

General information

The Supervisory Board developed the remuneration system for the Managing Board members with the objective of aligning it to the strategy and the goals of the company within the regulatory environment. It is intended to link the remuneration of the Managing Board closely to the success of our company.

A system for the remuneration of the Managing Board was already approved at the Shareholders' Meeting 2022. In connection with future changes to the Managing Board, the Supervisory Board decided to present a slightly modified system of Managing Board remuneration.

The primary changes relate to relocation costs under incidental benefits.

The remuneration system is to take account of the demanding task of leading a global company in a highly innovative and dynamic industry, which the members of our Managing Board have assumed. At the same time, it is meant to allow an internationally competitive remuneration to support init in the global competition for highly qualified executives as well as to meet the specific challenges in the hardware and software industry.

We continue to see growth potential for init and want to provide the Managing Board with sustainable and forward-looking incentives for dedicated and successful work, which allow for an appropriate participation in the successful exploitation of this growth potential. In this way, it can be ensured that the interests of the shareholders are aligned with those of the Managing Board.

Regarding the design of the remuneration system and the decisions on the structure and the amount of the remuneration of the individual members of the Managing Board, the Supervisory Board particularly considers the following principles:

- The remuneration of the Managing Board members as a whole contributes significantly to promoting the business strategy.
- The amount and the structure of the remuneration of the Managing Board members are in line with the market and take account of the size, the complexity and the economic situation of the company. A peer group comparison is performed when setting the remuneration system. Those companies that meet key criteria (ownership structure, sector, size, country) were chosen for the peer group comparison. Companies operating in the field of local public transport were also included. The findings from a market study conducted by a business consulting firm were considered as well.

- The remuneration of the Managing Board members takes into account the remuneration structure that generally applies within the company. For this purpose, the remuneration of the Managing Board is compared to the remuneration of init executives and init employees and proportionality within init is ensured.

Methods for determination and review

The Supervisory Board is responsible by law for determining, implementing and reviewing the remuneration and the remuneration system for the Managing Board members.

The Supervisory Board decided against considering non-financial performance criteria with regard to the variable component as sustainability criteria are already prescribed by init's product portfolio and the purpose of the company.

Using the previous remuneration system as a basis, the present remuneration system was developed for new contracts and renewals of contracts.

In the course of determining this remuneration system, the remuneration of init's executives was taken into consideration to ensure the above-mentioned proportionality within init.

With respect to the remuneration system, a distinction is made between two groups of Managing Board members:

- Managing Board Group 1: Managing Board in general (V1)
- Managing Board Group 2: Chairperson and Deputy Chair (V2)

Individual remuneration components (see below) are structured in different ways and different ranges are set for each Managing Board group. The specific remuneration agreements must be within the specified ranges.

On this basis, the Supervisory Board will decide on the specific total compensation in the case of future new appointments and reappointments of Managing Board members, taking the requirements of the AktG and this remuneration system into account. Within this framework, the Supervisory Board determines the further details which are laid down in the specific agreements with the Managing Board members.

The remuneration of the Managing Board members and the remuneration system are subject to annual review by the Supervisory Board in its meeting. In particular, the appropriateness of the total remuneration of the individual Managing Board members is reviewed and benchmarked. If necessary, the Supervisory Board will change the remuneration system and the amended system will be presented to the Shareholders' Meeting for approval.

Components of the remuneration of the Managing Board

The remuneration of the Managing Board members comprises non-performance-based and performance-based components. These are presented in the following table:

Basic structure of the remuneration

Non-performance-based remuneration	Performance-based remuneration
Fixed remuneration	STI Short Term Incentive - cash bonus
Incidental benefits	LTI Long Term Incentive - stock program
Pension scheme	

1. Non-performance-based remuneration

a. Fixed remuneration

The fixed remuneration is paid in twelve equal instalments in euro. A special bonus may be agreed which will also be deemed to be part of the fixed remuneration. The Supervisory Board reviews the fixed remuneration annually and sets pay rises that become effective in April of each year. The pay rises follow the general average salary trend within the init Group.

b. Incidental benefits

The fixed remuneration is supplemented by contractually agreed fringe benefits. These mainly relate to the usual additional benefits of init SE, which also apply to employees and executives, such as childcare subsidies, insurance and non-cash benefits such as private use of the company car. In the case of the present Chairperson of the Managing Board, his vehicle taxes are borne by the company.

