

## **Remuneration Policy 2020 – 2024 for the Managing Board of Wienerberger AG**

### **Introduction**

This document sets forth the Remuneration Policy for the Managing Board of Wienerberger AG (“Wienerberger” or the “Company”) and is hereafter referred to as the “Remuneration Policy” or “Policy”. The Policy was elaborated by Wienerberger’s Supervisory Board in the context of its sole responsibility under the Austrian Stock Corporation Act (*Aktiengesetz – AktG*) for resolving on the remuneration of the Managing Board.

It defines and summarizes the principles that apply in determining the remuneration for the Managing Board, the structure and the various components of remuneration, the preconditions as well as any target parameters defined for entitlement to these components. Moreover, it determines their share in relation to overall compensation and any non-financial benefits that may be granted to Managing Board members. Finally, this document describes the procedures observed in drafting the Policy, and those to be observed in reviewing and amending it.

The Remuneration Policy will be submitted to a non-binding shareholders’ vote at the Company’s 151<sup>st</sup> Annual General Meeting in May 2020 according to the requirements of the Austrian Stock Corporation Act. It shall apply as of its approval and shall be valid until the 155<sup>th</sup> Annual General Meeting in 2024, unless the Supervisory Board seeks shareholder approval for a revised or amended policy at an earlier date. The Policy shall thus serve as a framework for the Supervisory Board and its Remuneration Committee to shape Managing Board remuneration.

This document will be made available to Wienerberger’s shareholders on the Company’s website ([www.wienerberger.com](http://www.wienerberger.com)) as of the date the 151<sup>st</sup> Annual General Meeting (in May 2020) is convened. It contains the following sections:

- I. Preparation of Wienerberger’s Remuneration Policy
- II. Guiding Principles of Wienerberger’s Remuneration Policy
- III. Remuneration of Managing Board Members
- IV. Notes to the Remuneration Policy

## **I. Preparation of Wienerberger's Remuneration Policy**

As stipulated by the Austrian Stock Corporation Act, the Company's Supervisory Board is responsible for drawing up a policy for Managing Board remuneration. The Supervisory Board delegated the preparatory drafting of the Remuneration Policy to its Remuneration Committee.

In drafting the Remuneration Policy, the Remuneration Committee made every effort to create a transparent and comprehensible system based on incentivizing sustainable value creation in line with shareholders' interests and the realization of key corporate targets. The Remuneration Committee was advised by Mercer Germany in the design of certain aspects of Managing Board remuneration and in the drafting of this Remuneration Policy.

The Remuneration Committee's objective was to provide the Supervisory Board with a well-founded proposal for resolution that is appropriate by all relevant national and international standards, taking into account the specific goals and measures set out by the Company in its Group Strategy and Sustainability Roadmap (as disclosed on the Company's website).

In defining this Remuneration Policy, the Supervisory Board engaged with a number of the Company's largest shareholders and with proxy advisors to collect their feedback and further align the remuneration principles with market expectations and shareholders' interests.

Based upon the proposal submitted by the Remuneration Committee, the Supervisory Board approved this Remuneration Policy in its meeting of March 27, 2020.

## **II. Guiding Principles of Wienerberger's Remuneration Policy**

The following general principles apply to the design of remuneration for the Company's Managing Board members:

- The remuneration must foster an alignment of the members' behavior and performance with the interests and expectations of the Company's stakeholders, in particular those of shareholders and investors;
- The remuneration must be in line with and support the Company's and the Group's short- and long-term strategic objectives;
- The remuneration must be in line with and reflect each member's responsibility and performance;

- The ratio between different components (if any) of the remuneration must be meaningfully determined and reasonably balanced;
- The remuneration must be comparable on a global level to the Company's peers in the industry;
- The remuneration must be transparent and easily comprehensible;
- The remuneration must be competitive in order to attract, motivate and retain members with the experience and knowledge required to enable the Company to compete effectively within its industry;
- The remuneration must be in line with recognized national and international standards of good corporate governance, including the provisions of the Austrian Stock Corporation Act and the Austrian Code of Corporate Governance.

