount per year on the basis of which each member of the Management Board receives a tranche, i.e. a certain number of PSU, for each financial year depending on the share price of Nordex SE shares (in the following also referred to as **Nordex shares**). Depending on the achievement of the performance criteria set by the Supervisory Board in advance, the final number of PSU is determined at the end of a four-year performance period and, in turn, converted into a pay-out amount depending on the price of Nordex shares at the end of the performance period.

#### **Performance criteria**

The number of PSU for a tranche that is decisive for the LTI pay-out amount depends on a share price-based target (in the following also referred to as **capital market target**) as well as on LTI-ESG targets as non-financial sustainability targets.

## Non-Binding Convenience Translation only!

The so-called Relative *Total Shareholder Return* (hereinafter also referred to as **RTSR**) is used as the capital market target. The RTSR as a capital market target serves to provide special incentives for a sustained positive performance. For this purpose, the RTSR of the Nordex share during the performance period is compared with the arithmetic mean of the performance of suitable reference indices during this period. Common and publicly accessible share indices (DAX, MDAX, TecDAX or RENIXX) or suitable reference values of international listed companies in the renewable energy sector, which are defined by the Supervisory Board for these purposes before the beginning of a respective performance period, can serve as reference indices.

As part of the LTI-ESG targets, the Supervisory Board sets non-financial sustainability targets from the area of environmental, social issues and good corporate governance (i.e. relating to diversity, CO<sub>2</sub> emissions, ISS-ESG rating and/or MSCI rating). The LTI-ESG targets from the catalogue of the aforementioned areas may vary from performance period to performance period. Particular attention is paid to the transparency and to the measurability of the targets.

Long-term variable remuneration (LTI)	
0% - 200% target achievement	
<i>The final number of PSU depends on a share price-based target as well as on LTI-ESG targets as non-financial sustainability targets</i>	
<b>Type</b>	▶ Performance Share Unit plan
<b>Performance period</b>	▶ 4 years
<b>Performance criteria</b>	80%
	20%
<b>Initial number of PSU</b>	Target amount ÷ Ø closing share price of Nordex on the last 20 trading days prior to the start of the performance period
<b>Overall target achievement</b>	<b>(80% × target achievement capital market target in %)</b> <b>+ (20% × target achievement LTI-ESG targets in %)</b>
<b>Final number of PSU</b>	Initial number of PSU of a tranche × overall target achievement in %
<b>Payout amount</b>	Final number of PSU × Ø closing share price of Nordex on the last 20 trading days prior to the end of the performance period
Capped at 300% of target amount	
<i>Incentivizes the sustainable increase of company value and aligns management and shareholder interests</i>	

