

REMUNERATION REPORT FOR THE 2022 FINANCIAL YEAR (OCT. 1, 2021 TO SEPT. 30, 2022)

The following remuneration report in accordance with section 162 of the *Aktiengesetz* (AktG – German Stock Corporation Act) presents and explains the remuneration of current and former members of the Management Board and the Supervisory Board of First Sensor AG in the 2021/2022 financial year, also referred to as financial year 2022. As an aid to understanding, the basic features of the remuneration system for the Management Board and the Supervisory Board applicable in the 2022 financial year are presented as well.

REMUNERATION SYSTEM OF THE MANAGEMENT BOARD

Resolution on the approval of the remuneration system for the members of the Management Board

The current remuneration system for the members of the Management Board of First Sensor AG was resolved by the Supervisory Board – with outside expert assistance – in accordance with sections 87(1), 87a(1) AktG on April 29, 2021 and approved by the Annual General Meeting on June 24, 2021 with a majority of 89.78% of the capital represented. In accordance with section 120a AktG, the remuneration system is resubmitted to the Annual General Meeting every time there is a significant amendment or at least every four years.

The remuneration system is consistent with the requirements of the German Stock Corporation Act, in particular the requirements of the *Gesetz zur Umsetzung der zweiten Aktionärsrechterichtlinie* (ARUG II – German Act on the Implementation of the Second Shareholder Rights Directive), and is based on the recommendations of the German Corporate Governance Code as amended April 28, 2022.

Application of the remuneration system for the Management Board in the 2022 financial year

Since the resolution by the Supervisory Board, the current remuneration system for the Management Board has been taken into account by the company when entering into new Management Board contracts and when renewing such contracts previously entered into with the company.

If members of the Management Board, in accordance with section 162 AktG, were granted individual remuneration elements in the 2022 financial year that were committed to in previous financial years under the remuneration system in place at the time, these elements have also been presented and explained.

The remuneration system for the members of the Management Board of First Sensor AG, is reviewed by the Personnel and Nomination Committee of the Supervisory Board on an ongoing basis, in particular in conjunction with contract negotiations with existing or future members of the Management Board. However, there is no formal or regularly scheduled review.

Disclosures on remuneration components

The remuneration of the members of the Management Board consists of performance-based and non-performance-based components. Using this combination, the company creates an attractive incentive for members of the Management Board to contribute towards the sustainable and long-term development of the company.

Variable remuneration components provide the material incentive to pursue the aims of business policy. They motivate and reward specific action, operational performance, a strategic approach that promotes the long-term development of the company and responsible conduct.

The variable remuneration is dependent on the achievement of multiple goals set in advance by the Supervisory Board. The achievement of goals does not necessarily have to be exactly measurable, but it must be verifiable. The connection between the achievement of goals and the variable remuneration must be set in advance and cannot be subsequently altered.

The variable remuneration consists of short-term variable remuneration (short-term bonus) and long-term variable remuneration (long-term incentive program).

The short-term variable bonus is calculated according to the Annual Incentive Plan (AIP) of the TE Connectivity Group. The purpose of the AIP program is to reward managers for achieving financial or strategic performance targets. There is no guaranteed minimum achievement; it is therefore possible for the short-term variable bonus not to be paid at all. The amount of the short-term bonus under the AIP program is determined by the Supervisory Board of the company within six months of the end of a financial year and paid to the members of the Management Board.

As long-term variable remuneration, the members of the Management Board receive restricted stock units (RSU) of TE Connectivity Ltd. in conjunction with its long-term incentive (LTI) program. TE Connectivity Ltd. uses LTI awards to offer competitive compensation that recognizes employees' contributions and aligns their remuneration with shareholder interests by focusing on long-term growth and stock performance.