### **III. Remuneration of Managing Board Members**

#### **III.1. Fixed Remuneration**

Members of the Company's Managing Board are each entitled to fixed annual remuneration. In accordance with the guiding principles outlined under Sec. II. above, the fixed remuneration component reflects the tasks and responsibilities undertaken by each Managing Board member in line with the Board's existing allocation of duties. This results in different salaries corresponding to the individual board members' strategic and operational responsibilities.

Following common practice in Austria, fixed remuneration is divided into fourteen installments and paid at the end of each month. Fixed remuneration may be adjusted once a year in accordance with changes in macro-economic parameters such as consumer price indices commonly in use in Austria.

In application of these principles, the Managing Board's current remuneration is set at the amounts outlined under Sec. III.1. of Annex A hereto.

The fixed remuneration component for members of the Managing Board potentially joining the Company after approval of this Remuneration Policy shall be defined within the boundaries set by the CEO's fixed remuneration.

These amounts are trusted to be relevant and consistent with the Company's aforementioned principles and with respective Board members responsibilities. Repeated benchmark studies against Wienerberger's peers from within its industry were performed over the last years and have shown that the fixed base

salary for all members of Wienerberger's Managing Board is in line with market practice. In comparison with its peers, the overall Managing Board remuneration structure at Wienerberger puts slightly less weight on the fixed remuneration component and rather emphasizes the long-term component.

## **III.2. Variable Remuneration**

The variable remuneration components are designed to create an adequate incentive scheme for achieving substantial strategic goals and sustainable value creation in line with shareholders' interests. Particular attention is hence paid to ensuring the greatest possible target congruence between shareholders' and

stakeholders' interests/expectations and Managing Board remuneration. Variable remuneration is linked to the aim of sustainably increasing shareholder value and therefore consists of a short-term and a long-term variable component.

The overall incentive structure is mostly weighted towards the long-term as nearly half of the potential remuneration on a yearly basis is granted under the LTI. Depending on the valuation of the Performance Share Units (see Sec. III.2.b. below) at the vesting date, the relative share of the variable award may represent more than 50% of the annual remuneration package. The Supervisory Board believes this structure provides long-term alignment between the Managing Board and shareholders.


The remuneration model developed by the Supervisory Board provides a high degree of transparency by linking targets to clearly defined indicators of earnings, value creation and sustainable development. The performance targets are defined by the Supervisory Board based on a proposal elaborated by the Remuneration Committee at the end of the prior year on the basis of all information available at that time.

In addition, the incentive structure is reviewed each year by the Remuneration Committee with regard to its effectiveness in promoting the sustainable improvement of shareholder value.

### **a.) Short-Term Variable Remuneration**

The short-term variable remuneration component is conditional upon the attainment of short-term corporate financial targets that must be achieved within a one-year performance period.

For the financial years 2020-2024, the following short-term remuneration scheme shall apply:

Parameters	Current Short-Term Incentive 2019	Changes	Proposed Short-Term Incentive 2020 - 2024
<b>Plan Type</b>	› Annual Bonus		-
<b>Performance Period</b>	› 1 year		-
<b>Target Parameters</b>	› EBITDA LFL (50%) › Profit after Tax (50%)		Allocation <sup>1</sup> based on: › EBITDA LFL › Free Cash Flow › Goal related to efficiency enhancement measures (e.g. Fast Forward)
<b>Cap</b>	› 100% of base salary		-
<b>Target Achievement</b>	› Clearly defined values for 0%, 100% and 150% target achievement (over-fulfilment of one KPI can be offset against partial fulfilment of the other KPI) › Linear pay-out		-
<b>Vesting</b>	› Cliff vesting (paid in one instalment)		-
<b>Settlement</b>	› Cash		-

The short-term variable remuneration is paid out in the year following the year of target attainment. No short-term variable remuneration is paid out if the minimum (i.e. lower threshold for payout) is not reached.

<sup>1</sup> The Remuneration Committee / Supervisory Board will review the applicable Key Performance Indicators (KPIs) on an annual basis. It may weigh them differently for each Managing Board member against the background of strategic requirements and taking into account the specific responsibilities of the individual members in line with their assigned functions and allocate differently weighted KPIs to each of them.

The proposed combination of target parameters provides an appropriate mix to reflect the short-term targets of Wienerberger and put a stronger focus on operational performance and internal self-help measures which will generate shareholder value.

