

## **Compensation scheme for the members of the Management Board of BRAIN Biotech AG**

The compensation system for the Management Board described in more detail below which was decided by the Supervisory Board on January 19, 2023 and approved by the Annual General Meeting on March 08, 2023

### **A. Objectives and principles of the compensation scheme**

The compensation scheme for the members of the Management Board is oriented towards the Company's sustainable and positive business development in the medium to long term, which aims to lead to a long-term appreciation in both the value of the Company and its share price in the interests of the Company and its shareholders. The basis for this is the successful realization of the business strategy and corporate planning in the coming years, which should lead, above all, to continuous revenue growth as well as to a sustained stable improvement in the Company's financial results and cash flow.

BRAIN consistently pursues the goal of being a leading provider in the area of industrial biotechnology. The Company thereby contributes to the accelerated bio-based development of the economy in the areas of nutrition, health and the environment. BRAIN operates in the market as an agile solution provider and partner to industry as well as a producer of its own products. The Management Board publicly communicated the medium-term economic objectives for the Company's development at the Capital Markets Day in September 2020, with the primary goals of growth and profitability. In addition, in June 2022 the company communicated its medium-term sustainability goals as part of its first-ever ESG report. These goals also form an integral part of its business strategy. Achieving these ambitious growth, profitability and sustainability targets requires the commitment of all employees and, in particular, strategic and dedicated leadership by the Management Board.

The Supervisory Board of BRAIN supports the entire strategy and sustainability process of the Management Board. For this reason, it has approved a compensation scheme for the members of the Management Board that is designed to promote BRAIN Group's business and sustainability strategy and, at the same time, BRAIN's long-term development. In addition to helping to further the business strategy, the compensation scheme implements the applicable legal requirements as well as the recommendations of the German Corporate Governance Code ("DCGK"). In this context, the effects and influences of the company's activities on people and the environment have already been taken into consideration.

As a consequence, the compensation scheme provides the incentives that are required in order to successfully implement the Company's business strategy. This is achieved through a clear incentive structure for Management Board compensation. A strong orientation in the short-term variable compensation towards BRAIN Group's growth and EBITDA targets, as well as the clear share price orientation as a key element of the long-term variable compensation, are intended to promote a sustainable appreciation in the Company's value and avoid the misalignment of external and internal incentives. In particular, the aim is to prevent the Management Board from making decisions that prioritize the short-term optimization of compensation over sustainable and long-term business success. In addition, BRAIN's long-term development and growth is promoted through operational, strategic and sustainability-related targets as part of the performance-related variable compensation.

The compensation scheme is thereby related to the challenge the Management Board members face in implementing the corporate strategy and in leading a company that deploys innovative solutions in order to address international competition. Management Board compensation should be both in line with the market and attractive, so that the Company can attract highly qualified candidates for the Management Board and retain its members in the long term. The compensation scheme should be clear and understandable for our shareholders, employees and, of course, the members of the Management Board themselves. Similarly, the compensation scheme is designed to reward exceptional performance appropriately, while falling short of targets will result in a reduction in total compensation.

## **B. Procedures for establishing, implementing and reviewing the compensation scheme**

Pursuant to Section 87 AktG, the Supervisory Board determines the compensation of the members of the Management Board. The Supervisory Board is supported in this by its Personnel Committee, which prepares the resolutions of the Supervisory Board in relation to the compensation scheme, including its implementation in the employment contracts, in relation to the setting of targets for variable compensation, and in relation to the determination and review of the appropriateness of the total compensation for the individual members of the Management Board.

In order to avoid potential conflicts of interest and to ensure sufficient transparency, the members of the Supervisory Board are obligated to disclose to the Supervisory Board (for the attention of the Chair of the Supervisory Board) all conflicts of interest, in particular those that may arise as a consequence of an advisory or directorship role with customers, suppliers, lenders or other business partners of the Company. In the case of conflicts of interest that are significant or not solely of a temporary nature, the respective Supervisory Board members must step down from office. In its report to the AGM, the Supervisory Board provides information on conflicts of interest and how they are handled.

When determining and reviewing the non-performance-related fixed compensation, the performance-related variable compensation and all other compensation components, the Supervisory Board pays particular attention to ensuring that the total compensation of the members of the Management Board is commensurate with the tasks and performance of the respective Management Board member and the Company's situation, and corresponds to standard compensation. In particular, the Supervisory Board regularly reviews the appropriateness of the individual compensation components and the amount of the total compensation.

