

# **Compensation System 2024+ for Management Board members of Fresenius Medical Care AG**

Illustrative Summary

# Compensation System 2024+

## Introduction

- The Supervisory Board of Fresenius Medical Care AG resolved a **new Compensation System 2024+** for the members of the Management Board.
- The Compensation System 2024+ is submitted to the company's 2024 Annual General Meeting for approval under item 9 of the agenda. An overview on the Compensation System 2024+ is provided in this presentation for illustrative purposes.
- The new compensation system for Management Board members of Fresenius Medical Care AG builds on and holistically refines the Compensation System 2020+, which has been approved by the company's Annual General Meeting on August 27, 2020, with a majority of >95% of votes cast. The Compensation System 2024+ was designed to:
  - align with Fresenius Medical Care's new business model that is based on global operating segments,
  - effectively support the company's strategy and incentivize for achieving sustainable and profitable growth,
  - reflect evolved shareholder feedback and stakeholder interests, and
  - ensure market competitiveness and appropriate pay for performance.
- The Supervisory Board of Fresenius Medical Care AG is convinced that the changes to the compensation system for Management Board members will significantly contribute to Fresenius Medical Care's long-term strategy with due consideration of the regulatory framework and is even more in line with the interests of the company's shareholders.
- For further details please see the Compensation System 2024+ that is included in the invitation to the 2024 Annual General Meeting.

# Compensation System 2024+

## Guiding Principles



### Promote Strategy

The Compensation System 2024+ promotes the execution of Fresenius Medical Care's global strategy.



### Alignment with Shareholders' Interests

With its aim of achieving sustainable and profitable business growth while taking into account an attractive total return for shareholders, the Compensation System 2024+ is geared to increasing long-term value for shareholders. Feedback from numerous capital market participants has been considered in the design of the system and the link to the development of enterprise value has been strengthened.



### Simple Structure

The Compensation System 2024+ is easy to understand and has a simple structure.



### Long-Term Focus

The compensation components and the long-term oriented compensation structure promote long-term and sustainable value creation.



### Linked to Performance

The Compensation System 2024+ is significantly oriented to the company's performance due to its high proportion of variable compensation.



### Reward Financial Performance & Sustainability

The performance targets reflect the company's business strategy and strengthen its commitment to a responsible corporate culture and the strategic targets in the field of sustainability.



### Collaboration across Operating Segments

Performance targets at the group level and also at the operating segments level are applied for the Management Board members. By measuring performance at the group level, close collaboration across the company's operating segments is promoted.



### Good Corporate Governance

The Compensation System 2024+ is designed to comply with the recommendations set forth in the version of the German Corporate Governance Code dated April 28, 2022.



### Market Practice

The design of the Compensation System 2024+ is oriented toward current market practice.

# Compensation System 2024+ Essential Changes Compared to the Compensation System 2020+

## Share Ownership Guidelines



More stringent Share Ownership Guidelines in addition to the already existing shareholding requirements.

### Rationale:

Tie Management Board compensation even more closely to shareholder interests and reinforce sustainable value creation.

## Sustainability



New long-term Sustainability target aligned to our long-term vision, complementing the existing short-term Sustainability targets.

### Rationale:

Strong commitment to creating sustainable growth and positive impact for patients, employees and further stakeholders.



## Segment Performance Targets



New Care Delivery and Care Enablement specific targets under the short-term incentive in addition to group level performance targets.

### Rationale:

Incentivize based on individual responsibilities while fostering global collaboration.

## Pension



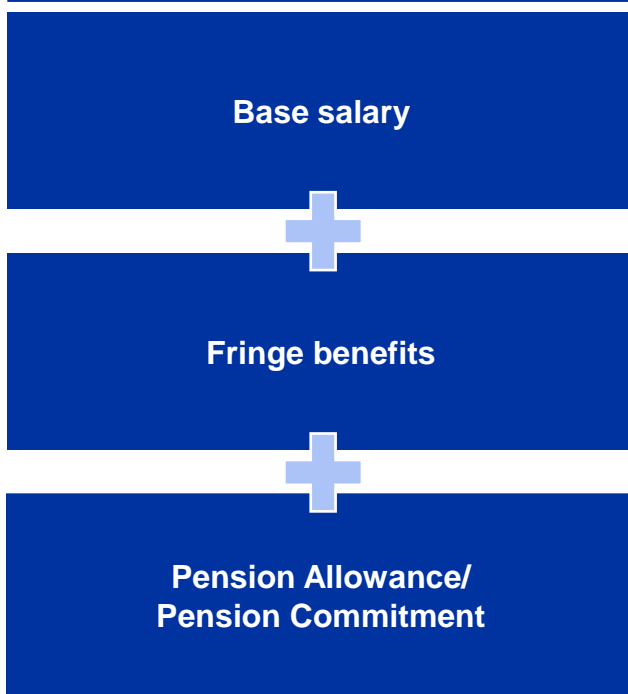
Generally, cash pension allowance for privately managed pension investments.