Further details on the target parameters applied as well as the rationale for their application are provided under Sec. III.2.a.) of Annex A hereto.

The Supervisory Board explicitly reserves the right, following a corresponding recommendation by the Remuneration Committee, to deviate from the agreed target parameters (KPIs and/or target ranges) outlined above in circumstances which are or are reasonably likely to be, materially adverse to the business, operations, assets or business prospects of the Company. Such circumstances may include (but not be limited to) situations of general economic crisis affecting more than just one specific region in which Wienerberger is active, and which are likely to lead to a significant deterioration of the target parameters defined herein. In doing so, the Supervisory Board reserves the right to realign the target parameters originally defined with the objectives of a crisis management program. Thus, it shall be ensured that the Supervisory Board can support Managing Board's endeavors to counter a crisis of a global scale through adequate incentives in the interest of all Company stakeholders.


## **b.) Long-Term Variable Remuneration**

The long-term variable remuneration component is designed as a long-term incentive (LTI) program. Its goal is to focus the actions of Managing Board members – and top executives in general - more intensively on shareholder value enhancement and to strengthen their identification with long-term corporate planning and goals. With its performance period of 3 years and its lock-up period of another 2 years for shares received as compensation as of 2021 onward, the LTI program is geared towards the sustainable development of the Company. The LTI program is renewed each year.

### **(i) For 2020**

For the 2020 financial year, the long-term variable remuneration is based upon the direct allocation of virtual shares, so-called Performance Share Units (PSUs) to the members of the Managing Board. The number of PSUs allocated is calculated by dividing each Board member's fixed remuneration (Sec. III.1) for the preceding year by the arithmetic mean of the Company's share price of the last 20 trading days before the December-meeting of the Supervisory Board's Remuneration Committee.

For the 2020 financial year, the following long-term remuneration scheme shall apply:

Parameters	Current Long-Term Incentive 2019	Changes	Proposed Long-Term Incentive 2020
<b>Plan Type</b>	› Virtual Shares (Performance Share Units)		-
<b>Performance Period</b>	› 3 years		-
<b>Target Parameters</b>	› Cash Flow Return on Investment (CFROI)		-
<b>Cap (in % of fixed remuneration)</b>	› CEO 150% › CFO 150% › CPO 50%		› CEO 150% › CFO 100% › CPO 50%
<b>Target Achievement</b>	› Clearly defined values for 0%, 100% and 150% target achievement › CFROI in FY 2 and FY 3 has to exceed CFROI in FY1		-
<b>Settlement</b>	› Pro-rated (1/3 per year over three years)		-
<b>Settlement Mode</b>	› Cash		-

## (ii) For 2021 - 2024

Due to the introduction of multiple target parameters and a three years vesting period with a two years lock-up for shares received, the proposed new LTI structure was appreciated by several investors and proxy advisors the Supervisory Board engaged with. With the performance alignment program the Supervisory Board intends to introduce in 2021, as set out below, Wienerberger believes that it is adequately addressing the arguments raised and will better incentivize top management on key deliverables, to create long-term sustainable value for the Company and its shareholders.

For the financial years 2021 - 2024, the following target parameters for the Long-Term Incentive shall apply:

Parameters	Long-Term Incentive 2020	Changes	Proposed Long-Term Incentive 2021 - 2024
<b>Plan Type</b>	<ul style="list-style-type: none"> <li>› Virtual Shares (Performance Share Units)</li> </ul>		<ul style="list-style-type: none"> <li>› Share-Based Remuneration Program</li> </ul>
<b>Performance Period</b>	<ul style="list-style-type: none"> <li>› 3 years</li> </ul>		<ul style="list-style-type: none"> <li>› 3 years (+ 2 years lock-up period)</li> </ul>
<b>Target Parameter</b>	<ul style="list-style-type: none"> <li>› Cash Flow Return on Investment (CFROI)</li> </ul>		<ul style="list-style-type: none"> <li>› Allocation<sup>1</sup> as of 2021:</li> <li>› Relative TSR<sup>2</sup></li> <li>› ROCE</li> <li>› ESG Target</li> </ul>
<b>Cap (in % of fixed remuneration)</b>	<ul style="list-style-type: none"> <li>› CEO 150%</li> <li>› CFO 100%</li> <li>› CPO 50%</li> </ul>		<ul style="list-style-type: none"> <li>› CEO up to 175%</li> <li>› CFO up to 150%</li> <li>› CPO up to 150%</li> </ul>
<b>Target Achievement</b>	<ul style="list-style-type: none"> <li>› Clearly defined values for 0%, 100% and 150% target achievement</li> <li>› CFROI in FY 2 and FY 3 has to exceed CFROI in FY1</li> </ul>		<ul style="list-style-type: none"> <li>› Clearly defined values for 0%, 100% and 150% target achievement (over-fulfilment of one KPI can be offset against partial fulfilment of any of the other KPIs)</li> </ul>
<b>Settlement</b>	<ul style="list-style-type: none"> <li>› Pro-rated (1/3 per year over three years)</li> </ul>		<ul style="list-style-type: none"> <li>› Cliff vesting (paid in one instalment) after 3 years with a 2 years' lock-up period for shares received</li> </ul>

