



**51st Annual General Meeting of Shareholders  
of OC Oerlikon Corporation AG, Pfäffikon  
of March 21, 2024**

**Agenda Items 09, 10, 11 and 12:  
Remuneration Explanation**



## Dear Shareholders

It is my pleasure as the Chairman of the Human Resources Committee (HRC) of OC Oerlikon Corporation AG, Pfäffikon to present you this Remuneration Booklet. It is part of a broader outreach to our shareholders to increase transparency and understanding around our remuneration/compensation system and the related decisions. Complementary to our 2023 Remuneration Report, and as an additional information to the agenda of the Annual General Meeting of Shareholders 2024, this booklet will provide you with helpful information regarding our remuneration/compensation voting scheme and the proposals for the remuneration/compensation envelopes for the members of our Board of Directors and the Executive Committee.

The HRC registered and acknowledged feedback from shareholders on the 2022 Remuneration Report and remuneration/compensation amounts presented at our AGM 2023 during a broader engagement campaign in fall 2023, where improvements in our overall disclosure, transparency and compensation design were explained and discussed.

Due to the difficult global environment and the high inflation in various countries of operation, the HRC also regularly discussed and evaluated amendments to our employees' compensation schemes worldwide.

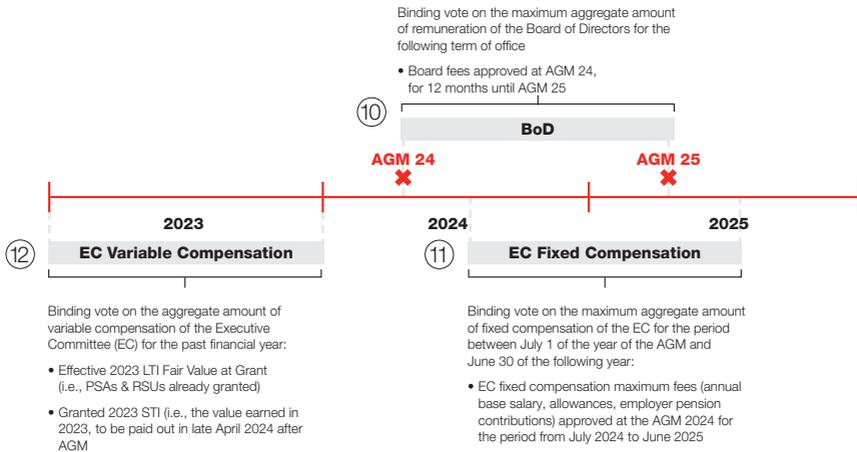
Oerlikon's Management team delivered a solid performance in an extremely difficult macroeconomic environment. The unexpected and extreme movements of Foreign exchange rates (namely the substantial strengthening of the Swiss franc) and the anticipated significant downturn in the critical filament end market, posed unique challenges. Despite a more than 21% contraction in the global filament market, Oerlikon's leadership managed to limit the downturn in topline sales in the sector to 19%, which is reflected in STI performance versus target. Management also took necessary actions to safeguard profitability and cash generation to further improve the resilience of the company. Consistent with prior practice, when assessing managements' performance, the Board excludes factors like foreign exchange and restructurings from the evaluation. Based on the STI plan rules, which apply to over 2500 employees worldwide with the Oerlikon Group, the Executive Committee will receive a payout equivalent to, on average, 95.9% of target. In 2023, the LTI 2020 plan vested at 55.3% of the granted LTI amount.

We herewith present you the Board's proposals for the separate binding votes on the maximum aggregate remuneration for the Board of Directors for its 2023–2024 term of office, the maximum aggregate compensation of the members of the Executive Committee and there will also be a non-binding vote on the 2023 Remuneration Report. You will find an overview on the voting schemes below. During 2024, we will continue to work on our compensation framework, further improve transparency and better integrate Oerlikon's sustainability goals into our compensation system.

