

Overview of the 2019 remuneration system

For taking into account the changes in regulatory requirements witnessed since the introduction of the previous remuneration system while paying more attention to investor expectations, the Supervisory Board conducted a review and comprehensive overhaul of the existing remuneration system with the assistance of an independent, external remuneration expert during the year under review. Compared with the previous remuneration system, the new remuneration scheme in force since January 1, 2019, is more distinctly aligned with share price performance with a simpler structure due to the reduction in variable remuneration components down to two. Moreover, it strengthens the position of the Supervisory Board by introducing malus and clawback provisions.

The new remuneration scheme was presented to various institutional investors who were requested to assess the system and voice their opinions. Subsequently, the Supervisory Board analyzed and partly incorporated the suggestions submitted by the investors. Thus, investor feedback ensured that the key performance indicator “cash flow driver margin” (CFDM) – originally also envisaged under the new remuneration scheme – was replaced by “return on capital employed” (ROCE). Frequently, those questioned had also expressed the wish to be informed about the calibration of the performance targets prior to and/or at the beginning of the respective current fiscal year in the future. As a consequence, the targets and the upper and lower bounds of the target ranges set in relation to the financial performance targets as well as the relevant targets and assessment criteria for the current fiscal year under the modifier will be published in the Remuneration Report from next year onwards, i.e., starting with the 2019 Annual Report.

Due to the ever-changing regulatory environment – in particular the transposition of the second EU Shareholder Rights Directive into German law, as well as the revision to the German Corporate Governance Code – the Supervisory Board envisages another review of the new remuneration system followed by the respective amendments, if required.

Basic principles of the new remuneration system

The overhaul of the remuneration system was guided by the following principles:

- **Simplification:** The new remuneration system is characterized by a simplified and more comprehensible compensation structure due to the reduced number of remuneration components and performance targets.
- **Focus on shares:** The payout of the multi-year variable remuneration will be even more strongly tied to GEA's long-term (share price) performance than in the past. Furthermore, the introduction of additional share purchase and holding obligations (so-called share ownership guidelines) emphasizes the focus on shares with the remuneration awarded to our Executive Board members being explicitly aligned with the interests of our shareholders.
- **Focus on performance:** The company's performance targets are even more strongly geared towards financial and sustainable performance.
- **Transparency:** In the future, i.e., beginning with the 2019 Annual Report, the target ranges defined in relation to the performance targets as well as the corresponding degrees of target achievement will not only be transparently communicated ex post, but also ex ante as far as performance target calibration is concerned; this information will be published in the Remuneration Report.
- **Regulatory conformity:** By switching to an entirely future-oriented remuneration component in relation to multi-year variable remuneration, the company now complies with the recommendation governing the assessment of the performance targets set forth in the German Corporate Governance Code as amended on February 7, 2017.
- **Sanctioning breach of duty by means of malus and clawback provisions:** In the event of a member of the Executive Board deliberately committing gross violations of material legal or contractual obligations or fundamental principles of internal guidelines, the Supervisory Board may reduce to zero the variable remuneration components granted for the fiscal year in which the transgression occurred, if appropriate. Provided that the respective variable remuneration components have already been paid out by the time the Supervisory Board

decision is taken, the Executive Board member has to return the awarded net amount in accordance with the reduction decision taken by the Supervisory Board.

- **No change of control provisions:** The new remuneration system does not provide for any termination and other rights applicable in the event of a change of control (change of control provisions).
- **No possibility of a special bonus:** The service agreements no longer provide for the possibility of the Supervisory Board granting a special bonus in addition to variable remuneration at its own discretion.

