

Remuneration policy for members of the Executive Board of Frequentis AG

1. Establishment of principles for the remuneration of Executive Board members

In its resolution of 27 March 2020, the Supervisory Board adopted the following principles for the remuneration (remuneration policy) of the members of the Executive Board of Frequentis AG (Frequentis AG or the company) on the basis of the proposal made by the Committee for Executive Board Issues in its role as remuneration committee, in accordance with C rule no. 43 of the Austrian Code of Corporate Governance; the principles shall be applied after submission to the 13th Annual General Meeting of Frequentis AG.

2. Objective of the remuneration policy

The objective of the remuneration policy is to ensure that the overall remuneration of the members of the Executive Board is commensurate with the company's economic situation, creates incentives for behaviour that is supportive of sustainable development, and of the business strategy and long-term development of the company. The remuneration policy also takes into account the size of the company, its international focus, the business model of Frequentis AG, and the tasks and qualifications of the Executive Board members.

The remuneration policy is structured to ensure that it is possible to attract suitably qualified persons for the tasks of a listed company with global operations. Therefore, the overall remuneration must be competitive and market oriented, as well as being commensurate with the usual remuneration at comparable companies.

The remuneration is therefore commensurate with the associated overall responsibility of the Executive Board, as well as taking into account the individual responsibility of each Executive Board member as derived from the allocation of functions. Other key factors are length of service with the company and, where relevant, the assumption of the function of spokesperson or chairperson of the Executive Board.

The remuneration policy provides incentives for the members of the Executive Board to play an active part in developing and pursuing the strategy of the Frequentis Group, permanently support the sustainable development of the company, and avoiding taking inappropriate risks. When defining financial and non-financial performance criteria, attention shall be paid to avoiding enticements to take risks and an excessive focus on short-term profits. Ambitious targets should be set to provide an incentive exceptional performance and to encourage implementation of the strategy of Frequentis AG. The overriding aim is the positive long-term development of the company.

3. Remuneration components

The overall remuneration of the members of the Executive Board of Frequentis AG shall comprise the following components:

- (a) Fixed remuneration components that are not performance-related
- (b) Variable performance components that are dependent on the achievement of specific performance criteria.

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With regard to the relative weighting of the fixed and variable components within the overall remuneration, please refer to subsections 4 and 5 below.

4. Fixed remuneration components

The fixed remuneration comprises a base salary, benefits in kind other perquisites, and social security and pension contributions.

4.1 Base salary

Executive Board members receive an annual base salary payable in arrears in fourteen monthly instalments. This covers all overtime and all work that goes beyond the normal working hours of company employees. It also covers the assumption of offices on governance bodies within the Frequentis Group.

This remuneration component is principally intended as remuneration for taking on a position on the Executive Board and the associated overall responsibility of the individual Executive Board members, but also takes into account the individual responsibilities of each member, which are derived from the areas of responsibility allocated to them. This results in differentiated base salaries which take into account their strategic and operational functions.

In addition, the level of the annual base salary reflects the customary market rates of remuneration of executive board members at comparable companies.

The employment contract may include an agreement that, if an Executive Board member is unable to perform his/her duties due to illness or an accident, he/she shall continue to receive the agreed base salary in full for a defined period of no more than six months and at a reduced level for a further period of no more than six months.

Taking these criteria into account, the fixed remuneration must ensure competitive and market-oriented remuneration that enables the company to recruit and retain suitable executives.

The annual base salary shall be agreed in the Executive Board contracts in accordance with the criteria outlined above and the provisions of Section 78 of the Austrian Companies Act (AktG). In 2020, the (gross) annual base salary is EUR 360,000.00 for the Chairman of the Executive Board and between EUR 250,000.00 and EUR 290,000.00 for the other members.

4.2 Benefits in kind and other perquisites

Benefits in kind and other perquisites can be granted as follows:

- (a) Collective accident insurance and death insurance for the benefit of the Executive Board members or for a third party named by the respective Executive Board member;
- (b) Collective supplementary health insurance;
- (c) D&O insurance and legal expenses insurance with appropriate cover for the risks;
- (d) Company car, fully comprehensive motor insurance and driver's/passenger insurance with appropriate cover
- (e) Other perquisites: mobile phone and mobile communication media and discounts for the Frequentis staff restaurant.

4.3 Social security and pension contributions

Contributions to the statutory social security scheme are paid for members of the Executive Board; these change annually depending on the maximum contribution base set in accordance with Section 108 of the Austrian General Social Security Act (ASVG).