<sup>1</sup> The Remuneration Committee / Supervisory Board will review the applicable Key Performance Indicators (KPIs) on an annual basis. It may weigh them differently for each Managing Board member against the background of strategic requirements and taking into account the specific responsibilities of the individual members in line with their assigned functions and allocate differently weighted KPIs to each of them.

<sup>2</sup> The Relative TSR is envisaged to be based upon an appropriate reference group, being either ATX companies or an industrial peer-group composed of comparable companies from the European building materials sector.



## Settlement Mode

› Cash



› To be decided by each Board member within the following boundaries:  
Cash (max. 50%) and Shares (min. 50%)

To better align the long-term interests of the Managing Board with those of the Company's shareholders in the context of Wienerberger's sustainability strategy, the Supervisory Board is moving away from plans based on a single target parameter. Multiple target parameters will better reflect Wienerberger's long-term strategy and goals.

Further details on the target parameters applied as well as the rationale for their application are provided under Sec. III.2.b.) of [Annex A](#) hereto.

The following chart outlines the chronological sequence of Wienerberger's LTI program 2021-2024:

	2021	2022	2023	2024	2025	2026
	<b>Program Term</b>					
<b>LTI FY1</b>	Y1	Y2	Y3	Y4	Y5	Y6
<b>LTI FY2</b>	Y1	Y2	Y3	Y4	Y5	Y6
<b>LTI FY3</b>	Y1	Y2	Y3	Y4	Y5	Y6
<b>Payout</b>				<b>From LTI FY1</b> Performance Goal* Evaluation for Y1 - Y3 Payout in cash and shares *Average KPI of Y1 - Y3 Cash Payout of up to 50% of the incentive starting as of Y4 Shares lock-up for 2 years: Y4 - Y5	<b>From LTI FY2</b> Performance Goal* Evaluation for Y2 - Y4 Payout in cash and shares *Average KPI of Y2 - Y4 Cash Payout of up to 50% of the incentive starting as of Y5 Shares lock-up for 2 years: Y5 - Y6	<b>From LTI FY3</b> Performance Goal* Evaluation for Y3 - Y5 Payout in cash and shares *Average KPI of Y3 - Y5 Cash Payout of up to 50% of the incentive starting as of Y6 Shares lock-up for 2 years: Y6-Y7 Availability of Shares from Y4

### III.3. Other Remuneration Components and Agreements According to Managing Board Employment Contracts

The members of the Managing Board have entered into employment contracts with the Company. According to these contracts, Managing Board members are appointed for a maximum period of 5 (five) years as provided for by the Austrian Stock Corporation Act. A shorter term may apply in specific circumstances, e.g. in the case of a Board member's first or final term of office. The Managing Board employment contracts can be terminated for cause with immediate effect, including without limitation the board member's permanent incapacity to fulfil his/her professional duties or other causes of dismissal under applicable Austrian legislation. The Managing Board employment contracts cannot be terminated unilaterally without cause. In case of termination of the employment contract, payments due to the Managing Board member include the portion of the fixed remuneration which is due for the period until actual termination of the employment contract and the components listed under a.) to h.), if applicable, thereby taking the Company's economic situation into account.