Overview of the design and the components of the new remuneration structure

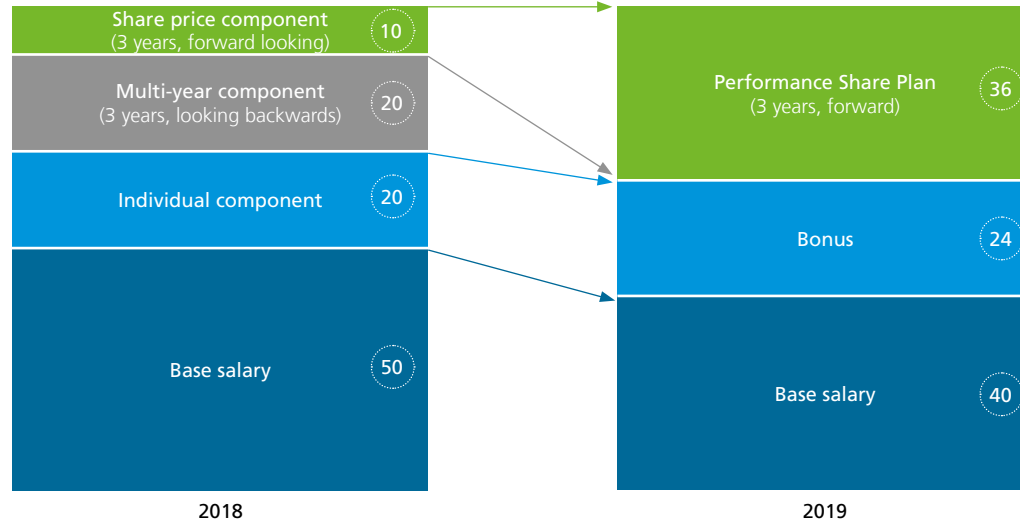
The new remuneration system continues to comprise fixed and variable components. Moreover, the overall design of the scheme that includes a fixed annual remuneration, fringe benefits as well as pension benefits remains unchanged.

When new Executive Board members are appointed, the company will only make pension pledges providing for fixed monthly contributions into a fund during their respective terms of office. The level of pension benefits will depend on the performance of the respective fund, with a deposit guarantee and the possibility of participating in a deferred compensation scheme up to a certain maximum amount. At the moment, this scheme already applies to Stefan Klebert and Martine Snels.

Variable compensation was revised and will merely embrace 2 instead of previously 3 components from now on, i.e., a bonus and a performance share plan. Reducing the number of variable remuneration components to 2 simplifies the remuneration system, making it easier to understand. Moreover, the new remuneration system is more strongly aligned with the forward-looking, long-term interests of our shareholders. The variable components of the remuneration scheme are outlined below:

Comparison – remuneration components and weightings

(in %)



Bonus (annual variable remuneration)

Performance targets

EBITDA before restructuring measures
ROCE

Commencing with the 2019 Annual Report, ex ante publication in the Remuneration Report of the targets as well as the lower and upper bounds of the target ranges set for the current fiscal year [for the previous fiscal year]; ex post publication of actual target achievement levels in the Remuneration Report

Weighting

50 percent, respectively

Modifier

Multiplicative link

Range from 0.8 to 1.2

Commencing with the 2019 Annual Report, ex ante publication of the targets and assessment criteria set for the current fiscal year [for the previous fiscal year] in the Remuneration Report]

Payout

0 to 200 percent of the target value

The members of the Executive Board receive a variable annual remuneration (bonus) the amount of which is subject to the achievement of two financial performance targets set for the previous fiscal year as well as a modifier that is to be determined by the Supervisory Board.

The key indicators EBITDA (earnings before interest, taxes, depreciation and amortization) and ROCE (return on capital employed) both have a weighting of 50 percent and are adjusted for restructuring measures. Short-term performance goals of compensatory relevance are key financial performance indicators and, as such, are integral components of the management system for the 2019 fiscal year. Please refer to the section “Key financial performance indicators in the management system in 2019” (page 28 ff.) for definitions of the individual components. Unlike the definitions of key financial performance indicators, the ratios for compensatory purposes are each adjusted in addition for the effects of company acquisitions and divestments, which require the approval of the Supervisory Board or its committees. This adjustment would only be made once in the year of the transaction.