The present members of the Executive Board have been granted defined contribution entitlements to pension benefits. These comprise a retirement pension and pension benefits for surviving dependants (including widow's and orphan's pensions). The premiums are paid by the company and will amount in total to EUR 150,000.00 in the 2020 financial year.

4.4. Severance payment

For every Executive Board member, who was not employed by the company prior to 1 January 2003, contributions are made to an occupational insurance fund (severance fund new) in compliance with the legal requirements. These contributions are 1.53% of the maximum annual social security contributions in accordance with Section 108 ASVG.

This does not apply for Executive Board members whose employment contracts commenced prior to 1 January 2003 (severance fund old – see subsection 7.2.1).

Furthermore, Executive Board members who only entered into an employment contract with the company after 1 January 2003 may be granted a contractual severance payment under the terms of the old severance arrangements.

5. Variable remuneration components

The variable remuneration aims to foster the positive economic development of the company and may comprise both a short-term and a long-term variable component. Furthermore, in exceptional circumstances, an Executive Board member may be granted a special one-off bonus.

5.1 Short-term variable remuneration

5.1.1 Basic principles, performance criteria, targets

The short-term variable components are based on the achievement of short-term financial targets for the company.

Achievement of the targets is measured by an indicator of the earnings before interest and taxes as stated in the consolidated financial statements in accordance with IFRS (IFRS EBIT), provided that the earnings before tax reported in the financial statements of Frequentis AG in accordance with the Austrian Commercial Code (UGB EBT) after provisions for short-term variable remuneration reach a defined minimum for the relevant financial year. If the UGB EBT after provisions for short-term variable remuneration of all Executive Board members (including statutory payroll-related costs) drops below the minimum amount, the short-term variable remuneration of all Executive Board members shall be reduced by the same percentage until it is in line with the planned minimum UGB EBT.

In addition to these financial targets, the short-term variable remuneration for one or more Executive Board members may be based on individually agreed targets. The aim of this is to provide incentives relating to the specific tasks of individual Executive Board members, based on the allocation of functions, and to include sustainable, non-financial performance

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criteria in the short-term variable remuneration. These targets should support the company's business policy and strategic focus. In addition to financial criteria, this should include non-financial criteria, including criteria related to corporate social responsibility as well as social and ecological factors. When defining the criteria for individual targets, care must be taken to encourage the long-term positive development of the company and avoid focusing on purely short-term effects.

5.1.2 Setting the targets

The targets for the short-term variable remuneration are set prospectively, at the end of the previous financial year, by the Committee for Executive Board Issues in its role as remuneration committee. The targets are set on the basis of the information available at this time.

If, alongside the quantitative performance criterion "IFRS EBIT / UGB EBT", additional individual targets are agreed, their relative weighting must be defined; the quantitative performance criterion "IFRS EBIT / UGB EBT" must have a weighting of at least 60%.

The time period for the relationship between over- or under-achievement of each target and the corresponding increase / reduction in the amount of the short-term remuneration must be defined for each target.

A minimum level shall be set for the quantitative performance criterion "IFRS EBIT / UGB EBT"; if this is not achieved the short-term variable remuneration (for this criterion) shall not be paid. A target achievement range of between 0% and 100% shall be set for exceeding the minimum target level.

A range of 0% to 100% shall be set for achievement of any targets agreed individually in accordance with subsection 5.1.1.

5.1.3 Determining achievement of the criteria and the entitlement to remuneration

At the end of the financial year, the Committee for Executive Board Issues, in its role as remuneration committee, examines the business performance and finalises the level of achievement and the resulting amount of short-term variable remuneration.

Overall, even in the event of over-achievement of all agreed performance targets, the short-term variable remuneration is capped at 100% of the (gross) annual base salary of the respective Executive Board member.

The short-term variable remuneration shall be paid as soon as the basis and amount have been determined by the Committee for Executive Board Issues.

5.2 Long-term variable remuneration

5.2.1 Basic principles

The company may grant a long-term variable remuneration component, structured as a share-based Long-Term Incentive Plan (LTIP), to one or more members of the Executive Board on a one-off or repeated basis.

An LTIP is a share-based remuneration instrument for an Executive Board member that is designed to support the medium and long-term creation of value by the company. The aim of the LTIP is to combine the interests of the Executive Board member and the company's shareholders by giving the Executive Board member a performance-related opportunity to acquire shares in the company, based on the achievement of certain medium and long-

term targets. The LTIP is based, in particular, on sustainable, long-term and multi-year performance criteria, including non-financial criteria. Further, the LTIP is designed to avoid enticements to take unnecessary risks and is focused on the positive long-term development of the company. In this way, the LTIP takes into account the specific recommendations of the Austrian Code of Corporate Governance (especially rules 27 and 28).