If members of the Managing Board reside at some distance from the offices of the company or maintain their centre of vital interests in another country, appropriate agreements may be made to reimburse relocation costs (e.g. real estate agents, freight) and, if coming from abroad, the costs of tax advice.

c. Pension system

The members of the Managing Board participate in the employee benefit plans of the init core companies and in the employer-financed pension scheme agreed there. Where models exist from prior periods of employment, they are continued. New members of the Managing Board are admitted according to the models in place at the company at the time. They are classified in the same way as managing directors and authorised signatories.

Furthermore, there is additional financial protection due to the function as member of the Managing Board. Essentially, this is a defined contribution payment into a superannuation scheme on an annual basis. The amounts of the contributions are contractually agreed every year and may differ. At the same time, occupational disability cover is provided by a defined benefit plan or a defined contribution plan.

Only if a pension scheme has existed and been maintained for years in the form of a direct commitment, will this be continued accordingly and replaces what has been described above.

Furthermore, there is a supplementary accident insurance.

If other insurance is offered to all employees of the company, this also applies for members of the Managing Board.

2. Performance-based remuneration

a. Short Term Incentive (STI)

The STI is a short-term, annually determined performance-based remuneration component which is granted annually in case of success. The STI provides uniform incentives for members of the Managing Board to achieve important targets from managing the init group which are reflected in the consolidated EBIT of init SE. Accordingly, the amounts payable under the STI are determined on the basis of financial performance criteria.

A minimum EBIT (after deduction of all bonuses paid to employees of the Group) must be achieved. After that, the management bonus is determined according to a percentage of EBIT.

The cash management bonus must not exceed 40 per cent of the fixed remuneration under 1 a).

Payment is always made after the consolidated financial statements have been approved by the

Supervisory Board in the current calendar year. Achieving this performance target requires a continuous performance contribution by the participants to the company's earnings.

b. Long Term Incentive (LTI)

The LTI is a long-term, multi-year performance-based remuneration distributed in the form of init shares. In this way, the LTI provides uniform incentives for the members of the Managing Board to achieve important long-term strategic planning targets.

Moreover, the LTI rewards members of the Managing Board for the performance of the share price of init and thus ensures alignment with shareholders' interests.

Shares are issued every year. To this end, a minimum EBIT (after deduction of all bonuses paid to employees of the Group) must be achieved, after which a share distribution is made which is linked to the level of EBIT achieved. The maximum number of shares is limited. Differentiations may be made between the individual members of the Managing Board; in this case, the above-mentioned Managing Board groups V1 and V2 are decisive.

Taxes and duties for the share bonus are borne by the company. In case of extraordinary success, the maximum cap for the value of all shares paid out to members of the Managing Board in one year, including taxation thereon, is nonetheless not higher than 10 per cent of EBIT.

The minimum holding period is five years.

The issue/transfer always takes place after the consolidated financial statements have been approved by the Supervisory Board in the current calendar year.

Issuing these shares is intended to motivate and retain the eligible members of the Managing Board and serves as an incentive to increase the quoted price of the share in the long term, which is also in the interest of the shareholders. Achieving this performance target requires a continuous performance contribution by the participants to the company's earnings. Moreover, during the holding period participants have a significant incentive to further increase the share price of the company through their own performance. The motivational effect of this program is designed to encourage participating members of the Managing Board to invest their energy in our company in the long term and decide and act as entrepreneurs in the interest of the company and all shareholders.

3. Start of contract during the year, end of contract during the year

If a contract starts during the year or a contract ends during the year, the fixed remuneration, the STI and the LTI are paid or granted on a pro-rata basis.