The Supervisory Board assesses the standard level of compensation on the basis of a horizontal and a vertical comparison. In the horizontal comparison, the Supervisory Board ensures that the target total compensation is commensurate with the duties and performance of the Management Board and the Company's situation. In particular, the compensation levels and structures of comparable companies (peer groups) are examined. For this comparison, suitable companies are used with regard to BRAIN's market position (in particular, sector, size, country). The criteria used to form a peer group are disclosed in the compensation report. In addition to the horizontal comparison, the Supervisory Board takes into account the ratio of Management Board compensation to employee compensation in a vertical comparison, which includes in particular the change of compensation over time. The comparison takes into consideration both the compensation of senior management, which comprises the first management level below the Management Board, as well as the compensation of all employees.

The Supervisory Board regularly reviews the compensation scheme for the members of the Management Board and approves modifications if and to the extent that this appears necessary. If the Supervisory Board makes recourse to an external compensation expert, if required, the Supervisory Board ensures that the expert is independent of the members of the Management Board and the Company. In accordance with the statutory regulations, the Shareholders' General Meeting passes a resolution concerning the approval of the compensation scheme in the event of significant modifications, albeit at least every four years. If the Shareholders' General Meeting does not approve the compensation scheme, a revised compensation scheme must be submitted to the Shareholders' General Meeting for resolution at the latest at the following AGM.

In accordance with statutory provisions, the Supervisory Board may temporarily diverge from the compensation scheme if this is necessary in the Company's long-term interests. A divergence may relate in particular to the structure, amount and term of variable compensation and ancillary benefits. Possible extraordinary developments in the course of a year may, if they were not foreseeable, include, for example, a significant change in the Group's composition (such as due to M&A activities) or extraordinary changes in the economic situation (such as due to an economic crisis, pandemics), as a consequence of which the original corporate targets cannot be achieved. However, generally unfavorable market developments are not regarded as exceptional developments during the year. In all cases, the Supervisory Board, if necessary also following a preparatory examination by its Personnel Committee, will examine any extraordinary business and/or financial developments of the Company, and evaluate them with a view to an adjustment, and especially in relation to the incentives of the Management Board members.

### **C. Compensation structure and maximum compensation**

In accordance with legal requirements and the recommendations of the German Corporate Governance Code (DCKG), the compensation structure is oriented towards the Company's sustainable and long-term development and growth. With regard to variable performance-related compensation, the Supervisory Board only sets targets that are based on demanding financial and strategic performance parameters. The performance parameters must be related to the Company's strategy, and must be suitable for incentivizing the Management Board members to achieve a sustainable and positive business and financial performance by the Company in the medium and long term.

The compensation scheme consists of non-performance-related (fixed) and performance-related (variable) compensation components.

- Non-performance-related compensation consists of the basic salary and ancillary benefits (such as insurance premiums, allowances for pension plans and tax advice, company car).
- Performance-related compensation is linked to the achievement of specific targets and is consequently variable. It consists of short-term, one-year compensation (Short Term Award – Bonus) and long-term, multi-year compensation (Long Term Award – ESOP).

The target total compensation is to be determined for each Management Board member on the basis of the agreements on non-performance-related compensation (basic salary including ancillary benefits 100%) and performance-related compensation (Short Term Award 40% of basic salary including ancillary benefits and Long Term Award 60% of basic salary including ancillary benefits).

The compensation structure and its individual components together with their weighting are shown in the following overview:

Compensation Components		Maximum*	Terms and Conditions	
Variable	<b>Short Term Award – 40% weighting</b> (assessment period = 1 fiscal year) <ul style="list-style-type: none"> <li>– 40%: Organic growth in annual revenue</li> <li>– 40%: Growth in adjusted EBITDA</li> <li>– 20%: Individual targets (including non-financial targets)</li> </ul>	200 %	Cash based	<u>Subject to:</u>  Clawback  Expiry conditions
	<b>Long Term Award – 60% weighting</b> (assessment period = 3 fiscal years) <ul style="list-style-type: none"> <li>– 40%: Appreciation in the value of the R&amp;D development pipeline and product business</li> <li>– 40%: The share's absolute and relative positive price performance (50:50)</li> <li>– 20%: Meeting ESG targets</li> </ul>		Pro rata granting  Share Based  Vesting period  Cap	
Fixed	<b>Basic salary</b>	100 %	* % of annual target compensation	
	ancillary benefits			

### Fixed compensation components not linked to performance

The non-performance-related compensation consists of a fixed basic salary and ancillary benefits.