5.2.2 Design and entry into force of the LTIP

An LTIP may be agreed at annual or multi-year intervals. Every LTIP is designed by the Committee for Executive Board Issues, submitted to the full Supervisory Board for a resolution, and comes into effect, following approval by the General Meeting, on the commencement date set out in the LTIP. Every LTIP meets the requirements of the Austrian Code of Corporate Governance.

5.2.3 Participants, performance targets, maximum limit for long-term variable remuneration

When designing an LTIP, the Committee for Executive Board Issues defines, in particular, the eligible participants, the performance criteria to be used for the LTIP and their relative weighting, and the specific targets for each criterion.

To comply with C rule no. 28 of the Austrian Code of Corporate Governance, care must be taken to ensure, in particular, that the LTIP agrees clear, extensive and differentiated criteria and measurable targets that support the positive long-term development of the company and avoid focusing on purely short-term effects.

It is not possible to change the performance criteria retrospectively.

Further, the Committee for Executive Board Issues sets the maximum number of shares that may be allocated to an Executive Board member. In accordance with C rule no. 27 of the Austrian Code of Corporate Governance, the maximum limit for the amount of the LTIP that may be paid out in the form of shares in the company is set out 200% of the (gross) annual base salary of the respective Executive Board member and there is not entitlement to amounts exceeding this level.

5.2.4 Performance period, waiting period, payment, retention period

In accordance with C rule no. 28 of the Austrian Code of Corporate Governance, the duration of each LTIP is three years (performance period). Entitlement to the disbursement of shares under an LTIP arises at the end of the third financial year provided that the targets agreed in the LTIP are achieved.

Achievement of the targets is determined by the company's Supervisory Board; over-achievement of one performance criterion/target may offset under-achievement of another performance criterion/target. Assuming 100% target achievement in the performance period, the Executive Board member will be allocated the total number of shares that can be allocated under the LTIP – within the framework of the maximum amount set. The maximum amount and the maximum number of shares may not be exceeded even in the event of over-achievement of the targets set for the performance period. If target achievement is lower, the number of shares is reduced analogously on a straight-line basis. If total target achievement is less than 50%, the Executive Board member shall not be entitled to any shares under the LTIP.

The shares are transferred to the Executive Board member after determination of target achievement and approval of the disbursement by the Supervisory Board.

The LTIP must specify that, after the expiry of the performance period, the Executive Board member may sell a maximum of 30% of the shares acquired in an LTIP in any calendar year. Further, it shall define that the Executive Board member shall maintain a minimum shareholding of 7,000 shares, until the member leaves the company's Executive Board.

5.3 Special one-off bonus

With the approval of the full Supervisory Board, the Committee for Executive Board Issues, in its function as remuneration committee, may, in exceptional circumstances, grant a special bonus to an Executive Board member (e.g. sign-on bonus in the event of relocation, retention bonus). The amount of the special bonus must be commensurate with the specific circumstances and may not exceed 50% of the member's (gross) annual salary.

5.4 Claw-back clause

A claw-back clause for variable remuneration components in accordance with C rule no. 27 of the Austrian Code of Corporate Governance shall be included in Executive Board contracts that are concluded or extended as from 1 January 2020, insofar as such remuneration was determined and disbursed on the basis of obviously false data. Repayment in instalments may be agreed, depending on the individual circumstances.

6. Remuneration and employment conditions of employees

There should be an appropriate relationship between the annual base salary (gross, including payroll-related costs) of the Executive Board members and the remuneration and employment conditions of the company's employees (based on average annual base salary [gross, including payroll-related costs] of employees of Frequentis AG, calculated on the basis of full-time employment).

7. Duration and termination of contracts with Executive Board members

7.1 Duration and termination

The maximum duration of employment contracts of Executive Board members is five years. In any case, it is coupled to their term of office. If an Executive Board member is reappointed, the duration of their employment contract is extended accordingly.

If the appointment of an Executive Board member is terminated for good cause within the meaning of Section 75 (4) AktG, the company is entitled to terminate the employment contract before it ends if, at the same time, there is a gross breach of duty by the Executive Board member that would entitle the company to dismiss him/her in application, mutatis mutandis, of Section 27 of the Austrian Employees Act (AngG).

The withdrawal of confidence by the General Meeting without any such reason for dismissal therefore does not entitle the company to prematurely terminate the employment contract. In such case, the employment contract shall be dissolved by mutual agreement at the end of the next half

year. If an Executive Board member steps down, this shall also be deemed to be notice of termination of the employment contract as of the same effective date.