Sincerely

Gerhard Pegam  
Chairman of the Human Resources Committee

## Overview of Remuneration/Compensation Voting Scheme



## Explanations of the Remuneration/Compensation-Related Agenda Items

### 09. Non-Binding, Advisory Vote on the 2023 Remuneration Report

#### Motion

*The Board of Directors proposes to the Annual General Meeting of Shareholders that the Remuneration Report 2023 be endorsed in an advisory vote.*

#### Explanations

The purpose of the Remuneration Report is to inform our shareholders of our Board and Executive Committee remuneration/compensation systems, policies and practices, as well as the remuneration/compensation amounts paid to the members of the Board of Directors and the Executive Committee. While the amended Swiss Stock Corporation Law effective 2023 now introduces the legal requirement of such advisory vote on the Remuneration Report, OC Oerlikon has been submitting its Remuneration Report to a voluntary shareholder vote already since 2012. Such an advisory vote on the Remuneration Report provides shareholders with the opportunity to express their views on the Board and Executive Committee remuneration/compensation systems and amounts as well as on the quality of our disclosures and accountability of the decisions made.

During 2023, OC Oerlikon engaged with its key shareholders and revisited the content of the Remuneration Report and the level of disclosure. Our goal was a significant improvement of the disclosure quality beyond legal requirements, and to increase the understanding of our remuneration schemes, this with a focus on Executive Committee Short-Term Incentive. No changes were made to the compensation scheme.

## A. Proposal Related to the Remuneration of the Board of Directors

### 10. Approval of the Maximum Aggregate Amount of Total Remuneration of the Board of Directors

#### Motion

*The Board proposes to the Annual General Meeting of Shareholders to approve a maximum aggregate remuneration of the Board of Directors for the term of office from the Annual General Meeting of Shareholders 2024 to the Annual General Meeting of Shareholders 2025 of CHF 4.5 million.*

#### Explanations

In accordance with the revised Swiss Stock Corporation Law (effective January 1, 2023, as amended by the provisions of the Ordinance against excessive compensation by public corporations of November 20, 2013) and our Articles of Association, shareholders have the right to bindingly vote on the aggregate maximum remuneration of the Board of Directors for the forthcoming term of office.

The proposed amount is based on the remuneration scheme of the Board of Directors as outlined in the table below:

| in CHF 000   | AGM 2023 -<br>AGM 2024 | AGM 2022 -<br>AGM 2023 <sup>4</sup> | Expense<br>Allowance |
|--|------------------------|-------------------------------------|----------------------|
| Member of the Board of Directors                             | 82.5                   | 82.5                                | 35                   |
| Executive Chairman<br>of the Board of Directors <sup>1</sup> | 2 000                  | 2 000                               |                      |
| Vice Chairman<br>of the Board of Directors                   | 137.5                  | 137.5                               |                      |
| Chair of a committee <sup>2</sup>                            | 55                     | 55                                  |                      |
| Member of a committee  | 33                     | 33                                  |                      |
| Restricted stocks  | 137.5 <sup>3</sup>     | -                                   |                      |
| Restricted stock units (RSU)                                 | -                      | 137.5 <sup>3</sup>                  |                      |

<sup>1</sup> The Executive Chairman's remuneration comprises a Board (fixed) and an Executive (STI and LTI) part. The fixed Board part has no notice period.

<sup>2</sup> The Lead Director does not receive any additional fees in addition to those paid for chairing the Governance Committee.

<sup>3</sup> The Executive Chairman does not receive any Board restricted stocks (2023) nor RSU (2022) grant as part of his fixed remuneration.

<sup>4</sup> Board remuneration was reviewed and adjusted for the 2022–2023 Board term (first time in over 10 years).

The remuneration principles for the members of the Board are described in section IV. of Oerlikon's Articles of Association and in our Remuneration Report. Based on the proposals of the HRC, the Board determines the remuneration of its members considering each member's position and responsibilities. The remuneration of the members of the Board consists of fixed remuneration and restricted shares.

No changes were made to the Board's remuneration structure.