### Rationale:

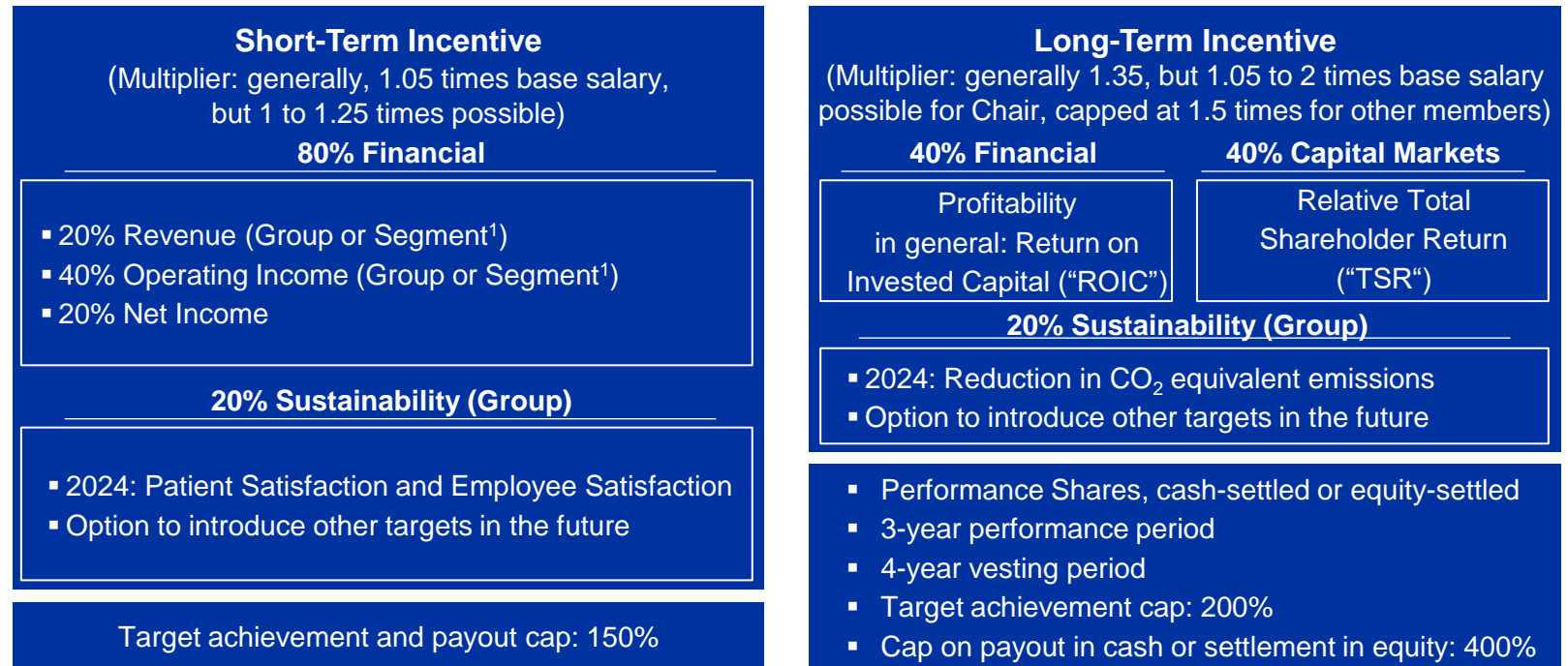
Simplify pension structure while offering market-aligned pension provision.