REMUNERATION COMPONENT	ASSESSMENT BASE/PARAMETERS
Non-performance-based remuneration	
Fixed salary	Non-performance-based fixed remuneration paid in monthly installments
Fringe benefits	Use of a company car or rail card (BahnCard 100), first class; insurance premiums; other one-time or temporary (provisional) benefits on recruitment; reimbursement of costs of business travel
Performance-based remuneration	
Short-term variable remuneration	<p>calculated according to the Annual Incentive Plan (AIP) of the TE Connectivity Group</p> <ul style="list-style-type: none"> – annual incentive target amount as a percentage of fixed salary – performance level on the basis of various key performance indicators, e.g. sales and operating result (60%), other KPIs and earnings per share of TE Connectivity Ltd. (40%) – calculation of the annual incentive award by multiplying the annual incentive target amount by weighted target achievement (0-200%) and the personal performance factor (0-200%) – Payment must not exceed 300% of the individual annual incentive target amount (cap).
Long-term variable remuneration	<p>Share-based long-term remuneration, term 4 years: issue of restricted stock units (RSU) of TE Connectivity Ltd. in conjunction with its long-term incentive (LTI) program</p> <ul style="list-style-type: none"> – award of a number of RSUs at an award date – four-year vesting period, i.e. members of the Management Board earn a quarter of the initially awarded RSUs per year – vested RSUs are provided as shares of TE Connectivity Ltd. that can be sold during a trading window. <p>The value of the RSUs is determined as of the grant date. The basis assumed for this is a maximum increase by the end of the vesting period of 200% compared to the grant date (calculation of maximum remuneration).</p>
Maximum remuneration	<p>Cap on the total amount of remuneration granted for a financial year in accordance with section 87a(1) sentence 2 no. 1 AktG:</p> <ul style="list-style-type: none"> – The maximum amount of remuneration for a financial year – regardless of whether this is paid in this financial year or at a later date and subject to the caps on short-term and long-term variable remuneration – is €580,000 for all members of the Management Board.
Severance cap	Entitlement to payment of severance in the amount of the fixed annual salary for the remainder of the contract term, though not more than €500,000 (cap); if there is a post-contractual, non-competition clause, the severance payment does not count towards the related compensation; the severance cap and the compensation for observing the non-competition restriction are both limited to two fixed annual salaries in total
Penalty and claw-back regulations	n/a

If the conditions are satisfied in the vesting period of the next four years, the remuneration of the members of the Management Board breaks down as follows:

- fixed remuneration accounting for around 35% of maximum remuneration (fixed annual salary and other emoluments);
- short-term variable remuneration (AIP) accounting for around 30% of maximum remuneration;
- long-term variable remuneration (LTI) accounting for around 35% of maximum remuneration.

The remuneration system does not require members of the Management Board to acquire and hold shares in the company (Share Ownership Guidelines).

Former and current members of the Management Board receive no pension commitments.

Disclosures on shares and stock options

The members of the Management Board do not receive any remuneration components in the form of shares or stock options in First Sensor AG. The long-term variable remuneration is exclusively accounted for by the TE Connectivity Ltd. restricted stock units program.

Disclosures on the claw-back of variable remuneration components

The remuneration of members of the Management Board ensures that special achievements are appropriately rewarded and that the failure to achieve targets leads to a tangible reduction in remuneration. Given the strong need for strategic changes at First Sensor, the Supervisory Board chose not to introduce claw-back clauses when designing the remuneration system.

Disclosures on departures from the remuneration system

The company has not entered into service contracts with any of the members of the Management Board currently appointed. All the members of the Management Board currently appointed worked for Group companies of TE Connectivity prior to working for First Sensor and are remunerated by those companies. The members of the Management Board have not received any additional remuneration for assuming a position on the Management Board of First Sensor. The First Sensor remuneration system therefore does not apply to them, but this does not constitute a departure from the remuneration system.

Disclosures on the implementation of the Annual General Meeting's resolution

The remuneration system for the Management Board is taken into account by the company when entering into new Management Board contracts and when renewing such contracts previously entered into with the company. The members of the Management Board Sibylle Büttner, Robin Maly and Dirk Schäfer were appointed before the resolution was adopted, Thibault Kassir was appointed after the resolution. All these members of the Management Board are remunerated through their contracts with TE Connectivity Group companies, which do not contain remuneration components for their work as members of the Management Board of First Sensor AG. The remuneration system therefore does not apply to their work. The remuneration system also did not apply to the contract with Markus Resch, which was already in effect at the time the resolution was adopted and ended as of May 31, 2021.