- **Basic salary:** The basic salary is to be paid in arrears at the end of the month in twelve equal monthly salary instalments with statutory deductions. If the Management Board member joins or leaves the Company during the year, the basic salary is to be granted pro rata temporis.
- **Ancillary benefits:** The ancillary benefits mainly comprise standard additional benefits such as contributions to insurance schemes, travel allowances, pension allowances and the provision of a company car, which may also be used privately. The ancillary benefits do not include the reimbursement of expenses to which Management Board members are entitled in accordance with statutory provisions, or inclusion in a group D&O insurance policy, whereby the Management Board member must bear the deductible prescribed by stock corporation law. The Company does not maintain its own pension scheme. The pension subsidies granted can be converted into an external pension entitlement via deferred compensation.

The minimum compensation in the compensation scheme presented corresponds to the sum of the basic salary and ancillary benefits.

### Performance-related variable compensation components

The performance-related variable compensation consists of two compensation components:

- short-term, one-year compensation (Short Term Award – Bonus)
- a long-term, multi-year award (ESOP).

The short-term, one-year compensation is to be granted as a cash bonus. The determination of target achievement and the calculation of the bonus amount is to be made following the resolution concerning the approval of the Company's respective annual financial statements. The bonus is then to be paid at the end of the month in which the Supervisory Board has determined that the targets have been achieved.

Long-term, multi-year compensation is to be granted by issuing stock options. The stock options may be exercised at the earliest after the statutory vesting period of four years if and to the extent that the performance targets have been achieved.

**Short-term, one-year variable compensation (Short Term Award – Bonus):**

The target amount for the bonus that the Management Board members receive if they achieve exactly 100% of the annual bonus targets is to be equivalent to 40% of the basic salary including ancillary benefits. The payout amount for the bonus is to be limited to a maximum of 200% of the target amount (upper limit). The bonus is calculated for each fiscal year and depends on the achievement of corporate targets. These corporate targets include the following financial and non-financial targets with a performance measurement period of one year:

- Organic growth in annual revenue – 40% weighting
- Growth in adjusted EBITDA – 40% weighting
- Individual targets (including non-financial targets) – 20% weighting

Each year, before or at the beginning of the fiscal year, the Supervisory Board shall determine the targets uniformly for all members of the Management Board at its discretion. In doing so, the Supervisory Board is to take care to set appropriate and demanding targets that are ambitious but remain achievable for the Management Board so that they do not fail to fulfill their incentive function.

As a matter of principle, the Supervisory Board is to be guided by the budget figures when setting financial targets. The Supervisory Board is to determine target achievement for each individual target in the bonus after the end of the fiscal year. The financial targets are based on the actual figures from the audited consolidated financial statements. Adjusted EBITDA in the meaning of the compensation regulations is the adjusted EBITDA determined and published as part of the annual financial statements, which regularly takes into account the following factors as part of an earnings adjustment:

- Positive or negative effects from employee stock ownership plan (ESOP)
- Expenses in connection with M&A transactions such as consultancy costs, legal and tax consultancy costs, notary fees, one-off performance payments, investment banking fees
- Expenses in connection with capital measures such as consultancy costs, legal and tax consultancy costs, notary costs, bank costs.

The Supervisory Board's Audit Committee is to review the appropriateness of each adjustment as part of its review of the annual financial statements.

The determined target achievement results in a payout factor between 0% and 200% for each individual target. The pro-rata weighting of the payout factors for all targets results in the bonus payout factor, which also ranges from 0% to 200%. The bonus payout factor is multiplied by the bonus target amount to determine the bonus payout amount. As a consequence, the bonus payout amount may be waived or set at a maximum of 200% of the bonus target amount.