# Compensation System 2024+ Overview

## Fixed Components



## Variable Components



## Maximum Compensation Amount

Maximum compensation levels for Chair (12m€), CEO Care Delivery (9.5m€), other current MB<sup>2</sup> functions (7m€) and potential future MB functions (5-7m€)

## Further Design Elements

### Share Ownership Guidelines

- 1.5 times base salary (Chair: 2 times)
- 4-year build-up period
- Holding period: Term + 2 years

### Malus and Clawback

provisions to forfeit or claim back variable compensation components in case of, e.g., misconduct or incorrect consolidated financial statements

### Severance Payment Cap

in line with recommendations of the German Corporate Governance Code

# Compensation System 2024+

## Overview on Key Changes (1/2)

Compensation System 2020+	Components	Compensation System 2024+
<ul style="list-style-type: none"> <li>▪ <b>Performance Criteria:</b> <ul style="list-style-type: none"> <li>▪ 20% Revenue<sup>1</sup></li> <li>▪ 20% Operating Income<sup>1</sup></li> <li>▪ 40% Net Income</li> <li>▪ 20% Sustainability</li> </ul> </li> <li>▪ <b>Performance Achievement (Cap):</b> 120%</li> <li>▪ <b>Payout (Cap):</b> 120% of target amount</li> </ul>	<p>Short-Term Incentive</p>	<ul style="list-style-type: none"> <li>▪ <b>Performance Criteria:</b> <ul style="list-style-type: none"> <li>▪ 20% Revenue<sup>2</sup></li> <li>▪ 40% Operating Income<sup>2</sup></li> <li>▪ 20% Net income</li> <li>▪ 20% Sustainability</li> </ul> </li> <li>▪ <b>Performance Achievement (Cap):</b> 150%</li> <li>▪ <b>Payout (Cap):</b> 150% of target amount</li> </ul>
<ul style="list-style-type: none"> <li>▪ <b>Performance Share Plan</b> with a performance and vesting period of three years plus one-year holding period</li> <li>▪ <b>Performance Criteria:</b> <ul style="list-style-type: none"> <li>▪ 1/3 growth in Revenue</li> <li>▪ 1/3 growth in Net Income</li> <li>▪ 1/3 ROIC</li> </ul> </li> <li>▪ <b>Performance Achievement (Cap):</b> 200%</li> <li>▪ <b>Settlement:</b> Payout in cash</li> <li>▪ <b>Payout (Cap):</b> 400% of allocation amount</li> </ul>	<p>Long-Term Incentive</p>	<ul style="list-style-type: none"> <li>▪ <b>Performance Share Plan</b> with a three-year performance period and a four-year vesting period</li> <li>▪ <b>Performance Criteria:</b> <ul style="list-style-type: none"> <li>▪ 40% Profitability (in general: ROIC)</li> <li>▪ 40% Relative TSR</li> <li>▪ 20% Sustainability</li> </ul> </li> <li>▪ <b>Performance Achievement (Cap):</b> 200%</li> <li>▪ <b>Settlement:</b> Payout in cash or settlement in shares</li> <li>▪ <b>Payout in Cash or Settlement in Shares (Cap):</b> 400% of allocation amount</li> </ul>

