

Compensation system for the Executive Board members

The compensation system for the Executive Board Members of FUCHS PETROLUB SE which had been resolved by the Supervisory Board was approved by the Annual General Meeting dated 4 May 2021.

a) General

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

- the duties of the individual board member,
- the performance of the entire Executive Board,
- the company's financial situation,
- the earnings and outlook of the company,
- the 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.

aa) 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 target and maximum Executive Board compensation in advance for a period of several years. It also defines the long-term targets geared toward sustainable company success to determine the performance factor in advance for a period of several years. These targets are guided by the strategic guidelines at FUCHS and relate to the entire Executive Board. Using a horizontal and vertical comparative analysis, the Supervisory Board ensures that Executive Board compensation is appropriate. The Personnel Committee prepares the resolutions.

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 performance factor. The Supervisory Board then makes a decision at its December meeting based on this recommendation. 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 is set based on a peer group of various MDAX companies selected on the basis of belonging to the chemicals industry, the nature of their business,

or their main shareholder (listed companies with one family as majority shareholder). Characteristics such as company size, profitability and compensation structure are also taken into account. Taking these criteria into consideration, the members of the Executive Board are to be 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. In 2019, the average minimum total compensation in the peer group was 1.2 times that of a FUCHS PETROLUB SE Executive Board member, with maximum total compensation 1.5 times this amount.

Vertical analysis:

The internal company compensation structure is also applied when setting compensation for Executive Board members. As recommended by the German Corporate Governance Code, the vertical analysis draws on two peer 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. The peer group comprises the members of the Group Management Committee (excluding members of the Executive Board) and the managing partners of the Group companies.

bb) 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.

cc) Conflicts of interest

The fact that the Supervisory Board is responsible for setting, reviewing, and implementing the compensation system for members of the Executive Board serves to prevent potential conflicts of interest in principle. There have been no conflicts of interest for individual members of the Supervisory Board in the past with regard to decisions by the Supervisory Board or the Personnel Committee regarding the compensation system for Executive Board members. If conflicts of interest were to occur in the future, FUCHS PETROLUB SE's general regulations for handling conflicts of interest on the Supervisory Board apply. These stipulate that the Supervisory Board member in question must disclose the conflict of interest immediately. The Chairman of the Supervisory Board then decides whether the Supervisory Board member can attend the meeting and receive information. If the conflict of interest is significant and not merely temporary, the Supervisory Board member in question must resign.

b) 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:
 - o Fixed compensation
 - o Additional benefits
 - o Pension expenses
- Performance-based compensation:
 - o STI (short-term incentive) in the sense of short-term, one-year compensation
 - o LTI (long-term incentive) in the sense of long-term compensation over several years

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

aa) 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). The annual fixed compensation is EUR 880,000 for the Chairman of the Executive Board and EUR 550,000 for each of 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, correspond to a percentage of the average fixed compensation for the last three years before 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 these assigned pension funds. The annual payments are recognized as pension expenses.

The regular pension will be paid out if the Executive Board contract ends upon or after completion of the member's 65th year of age.

bb) 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 0.64% of the value calculated and other members of the Executive Board each receive 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)

FVA is the FUCHS Group's central key performance indicator and is used for variable compensation for local, regional, and global management.

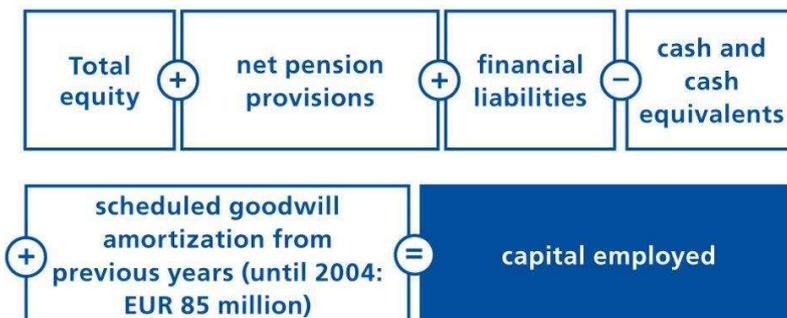
As an economic benefit, FVA embodies a holistic approach that looks at both profit and capital employed. It is therefore an expression of the strategic objectives and geared towards the long term.