Disclosures on compliance with the maximum remuneration

The members of the Management Board only assume the function of a governing body within the framework of the existing control agreement. Operational management services are predominantly performed by First Sensor employees and service units of the TE Group, which also prepare the respective decision papers for the Management Board. The members of the Management Board appointed in the financial year 2021/2022 have additionally assumed the management board activities in this context and do not receive any remuneration for their management board activities at First Sensor AG either from First Sensor AG or from other TE Connectivity companies. Therefore, the remuneration system and the maximum remuneration do not apply either.

	Thibault Kassir Member of the Management Board since April 14, 2022		Robin Maly Member of the Management Board since April 20, 2021		Dirk Schäfer Member of the Management Board since June 1, 2021		Sibylle Büttner Member of the Management Board April 20, 2021 until April 13, 2022		Marcus Resch CEO/CFO March 14, 2020 until May 31, 2021	
REMUNERATION GRANTED AND OWED IN € THOU.	SFY 2021	2022	SFY 2021	2022	SFY 2021	2022	SFY 2021	2022	SFY 2021	2022
Fixed remuneration	-	0	0	0	0	0	0	0	115	0
Fringe benefits	-	0	0	0	0	0	0	0	6	0
Total	-	0	0	0	0	0	0	0	121	0
One-year variable remuneration	-	0	0	0	0	0	0	0	52	0
Long-term variable remuneration (LTIP)	-	0	0	0	0	0	0	0	86	0
Total	-	0	0	0	0	0	0	0	138	0
Severance	-	-	-	-	-	-	-	-	345	-
Pension expense	-	0	0	0	0	0	0	0	2	0
Total remuneration	-	0	0	0	0	0	0	0	606	0
Share of fixed remuneration	-	-	-	-	-	-	-	-	46.7%	-
Share of variable remuneration	-	-	-	-	-	-	-	-	53.3%	-

2021 short financial year: January 1 to September 30, 2021; 2022 financial year: October 1, 2021 to September 30, 2022

The contract with Markus Resch was ended early as of May 31, 2021 in the 2021 short financial year. In return, he received severance pay of €345,000.

Defined benefits from third parties

The members of the Management Board have not received any defined benefits from third parties in connection with their work as members of the Management Board of First Sensor AG. They also do not receive variable remuneration components based on the operational or strategic goals of First Sensor AG.

Benefits in the event of regular contract termination

Separate regulations for the event of regular contract termination are not intended and no agreements have been made in this regard.

REMUNERATION SYSTEM FOR THE SUPERVISORY BOARD

Resolution on the remuneration system for the members of the Supervisory Board

The remuneration of the members of the Supervisory Board is resolved by the Annual General Meeting. Their remuneration is governed by Article 13 of the Articles of Association of the company. The Management Board and the Supervisory Board have reviewed the remuneration of the members of the Supervisory Board and have concluded that the current remuneration for the members of the Supervisory Board of the company is appropriate. The Management Board and the Supervisory Board therefore proposed to the Annual General Meeting on June 24, 2021 that the remuneration system for the members of the Supervisory Board be left unchanged. This proposal was approved by a majority of 99.99% of the capital represented. In accordance with section 113(3) sentence 1 and 2 AktG, the Annual General Meeting must adopt a resolution on the remuneration of Supervisory Board members at least every four years, whereby a resolution confirming the remuneration is permitted.

Structure and application of the remuneration system for the Supervisory Board

The remuneration system for the Supervisory Board is governed by the Articles of Association and sets out both the abstract and specific framework for the remuneration of members of the Supervisory Board. This guarantees that the remuneration of the members of the Supervisory Board is always consistent with the remuneration system resolved by the Annual General Meeting.

The members of the Supervisory Board of First Sensor AG receive fixed remuneration for their work, the amount of which is dependent on their individual responsibilities within the Supervisory Board. Variable remuneration dependent on specific achievements/targets is not intended for the members of the Supervisory Board. The remuneration also covers the membership and chairmanship of committees. Members of the Supervisory Board who belong to the Supervisory Board for only part of the financial year receive pro rata temporis remuneration.

The Supervisory Board reviews the structure and appropriateness of its remuneration at irregular intervals, though not less than once every four years, with the assistance of the Personnel and Nomination Committee. Given the particular nature of Supervisory Board remuneration, which fundamentally differs from the work of the company's employees on account of its supervisory nature, there is no vertical comparison between employee and Supervisory Board remuneration.