<sup>1</sup> Group/Region

<sup>2</sup> Group/Segment

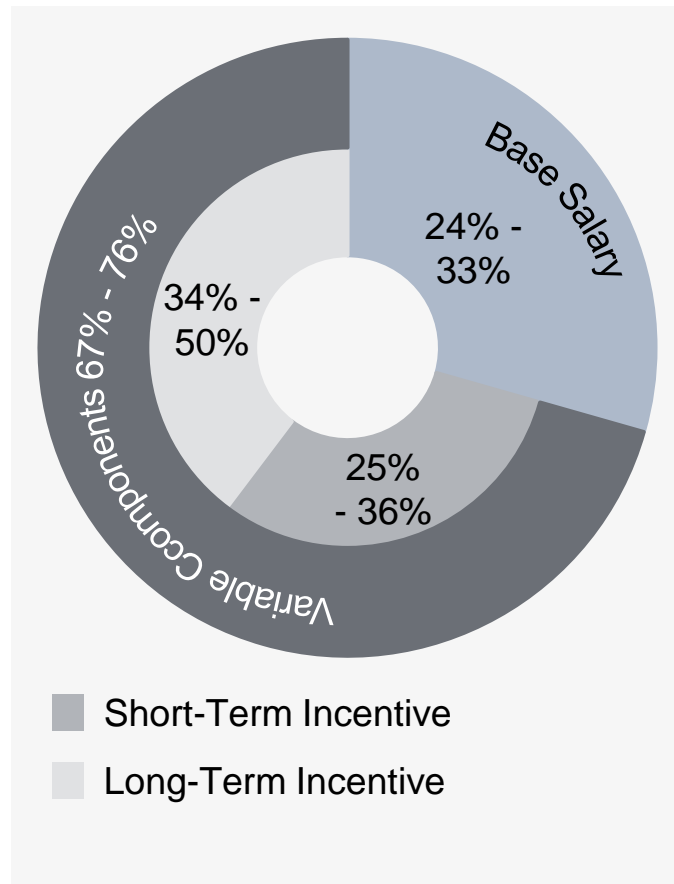
# Compensation System 2024+

## Overview on Key Changes (2/2)

Compensation System 2020+	Components	Compensation System 2024+
<ul style="list-style-type: none"> <li>▪ <b>Requirement to invest</b> in the company's shares under Long-Term Incentive</li> </ul>	Share Ownership Guidelines	<ul style="list-style-type: none"> <li>▪ <b>Value:</b> 200% / 150% (Chairperson/regular Management Board members) of annual base salary</li> <li>▪ <b>Build-Up Phase:</b> Four years</li> <li>▪ <b>Holding Period:</b> Until two years after service agreement expiry</li> </ul>
<ul style="list-style-type: none"> <li>▪ <b>Definition:</b> Defined contribution or defined benefit pension commitment, depending on date of appointment to the Management Board</li> <li>▪ <b>Value:</b> 40% of base salary</li> </ul>	Pension Provisions	<ul style="list-style-type: none"> <li>▪ <b>Definition:</b> Generally cash pension allowance for privately managed pension investments. For members already in office before January 1, 2024, generally defined contribution or defined benefit pension commitment, depending on date of entry; alternatively, termination of defined contribution pension commitment and granting of cash pension allowance</li> <li>▪ <b>Value:</b> 40% of base salary</li> </ul>
<ul style="list-style-type: none"> <li>▪ <b>Horizontal Comparison:</b> DAX companies and U.S. companies from a similar sector and of a similar size</li> <li>▪ <b>Vertical Comparison:</b> Upper management level in Germany ("Vice President" or higher), staff in Germany and global staff</li> </ul>	Comparison Groups	<ul style="list-style-type: none"> <li>▪ <b>Horizontal Comparison:</b> Companies in most relevant German benchmark index in which the company is listed at the time (currently MDAX) and international companies from a similar sector and of a similar size</li> <li>▪ <b>Vertical Comparison:</b> Upper management level worldwide based on internal Job Leveling Guidelines and global staff</li> </ul>

# Compensation System 2024+

## Target Total Direct Compensation Structure



- **Variable compensation components are mainly granted on a long-term basis;** the allocation amount under the long-term incentive exceeds the target short-term incentive amount for each fiscal year.
- **Around 67% – 76% the Target Total Direct Compensation is comprised of performance-based variable compensation components.**
- The share of approximately **34% – 50% of the long-term incentive of the Target Total Direct Compensation reflects the long-term orientation** of the compensation structure that promotes long-term and sustainable value creation.
- For example, based on the **general multipliers** of 1.05 for the short-term incentive and 1.35 for the long-term incentive, approximately 29% of the Target Total Direct Compensation consists of the base salary, approximately 31% of the short-term incentive and approximately 40% of the long-term incentive.
- The specific relative share of the Target Total Direct Compensation for a fiscal year depends on the function of the Management Board member and on the relevant multipliers determined by the Supervisory Board for the target and allocation amounts of the variable compensation components.



# Compensation System 2024+

## Fixed Compensation Components

### Base salary

- **Individually agreed based on the service agreements** and paid in accordance with local customs, e.g., for Management Board members located in the U.S., the base salary is typically paid in bi-weekly installments.