7.2 Consequences of termination

7.2.1 (Voluntary) termination and severance pay

In the case of Executive Board members who are entitled to severance pay within in the meaning of Section 23 AngG – on either statutory or contractual grounds (see subsection 4.4 above) – the severance pay shall be due and payable on the day on which the employment contract ends.

However, there is no entitlement to such payments if the appointment of the Executive Board member is terminated as a result of gross breach of duty pursuant to Section 75 (4) AktG) and the employment contract is terminated prematurely in application, mutatis mutandis, of Section 27 AngG, or if the Executive Board member resigns without good cause or without the agreement of the Supervisory Board. If the appointment of an Executive Board member is not renewed by the Supervisory Board, without good cause within the meaning of Section 75 (4) AktG, the Executive Board member is entitled to an agreed severance payment, which may not, however, exceed 50% of the member's (gross) annual base salary. If an employment contract is dissolved by mutual agreement as a result of the withdrawal of confidence by the General Meeting, the Executive Board member concerned shall receive the further remuneration to which he/she is entitled for the original term of the contract as a severance payment, but at most two years' total remuneration.

7.2.2. Long-Term Incentive Plan

If an employment contract ends during the performance period of an LTIP agreed with the Executive Board member concerned, the LTIP also ends with immediate effect.

If the company terminates the employment contract for good cause within the meaning of Section 27 AngG or if the Executive Board member resigns from the company's Executive Board without good cause, the Executive Board member shall not be entitled to any shares under the LTIP. If the Executive Board member leaves the company's Executive Board before the end of the performance period for the LTIP due to premature termination of the contract with the Executive Board member by the company without good cause or if the Executive Board member leaves for good cause or due to retirement, he/she shall be entitled to the proportionate number of shares allocable under the LTIP insofar as the targets were achieved by the leaving date. This shall also apply if the Executive Board member leaves the company's Executive Board before the vesting date because the term of office ends and the Supervisory Board does not resolve on reappointment of the member without the member having given good cause therefor. If the employment contract ends as a result of the death or permanent incapacity of the Executive Board member, the share-based payment under an LTIP that was not yet due will be calculated as at the date of death or date of permanent incapacity to work and disbursed in cash; the amount shall be based on the actual target achievement as at the date of death or the date of commencement of the permanent incapacity to work. If the employment contract of an Executive Board member is dissolved by mutual agreement, an agreement on the current LTIP shall be made.

7.2.3 Social security and pension contributions

For information on any social security and pension contributions, please refer to subsection 4.3.

8. Procedure for the remuneration policy

This remuneration policy was drafted by the Committee for Executive Board Issues in its role as remuneration committee and adopted by the Supervisory Board of Frequentis AG in its resolution of 27 March 2020. The remuneration policy will be submitted to the vote at the 13th Annual General Meeting of Frequentis AG. In accordance with Section 78b (1) AktG, the remuneration policy must be submitted to the General Meeting for a vote every fourth financial year.

At least every fourth financial year, the Committee for Executive Board Issues shall therefore review the remuneration policy – if necessary, in consultation with internal and external experts – and assess whether a revision is necessary. The Committee for Executive Board Issues shall then make a recommendation to the Supervisory Board. The same applies for every significant change in the remuneration policy before this time. The Supervisory Board shall then adopt a resolution on the remuneration policy and make a corresponding proposal for a resolution by the General Meeting.

If a member of the Committee for Executive Board Issues and/or a member of the Supervisory Board of Frequentis AG has a conflict of interest with regard to the remuneration of the Executive Board, the member shall proactively report this conflict of interest and shall abstain from voting.

9. Temporary deviation from the remuneration policy

Deviation from this remuneration policy to the benefit of an Executive Board member is only possible in exceptional circumstances and only on a temporary basis. Such deviation may only relate to subsections 4.1, 5 and 7. Exceptional circumstances are defined exclusively as situations where deviation from the remuneration policy is necessary for the long-term development of the company or to ensure its profitability.

Any member of the Executive Board or Supervisory Board may apply for a deviation, which requires a resolution of approval by the Supervisory Board. This resolution shall set out whether exceptional circumstances apply and whether, and for how long and in what form deviation from this remuneration policy is necessary for the long-term development of the company or to ensure its profitability. Any deviation from this remuneration policy, including an explanation of the exceptional circumstances and the duration of such deviation, must then be outlined in the next remuneration report.

10. Significant changes to the remuneration policy

Since this is the first resolution on the present remuneration policy, information on this is not required.