

# THE MANAGEMENT BOARD COMPENSATION SYSTEM 2020+

## ILLUSTRATIVE SUMMARY



# ■ COMPENSATION SYSTEM 2020+

## INTRODUCTION

- The Supervisory Board attaches great importance to good corporate governance – also in the area of the compensation of the Management Board.
- Therefore, the Management Board compensation system has been comprehensively revised based on:
  - intensive discussions with external stakeholders,
  - the statutory changes resulting from the Second EU Shareholders' Rights Directive, and
  - the latest revision of the German Corporate Governance Code.
- The Supervisory Board is convinced that the changes to the compensation system will significantly contribute to further incentivize bringing the long-term strategic business orientation with due consideration of the amended regulatory framework even more in line with the further evolved interests of the Company's shareholders.
- The revised compensation system for the members of the Management Board
- An overview on the Compensation System 2020+ is provided in this presentation for illustrative purposes – for further details please see the solely governing Invitation to the Annual General Meeting that has been published in the German Federal Gazette (*Bundesanzeiger*).

# ■ COMPENSATION SYSTEM 2020+

## GUIDING PRINCIPLES

### Link to strategy

The Compensation System 2020+ for the Management Board members **promotes the execution of Fresenius Medical Care's global strategy.**

### Alignment with shareholders' interests

With the aim of achieving sustainable and profitable growth, the Compensation System 2020+ is **aligned with shareholders' interests. Feedback from many investors has been considered** in the design of the system.

### Simplified structure

The Compensation System 2020+ is **more comprehensible and less complex.**

### Long-term focus

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

### Reward financial performance & sustainability

The applied **performance targets reflect the Company's strategy** and ensure the Company's **strong commitment towards environmental, social and governance aspects.**

### Collaboration across operating segments

Both regional and global performance targets are applied for the members of the Management Board. By measuring predominantly on a global basis, **a close collaboration across the Company's operating segments is promoted.**

### Good corporate governance

The Compensation System 2020+ is **designed to comply with the recommendations set forth in the German Corporate Governance Code** in the version dated 16 December 2019.

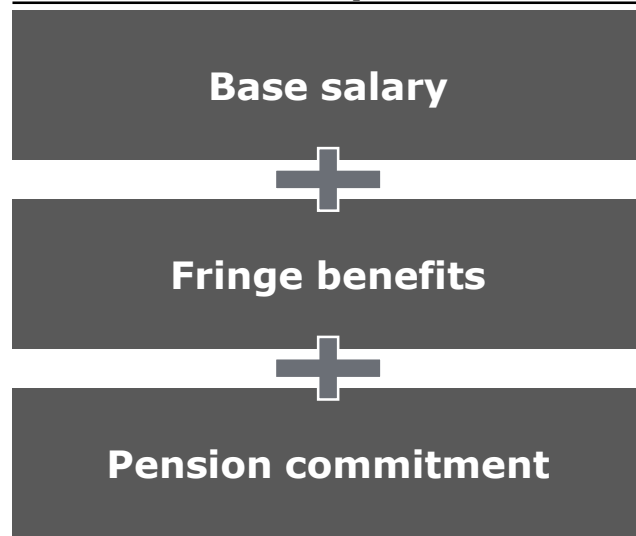
### Best market practice

The design of the Compensation System 2020+ is **based on current best market practice.**