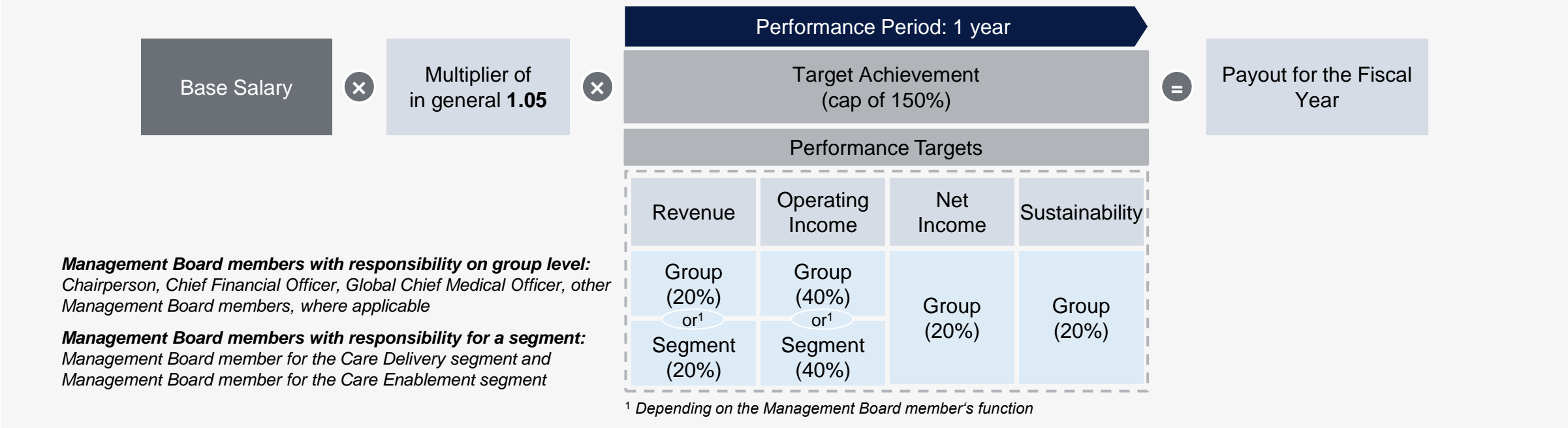
### Fringe benefits

- **Individually granted based on the service agreements and can be of one-time or recurring nature.**
- Can include the private use of company cars or payment of a car allowance, payments for school fees, housing, rent and relocation, reimbursement of fees for the preparation of income tax returns, reimbursement of charges, allowances for accident, life, pension, health and care insurance, other insurance benefits as well as tax equalization compensation.
- **Maximum amount for fringe benefits for each fiscal year and for each Management Board member is determined via the maximum compensation.**

### Pension Allowance / Commitment

- As pension commitment, **a cash pension allowance of 40% of a Management Board member's base salary may be granted.**
- For Management Board members in the office before January 1, 2024, generally a defined contribution or defined benefit pension has been or may be granted (depending on the date of entry). To the extent legally permissible, Management Board members with a defined contribution pension commitment may generally switch to a cash pension allowance instead with retroactive effect.

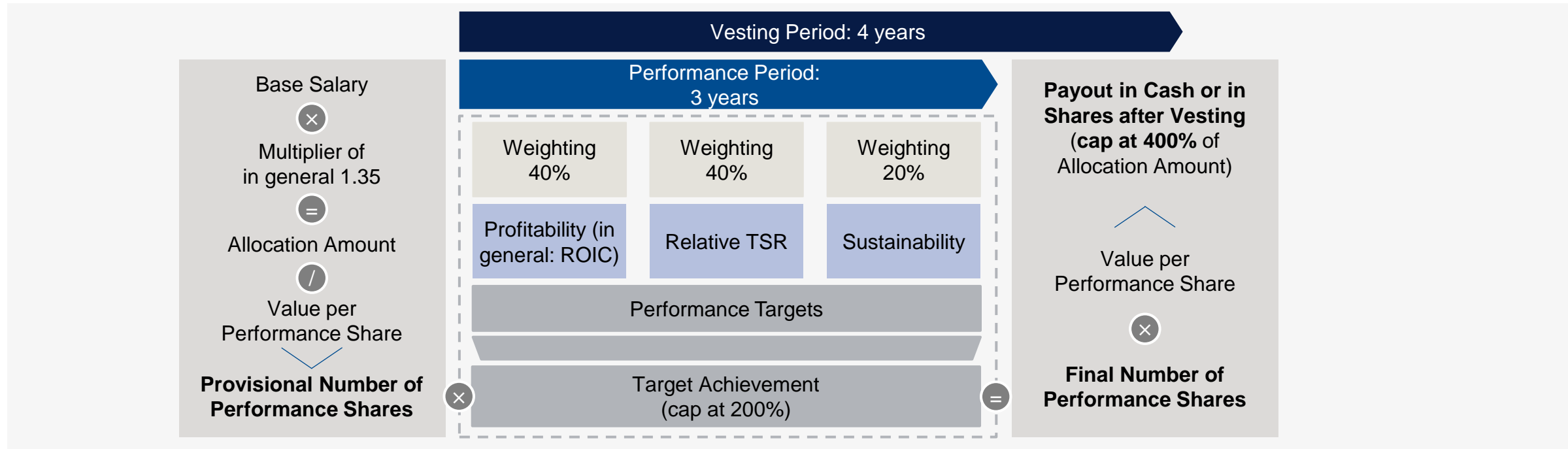
# Compensation System 2024+ Short-Term Incentive



- **Target bonus:** generally 105% of the base salary (multiplier of 1.05), but 100% to 125% times possible (multiplier of 100% to 125%).
- **Performance targets:** reflect key operating figures of Fresenius Medical Care and support the company's strategy of achieving sustainable and profitable growth as well as the company's strong commitment to a responsible corporate culture.
- **Target setting for financial performance targets:** annually; by setting the targets, the market and competitive environment, medium-term planning and the strategic growth targets are considered.
- **Target setting for sustainability target:** annually; specific and measurable values, including the metrics and the respective methods used to determine the target values and target achievement, are determined.