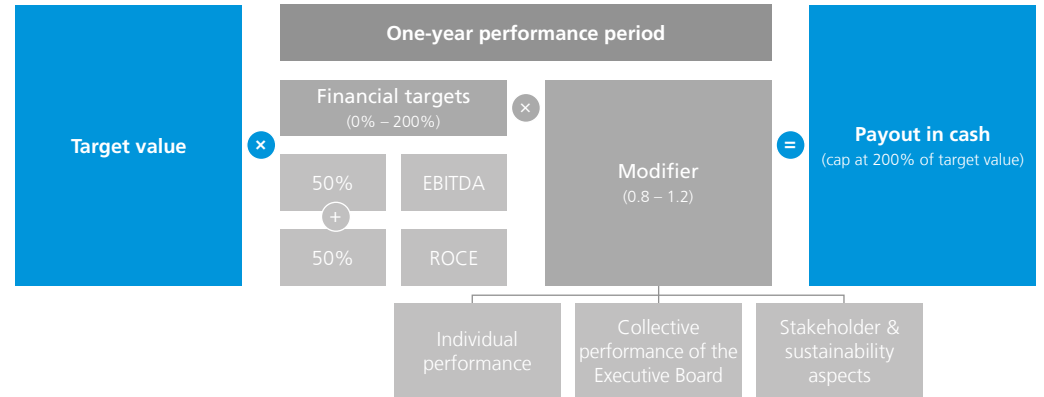
An additional modifier allows the Supervisory Board to look beyond financial target achievement and also take into account the individual achievements of the members of the Executive Board as well as the body's collective performance. In this context, assessment is based on pre-defined criteria that may include the following aspects:

- Individual performance of the respective Executive Board member (e.g., important strategic accomplishments in his/her remit, individual contributions to major cross-departmental projects, relevant financial accomplishments in his/her remit, implementation of key projects)
- Collective performance of the Executive Board (e.g., accomplishment of important strategic corporate goals including mergers & acquisitions, cooperation with the Supervisory Board, long-term strategic, technological or structural development of the company), as well as
- Stakeholder concerns and sustainability aspects (e.g., in the fields of occupational safety and health, compliance, factors of production, energy and environment, customer satisfaction, concerns of the workforce, corporate culture)

The modifier ranges between 0.8 and 1.2 and may result in an upward or downward adjustment of the bonus awarded to the members of the Executive Board (bonus-malus system).

The overall degree of target achievement in relation to the bonus is calculated as the weighted sum of the EBITDA and ROCE target achievement levels multiplied by the modifier. The resulting amount may be equivalent to 0 percent up to a maximum of 200 percent of the target amount (cap).

Bonus scheme – how it works



The modifier range severely restricts the Supervisory Board's capability to use discretionary intervention for the purpose of impacting the bonus. The catalogue of criteria governing the modifier ensures a strong alignment with performance while providing transparency in the event of a potential adjustment. The new remuneration system does no longer allow the Supervisory Board to grant a special bonus in exceptional circumstances, a possibility that was stipulated in previous service agreements.

For increasing the level of plausibility and transparency, the target levels set in relation to the individual financial performance targets, the multiplier applicable to the modifier - which is determined by the Supervisory Board - as well as the criteria governing the modifier will be published ex post in the Remuneration Report. As of 2020, i.e., beginning with the 2019 Annual Report, the company will also release ex ante and specify in the Remuneration Report the targets as well as the upper and lower bounds of the target ranges set for the current fiscal year in relation to the financial performance targets EBITDA and ROCE, as well as the targets and assessment criteria defined as regards the application of the modifier for the current fiscal year.

In the event of extraordinary termination for good cause by the company in accordance with s. 626 para. 1 German Civil Code (BGB – Bürgerliches Gesetzbuch), the bonus is forfeit. In all other cases involving the departure of an Executive Board member during the planned duration of his/her term of office, the respective Board member is entitled to the prorated bonus earned up to the date of his/her departure.