### AGM 2024 – AGM 2025

| in CHF 000              | BoD      | GC       | AFC      | HRC      | Board        | Committee  | Restricted Shares | Other      | Total        | Budget 23-24 |
|-------------------------|----------|----------|----------|----------|--------------|------------|-------------------|------------|--------------|--------------|
| Prof. Dr. Michael Suess | EC       | –        | –        | –        | 2 000        | 0          | 0                 | 35         | <b>2 035</b> | <b>2 035</b> |
| Gerhard Pegam           | V        | M        | –        | C        | 137.5        | 88.0       | 137.5             | 35         | <b>398</b>   | <b>398</b>   |
| Alexey Moskov           | M        | –        | –        | M        | 82.5         | 33.0       | 137.5             | 35         | <b>288</b>   | <b>288</b>   |
| Paul Adams              | M        | C        | M        | M        | 82.5         | 121.0      | 137.5             | 35         | <b>376</b>   | <b>376</b>   |
| Zhenguo Yao             | M        | M        | –        | M        | 82.5         | 66.0       | 137.5             | 35         | <b>321</b>   | <b>321</b>   |
| Irina Matveeva          | M        | –        | M        | –        | 82.5         | 33.0       | 137.5             | 35         | <b>288</b>   | <b>321</b>   |
| Jürg Fedler             | M        | –        | M        | –        | 82.5         | 33.0       | 137.5             | 35         | <b>288</b>   | <b>288</b>   |
| Inka Koljonen           | M        | –        | C        | M        | 82.5         | 88.0       | 137.5             | 35         | <b>343</b>   | <b>343</b>   |
| <b>Total</b>            | <b>8</b> | <b>3</b> | <b>4</b> | <b>5</b> | <b>2 633</b> | <b>462</b> | <b>963</b>        | <b>280</b> | <b>4 337</b> | <b>4 337</b> |

Since the introduction of the Executive Chair Model, the Executive Chairman's fixed remuneration has been contractually considered a Non-Executive Director fee. There is no notice period for the Executive Chairman's fixed remuneration, meaning that it will not be paid in case the Executive Chairman would not be reelected to the Board. The Executive Chairman's variable compensation elements have been considered and disclosed as executive compensation since they reflect the achievement of annual and multi-year operational objectives. They form part of the pay envelope you are asked to approve in agenda item 12. Pension contributions for the Executive Chairman's executive role are based on his fixed remuneration. Additional information on the Executive Chair remuneration/compensation principles can be found in our Remuneration Report (page 56).

## **B. Proposals Related to the Compensation of the Executive Committee**

### **Overview of Compensation Elements of the Executive Committee**

The compensation system for the Executive Committee is designed to attract, motivate and retain key executives and consists of fixed and variable components. The general compensation principles for the members of the Executive Committee are described in section IV. of the Articles of Association and detailed information on the compensation schemes including information on peer groups used for benchmarking executive compensation can be found in our Remuneration Report (page 57).

## **11. Binding Vote on the Aggregate Amount of the Fixed Compensation of the Executive Management**

### **Motion**

*The Board proposes to the Annual General Meeting of Shareholders to approve a maximum aggregate fixed compensation of the Executive Committee for the period starting July 1, 2024, and ending June 30, 2025, in the amount of CHF 4.0 million.*

### **Explanations**

The fixed component entails a base salary commensurate with the role and local market level and, depending on local practice, includes pension fund contributions, allowances and fringe benefits. The Executive Chairman's fixed remuneration is contractually considered a Non-Executive Director fee and included in the Board remuneration envelope proposed in agenda item 10. The amount remained stable from 2023 to 2024 (CHF 4.0 million). Furthermore, a buffer has been maintained for deferred merit and off-cycle adjustments depending on economic developments.

## **12. Binding Vote on the Aggregate Amount of the Variable Compensation of the Executive Management for the Financial Year 2023**

### **Motion**

*The Board proposes to the Annual General Meeting of Shareholders to approve an aggregate variable compensation of the Executive Committee for the period starting January 1, 2023, and ending December 31, 2023, in the amount of CHF 6.1 million.*

### **Explanations**

The variable component entails an ambitious performance-related annual cash bonus (Short-Term Incentive, STI) and a three-year performance-related equity program (Long-Term Incentive, LTI) with a retention component. Performance goals

for these pay components are derived from Oerlikon's strategic priorities and related operational objectives, reflecting its corporate culture and strive for excellence. The mix between these variable pay components is defined by the profile, strategic impact and pay level of the role, as described hereinafter. The 15% increase is mainly driven by the first full year of the Executive Chairman.