# Compensation System 2024+

## Long-Term Incentive

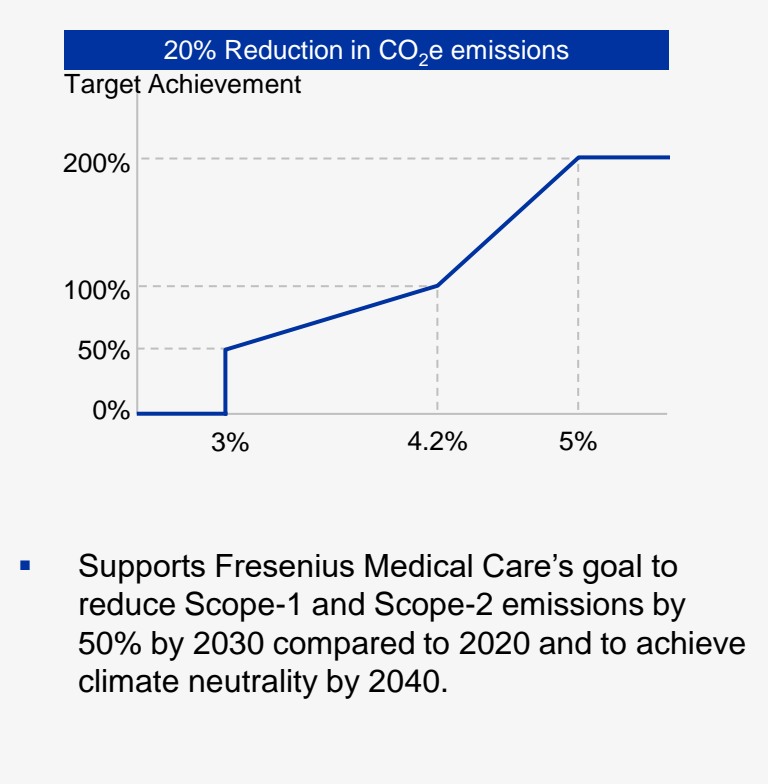
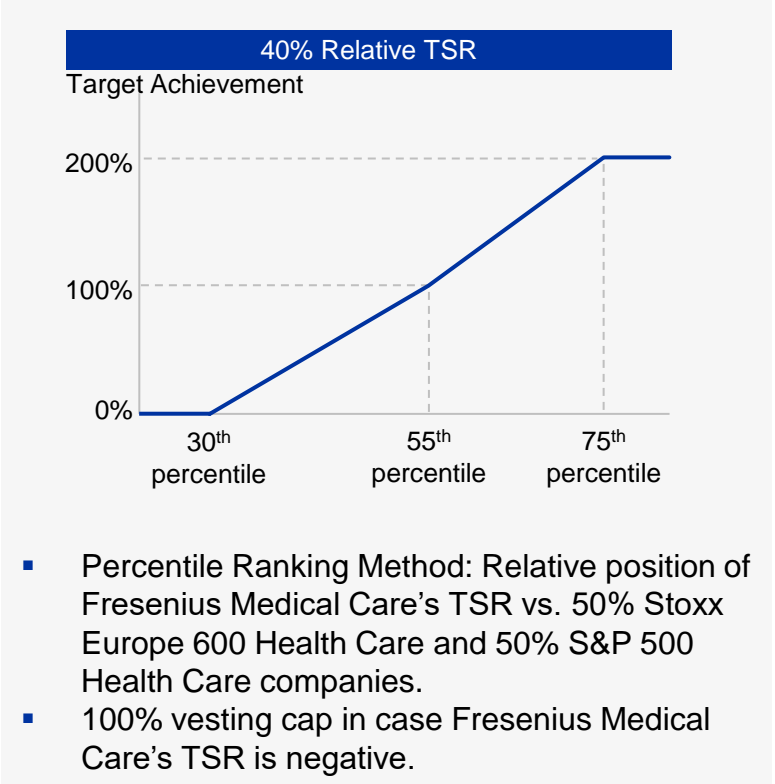
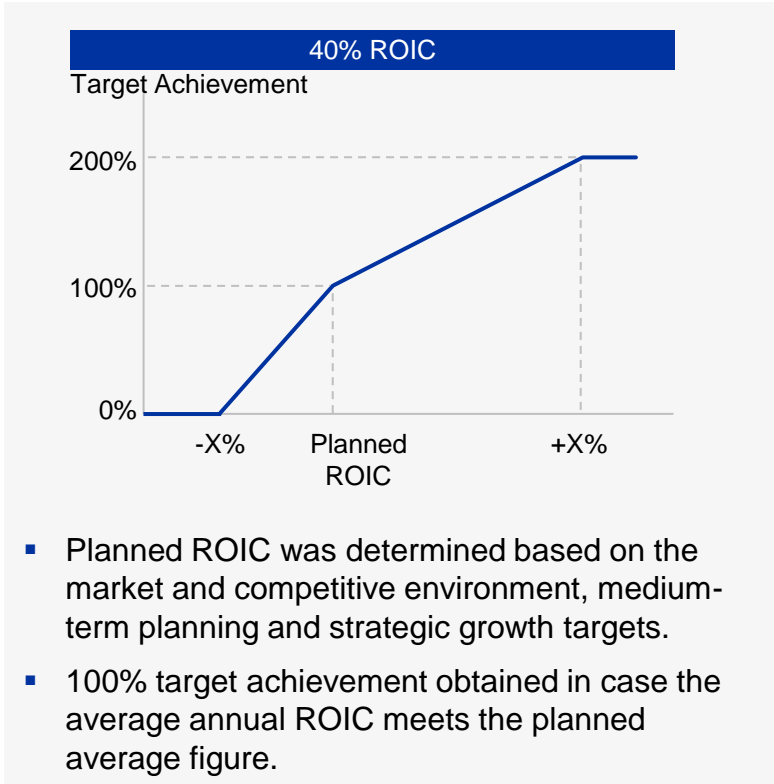