In the event of death, there are transitional arrangements and limited surviving dependants' benefit payments.

With respect to newly admitted members, the Supervisory Board reserves the right to grant payments into special pension schemes on a pro rata temporis basis. Otherwise, an inflow is granted in full for the respective current financial year.

In the event of illness, the non-performance-based remuneration and the performance-based remuneration continue to be paid for a limited period of time.

4. Structure and amount of the remuneration of the Managing Board

The remuneration system is intended to provide init with the necessary leeway to allow us to continue to offer internationally competitive remuneration in the future.

5. Maximum remuneration

From the Supervisory Board's perspective, all remuneration components are appropriately proportionate to one another. Section 87a AktG prescribes that the proportion of the remuneration components to the maximum remuneration must be documented.

The maximum remuneration is the maximum total amount of remuneration that may be paid to a member of the Managing Board for one financial year. It amounts to EUR 2.6m for members of the Managing Board group V1 and to EUR 5.0m for members of the Managing Board group V2.

The Supervisory Board points out that these amounts are merely an absolute limit which can be achieved in the very best case, given an optimum achievement of targets and an enormous price increase of the init share. This means an extremely high EBIT must be achieved and the share price must be exceptionally high at a level of more than EUR 100.00.

6. Structure of the remuneration of the Managing Board in the case of maximum remuneration

Taking the maximum remuneration based on the very best case performance of the company as a basis for all remuneration components, the proportion between the performance-based remuneration and the non-performance-based remuneration is as follows:

Managing Board group V1:

The non-performance-based remuneration corresponds to approximately 16 per cent and the performance-based remuneration to 84 per cent of the total remuneration, of which the STI accounts for approximately 6 percentage points and the LTI for 78 percentage points (rounded figures).

Managing Board group V2:

The non-performance-based remuneration corresponds to approximately 15 per cent and the performance-based remuneration to 85 per cent of the total remuneration, of which the STI accounts for approximately 5 percentage points and the LTI for 80 percentage points (rounded figures).

Within the maximum remuneration the ratios shift for STI and LTI if the earnings values change.

7. Determination of the specific remuneration for individual Managing Board members

The amount of the fixed remuneration and the target amounts of the STI and LTI for each Managing Board member may vary within the specified ranges. Differences result from the tasks they assume, the qualification and experience of the Managing Board member, the performance of the Managing Board member and the market conditions.

With respect to the term, we adhere to legal requirements as well as to the recommendations of the GCGC. In addition, the content is in line with previous contracts and the economic situation of the company. Variable remuneration components and the related financial performance criteria are reviewed by the Supervisory Board at inception of a contract and the parameters are re-defined if necessary.

Vertical comparisons including assessments of the customary level of remuneration with other companies are made.

8. Special contractual clauses

a. Clawback clause

Parts of the shares issued within the scope of the LTI distribution must be returned in the event of a criminal conviction if init SE has suffered a loss as a result.

b. Recognition of intragroup remuneration

The assumption of intragroup activities, particularly the acceptance of offices, is covered by the Managing Board remuneration.

c. Remuneration-related transactions

i. Employment contracts for Managing Board members

The basic arrangements regarding the remuneration of the Managing Board are contractually agreed with the Managing Board members in their employment contracts. The term of the employment contracts for Managing Board members corresponds to the period of their appointment. Generally, the Managing Board contract is renewed at the end of the period of appointment (conclusion of a new contract) within the framework of the legal provisions.

ii. Terms and conditions of the STI/LTI

The terms and conditions included in the employment contract for Managing Board members govern the annual STI and LTI tranches.

iii. Termination and other forms of cancellation

Summary termination is permissible if an appropriate situation exists.

iv. Termination bonuses

Termination bonuses are regulated in the contracts. In the event of early termination, except termination without notice, any claim for a termination bonus is limited to the value of the total compensation (basic salary, management bonus and fringe benefits) for two years or, if less, the remaining term of the employment contract.