Performance Share Plan (long-term variable remuneration)

Performance targets

Earnings per share (EPS) growth:
Beginning with the 2019 Annual Report, ex ante publication in the Remuneration Report of the targets as well as the upper and lower bounds set in relation to the target ranges for the current fiscal year [for the previous fiscal year]; ex post publication of the actual target achievement levels in the Remuneration Report

Relative total shareholder return (TSR) compared with companies under the STOXX® Europe TMI Industrial Engineering index:
25th percentile = 0 percent
50th percentile = 100 percent
75th percentile = 200 percent
Ex post publication of actual target achievement in the Remuneration Report

Weighting

50 percent, respectively

Performance period

3 years

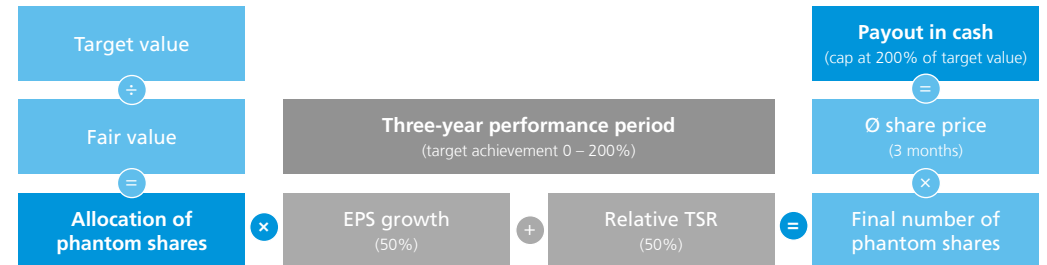
Payout

0 percent to 200 percent of target value

The second component of variable remuneration embraces a Performance Share Plan that is forward-looking and covers a three-year period in the future. This complies with the recommendation of the German Corporate Governance Code as amended on February 7, 2017, according to which the multiple-year assessment basis of variable remuneration shall have essentially forward-looking characteristics. The Performance Share Plan places a stronger focus on the development of shareholder return. As a consequence, remuneration is even more strongly aligned with the long-term and sustainable performance of the company as well as the interests of our shareholders.

At the start of each fiscal year, the members of the Executive Board are granted a certain number of phantom shares on a preliminary basis. This number is calculated by dividing the contractual target value of long-term variable remuneration by the fair value of the performance shares at grant date, with the figure being rounded to the nearest whole number. The final number of phantom shares is ascertained at the end of the three-year performance period and subject to the achievement of the equally weighted performance targets EPS growth and total shareholder return (TSR) compared with the companies under the STOXX® Europe TMI Industrial Engineering.