- **Allocation Amounts:** generally 135% of the base salary (multiplier of 1.35), but 105% to 150% (multiplier of 1.05 to 1.5 ) is possible. For the Chair of the Management Board, 105% to 200% of the base salary (multiplier of 1.05 to 2) is possible.
- **Performance shares:** virtual compensation instruments, either cash or equity settled.
- **Performance targets:** reflect the company's strategic priorities of increasing the business activities and at the same time ensuring a certain level of return of the company's investments under consideration of the company's commitment to a responsible corporate culture.
- **Caps:** target achievement cap for performance targets of 200%, and overall cap for payout in cash or settlement in shares of 400% based on the allocation amount.

# Compensation System 2024+

## Long-Term Incentive – Performance Targets Applicable for the 2024 Allocation

- For the **2024 allocation** under the long-term incentive, the following performance targets apply and will be measured throughout the 3-year performance period:



- Further details on performance targets and their target achievement will be published ex-post in the relevant compensation report.

# Compensation System 2024+ Share Ownership Guidelines

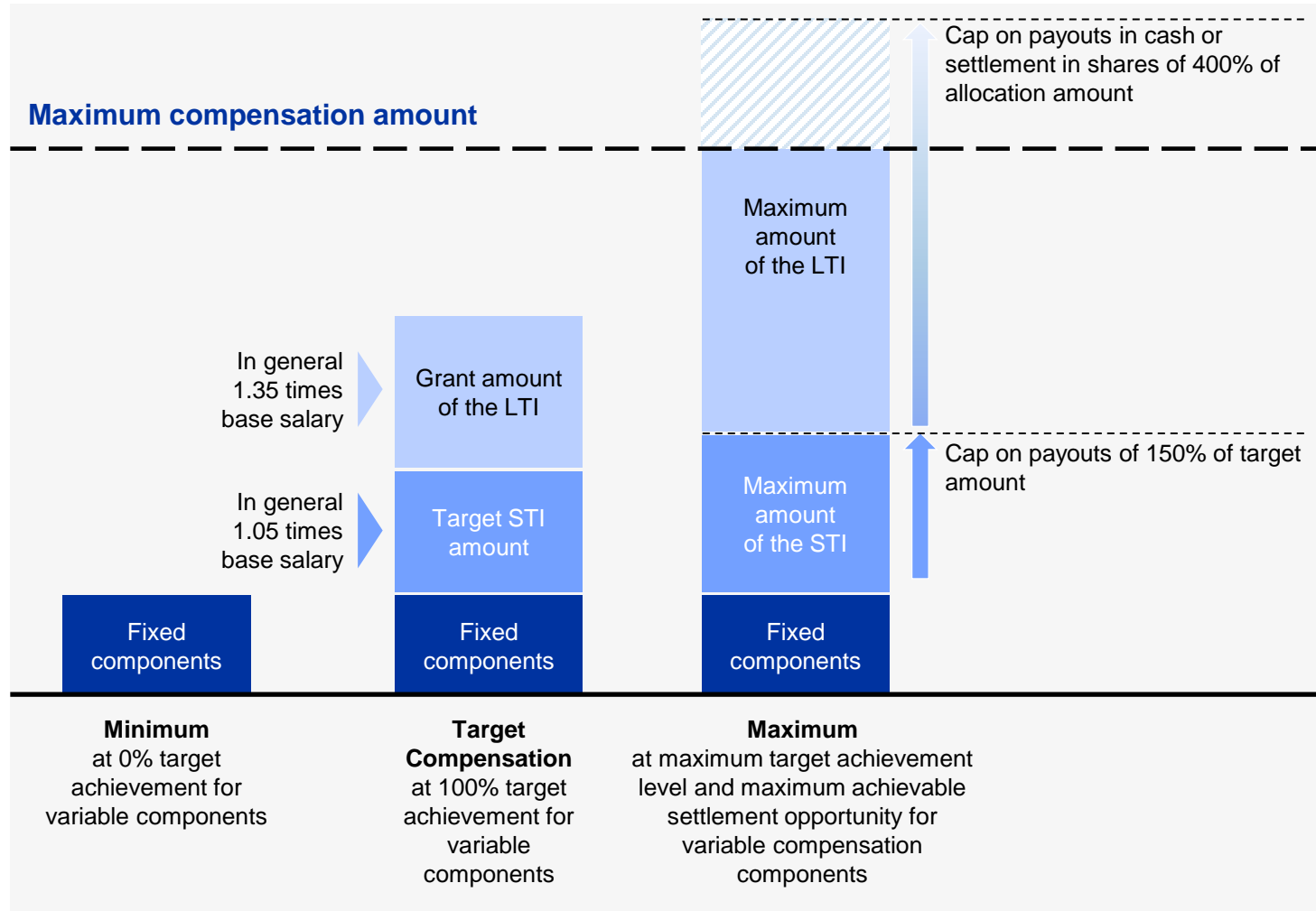
- Introduction of more stringent Share Ownership Guidelines as of January 1, 2024, to even more closely tie Management Board compensation to shareholder interests:



Please note that the shareholding requirements as applicable under the Compensation System 2020+ long-term incentive component remain in place.

# Compensation System 2024+

## Maximum Compensation



- Maximum compensation amounts are **defined based on the currency of the base salary**:
  - Chair**  
EUR 12,000,000 or USD 12,975,240
  - CEO Care Delivery**  
EUR 9,500,000 or USD 10,272,065
  - Other current Management Board functions**  
EUR 7,000,000 or USD 7,568,890
  - New Management Board functions**  
EUR 5,000,000 to EUR 7,000,000 or USD 5,406,350 to USD 7,568,890