Each member of the Supervisory Board receives basic annual remuneration of EUR 20,000. The Chairman and Deputy Chairman of the Supervisory Board receive higher remuneration in consideration of their increased organizational and administrative workloads. This amounts to EUR 50,000 for the Chairman and EUR 30,000 for the Deputy Chairman.

The company provides the members of the Supervisory Board with D&O insurance coverage appropriate to their work on the Supervisory Board; TE Connectivity pays the corresponding premiums. The company also reimburses each member of the Supervisory Board for any reasonable expenses incurred in the performance of their duties for which proof has been provided and for any VAT that is incurred on their remuneration.

The members of the Supervisory Board receive fixed remuneration only; variable remuneration dependent on specific achievements/targets is not intended for the members of the Supervisory Board. As such, remuneration can only be aligned with business strategy to a limited extent, and therefore has only a limited influence on the long-term performance of the company. However, First Sensor AG strongly believes that fixed remuneration is the most appropriate system for the objective supervisory function of the Supervisory Board and its neutral advisory activities. The Supervisory Board can thus align its decisions with the good of the company and thereby a long-term business strategy and sustainable development, without pursuing other motives.

In the 2022 financial year, the remuneration system for the Supervisory Board was applied in all aspects as governed by Article 13 of the Articles of Association. The members of the Supervisory Board did not receive any further remuneration or benefits for personally performed services, in particular consulting and or brokerage services, in the reporting year. Furthermore, the members of the Supervisory Board were not granted any loans or advances and no contingent liabilities were entered into on their behalf.

Disclosure of personal remuneration of the Supervisory Board

The following table presents the remuneration of the members of the Supervisory Board in the 2022 financial year in accordance with section 162 AktG:

2021 short financial year: January 1 to September 30, 2021; 2022 financial year: October 1, 2021 to September 30, 2022

€ thousand		SFY 2021	2022
Michael Gerosa	member since February 18, 2021, Chairman since April 19, 2021	*	*
Peter McCarthy	member since May 1, 2020, Deputy Chairman since May 14, 2020	*	*
Stephan Itter	since May 1, 2020	15	20
Rob Tilmans	since June 24, 2021	*	*
Dirk Schäfer	until May 31, 2021	*	-
Olga Wolfenberg	since May 13, 2019	15	20
Tilo Vollprecht	until August 26, 2021	13	-
Christoph Findeisen	since August 27, 2021	2	20
Total remuneration		45	60

* These members of the Supervisory Board are employees of the TE Connectivity Group and have waived their remuneration.

The members of the Supervisory Board who are employees of companies of the TE Group did not receive any Supervisory Board remuneration in the past financial year.

Comparative presentation of development in remuneration and earnings

The following comparative presentation shows the annual change in the remuneration of current and former members of the Management Board and the Supervisory Board, the development of the company's earnings and the remuneration of all employees. The information for the latter group is based on the average wages and salaries of the Group's employees in Germany in the respective financial year.

Remuneration of executive body members

Change in %	2018 to 2017	2019 to 2018	2020 to 2019	2021 SFY vs. 2020	2022 vs. 2021 SFY
Current members of the Management Board					
Thibault Kassir					
Robin Maly					
Dirk Schäfer					
Current members of the Supervisory Board					
Michael Gerosa					
Peter McCarthy					
Stephan Itter				13%	25% ⁵
Rob Tilmans					
Olga Wolfenberg			48% ¹	-25%	25% ⁵
Christoph Findeisen					90% ⁵
Former members of the Management Board					
Sibylle Büttner (until April, 13, 2022)					
Marcus Resch (until May 31, 2021)				145%	
Dr. Dirk Rothweiler (until June 30, 2020)	41%	-9%	999% ²		
Dr. Mathias Gollwitzer (until March 20, 2020)	-21%	116% ²	211% ²		
Former members of the Supervisory Board					
Tilo Vollprecht (until August 26, 2021)			48% ¹	-35% ³	
Dirk Schäfer (May 26, 2020 to May 31, 2021)					
John Mitchell (May 1 to October 31, 2020)					
Jörg Mann (May 1 to May 26, 2020)					
Prof. Alfred Gossner (until April 30, 2020)	0%	0%	-67% ³		
Prof. Christoph Kutter (until April 30, 2020)	67% ³	0%	-67% ³		
Marc de Jong (until April 30, 2020)	0%	0%	-67% ³		
Guido Prehn (until April 30, 2020)			n/a		
Götz Gollan (until May 3, 2019)	0%	-67% ³			
Development of the company					
Net profit of First Sensor AG (HGB)	303.0%	-78.7%	3,053.4% ⁴	-91.4% ⁴	-161.6%
EBIT of the First Sensor Group (IFRS)	16.0%	10.2%	991.7% ⁴	-65.1% ⁴	-121.8%
Average employee remuneration				3.9%	9.9%