If the Management Board member joins the Company during the course of the year, the bonus is to be granted pro rata temporis. If a member of the Management Board leaves the Company during a fiscal year as a so-called “good leaver”, the bonus is to be granted pro rata temporis at the due date specified in the service contract, provided that the relevant targets have been achieved after the end of the fiscal year. Management Board members are deemed to be a “good leaver” if they leave the Company by mutual agreement, at the request or instigation of the Company, without having given any reason for this on their part, or if the contractual relationship expires in an orderly manner. In individual cases, however, the Supervisory Board is to remain authorized to settle the existing bonus entitlements of an Management Board member leaving during the fiscal year with a one-off payment. If, on the other hand, the Management Board member leaves the Company’s service as a so-called “bad leaver”, all claims to the bonus not yet paid out are to be forfeited. Management Board members are considered a “bad leaver” if they leave the Company of their own accord without good grounds or if the Company has terminated the contractual relationship for good grounds caused by the Management Board member.

#### **Long-term, multi-year variable compensation (Long Term Award – ESOP)**

The long-term, multi-year variable compensation is to be granted on a share-based basis as part of a stock option program (Management Board ESOP), the key points of which are determined by the AGM in accordance with statutory requirements. The target amount in the event that the performance targets are achieved at exactly 100% corresponds to 60% of the basic salary including ancillary benefits.

The number of stock options allocated annually to the members of the Management Board is calculated as follows:

Maximum of annual target compensation ./ Reference value at the time of issue.

The reference value is the simple (not sales-weighted) arithmetic mean of the closing prices of the BRAIN share determined in the XETRA trading system (or a comparable successor system) of FWB Frankfurter Wertpapierbörse (the Frankfurt Stock Exchange) in the closing auction during the last thirty (30) trading days prior to the issue of the respective stock option, rounded to two decimal places.

The stock options may only be exercised if and to the extent that the performance targets are achieved within a performance measurement period of three fiscal years. The following performance objectives are to be established:

- Appreciation in the value of the R&D development pipeline and product business – 40% weighting
- The share’s absolute and relative positive price performance – 40% weighting
- Meeting ESG targets – 20% weighting

To the extent necessary, the Supervisory Board is to specify the performance targets uniformly for all members of the Management Board before the beginning of each three-year performance

measurement period, taking into account the key points of the stock option plan and the stock option plan approved by the AGM.

The Supervisory Board is to regularly monitor progress with the R&D development pipeline and the product business and will set appropriate criteria and milestones in order to appropriately reflect and incentivize the progress of projects and product business development, which is crucial for the Company's valuation, in the long-term compensation. Such criteria and milestones are to include:

With regard to the R&D development pipeline, the following points are to be taken into consideration:

- Progress in market introduction
- Acceleration of project progress
- Expansion of the addressable market
- Development of the pipeline within the planned budget
- Conclusion of partnership agreements for development and market launch
- Sale/joint venture/spin-off of projects with positive value contribution
- Milestone and royalty payments

With regard to the product business, the following points are to be taken into consideration:

- Market entry and development
- Revenue
- Margin

To measure absolute positive share price performance, an increase in the share price over the three-year performance measurement period are to be determined as follows:

- at least 10% p.a. if the share price at the time of issue of the stock options is lower than the first price at the time of listing in the course of the IPO;
- at least 6% p.a. if the share price at the time of issue of the stock options is equal to or higher than the first price at the time of listing in the course of the IPO.

The relative positive price performance is based on a comparison with the performance of the DAX 100 Index and the NASDAQ Biotechnology Index.

In order to set ESG targets, the Supervisory Board will take into account BRAIN's ambitious medium-term sustainability goals as provided for and defined in the respective applicable ESG+ Roadmap. In this respect, too, the Supervisory Board will set the non-financial targets at its due discretion in coordination with the annual planning of the Management Board in such a way that they are as quantifiable as possible and thereby objectively measurable. If objective measurement is not reasonably achievable, the Supervisory Board will determine the extent or degree to which the targets have been met using its professional judgment.

The Supervisory Board shall determine the scope or degree of target achievement for each Management Board member. The determined overall target achievement results in an exercise factor of between 0% and 200% with regard to the stock options issued. According to the respective scope or degree of target achievement, the number of stock options that can be exercised after the expiry of the statutory waiting period may consequently be reduced.

In the event that a member of the Management Board leaves the Company, the subscription conditions are to provide for various exclusions of exercise, in particular as a consequence of a resignation from office, dismissal for exceptional reasons, or as a consequence of a mutually agreed termination of the employment relationship or position on the Management Board at the instigation of the Management Board member. Shareholding provisions may be provided for.