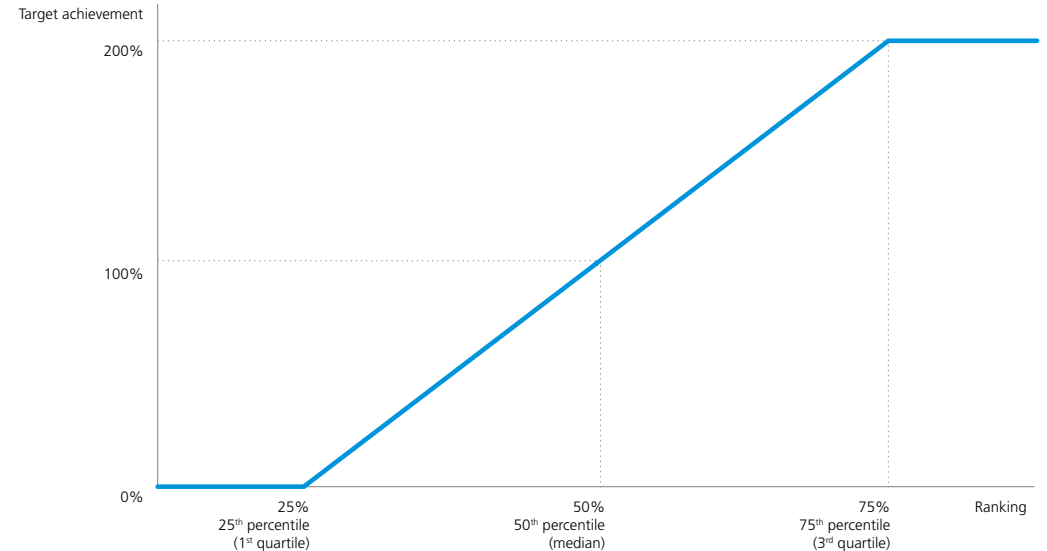
Performance Share Plan – how it works



EPS growth is computed as compound annual growth rate over the three-year performance period. Like EBITDA and ROCE, EPS is adjusted for the restructuring expenses incurred in the fiscal year in question. Target achievement within the 0 to 200 percent target achievement range is measured on a straight-line basis.

Total shareholder return (TSR) refers to share price development plus fictitious reinvestment of gross dividends over the performance period. Thus, TSR measures the level of shareholder return generated over a certain period of time. For the purpose of computing the level of target achievement, the TSR performance of GEA's share is compared with the TSR performance of the companies under the STOXX® Europe TMI Industrial Engineering index, measured on the basis of 3 months' averages, respectively. Computing the average helps even out share price fluctuations at the respective reference date. The ascertained TSR performance of all peer companies is ranked, whereupon GEA's relative position is determined by referring to GEA's ranking within this peer group. If GEA is positioned along the median (50th percentile), this equals a 100 percent level of target achievement. Should GEA's score be at the 25th percentile or below, the degree of target achievement is equivalent to 0 percent. If GEA is positioned at the 75th percentile or above, the degree of target achievement is 200 percent. The degrees of target achievement in between are measured by means of linear interpolation.

Target achievement curve relative Total Shareholder Return



The final number of phantom shares is computed by multiplying the number of provisionally granted phantom shares with the overall degree of target achievement from EPS growth while factoring in capital measures taken during the performance period as well as relative TSR. Eventually, the final payout is ascertained by multiplying the final number of performance shares with the average share price over the three months preceding the end of the performance period by taking into account dividends. The amount paid out is limited to 200 percent of the target value.

For further enhancing transparency, the final target achievement levels pertaining to EPS growth and relative TSR as well as the target range applicable to EPS growth will be published in the Remuneration Report following the end of the respective performance period. As of 2020, i.e., beginning with the 2019 Annual Report, the target level and the upper and lower bounds of the target range set for the current fiscal year in relation to the financial performance target EPS growth will be published ex ante and specified in the Remuneration Report.

In the event of extraordinary termination for good cause by the company in accordance with s. 626 para. 1 German Civil Code (BGB – Bürgerliches Gesetzbuch) or if the Executive Board service agreement is terminated following an effective revocation of the appointment for good cause that would also have warranted a termination for cause in accordance with s. 626, para. 1 BGB on the part of the company, the provisionally granted performance shares will be forfeited without compensation if the respective event occurs prior to the expiry of the performance period. In all other cases involving the departure of an Executive Board member during the tenor of a tranche, the respective Executive Board member is entitled to the performance shares earned up to the date of departure on a pro rata temporis basis; as a rule, these shares are not paid out until after the end of the performance period.