- Cap of all compensation components granted for a respective fiscal year**, irrespective of the date of payout via the maximum compensation amount.
- Maximum Compensation amount for each Management Board member can be lower than the sum of the potentially achievable payouts** from the individual compensation components determined or allocated for a fiscal year.
- In case maximum compensation amount would otherwise be exceeded, the **proceeds of the Long-Term Incentive are reduced accordingly**.

# Compensation System 2024+

## Additional Key Design Elements

### Malus and clawback

The Supervisory Board is entitled to **withhold (malus) or reclaim (claw back) variable compensation components** in the event of **material breaches of internal company guidelines** or **statutory or contractual duties** and in the event of **incorrect consolidated annual financial statements** (including material breaches of financial reporting requirements under U.S. federal securities laws), considering the characteristics of the individual case. Within this framework the Supervisory Board ensures that contractual provisions are in place determining detailed requirements applying to withholding or reclaiming variable compensation components and setting forth the consequences thereof, including **the forfeiture, in full or in part, of all or some variable compensation components.**

### Severance payment cap

Payments in connection with an early termination of a Management Board appointment may **not exceed the value of two (2) years' compensation and may not compensate more than the remaining term of the relevant service agreement.** For the calculation of the relevant annual compensation, **only non-performance-based compensation components may be applied.** **If there is good cause for the termination of the service agreement, no severance payments are made.**



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Management Board members of  
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