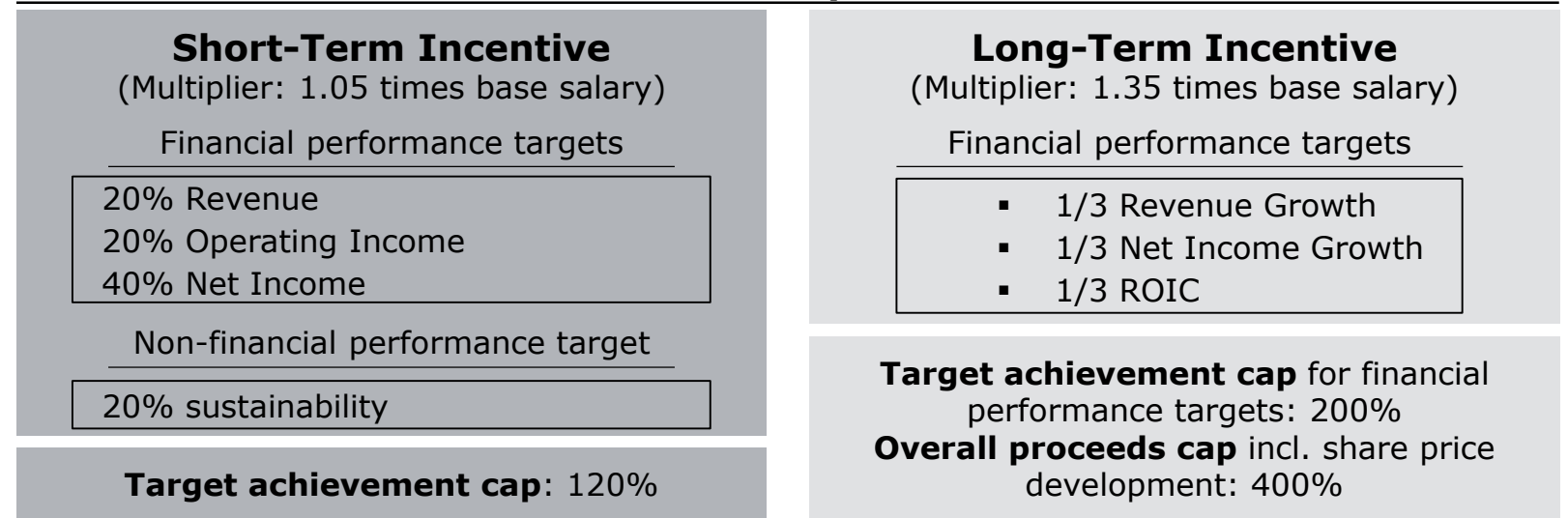
# ■ COMPENSATION SYSTEM 2020+

## COMPENSATION COMPONENTS & FURTHER DESIGN ELEMENTS

### Fixed components



### Variable components



### Maximum compensation amount

Maximum compensation for each Management Board member (depending on the function)

### Further design elements

Share ownership

Malus and clawback

Severance payment cap

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## FIXED COMPONENTS

### Base salary

Usually agreed for a full year and **paid in accordance with local customs**, i.e. for Management Board members located in the U.S., the base salary is typically paid in twenty-four (24) bi-weekly installments

### Fringe benefits

- **Granted based on the service agreements and can be of one-time or recurring nature**
- Includes the private use of company cars, special payments such as school fees, housing, rent and relocation payments, reimbursement of fees for the preparation of tax returns, reimbursement of charges, contributions to pension schemes, accident, life and health insurance or
- **Maximum amount for fringe benefits for each fiscal year and for each Management Board member is determined via the maximum compensation**

### Pension commitment

- Pension commitments **provide for pension and survivor benefits as of the time of conclusively ending active work or in case of full or partial reduction in earning capacity**
- Management Board members appointed to the Management Board prior to 1 January 2019 may be granted a contractual pension commitment in the form of a defined benefit scheme
- Management Board members that have been or will be appointed to the Management Board on or after 1 January 2019 may be granted a defined contribution pension commitment

# COMPENSATION SYSTEM 2020+ SHORT-TERM INCENTIVE



Performance targets			
Revenue	Operating Income	Net Income	Sustainability
Global (20% each target)		Global (40%)	Global (20%)
Regional (20% each target)			

\* Depending on the Management Board member's function

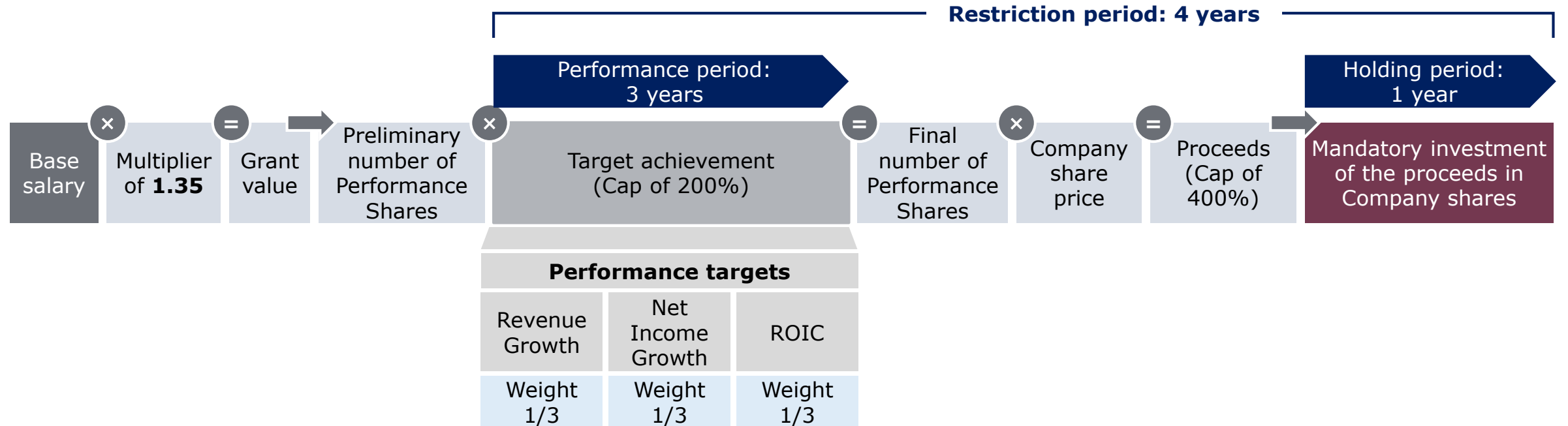
**Global function:** CEO, CFO, Global Chief Medical Officer, CEO Global Manufacturing, Quality and Supply and CEO Global Research and Development