Malus & clawback

Under the new remuneration system, the Supervisory Board is given the possibility of reducing variable remuneration at its reasonable discretion if a member of the Executive Board has been found to have knowingly committed a gross violation of his or her statutory or contractual obligations or essential internal guidelines and policies. On the one hand, the target bonus and/or the number of performance shares allocated for the fiscal year in which said gross violation has taken place may be reduced to zero prior to the end of the performance period, if necessary (malus provisions). On the other hand, the amount already paid out for the respective fiscal year under the bonus and/or Performance Share Plan by the time the Supervisory Board resolves to reduce variable remuneration may be reclaimed, with the Executive Board member's repayment obligation being

restricted to the net amount paid out (clawback provisions). For instance, criteria governing a reduction in variable remuneration include the severity of the violation, its impact on the company as well as the degree of fault found with the respective member of the Executive Board.

Share ownership guidelines

Under the new remuneration system, the members of the Executive Board are obliged to acquire GEA shares and hold them until the end of their period of service. These so-called share ownership guidelines (SOG) are to ensure that GEA's equity culture is further strengthened and that the Executive Board members are incentivized to sustainably increase the enterprise value of the company for the benefit of our shareholders. This way, the members of the Executive Board are directly participating in the performance of the company. In addition, this scheme sends a clear signal to our employees, our shareholders as well as our other stakeholders, emphasizing the trust our Executive Board puts in GEA's strategic orientation and sustained success.

The new Chairman of the Executive Board is obliged to hold shares in the amount of 150 percent of his fixed annual gross salary while the ordinary members of the Executive Board are required to hold stock totaling 100 percent of their respective fixed annual gross salary. Until the SOG target is fully met, 25 percent of the net amount paid out within the framework of variable remuneration (bonus and Performance Share Plan) must be invested in shares every year, beginning with the first bonus payout under the new remuneration scheme in 2020.