The Supervisory Board will set a limit (“cap”) for extraordinary, unforeseen developments in the amount of 250% for the target compensation arithmetically resulting from maximum target achievement (200%).

The inclusion of the members of the Management Board in the stock option plan is intended to loyalize them to the Company for as long as possible. The Management Board members’ high level of personal performance and commitment is to be maintained and enhanced in order to ensure the Company’s positive performance in the future, and to achieve the corporate goals. In addition, the aim is to ensure long-term incentivization in line with the interests of shareholders.

### **Clawback regulations**

If members of the Management Board seriously violate their legal and/or contractual obligations, the Supervisory Board may partially reduce or completely waive any variable compensation components not yet paid out. The decision by the Supervisory Board shall be made at its due discretion. If a serious breach of statutory and/or contractual obligations subsequently becomes known, the Supervisory Board may demand the full or partial return of variable compensation components already paid out to Management Board members (compliance clawback). In addition, if variable compensation components are paid out on the basis of incorrect consolidated financial statements, the Supervisory Board may reclaim the difference determined on the basis of a corrected determination (performance clawback).

### **Maximum compensation**

The maximum compensation is defined as the maximum achievable compensation of a member of the Management Board in a fiscal year. The compensation shall be limited as follows:

- the performance-related variable compensation components are capped at 200% of the annual target amount;
- for the stock options, a limitation (“cap”) is set for extraordinary, unforeseen developments;
- the Supervisory Board has set a maximum compensation pursuant to Section 87 a (1) Sentence 2 No. 1 AktG, which limits the total compensation actually received for a fiscal year.

The maximum compensation set by the Supervisory Board shall be

- € 2.5 million for the Chair of the Management Board (CEO);
- € 1.5 million for each other Management Board member.

### **D. Information on compensation-related transactions**



The term of the service contracts of the Management Board members is fixed for the duration of their appointment to the Management Board and complies with statutory provisions. The service contracts of Management Board members will generally not exceed a term of three years for initial appointments. In all other respects, the Supervisory Board may exhaust the maximum term of five years under stock corporation law. Ordinary termination of the service contract is excluded for both parties. The right to terminate on good grounds remains unaffected.

When concluding a service contract, the Supervisory Board shall decide at its due discretion whether and to what extent additional compensation benefits (for example relocation allowance, travel allowance or compensation for loss of earnings) are pledged to the Management Board member concerned in an individual contract. Such additional compensation benefits are included in the maximum compensation.

In the event of early termination of their Management Board activities, Management Board members do not receive any payments and/or ancillary benefits that exceed the value of two years' compensation (severance payment cap), or that compensate more than the remaining term of the employment contract. If the service contract is terminated for an exceptional reason for which the Management Board member is responsible, the Management Board member will not receive any payments. The calculation of the severance pay cap is based on the total compensation for the respective fiscal year elapsed, and, where relevant, also on the basis of the prospective total compensation for the current fiscal year. In the event of a change of control, neither termination rights nor commitments for benefits in the event of premature termination of Management Board membership have been agreed.

The Management Board members may only engage in remunerated and unremunerated secondary activities after the Company's Supervisory Board has approved the exercise of such activities. Voluntary work in associations and organizations with charitable or social aims or in the area of sports is permitted, provided that this does not restrict the individual's working capacity and activities for the Company. Supervisory board, administrative board or advisory board mandates or comparable offices in other companies as well as offices in associations and industry-related scientific institutions may only be assumed after the Company's Supervisory Board has approved the assumption of such roles. If, at the Supervisory Board's request, a Management Board member assumes management duties as a managing director or member of the management board or other activities in the Company's Group companies, the Management Board member shall not receive any additional or separate compensation for such activities.

A post-contractual non-competition clause has been agreed with the members of the Management Board for a period of twelve months, which also includes the payment of a waiting allowance. The monthly compensation to be paid amounts to half of the average of the monthly compensation benefits granted to the Management Board member in the last 24 months prior to the termination of the employment contract. Any income earned by the Management Board member during the term of the post-contractual non-competition clause from other activities not subject to the non-competition clause shall be offset against the compensation. The Company is entitled to unilaterally waive compliance with the post-contractual non-competition clause before or simultaneously with the end of the employment contract; in this case, the Company does not owe any compensation.