No changes were made to the compensation scheme of the Executive Committee.

### **STI Compensation Element**

The STI for the Executive Committee members ranges from 50% to 80% of fixed compensation, and is composed of two parts:

1. Financial & Business Targets (70% of total STI):
  - Measured by the KPIs EBIT, Operating Free Cash Flow (OFCF), the weighted average of which is multiplied by the Group's Return on Net Assets (RONA) (EBIT over Net Operating Assets) in the reporting year.
  - The competitive targets are aligned with the company's growth ambitions.
2. Individual & Role – Related Targets (30% of total STI):
  - A mix of role-related (qualitative people and, where appropriate, ESG targets), and business-related quantitative targets.

Individual targets are then multiplied by the divisional (Surface Solutions, Polymer Processing Solutions, Group) ESG metric, total accident frequency rate, tracking the rate of recordable work-related injuries of our employees. This safety modifier was chosen to put management's focus on the well-being of our employees. Oerlikon has stretched and ambitious targets in the incentive goals, measured by budget, that are connected with providing value for customers, shareholders and employees, as is evident from looking at the 2023 versus 2022:

- The company has delivered a healthy EBITDA margin of 16.5% in line with guidance.
- In 2023, Oerlikon's sales decreased by 7.4%, from CHF 2909 million to CHF 2693 million. Operational EBIT for the year was CHF 235 million (a decrease of 21.9% compared to CHF 301 million in 2022).
- Aligned with these results, the proposed payout of the STI of the EC members for 2023 is 95.9% on average versus target (compared to 91.6% in 2022).

Further details on the STI and the related granted amounts can be found in our Remuneration Report (page 62–63 and 67).

## **LTI Component**

To support its ambitious long-term strategy, Oerlikon's compensation policy is designed to align a significant portion of compensation of the Executive Committee to the company's long-term performance and to strengthen the Executive Committee's alignment with shareholders' interests.

The LTI award is equally split into two components: half of the award is granted in the form of Restricted Stock Units (RSUs) and the other half of the award is granted in Performance Share Awards (PSAs), both subject to a three-year performance/vesting period. The structure was chosen to balance performance and retention elements. The total grant amount (target amount) for the Executive Chairman represents 75% of his fixed Board income, and 50–80% of the annual base salary of the other members of the Executive Committee. Since the fair value at grant of the LTI is converted into units based on the share price at grant, executives are linked to the success of the company with both RSUs and PSAs.

Further details on the LTI and the related granted amounts can be found in our Remuneration Report (pages 63–65).

The proposed amount reflects the outcome of our variable pay policy that sets high-aspiration performance targets, reflecting corporate culture and Oerlikon's striving for excellence. The desired pay for performance relation of this policy is illustrated in the table below, showing target and effective payout levels of the variable compensation elements of the Executive Committee for the last five financial years.

In 2023, no members' target compensation was modified. The proportion of variable compensation paid to members of the Executive Committee was between 54% and 81% of the base salary for the target STI and between 54% and 80% of the base salary for the target LTI (100% vesting), leading to the following amounts:

## Proposed Executive Committee Variable Compensation

| In CHF million   | STI | LTI<br>(Target Value at<br>Grant Date) | Total Variable<br>Compensation |
|--|-----|--|--------------------------------|
| Executive Committee 2023<br>(excl. Executive Chairman) | 1.6 | 1.5                                    | 3.1                            |
| Executive Chairman 2023                                | 1.5 | 1.5                                    | 3.0                            |
| Total 2023*  | 3.1 | 3.0                                    | 6.1                            |
| Total 2022   | 3.0 | 2.3                                    | 5.3                            |

\* Differences in total are due to rounding deviations