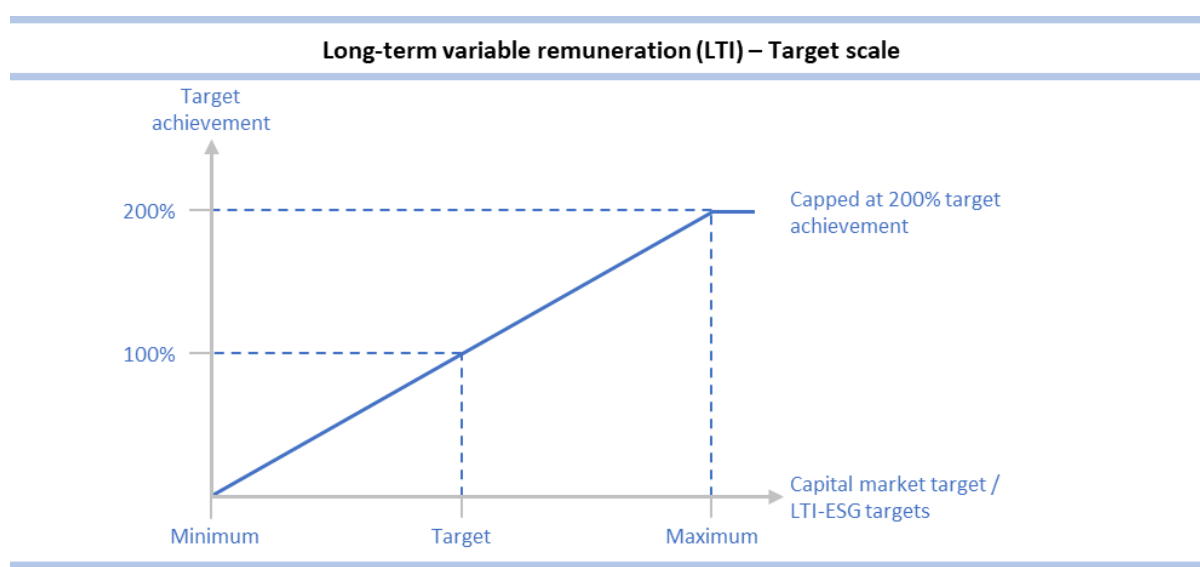
### **Assessment period**

The assessment period for the LTI amounts to a total of four years (in the following also referred to as performance period).

### **Target achievement / weighting**

Both for the LTI-ESG targets and the capital market target (RTSR) ambitious target achievement curves ranging from 0% to 200% are set. At the beginning of each performance period, the Supervisory Board determines a target value for each measurable performance criterion at which target achievement is 100%. In addition, a minimum and maximum value is always defined for the measurable performance criteria. If the actual value achieved reaches or remains below the minimum value, the target achievement is 0%. As of a value that corresponds to the maximum value, the target achievement is limited to 200%. In each case between the minimum value and the target value as well as between the target value and the maximum value, the target achievement is determined by linear interpolation.

In the case of non-measurable performance criteria or targets, the Supervisory Board determines the degree of target achievement within a targeted range of 0% to 200% at its reasonable discretion after the end of the performance period and ensures that the assessment is comprehensible.



The LTI-ESG targets and the capital market target are linked additively, with the LTI-ESG targets weighted at 20% and the capital market target accordingly at 80%. The sum of the correspondingly weighted individual degrees of target achievement of the performance criteria therefore results in a degree of overall target achievement. The Supervisory Board determines the performance criteria and the weighting of the LTI-ESG targets amongst each before the beginning of a performance period depending on the current strategic targets of the company and a corresponding prioritisation.

### **PSUP system**

The initial number of PSU in a tranche is equal to the target amount divided by the average closing price of the Nordex shares of the last 20 stock exchange trading days prior to the start of the performance period, rounded according to commercial practice to the nearest full unit. The final number of PSU at the end of the four-year performance period depends on the achievement of the described financial and non-financial performance criteria.

At the end of each performance period, the initial number of PSU of the tranche is multiplied by the degree of overall target achievement and rounded according to commercial practice to the nearest full unit. This multiplication results in the final number of PSU of the tranche. The final number of PSU is multiplied by the average closing price of the last 20 trading days before the end of the performance period. This multiplication gives the LTI pay-out amount (gross) in cash.

The LTI pay-out amount for each tranche of PSU according to the PSUP cannot exceed 300% of the target amount of the relevant tranche.

The LTI pay-out amount is disbursed with the salary payment in the month following the Annual General Meeting of Nordex SE in the year following the end of the performance period, at the discretion of the company in shares or in cash.

### **5.2.3 Exceptional developments**

Exceptional developments during a performance period may be taken into account by the Supervisory Board at its reasonable discretion, with regard to all variable remuneration components; this may lead to an increase or a decrease in the respective variable remuneration, however, the respective relevant limitation of the pay-out amount cannot be exceeded even by such an adjustment. Exceptional developments during the year in this sense are special situations that are not sufficiently covered by the determined targets and are based on general conditions beyond the control of the company. In particular, untypically far-reaching changes in economic circumstances, inflation, significant changes in accounting and valuation methods, decline in earnings due to loss of reputation of the entire industry (e.g. due to scandal at a competitor), losses due to extreme natural disasters and significant fluctuations in exchange rates are taken into account, provided that these or their specific effects were not foreseeable and they have resulted in the relevant targets being met or exceeded (windfall profits) or missed entirely without own intervention of the member of the Management Board. On the other hand, usual market fluctuations are principally not considered to be exceptional developments. The possibility of reduction pursuant to section 87 (2) AktG remains unaffected.