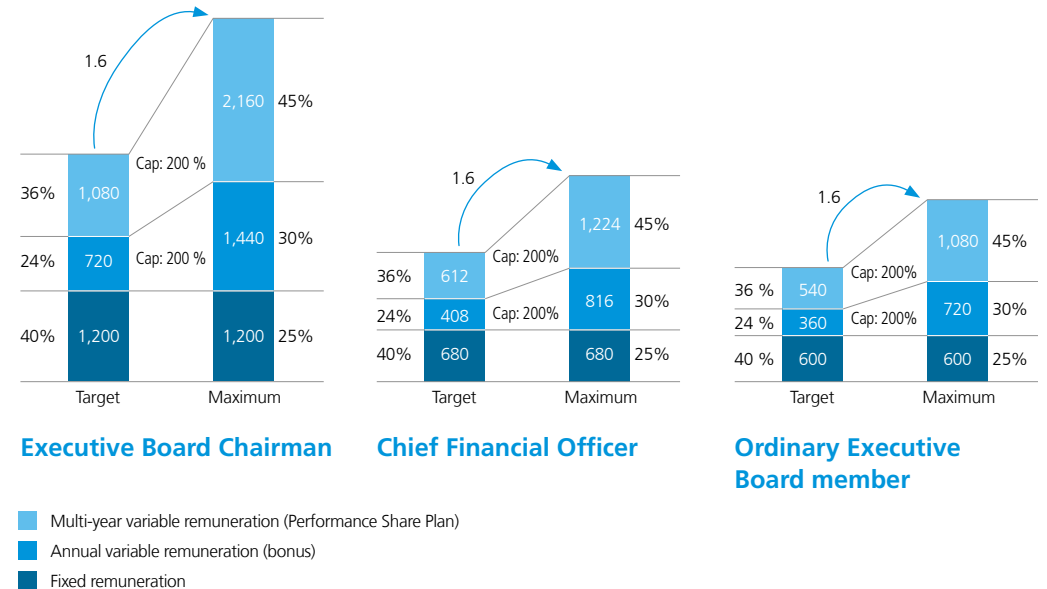
New remuneration structure and levels

For putting a stronger focus on variable remuneration and implementing a remuneration structure in line with standard market practice, more weight will be given to variable remuneration in the future, with the latter being geared to an even longer-term overall development. For this purpose, the previous 50:50 percent weighting of variable and fixed remuneration will be changed to a ratio of 60 percent to 40 percent. Against the backdrop of the transition to the new remuneration system, direct target remuneration, i.e., the sum total of basic salary, target bonus and the target value of long-term variable remuneration, was increased to the following levels: Chairman of the Executive Board EUR 3 million p.a., Chief Financial Officer EUR 1.7 million p.a. and ordinary Executive Board members EUR 1.5 million p.a. This increase in direct target remuneration has aligned the remuneration levels awarded to Executive Board members - which, in part, used to be below standard market practice - with the remuneration levels paid in GEA's relevant reference markets. The market comparison took into account the companies listed in the MDAX as well as a sectoral peer group made up of engineering companies. Following the recommendations of the GCGC, the Supervisory Board did not only take into account a horizontal comparison, but also considered a vertical comparison juxtaposing Executive Board remuneration with the compensation awarded to the senior management and the general workforce. Moreover, these raises reflect the growing complexity of duties as well as the strategic challenges in a difficult market environment while taking into consideration the changes in the profile of risks and opportunities under the new remuneration system as a result of larger variability and higher ambitions.

The following chart shows the direct target remuneration levels as well as the respective maximum direct remuneration awarded to the members of the Executive Board as of fiscal year 2019:

Target remuneration and maximum direct remuneration levels

(in kEUR)



Pension scheme

As far as the corporate pension scheme is concerned, the new remuneration system provides for a contribution-oriented defined benefit plan that serves as a standard. The respective pension contributions are paid into a pension account set up by the company for this specific purpose. Apart from that, and to a limited extent, the members of the Executive Board have the possibility of participating in a deferred compensation scheme. The available pension capital and, thus, the level of pension benefits, results from the pension contributions paid into the pension account by the time pension benefits are paid out, including the performance of the pension account during the investment period. The company guarantees a nominal return of premium, i.e., at least the aggregate amount of the company-funded pension contributions as well as the deferred contributions are available at the time of maturity of the pension capital. The accrued pension capital will be available to Executive Board members from age 62 onwards. It may be paid out as a lump sum or in 20 annual installments, with outstanding installments continuing to earn 1 percent interest per year. Deviating agreements, e.g. the continuation or takeover of existing pension commitments may be made.

Premature termination of an Executive Board member's appointment and effects on remuneration

In terms of the system employed, the rules and regulations applicable under the new remuneration scheme in the event of the premature termination of the appointment of a member of the Executive Board as well as the ensuing ramifications for remuneration are closely aligned with the corresponding provisions stipulated within the framework of the previous remuneration system (see section on "Termination rights, premature termination of an Executive Board member's appointment, change of control events and effects on remuneration", p. 72 f.). However, some aspects of the new remuneration system differ from the provisions set forth under the previous remuneration scheme:

If the appointment of an Executive Board member is revoked for good cause with legal effect in accordance with s. 84 para. 3 AktG or if an Executive Board member validly resigns from office pursuant to s. 84 para. 3 AktG, the Executive Board member's service agreement will – as a rule – end on expiry of the statutory notice period pursuant to s. 622 para. 1, 2 Bürgerliches Gesetzbuch (BGB – German Civil Code) as in the past. However, if the appointment is revoked due to an individual's inability to properly manage the company as defined in s. 84, para. 3 AktG, the notice period is 8 months to the end of the month.

In the aforementioned cases involving the early termination of the appointment of an Executive Board member, the latter will receive a severance payment equivalent to the total remuneration agreed for the remaining contractual term by way of compensation for his or her premature departure from the company. For the purpose of ascertaining the respective bonus entitlements not yet vested in the current or, if applicable, further years, computations are based on a target achievement level of 100 percent in relation to the respective target amounts set.

The service agreements concluded with the Executive Board members falling under the new remuneration system as of January 1, 2019, do not provide for termination or any other rights in the event of a change of control, nor any benefits associated therewith.