The following sets forth the key remuneration terms of the employment contracts concluded between Managing Board members and the Company. Apart therefrom, no other remuneration components are granted to Managing Board members. In 2019, no sign-on fees, retention bonuses, redundancy payments or compensation for relocations were paid. However, the Supervisory Board reserves the right to grant Managing Board members any such reasonable payment in exceptional circumstances in the future.

The Managing Board's employment contracts contain customary non-competition clauses applicable for the duration of employment as well as for one year following termination. Violation of the competition clause by the member of the Managing Board may incur the obligation to pay a penalty in the maximum amount of one annual gross fixed salary.

The members of the Managing Board are not entitled to any kind of remuneration from companies affiliated with Wienerberger AG.

## **a.) Defined-Contribution Pension Agreements**

The members of the Managing Board are covered by voluntary defined-contribution pension agreements that require the Company to make annual contributions to the relevant pension scheme for each Managing Board member. There are no statutory contribution obligations to pension schemes for Managing Board members under Austrian law.

The Company does not entertain early retirement schemes for members of the Managing Board.

## **b.) Severance Compensation**

The members of the Managing Board are entitled to voluntary severance compensation consistent with Austrian statutory regulations at the end of the Managing Board member's contract. This compensation is calculated in accordance with Austrian statutory regulations, based on total compensation and the length of service with the Company. A maximum remuneration in the amount of one year's compensation (comprising fixed salary and all variable remuneration components computed on an average basis) may be payable hereunder. As stipulated by the Austrian Code of Corporate Governance, no severance payment shall apply in the event of premature termination of the Managing Board member's contract for cause for which the Managing Board member is responsible, or if the Managing Board member prematurely resigns without cause.

In addition and as required by Austrian law, the Company is obliged to pay 1.53% of each Managing Board member's monthly gross remuneration to an external

employee severance fund (*Betriebliche Mitarbeitervorsorgekasse - MVK*) on a monthly basis. Upon termination of their employment with the Company, the members of the Managing Board may claim payment of the accrued contributions (including investment returns) from the fund. Any claim for payment vis-à-vis the Company, however, is excluded in this case.

## **c.) Change of Control Clauses**

The employment contracts with the members of the Managing Board include change of control clauses, which entitle board members to terminate their appointment prematurely following a change of control in the Company and regulate the Company's payment obligations in this case. The articles of association of Wienerberger AG define a change of control as an increase in a shareholding to more than 20%, which triggers a mandatory takeover offer to all other shareholders. Under these change of control clauses, all payments agreed upon in the employment contracts with the members of the Managing Board are in principle payable until the end of the contract period as originally specified. Total entitlements in case of a change of control and subsequent termination of the employment contract are, however, capped at two annual remuneration payments. There are no further entitlements.

## **d.) Reimbursement of Cash Expenses / Travel Expenses**

All members of the Managing Board are entitled to reimbursement of their verifiable cash and travel expenditure accrued in the context of their position. In addition, Managing Board members are entitled to meal allowance in the amount of currently EUR 4.40 per working day that may be subject to indexation in accordance with a common Austrian consumer price index.

## **e.) Leave Entitlement**

All members of the Managing Board are entitled to an annual total of 30 days paid leave in accord with Austrian legislation.

## **f.) Insurance Coverage**

### Travel Insurance

All members of the Managing Board are covered by insurance against risks connected to business trips (travel insurance, travel health insurance and repatriation insurance) under a group-wide policy.

### Accident Insurance

Wienerberger has concluded customary accident insurance coverage with a reputable domestic insurance company for all members of the Managing Board. Medical treatment expenses as well as the risks of permanent invalidity and death are covered by such insurance.

## Directors' and Officers' Liability Insurance (D&O Insurance)

Wienerberger has concluded customary directors' and officers' liability insurance for *inter alia* the members of the Managing Board, taking into account the Group's risk scenario from time to time prevailing. There is no deductible for the insured members of the Managing Board.

## Legal Protection Insurance

Wienerberger has contracted customary legal protection insurance cover in favor of its Managing Board members.

### **g.) Incidental Benefits**

Incidental benefits provided to members of the Managing Board include, without limitation, a secretariat, a company car (including a driver) as well as mobile and other communication devices, each of which may also be used for personal purposes. Under specific circumstances and with the approval of the Supervisory Board, loans may be granted to members of the Managing Board at arm's lengths conditions.