### **5.2.4 Malus & clawback**

The service contracts of the members of the Management Board contain malus and clawback provisions which, in certain cases, allow the Supervisory Board to reduce or reclaim variable remuneration components at its reasonable discretion. This possibility exists if a member of the Management Board demonstrably violates his duties in a way that justify a legally effective termination for good cause or demonstrably intentionally or grossly negligently violates his material duties of care pursuant to section 93 AktG.

If variable remuneration components are determined or paid out on the basis of incorrect data, e.g. incorrect consolidated financial statements, the Supervisory Board may correct the determination or reclaim remuneration components already paid out.

In the aforementioned cases, clawback is possible within three years after pay-out of the relevant variable compensation component.

## **6. Shareholding requirements / reinvestment**

The members of the Management Board are required to make a personal investment in Nordex shares with an investment amount which is equal to 100% of their respective annual base salary (gross) (this amount hereinafter also referred to as the *investment amount*). The share portfolio to be acquired with the investment amount is to be built up on a pro rata basis via a reinvestment of at least 25% of the net STI pay-out amount until the investment amount is reached. The purchase price at the time of the respective acquisition is decisive for the fulfilment of the share acquisition and holding obligation. The acquired shares must be held for the duration of the term of office of the member of the Management Board and two further years after its termination.

With the investment obligation of the member of the Management Board, the interests of the Management Board and the shareholders are further aligned and, moreover, the long-term successful development of the company is further incentivised.

## **7. Third-party compensation**

The annual base salary generally covers all offices held by members of the Management Board for the company and its affiliated companies (in particular intragroup supervisory board mandates) as well as other supervisory board mandates and similar offices held at the request of the Supervisory Board in companies in which the company holds a direct or indirect interest, as well as activities in associations and similar groups to which the company belongs on account of its business activities. If a member of the Management Board receives remuneration for activities as a member of the Supervisory Board, Advisory Board or Administrative Board (*Verwaltungsrat*) of companies in which the company has a shareholding of at least 25%, it is generally offset against the annual base salary in accordance with this Remuneration System. In the case of remuneration for the exercise of supervisory board mandates outside the group and comparable offices, the Supervisory Board decides on a case-by-case basis whether and to what extent these are to be offset against the remuneration under this Remuneration System.

## **8. Term and termination of the Management Board service**

### **8.1 Contract period and term duration**

The service contracts are concluded for the duration of the term of office. As a rule, the term of office is three years for an initial term and regularly three to five years for every subsequent term. In accordance with the German Stock Corporation Act, the service contracts do not provide for the right to ordinary termination; the right of both parties to terminate the service contract without notice for good cause remains unaffected.

It also ends if the member of the Management Board becomes permanently incapacitated for work during the term of the service contract; in this case, the service contract ends at the end of the quarter in which the permanent incapacity for work is determined, but no later than the regular end of the service relationship. In addition, in the event that the appointment of the member of the Management Board is revoked, the company is entitled to terminate the service contract prematurely without good cause subject to a notice period in accordance with section 622 (2) of the German Civil Code (*BGB*) (in the following also referred to as *tie-in clause*).

### **8.2 Benefits in the event of (premature) termination**

#### **8.2.1 Severance payment**

For any cases of premature termination, the service contracts of the members of the Management Board also provide that any severance payments are limited to a maximum amount of two years' remuneration but no more than the remuneration for the remaining term of the service contract (in the following also referred to as *severance payment cap*).