EBIT (earnings before interest and taxes) 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 investments in property, plant and equipment, investments in intangible assets, as well as by the development of net operating working capital (NOWC). Property, plant and equipment and acquisitions are controlled on the basis of investment appraisals, while NOWC is monitored through targeted control 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).

Value is added only when the recorded earnings are higher than the costs of the capital employed. In this event, entitlement to variable compensation is granted.

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

Performance factor

The performance factor measures the annual attainment of agreed long-term targets. It is the same for all members of the Executive Board and is determined by the Supervisory Board. The performance factor ranges from a minimum of 0.75 (equivalent to target attainment of 75%) to a maximum of 1.25 (equivalent to target attainment of 125%). Besides profitable growth and efficient cash management, the performance factor takes account of technical expertise and therewith the continuing penetration of markets with specialty lubricants. Other aspects are compliance with good corporate governance, ongoing personnel development, the establishment and further development of a sustainability concept and the creation of stakeholder value with a view to FUCHS's social responsibility. These targets are guided by the strategic guidelines at FUCHS and relate to the entire Executive Board.

An overall picture of the level of target attainment and thus the performance factor is put together in December of each year, i.e. the different aspects are not assessed individually or weighted. 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 performance factor, both are designed to take account of long-term company success and thus of 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 PETROLUB SE preference shares (ISIN DE0005790430) 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 respective tax burden. According to this, the preference shares acquired do not represent additional compensation for members of the Executive Board. As required 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. In this period, the shares held by members of the Executive Board are exposed to all the risks and rewards of capital market performance. The preference shares are acquired on a uniform basis for all members of the Executive Board in order to ensure standard acquisition terms.

cc) 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. In the compensation system, target attainment is expressed by the performance factor. Target

attainment of 100% corresponds to a performance factor of 1.0. Target compensation is 2.5 times fixed compensation. Target compensation is EUR 2,200,000 for the Chairman of the Executive Board and EUR 1,375,000 for ordinary Executive Board members. Total target compensation comprises individual additional benefits and pension expenses as well as target compensation.

Maximum compensation is 4 times the amount of fixed compensation. Maximum compensation is EUR 3,520,000 for the Chairman of the Executive Board and EUR 2,200,000 for ordinary Executive Board members. Total maximum compensation comprises individual additional benefits (appropriate company car and accident insurance) and pension expenses as well as the maximum compensation. The pension expenses 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 termination of the contract of employment. Pension commitments for the other members of the Executive Board are defined contribution plans and total EUR 220,000 annually. In light of the volatility of the annual actuarial calculation of the pension expenses for members of the Executive Board first appointed before January 1, 2016, the maximum amount for the sum of the individual additional benefits and pension expenses is EUR 600,000 for the Chairman of the Executive Board and EUR 400,000 for ordinary Executive Board members. This results in total maximum compensation of EUR 4,120,000 for the Chairman of the Executive Board and EUR 2,600,000 for ordinary 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 by fixed compensation, the STI, and the LTI:

	Target compensation	Maximum compensation	Target total compensation	Maximum total compensation
Fixed compensation	40%	25%	≈48%	36%
Variable compensation	60%	75%	≈52%	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 should 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 performance factor, the Supervisory Board gears Executive Board compensation towards the company's long-term development.

c) Contractual agreements

aa) Contractual terms and commitments in the event of premature termination

The basic regulations of Executive Board compensation are 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 performance 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 corporate 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 continues to be paid the contractually agreed compensation for a duration of six months.

bb) 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.

cc) Clawback regulations for variable compensation

FUCHS PETROLUB SE is contractually entitled to recover, in full or in part, variable compensation components already paid to members of the Executive Board. The right to recovery applies in the event that it is determined after the payment of the variable compensation that the relevant key figures need to be retroactively adjusted due to objective inaccuracy and that no compensation or a smaller amount of compensation would have been calculated had the corrected figures been employed.

dd) 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 PETROLUB SE, they are not compensated for this separately. If, in exceptional cases, compensation for a position within the Group cannot be excluded, this is either offset against the other compensation of the Executive Board member in question or assigned to FUCHS PETROLUB SE by the Executive Board member in question depending on the nature of the compensation.

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

ee) Post-contractual non-compete clause

Members of the Executive Board are subject to a 12-month post-contractual non-compete clause. FUCHS PETROLUB SE can waive this before termination of the employment relationship. If it does so, the right to compensation lapses one year after the declaration, regardless of whether the employment relationship remains in effect. They 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.