**Regional function:** CEO North America, CEO Europe, Middle East and Africa, and CEO Asia-Pacific

- **Target bonus:** 1.05 times base salary (multiplier)
- **Performance targets:** reflect key operating figures of the Company and support the Company's strategy of achieving sustainable and profitable growth and the commitment of the Company to implement its global sustainability program
- **Target setting for financial performance targets:** annually; by setting the target values the market and competitive environment, the budget and the strategic growth targets are considered
- **Target setting for sustainability target:** in 2019, as part of the Company's global sustainability program, the target values and the methodology on how to measure the respective target achievement for 2020 to 2022 were determined

# COMPENSATION SYSTEM 2020+

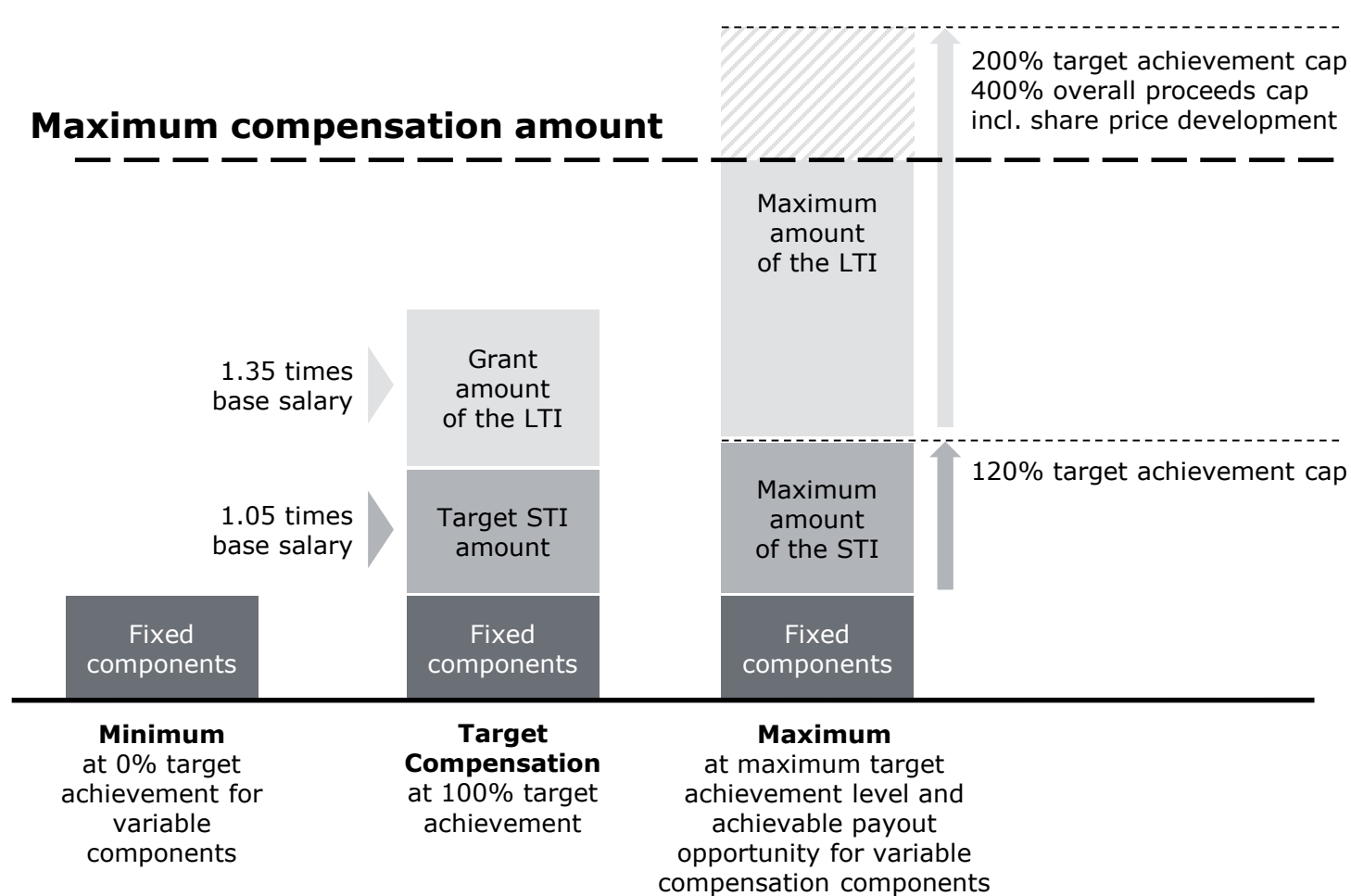
## LONG-TERM INCENTIVE



- **Target Amounts:** 1.35 times base salary (multiplier)
- **Performance shares:** non-equity, cash-settled virtual compensation instruments
- **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
- **Restriction period:** cash proceeds after 3-years plus 1-year mandatory holding via investment into FME shares
- **Cap:** target achievement cap for financial performance targets of 200% and overall proceeds cap incl. share price development of 400%

# COMPENSATION SYSTEM 2020+

## CAPS AND MAXIMUM COMPENSATION



- Maximum compensation amounts are **defined based on the currency of the base salary**:
  - CEO**  
EUR 12,000,000 or USD 13,433,640
  - CEO North America**  
EUR 9,500,000 or USD 10,634,965 for
  - Other current Management Board functions**  
EUR 7,000,000 or USD 7,836,290
  - New Management Board functions**  
EUR 5,000,000 to EUR 7,000,000 or USD 5,597,350 to USD 7,836,290