According to the service contracts, the severance payment cap is calculated on the basis of the total remuneration for the last financial year and, if applicable, the expected total remuneration for the current financial year. Pursuant to the service contracts, no severance payment will be made in the event of good cause for an extraordinary termination of the service contract by the company.

### 8.2.2 Payment of variable remuneration in the event of premature termination

#### **STI**

If the service contract of a member of the Management Board ends during the year, the STI is reduced *pro rata temporis*, whereby the assessment criteria and period remain unaffected.

In certain early termination situations (hereinafter also referred to as **Bad-Leaver-reasons**), no STI will be granted for the financial year of the termination.

#### **LTI**

If the service contract of a member of the Management Board ends due to the lapse of time, death or disability, the initial number of PSU granted for the year in which the service contract ends is reduced *pro rata temporis* by 1/12 for each month that the service relationship ends before the end of the year in question. There shall be no reduction in the remaining tranches and the assessment criteria and periods remain unaffected. An exception applies in the event of early termination of the service contract due to death or permanent incapacity, in which case PSU granted under the PSUP whose four-year performance period has not yet expired may exceptionally be converted into a pay-out amount and paid out early.

If the service contract ends before the end of a performance period, the PSUP differentiates according to the type of termination reason (in the following also referred to as **Bad- and Good-Leaver-reasons**). In the event of *Bad-Leaver-reasons*, all rights and entitlements under the PSUP shall cease with immediate effect and without compensation. This does not apply to the entitlements of PSU of the member of the Management Board that are no longer in the performance period at the time the service contract ends.

### 8.2.3 Compensation in case of death

If the member of the Management Board dies during the term of the service contract, the service contract may provide for a provision entitling the surviving dependants to continued payment of the pro-rated annual base salary for the month of the death and for up to six subsequent calendar months.

### 8.3 Post-contractual non-competition obligation

A post-contractual non-competition obligation can be agreed upon with members of the Management Board for a period of up to 24 months. In this case, appropriate compensation (in the following also referred to as **non-compete compensation**), to be determined on a case-by-case basis, shall be granted for this period. If a post-contractual non-competition clause is agreed upon, the service contracts provide that any severance payments due to the premature termination of a service contract of a member of the Management Board (cf. section 8.2.1) are fully offset against the non-compete compensation.

## 9. Deviations due to requirements of the guarantee agreement

Nordex SE has taken out a working capital loan guaranteed by the German federal government, the state of Mecklenburg-Western Pomerania and the Free and Hanseatic City of Hamburg (in the following also referred to as **public-sector guarantors**). The guarantee agreement (in the following also referred to as **guarantee agreement**) contains various requirements for the remuneration of the Management Board of Nordex SE which require certain deviations from this Remuneration System. The guarantee agreement specifies the following, among other things:

„3. *During the term of the parallel federal/state guarantee, board members of the borrower (including any group remuneration in the event of dual employment) may not be granted bonuses, or other variable or comparable remuneration components. Similarly, special payments in the form of share packages, bonuses or other separate remuneration in addition to the fixed salary, other remuneration components left to the discretion of the company and severance payments not required by law may not be granted.*

*Until at least 75% of the guaranteed loan has been finally repaid, no board member of the Borrower shall receive any base remuneration (including any group remuneration in the case of dual employment) in excess of the member's base remuneration as of 31 December 2019."*

The company complies with these requirements.

## **10. Temporary deviations**

In exceptional cases, the Supervisory Board may temporarily deviate from the Remuneration System if this is necessary in the interest of the long-term well-being of the company. Generally unfavourable market developments explicitly do not constitute exceptional circumstances in this sense. Far-reaching and exceptional changes in the economic situation, for example as a result of a severe economic crisis, may constitute exceptional circumstances. Furthermore, this may include, among other things, the alignment of the Remuneration System in the event of a significant change in corporate strategy in order to ensure that incentives are set appropriately.

