



Remuneration Policy

governing the remuneration of members of the Management Board and the Supervisory Board of Mayr-Melnhof Karton AG (MMK AG)

1. Principles of the remuneration policy

The following principles for the remuneration (remuneration policy) of the members of the Management Board and Supervisory Board of MMK AG were drawn up at the proposal of the Committee for Management Board Issues by resolution of the Supervisory Board at its meeting on March 16, 2020. The remuneration policy is to be applied after presentation and voting at the 26th Ordinary General Meeting in accordance with Sections 78 a and 98 a of the Austrian Stock Corporation Act (AktG).

The remuneration policy has a maximum term of 4 years and must be submitted to the Ordinary Shareholders' Meeting for voting in accordance with Section 78b at least every fourth financial year as well as in the case of any significant change.

2. Remuneration policy for the Management Board

2.1. Objectives of the remuneration policy

The remuneration policy is intended to ensure that the total remuneration of the Management Board includes appropriate incentives to promote the implementation of corporate strategy and the long-term development of the Company. The remuneration of the Management Board is to be commensurate with the Company's situation and in line with market conditions at comparable companies.

The Company's strategy is geared towards the sustainable creation of added value and growth with appropriate risk in the areas of core competence. A sustained high return on capital employed (ROCE) and a continuous dividend policy are designed to satisfy both the interests of the company and its shareholders.

The remuneration policy is intended to motivate the Management Board to actively pursue the Company's strategy. When setting targets, care is taken to ensure the long-term positive development of the Company and to avoid unreasonable risks. At the same time, it is intended to establish an incentive to achieve ambitious goals through special performance. In addition to financial criteria, non-financial (individual) performance criteria are also taken into account when setting objectives. Both of these take into account the long-term development of the company.

Remuneration corresponds to the overall responsibility of the Management Board in connection with its duties, but is differentiated according to individual responsibility in line with the distribution of departments.

2.2. Principles of the remuneration system

The members of the Management Board receive both fixed and variable remuneration. The variable components of remuneration are based on meeting a number of performance criteria.

In addition, the members of the Management Board have the option of so-called "long-term profit sharing".

Total compensation, comprising fixed and variable remuneration components, is subject to an upper limit in each case.

The variable remuneration components of the Management Board's compensation provide an incentive for corporate development with sustainable value creation at a reasonable risk.

2.3. Fixed remuneration

Fixed remuneration or fixed compensation consists of basic salary, benefits in kind and pension contributions or substitute pension payments.

a. Basic salary

The level of the basic salary is based on customary market remuneration for members of the Management Board in companies of comparable size or in comparable industries. This policy of determining basic salary enables the Company to be attractive to suitable managers and to retain them over the long term. The contracts of employment provide for 14 payments per year.

b. Benefits in kind

All Management Board members are entitled to a company car, which may also be used privately, and to accident and D&O insurance.

c. Pension contributions

Management Board members are entitled to pension contributions or substitute pension payments.

The remuneration policy with regard to fixed salary guarantees a competitive income that reflects the scope of the responsibilities and areas of activity of the individual member of the Management Board as well as the complexity of their activity.

2.4. Variable remuneration

Variable remuneration consists of an annual performance bonus measured against key Group or divisional figures of MMK AG.

Furthermore, there is the possibility of "long-term profit sharing". In this case, performance criteria are determined over a three-year reference period and form the basis of the remuneration.

Provided that the defined targets are met, total remuneration consists of around 2/3 variable (performance-related) remuneration (excluding long-term profit-sharing) and around 1/3 fixed remuneration. It is intended that the criteria for the variable remuneration be determined by the Remuneration Committee or the Supervisory Board for each Management Board period. The focus of compensation is on financial performance indicators, but efficiency and sustainability aspects from non-financial performance indicators are also included.

2.4.1. Financial performance criteria bonus

a. Cash flow

The key long-term performance criterion is cash flow in the form of EBITDA or cash earnings.

The calculation is based on the IFRS consolidated financial statements and the key figures defined in the Annual Report.

b. Net income (annual result)

The annual result as a short-term financial performance indicator is taken into account in the form of net income, earnings per share or EBIT.

