

Report on Pay Transparency for the Period 2018 to 2020 – Annex to the Management Report

In accordance with the requirements set out in Section 21 of the German Wage Transparency Act (Entgelttransparenzgesetz), a report on equality and pay equity at First Sensor AG ("First Sensor") is presented below.

a) Measures for bringing about pay equity for women and men

First Sensor's remuneration system is based on requirements and performance and meets requirements in terms of market conformity, fairness and transparency. In particular, the transparency and clear structure of the remuneration system, which an algorithm in the system safeguards, ensure reproducibility and therefore equal treatment of all employees regardless of their gender. The remuneration components are regulated at company level. Employees can find the relevant works agreements and other details regarding the role profiles, for example, in the intranet.

a) Remuneration system at First Sensor AG

The remuneration system is based on the following principles:

- All employees and applicants should be able to rely on standards being as equal as possible within First Sensor AG and on the market (market conformity).
- All employees are grouped according to their function (job evaluation / grading). Which level is assigned to which function depends on the complexity of the activities and requirements of the relevant function, which are documented in the role profile. Therefore the same or equivalent work is uniformly remunerated (fairness).
- The necessary skills and individual performance are the consistent basis for the remuneration of all employees, regardless of their gender. The remuneration components are regulated at company level. Employees can find the relevant works agreements and other details regarding the role profiles, for example, in the intranet (transparency).
- Basic remuneration: The level of remuneration is defined within a band for all employees upon joining First Sensor AG, whereby qualifications, relevant professional experience and the performance to be expected as a result are taken into account above all. In particular, an adjustment to the basic remuneration depends on an individual's contribution to the company's overall success, the relevant market comparison, and the outcome of the annual review (see section c) 2.). As a result, the individual's contribution

- to the company's success has a direct impact on remuneration and determines the size of the remuneration adjustment.
- Variable remuneration: Using the company's goals as guidance should prevent arbitrariness and haziness in the assessment of goal attainment and place a focus on the respectful assessment of individual performance. Increases in remuneration based on performance and results as well as variable remuneration elements provide positive incentives (performance orientation).

In 2020, no requests for information in accordance with the German Wage Transparency Act were processed. This right to information exists in respect of remuneration for a comparable job carried out by a minimum of six people in a comparison group of the other sex.

b) Staffing structure (grading)

At First Sensor AG, a works agreement concerning the staffing structure and job classification and evaluation (grading) was concluded in November 2014.

In this connection, the various functions below the level of the Executive Board were evaluated according to the criteria of specialist knowledge, business knowledge, leadership, problem-solving, type of influence, sphere of influence and communication, and then assigned to grades. Behind every grade, there is a salary band. Salary bands arise from a set percentage spread based on the normal market remuneration for the relevant job within the industry and region. Which grade is assigned to which function depends on the complexity of the activities and requirements of the relevant function, which are documented in the role profile (anchor position).

The Group's companies are not bound by collective wage agreements. One Berlin location is subject to a time-limited company collective agreement. For the remaining locations, negotiations with the works councils are currently being held in order to replace the existing grading system with TE's global job framework methodology. The final implementation is planned for 2021.

It should be noted that the band assignment criteria as well as TE's global job framework methodology that is to be introduced and therefore the First Sensor remuneration system are based on types of job and are also gender-neutral within the meaning of the German Wage Transparency Act.

This means that any possible gender discrimination that is already inherent in the remuneration system at First Sensor AG can be ruled out.

c) Further measures to promote pay equity

In addition to the above purely pay-related measures, First Sensor offers further

measures that improve the compatibility of work and family life and thus contribute to greater pay equity.

1) Improving the compatibility of work and family life

First Sensor offers a variety of formats that improve the compatibility of work and family life. In the fiscal years 2018–2020, these included the following measures:

Flexitime: The option of flexible working hours helps to maintain and strengthen the competitiveness of the company on one hand and helps employees who are striving for greater personal responsibility and sovereignty over time on the other. Employees are provided with a flexible working time account for this purpose. Here a distinction is made between production employees working rotating shifts (including all employees working shifts on a temporary basis) and employees working to the standard model (during the day) who are therefore assigned to the administrative area.

Part-time solutions: First Sensor offers a variety of individually flexible working time solutions. These include full-time and part-time work with flexible or fixed working hours for employees and managers. In addition, the company provides options for part-time work during parental leave. Fixed-term full-time and part-time employment and temporary unpaid periods of leave can also be agreed on a case-by-case basis.

Statistical data as per Section 21 (2) of the German Wage Transparency Act (as at December 31, 2020)

Numerically, the proportion of female employees in management positions is still underrepresented and was 25.27% overall. In the more highly remunerated management positions (from the division head level), the proportion was 26.53%, while in the management area below the Executive Board it was 36.36%.

Unfortunately, First Sensor as an employer is able to influence these figures only to a limited extent. There are regularly fewer female applicants for vacant management positions than would be desirable. Group-wide, the proportion of female employees at First Sensor is 34.9%.

For employees not in leadership roles at First Sensor AG, the following statistical information is provided as required by Section 21 (2) of the German Wage Transparency Act (heads):

| | Number (total) | Number (full-time) | Number (part-time) | Proportion (total) | Proportion (full-time) | Proportion (part-time) |
|-------|-------------------|-----------------------|-----------------------|-----------------------|---------------------------|---------------------------|
| Men | 434 | 404 | 30 | 61.65 | 93.09 | 6.91 |
| Women | 270 | 206 | 64 | 38.35 | 76.30 | 23.70 |

These figures relate to December 31 of fiscal year 2020 and do not include employees on parental leave at that point.

2) Annual review

The contribution of each individual, cooperation as a team and respectful interactions with one another are key building blocks for the success of First Sensor. An essential management task in this connection is to make employees aware of what is expected of them and to acknowledge their contribution to the company's success in a fair manner with understandable feedback on their performance and conduct. To this end, continual reviews between manager and employee on an equal footing are encouraged. Here, managers and employees bear joint responsibility for the success of the dialog.

Managers' and employees' contributions to the success of the company are evaluated on the basis of evaluation criteria that are essential for successful task fulfillment or goal attainment. An individual's contribution to the success of the company is assessed based on the tasks in their role profile. In addition, individual goals or key responsibilities can be agreed between employee and manager.

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As part of First Sensor's results- and performance-oriented remuneration policy, the outcome of the annual review also represents a further building block for the pay increase.