A deviation from the Remuneration System is only possible through a corresponding Supervisory Board resolution on the proposal of the Executive Committee, which determines the exceptional circumstances and the necessity of a deviation. In addition, even in the event of a deviation from the existing Remuneration System, the remuneration must continue to be geared towards the sustainable and long-term development of the company and must not overburden its financial capacity.

The temporary possibility of deviation from the Remuneration System is limited to the following components: The amount of the defined maximum remuneration, the definition of the performance criteria for the STI and the LTI, ranges of possible target achievements for the individual components of variable remuneration and temporary expenses for exceptional fringe benefits and special benefits, as well as the relative proportions of the fixed and variable remuneration components. If it is not sufficient to restore the incentive effect of the remuneration of the Management Board by adjusting the existing remuneration components, the Supervisory Board has the option of temporarily granting additional remuneration components in the event of exceptional developments under the same conditions.

**Annex 1**

**Overview of the Remuneration System**

Performance-unrelated components (fixed remuneration)		
Remuneration component	Purpose	Contractual design
<b>Annual base salary</b>	<ul style="list-style-type: none"> <li>▶ Ensuring a reasonable income</li> <li>▶ Consideration of portfolio, duties and experience of the members of the Management Board</li> </ul>	▶ Contractually agreed fixed remuneration, paid in twelve equal monthly instalments
<b>Fringe benefits</b>	▶ Cost assumption / compensation for disadvantages	▶ Non-cash benefits and other emoluments; essentially granting of private use of a company car or, alternatively, a rental car subscription; subsidies for health and long-term care insurance; provision of accident insurance; inclusion in a D&O insurance taken out for the company, if applicable, including criminal law protection; as well as continued payment of remuneration in the event of illness or death



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Performance-related remuneration arrangements (variable remuneration)			
Remuneration component	Purpose	Contractual design	
Short-term variable remuneration	▶ Achievement of financial corporate target for the current financial year	Type	▶ STI (paid in cash)
		Assessment period	▶ Financial year
		Limitation / STI-Cap	▶ 200% of the target achievement
	▶ 200% of the target amount at the time of payment		
	▶ Promotion of the corporate strategy	Performance criteria	▶ With a weighting of 50%: Key figure-based financial corporate target relating to the respective financial year measured on the basis of a profitability indicator (EBITDA, EBIT or EBT) as determined by the Supervisory Board
	▶ Incentive for the achievement of operational corporate key figures		▶ With a weighting of 50%: Individual performance criteria based on key performance indicators used in the company (order intake margin, quality and product costs or occupational safety and health), possibly also ESG targets and supplementary financial performance criteria (capital commitment ( <i>Working-Capital-ratio</i> ) and/or free cash flow)
			▶ The specific performance criteria and the weighting of the individual performance criteria amongst each other are redefined for each financial year
	Possibility for adaption in the event of exceptional developments	▶	Adaptation by reduction or increase at reasonable discretion in the event of exceptional developments, but limited in each case by STI-Cap
	Payment	▶	In the following financial year with the salary payment of the month following the Annual General Meeting

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Performance-related remuneration arrangements (variable remuneration)		
Remuneration component	Purpose	Contractual design
Long-term variable remuneration	▶ Incentive to sustainably increase value of the company	Plan type ▶ Virtual (forward-oriented) PSUP
		Assessment period ▶ Four years
		Limitation / LTI-Cap ▶ 200% of the target achievement
	▶ Alignment with shareholder interests	▶ 300% of the target amount at the time of payment
		Performance criteria ▶ With a weighting of 80%: Performance of Nordex shares as capital market target, measured on basis of the <b>RTSR</b> versus a suitable comparison group or a suitable benchmark index
	▶ Linkage to the capital market development of Nordex shares	▶ With a weighting of 20%: LTI-ESG targets (diversity, CO <sub>2</sub> emissions, ISS-ESG Rating and/or MSCI-rating)
	▶ The weighting of the performance criteria amongst the LTI-ESG targets is determined by the Supervisory Board depending on the current strategic objectives and corresponding prioritisation	
	Possibility for adaption in the event of exceptional developments	▶ Adaptation by reduction or increase at reasonable discretion in the event of exceptional developments, but limited by LTI-Cap
	Payment	▶ Within the scope of the statutory requirements, at the discretion of the company, payment in shares or in cash with the payroll of the month following the Annual General Meeting of the financial year following the end of the performance period