### **h.) Employee Share Participation Program**

Managing Board members are entitled to participate in any employee share participation program in place in their country of residence.

For Austrian residents, Managing Board members have to be employed with the Company for a period of at least twelve months in order to participate in the employee share participation program. According to the current program, two investment shares have to be purchased in order to receive one free matching share from the Wienerberger Mitarbeiterbeteiligungs-Privatstiftung [*Employee Participation Trust*]. The maximum investment amount under the current program is EUR 9,000 per person per year. Investment and matching shares received by each member of the Managing Board must be held until termination of the latter's employment with the Wienerberger Group.

### **i.) Outside Activities**

The members of the Managing Board require the prior approval of the Supervisory Board in order to enter into any professional activities outside the scope of their work with Wienerberger. This guarantees that neither the time required nor the related compensation could lead to a conflict with their duties on behalf of the Company. All outside activities that involve seats on supervisory boards or comparable positions for publicly traded companies are disclosed in the Company's annual report and on the Wienerberger website. No additional compensation is provided for positions in Group companies.

## **j.) Amendment of Existing Employment Contracts**

If and to the extent required to fully reflect the provisions of this Policy, the Managing Board members' existing employment contracts shall be amended accordingly on the occasion of their next extension at the latest.

## **III.4. Ex-post Control of Variable Remuneration of Managing Board Members (Claw-Back)**

The Supervisory Board is empowered to resolve on the forfeiture or return of the payment (claw-back) of a Managing Board members' variable remuneration (or any portion thereof) in circumstances showing that the variable remuneration has accrued or been paid based on inaccurate or erroneous information/data, or where mandatory internal corporate rules or applicable law are subsequently proven to have been breached.

The above may apply in particular upon the occurrence of any of the following circumstances:

- A material misstatement of the Group's audited financial accounts;
- regulatory sanctions or judicial convictions on grounds attributable to a Managing Board member;
- a material failure of risk management and/or internal controls; and
- serious reputational damage to the Group or one of its businesses as a result of a Managing Board member's misconduct or otherwise.

As far as legally permissible, the Supervisory Board may impose on the Managing Board adjustments to the elements, criteria, thresholds and limits of variable remuneration components, thus deviating from variable remuneration paid out in view of exceptional circumstances due to extraordinary internal or external factors or events.

## **IV. Notes to the Remuneration Policy**

### **IV.1. Considering Employee Views**

When determining the remuneration of Board members, the Remuneration Committee takes the compensation arrangements of other employees, including those of top management, into account to ensure that remuneration arrangements for Board members remain consistent and reasonable in a group-wide context.

## **IV.2. Review and Amendment of Remuneration Policy**

The Supervisory Board's Remuneration Committee reviews this Remuneration Policy on an annual basis, taking into account – *inter alia* - personnel policy changes in the corporate environment, the Company's overall economic standing and strategy as well as changes and trends in applicable global and national corporate governance standards. In addition, the attainment of the remuneration targets stipulated by the Supervisory Board is reviewed each year by the Company's annual auditor (currently Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna).

Following such review, the Remuneration Committee may recommend to the Supervisory Board an amendment of the Remuneration Policy. If approved by the Supervisory Board, any amended Remuneration Policy will be submitted to the Company's shareholders for a non-binding resolution at the Annual General Meeting immediately following such approval.

## **IV.3. Minor Amendments**

The Supervisory Board may make minor changes to the Remuneration Policy for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation without seeking shareholder approval for that amendment. Such minor changes may be applied to all parts of the variable remuneration as outlined in Sec. III.2 of this Remuneration Policy as well as to the other remuneration components as outlined in Sec III.3 of this Remuneration Policy. Each such amendment (if any) shall be resolved upon by the Supervisory Board following a respective recommendation by the Board's Remuneration Committee in order to become legally effective.

### Annexes

Annex A – Remuneration Details

Vienna, March 27, 2020



Peter JOHNSON  
Chairman of the Supervisory Board  
Wienerberger AG

### **Disclaimer**

*This is a working translation from the German language provided for purposes of convenience only. In case of any inconsistency, the German version shall prevail.*