- Cap of all compensation components granted during a respective fiscal year, irrespective of the date of payout via the maximum compensation amount**
- Maximum compensation amount can be below the sum of the potentially achievable payouts and allocations** from the individual compensation components granted for a fiscal year
- In case maximum compensation amount is exceeded, the **proceeds of the Long-Term Incentive are reduced accordingly**



# ■ COMPENSATION SYSTEM 2020+

## FURTHER DESIGN ELEMENTS

### Share ownership

Share ownership is part of the Compensation System 2020+ in order to **further strengthen the alignment of the Management Board members with the interests of the Company's shareholders**. Such share ownership is provided via a **mandatory investment in Company shares** as part of the Long-Term Incentive. The Supervisory Board can introduce additional share ownership requirements under the Compensation System 2020+ in the future.

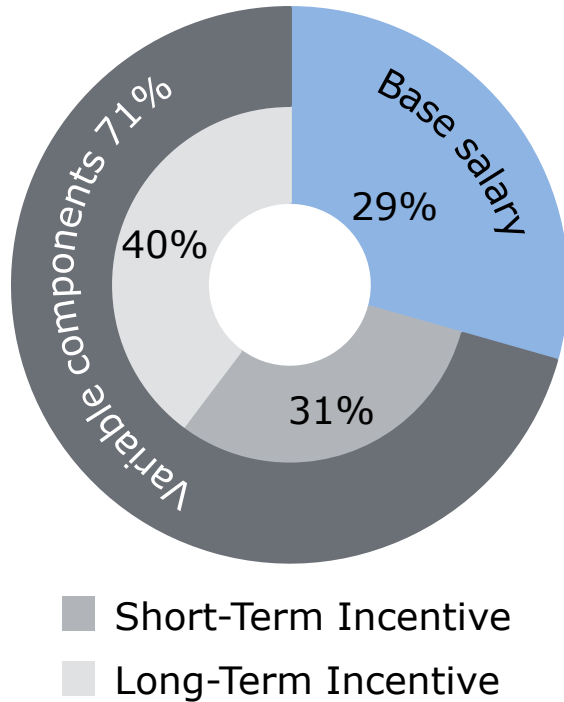
### Malus and clawback

The Supervisory Board is entitled to **withhold or reclaim variable compensation components in cases of conduct or behavior of a member of the Management Board not complying with its duties or internal Company guidelines**, 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**.

## ■ COMPENSATION SYSTEM 2020+ TOTAL DIRECT COMPENSATION STRUCTURE



- **The long-term oriented compensation structure promotes long-term and sustainable value creation**
- **Variable compensation components are mainly granted on a long-term basis**; the grant amount under the Long-Term Incentive exceeds the target Short-Term Incentive amount for each fiscal year
- **71 % of the Target Total Direct Compensation is comprised of performance-based variable compensation components** with a **40 % share of the Long-Term Incentive** (56 % of the variable components) reflecting the long-term orientation of the compensation structure