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Other remuneration arrangements		
Remuneration component	Purpose	Contractual design
<b>Maximum remuneration</b>	<ul style="list-style-type: none"> <li>▶ Effective limitation of the granted remuneration <i>for a financial year</i></li> </ul>	<ul style="list-style-type: none"> <li>▶ The maximum remuneration for the Chairman of the Management Board is set at EUR 5 million gross p.a.</li> <li>▶ For the other members of the Management Board, the maximum remuneration is set at EUR 3.5 million gross p.a. each</li> </ul>
<b>Malus und Clawback</b>	<ul style="list-style-type: none"> <li>▶ Incentive to prudent behaviour</li> <li>▶ Correction of erroneous bases</li> </ul>	<ul style="list-style-type: none"> <li>▶ Partial or full reduction (<i>malus</i>) or <i>clawback</i> of variable remuneration in the event of variable remuneration being determined on the basis of incorrect data or in the event of intentional or grossly negligent breach of duty</li> <li>▶ Clawback is possible within three years after pay-out of the relevant variable compensation component</li> </ul>
<b>Shareholding obligation / reinvestment</b>	<ul style="list-style-type: none"> <li>▶ Sustained alignment with shareholder interests</li> </ul>	<ul style="list-style-type: none"> <li>▶ The members of the Management Board will be obliged to acquire shares of the company with a total value of one annual base salary (gross) and to hold them for the duration of their term of appointment and for two further years after its termination. A minimum annual investment amount of 25% of the net pay-out from the STI applies until the full investment volume is reached</li> </ul>
<b>Contract termination</b>	<ul style="list-style-type: none"> <li>▶ Cause for termination in addition to expiry of the regular term period</li> </ul>	<ul style="list-style-type: none"> <li>▶ Tie-in clause (in the event of revocation of the appointment of the members of the Management Board, the company is entitled to terminate the service contract prematurely without good cause, subject to the relevant notice period pursuant to section 622 (2) BGB</li> <li>▶ If the member of the Management Board becomes permanently incapacitated for work during the term of the service contract, the service contract ends at the end of the quarter in which the permanent incapacity for work was established</li> </ul>

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Other remuneration arrangements		
Remuneration component	Purpose	Contractual design
<b>Benefits granted in the event of premature termination</b>	<ul style="list-style-type: none"> <li>▶ Limitation of unreasonably high severance payments / benefits in the event of (premature) contract termination</li> </ul>	<ul style="list-style-type: none"> <li>▶ Service contracts provide for limits on any severance payments, according to which a severance payment may not exceed the value of two years' remuneration and may not remunerate more than the remaining term of the service contract</li> <li>▶ Forfeiture provisions (for <i>Bad-Leaver</i> constellations) in relation to outstanding PSU and STI-payments</li> </ul>
<b>Post-contractual non-compete compensation</b>	<ul style="list-style-type: none"> <li>▶ Compensation for non-compete period following termination if a post-contractual non-competition obligation is agreed in the interests of the company</li> </ul>	<ul style="list-style-type: none"> <li>▶ Post-contractual non-competition obligation can be agreed for a period of up to 24 months</li> <li>▶ In this case, an appropriate non-compete compensation will be granted for this period</li> <li>▶ If a post-contractual non-competition obligation is agreed, the service contracts shall provide that any severance payments shall be fully offset against the non-compete compensation</li> </ul>