

## Report on Pay Transparency – Attachment to the Management Report

In accordance with the requirements specified in section 21 of the German Wage Transparency Act (Entgelttransparenzgesetz), the following report focuses on equality and equal pay at First Sensor AG (“First Sensor”).

### a) Measures for creating pay equity for women and men

The remuneration system of First Sensor is requirement- and performance-oriented and meets the requirements relating to market conformity, fairness, and transparency. The transparency and clear structure of the remuneration system in particular, which is secured by means of an algorithm in the system, ensure comprehensibility and therefore the gender-neutral treatment of all employees. The remuneration components are regulated at company level. Employees can access the respective work agreements and further details, for example on the role profiles, on 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 the standards within First Sensor AG and on the market being equal to the greatest possible extent (**market conformity**).
- All employees are grouped according to their function (job evaluation/grading). Which function is assigned to which level depends on the complexity of the tasks and requirements of the respective function documented in the role profile. This ensures that the same or equivalent work receives uniform remuneration. (**Fairness**).
- The required expertise 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 access the respective work agreements and further details, for example on the role profiles, on the Intranet (**Transparency**).
- Basic remuneration: The amount of remuneration is specified within a range for all employees when they join First Sensor AG in due consideration of their qualification and relevant professional experience and the resulting performance to be expected.

Adjustments of the basic remuneration depend in particular on the employee's personal contribution to the company's overall success and the respective market comparison as well as the result of the annual review (cf. Section c) 2.). An employee's personal contribution to the company's success is therefore directly relevant to remuneration and determines the height of the adjustment of remuneration.

- Variable remuneration: The purpose of using the company goals as orientation is to avoid arbitrariness and vagueness in the evaluation of target achievement and place the focus on the appreciative evaluation of individual performance. A performance- and results-oriented development of remuneration as well as variable remuneration elements provide positive incentives (**performance orientation**).

In 2019, three requests for information in accordance with the German Wage Transparency Act were processed at one of the company's locations. This right to information exists with regard to the payment for a comparable activity that is performed by at least six persons of the other sex in a reference group. No irregularities were found in any of the cases.

## b) Job structure (grading)

A work agreement on the job structure, system, and evaluation (grading) was concluded at First Sensor AG in November 2014.

In this context, the different functions below the Executive Board level were evaluated according to the criteria of specialist knowledge, business knowledge, leadership, problem-solving skills, type of influence, sphere of influence, and communication and assigned to what are known as "grades." Each grade refers to a salary range. Salary ranges are created using a specified spread in percent that is based on the remuneration that is customary in the market for the respective job within the sector and region. Which function is assigned to which grade depends on the complexity of the tasks and requirements of the respective function documented in the role profile (anchor position).

The Group companies are not bound by collective wage agreements. However, negotiations were commenced with a union in 2018. In the course of these negotiations with the union, it has already been decided for the company locations that the current grading system will be replaced with the ERA method (grouping). The final implementation is planned for 2020.

It must be noted that the criteria for range assignment and the new ERA system to be introduced and, accordingly, the remuneration system of First Sensor are job type-oriented and therefore also gender-neutral in accordance with the German Wage Transparency Act.

This means that any gender discrimination that is already applied in the remuneration system at First Sensor AG is ruled out.

## c) Further measures for promoting pay equity

In addition to the aforementioned purely remuneration-related measures, First Sensor has introduced further measures that promote compatibility of family and work and thus contribute to greater pay equity.

### 1) Promotion of compatibility of family and work

First Sensor offers various formats that promote compatibility of family and work. These included the following measures in fiscal year 2019:

**Flextime regulation:** The purpose of offering flexible working hours is to maintain and strengthen the company's competitiveness on the one hand and to strive toward giving the employees more responsibility and time sovereignty on the other hand. To this end, the employees have a flexible working time account. In this context, a distinction is made as to whether the employees work in rotating shifts in production (this includes all employees working in shifts temporarily) or in the standard model (daytime) and are therefore assigned to the administrative area.

**Part-time solutions:** First Sensor offers various individual flexible working time solutions. These include full-time and part-time work with flexible or fixed working hours for employees and managers. The company also offers possibilities for working part-time during parental leave. In individual cases, limited full-time and part-time work as well as temporary unpaid leave can be agreed.

### Statistical information in accordance with section 21 (2) of the German Wage Transparency Act (Entgelttransparenzgesetz) (as at the reporting date of December 31, 2019)

With a proportion of 26.8 percent in total, female employees were still underrepresented in management positions. In the higher-paid management positions (department head level and upward), the proportion of female employees was 13.8 percent, and at the management level below the Executive Board it was 33.3 percent.

Unfortunately, First Sensor as an employer has only limited influence on these ratios. It is regularly the case that fewer women than would be desirable apply to vacant management positions. The Group-wide proportion of female employees at First Sensor is 35.5 percent.

For employees of First Sensor AG in non-management positions, the following statistical information is provided in accordance with the requirements of section 21 (2) of the German Wage Transparency Act (employees):

	Number (total)	Number (full-time)	Number (part-time)	Ratio (total)	Ratio (full-time)	Ratio (part-time)
Men	331	302	29	63.2 %	67.3 %	38.7 %
Women	193	147	46	36.8 %	32.7 %	61.3 %

These numbers reflect the status quo on December 31 of fiscal year 2019 and do not include employees who were on parental leave on the reporting date.

## 2) Annual review

The contribution of each individual, cooperation in a team, and treating each other with respect are important elements for the success of First Sensor. One of the essential management tasks is to convey to the employees what is expected of them and to show fair appreciation of their contribution to the company's success by providing them with comprehensible feedback on their performance and behavior. To this end, a continuous dialog at eye level between the manager and employee is promoted. The managers and employees are equally responsible for ensuring that the dialog is a success.

The employees' and managers' contributions to the company's success are evaluated on the basis of evaluation criteria that are essential for the successful fulfillment of tasks and achievement of goals. Personal contributions to success are evaluated on the basis of the tasks as described in the role profile. In addition, individual goals or main tasks can be agreed between employees and the manager.

As part of the results- and performance-oriented payment policy of First Sensor, the result of the annual review also constitutes a further element of salary development.