The key figures are calculated on the basis of the IFRS consolidated financial statements and the key figures defined in the Annual Report.

c. Return on capital employed (ROCE)

Sustainable ROCE is an essential component of the Company's policy. ROCE is determined on the basis of EBIT.

The calculation is based on the IFRS consolidated financial statements and the key figures defined in the Annual Report.

2.4.2. Defining targets and weighting performance criteria

Targets are set as part of the regular budgets and are therefore generally of a long-term nature. Targets are set for each Management Board period and also annually.

The weighting of the performance criteria takes into account the areas of responsibility of the individual Management Board members.

Targets are determined and adopted following a separate examination by the auditor of the annual financial statements.

2.4.3. Non-financial performance criteria

With regard to the social responsibility of MMK AG, non-financial indicators were also agreed as performance criteria, namely with regard to employee conditions, reduction in the number of accidents at work and with regard to the company's environmental footprint, reduction in CO₂ emissions per ton of cartonboard. This provides an active incentive to create an even safer working environment.

2.4.4. Other remuneration components and agreements

The contracts of employment for the members of the Management Board may also contain change of control clauses that regulate the benefits in the event of premature termination of the Management Board activity due to a change of control.

The Remuneration Committee may also grant special bonuses in individual cases.

2.4.5. Restriction on payout and disbursement

The total of the annual profit-sharing is limited to up to five times fixed remuneration.

Profit-sharing is paid out in 14 monthly payments (with the fixed salary) or as a lump sum. The entitlement to payment of profit-sharing arises in the following year or, in the case of long-term profit-sharing, after the end of the reference period.

If the calculation arithmetic for annual profit-sharing leads to a negative value, this does not lead to a reduction in fixed remuneration and no carry-forward to the next financial year.

2.4.6. Performance criteria for long-term profit sharing

Long-term profit-sharing is intended to align the interests of the Management Board and shareholders by creating a balance between the financial success of the Management Board and that of shareholders.

The basis is the budgeted EBIT margin for the next three years based on a three-year plan. The Management Board is entitled to a share in profits in a defined amount for an EBIT margin determined at the outset. Deviations from this average EBIT margin result in additions or deductions from this amount. The first payment of long-term profit-sharing is made in the year of the Ordinary Shareholders' Meeting that decides on the last year of the three-year plan.

2.4.7. Possibility of claiming back variable remuneration components

It is possible to recover variable remuneration components (clawback) if they were determined and paid on the basis of manifestly incorrect data.

2.5. Term and termination of the contracts of the Management Board members

The contracts of the members of the Management Board generally have a term of 3 to 5 years. Premature termination rights have not been agreed.

The contract of employment may be terminated by the Company with immediate effect if a member of the Management Board is dismissed for culpable acts which would be considered grounds for termination if the provisions of Section 27 of the Austrian Salaried Employees Act were applied in the same manner.

2.6. Procedure regarding remuneration policy

The Executive Committee of the Supervisory Board assumes the tasks of the Personnel Committee and the Remuneration Committee, among others.

In fulfilling these tasks, the Executive Committee annually determines the appropriateness of the remuneration of the members of the Management Board and negotiates and concludes the Management Board contracts on behalf of MMK AG.

Furthermore, the Executive Committee evaluates the remuneration policy on an ongoing basis, at least every four years or when a new Management Board member is appointed.

Recommendations on remuneration policy are addressed to the Supervisory Board, which subsequently has to adopt appropriate measures. A Supervisory Board member must abstain from voting in the event of a conflict of interest.

Significant amendments to the remuneration policy must be submitted to the Ordinary Shareholders' Meeting for approval.

3. Remuneration policy for the Supervisory Board

The members of the Supervisory Board receive annual remuneration, the amount of which is based on the situation and success of the Company as well as on the responsibility and tasks of the individual members of the Supervisory Board.

The members of the Supervisory Board receive basic remuneration and attendance fees for their work. The basic remuneration is indexed.

The basic remuneration is allocated on the basis of the specific involvement of the individual member of the Supervisory Board (assumption of the position as Chairman or Deputy Chairman of the Supervisory Board; involvement as a committee member, etc.) in accordance with a fixed formula.

Vienna, March 16, 2020

For the Supervisory Board

Rainer Zellner m.p.

Chairman

This English version is a translation of the German original text