¹ Member of the Supervisory Board since May 3, 2019, therefore only pro rata temporis remuneration for 2019

² Contains severance pay due to withdrawal following a change of control

³ Difference due to joining/leaving the executive body during the year

⁴ Influenced by extraordinary effects (including divestments)

⁵ Increase as against the previous year due to change in financial year

The disclosures of the remuneration of members of the Management Board are based on the remuneration owed.

Berlin, den 30. Januar 2023

First Sensor AG

Für den Vorstand

Für den Aufsichtsrat



Thibault Kassir



Robin Maly



Dirk Schäfer



Michael Gerosa

Report of the independent auditor on the audit of the remuneration report pursuant to Sec. 162 (3) AktG

To First Sensor AG, Berlin

Audit opinion

We have formally audited the remuneration report of First Sensor AG, Berlin, for the financial year from October 1, 2021 to September 30, 2022, to determine whether the disclosures pursuant to section 162 (1) and (2) AktG have been made in the remuneration report. In accordance with Section 162 (3) AktG, we have not audited the content of the compensation report.

In our opinion, the information required by § 162 (1) and (2) AktG has been disclosed in all material respects in the accompanying compensation report. Our audit opinion does not cover the content of the compensation report.

Basis for the audit opinion

We conducted our audit of the compensation report in accordance with Section 162 (3) AktG and *IDW Auditing Standard: The Audit of the Compensation Report in Accordance with Section 162 (3) AktG (IDW PS 870 (08.2021))*. Our responsibility under this provision and this standard is further described in the Auditor's Responsibility section of our report. As an auditing practice, we have complied with the requirements of the *IDW Quality Assurance Standard: Requirements for Quality Assurance in the Practice of Public Accountants (IDW QS 1)*. The professional duties according to the Auditors' Code and the Professional Statutes for Auditors / Sworn Accountants are fulfilled.

Responsibility of the Executive Board and the Supervisory Board

The Executive Board and the Supervisory Board are responsible for the preparation of the remuneration report, including the related disclosures, which complies with the requirements of Section 162 AktG. They are further responsible for such internal control as they determine is necessary to enable the preparation of the remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

Responsibility of the auditor

Our objective is to obtain reasonable assurance about whether the disclosures pursuant to section 162 (1) and (2) AktG have been made in all material respects in the remuneration report and to express an opinion thereon in a report.

We planned and performed our audit to obtain evidence about the formal completeness of the remuneration report by comparing the disclosures made in the remuneration report with the disclosures required by section 162 (1) and (2) of the German Stock Corporation Act. In accordance with Section 162 (3) AktG, we have not audited the accuracy of the disclosures, the completeness of the individual disclosures or the fair presentation of the remuneration report.

Dealing with any misleading representations

In connection with our audit, we have a responsibility to read the remuneration report, taking into account the knowledge gained from the audit of the financial statements, and to remain alert for indications as to whether the remuneration report contains misleading representations as to the accuracy of the content of the disclosures, the completeness of the content of the individual disclosures, or the fair presentation of the remuneration report.

If, based on the work we have performed, we conclude that such a misleading representation exists, we are required to report that fact. We have nothing to report in this context.

Berlin, January 30, 2023

Ebner Stolz GmbH & Co. KG
Auditing company Tax consulting company

Karsten Bender
Certified Public Accountant

Thorsten Sommerfeld
Certified Public Accountant