ADVA Optical Networking SE

Meiningen

Publication of the resolution and of the system of remuneration for the members of the Management Board in accordance with Section 120a para. 2 German Stock Corporation Act (AktG)

- ISIN DE 000 510 300 6 -

(WKN 510 300)

The virtual annual general meeting of ADVA Optical Networking SE resolved on Wednesday, May 19, 2021, under agenda item 8 on the approval of the new system of remuneration for the members of the Management Board, as set forth in the following and as it was resolved by the Supervisory Board on February 23, 2021.

Valid votes were cast for 29,568,653 shares, representing 58,56 % of the share capital. Those votes were cast as follows:

29,388,501	Yes	99,39 %
180,152	No	0,61 %

The annual general meeting therefore approved the proposed system of remuneration with the required majority.

The system of remuneration is set up as follows:

Preamble

As part of its regular review of the system of remuneration for members of ADVA Optical Networking SE's ("ADVA SE") Management Board, ADVA SE's Supervisory Board resolved at its meeting on 23 February 2021 that the system of remuneration for Management Board members approved on 5 June 2014 is to be adjusted and enhanced in accordance with the requirements of the German Act Implementing the Second Shareholder Rights Directive and the German Corporate Governance Code (GCGC) as amended on 16 December 2019. For the first time, the remuneration system therefore applies to remuneration components resolved by the Supervisory Board and/or agreed with the Management Board members from 23 February 2021. This ensures that ADVA SE will continue to be able to attract suitable and qualified candidates for the Management Board in the future.

The Supervisory Board has resolved that the amount of the target total remuneration of Management Board members for 2021 is to remain unchanged compared with 2020. This means that the main adjustments relate primarily to the structure of the long-term variable remuneration.

The adjustments regarding the individual remuneration components can be summarised as follows:

- The previous variable remuneration component with a short-term one-year assessment period (short-term bonus) will be renamed the short-term incentive (STI), and the cap on the 4 individual targets will be raised from 200% to 250% in order to increase the possibility of reaching the unchanged cap on the STI of a maximum of 200% of the target annual bonus. The STI is based on the achievement of financial, operational and strategic targets for the respective calendar year.

- The previous variable remuneration, which was already based on a long-term and sustainable development of the Group and which, as it covered a 3-year assessment period, could only be granted every 3 years if achieved (long-term bonus), will be replaced by a new, more flexible long-term incentive (LTI) with a 4-year assessment period, which is to be granted annually and is based on the development of the share price.

- The granting of stock options to the Management Board under the stock option plan (SOP) will remain as a further long-term variable remuneration component; the procedure for granting and exercising the stock options will merely be defined in more detail.

- Furthermore, the Company is to adopt share ownership guidelines that oblige members of the Management Board in future to hold a defined number of ADVA shares during their term of office on the Management Board.

1. Principles of the system of remuneration for Management Board members

The Management Board's remuneration is based on the size, complexity and economic position of the Company as well as on the performance of the Management Board as a whole. The remuneration system for ADVA SE's Management Board is focused on a sustainable and long-term development of the Company and, due to the structure of the variable remuneration components, promotes the Company's strategic objectives, responsible conduct as well as sustainable and profitable growth, taking into account the interests of shareholders, customers, employees and other stakeholders. It is characterised by a high degree of variability and depends on the performance of the Management Board as a whole and the success of the ADVA Group.

The Supervisory Board therefore determines the remuneration system and the level of remuneration primarily according to the following guidelines:

Situation of the Company	The remuneration system is based on the operational, financial and economic situation of the Company, as well as on its successes and future prospects.
Duties and performance of the Management Board	The remuneration system takes into account the duties and performance of the Management Board as a whole and the individual Management Board members.
Pay for performance	By defining adequate performance criteria as part of the performance-related variable remuneration, which accounts for the majority of the total remuneration, the remuneration system ensures that the performance of the Management Board is appropriately rewarded and that any missed targets are equally taken into account (pay for performance).
Appropriateness	The structure and level of the Management Board's remuneration are customary in the market and competitive. This is ensured by regular comparisons of the Management Board's remuneration with relevant peer groups. In addition, the remuneration of Management Board members is appropriate in relation to the remuneration of managers and employees.
Regulatory compliance	The new remuneration system for the Management Board complies with the German Stock Corporation Act and takes into account the recommendations and suggestions of the German Corporate Governance Code.

The remuneration system outlined here applies to Supervisory Board remuneration resolutions that were resolved, and remuneration agreements with Management Board members that were entered into, after 23 February 2021. In the absence of an agreement to the contrary, remuneration claims established before that day continue to be governed by the contractual provisions on which they are based. For each Management Board member, the Supervisory Board determines a target total remuneration for the next financial year. When determining and regularly reviewing the fixed and variable remuneration, the Remuneration and Nomination Committee as well as the Supervisory Board ensure that the remuneration is appropriate in relation to the duties and performance of the

Management Board member and the situation of the Company. They also ensure that the remuneration does not exceed that which is customary in the market unless there are special reasons for this.

The level of variable remuneration depends on the achievement of financial, operational and strategic targets as well as on the development of the share price – indirectly with regard to the LTI and directly with regard to the stock options.

The strategic Company targets and key performance indicators constitute important performance metrics for both the short-term and long-term variable remuneration components.

The structure and level of the Management Board's remuneration will be determined by the Supervisory Board upon the proposal of the Remuneration and Nomination Committee. All members of the Supervisory Board are obliged to act in the Company's interests and are therefore not permitted to pursue personal or third-party interests. The applicable rules on preventing conflicts of interests govern all decisions regarding the remuneration system and its implementation. In particular, each member is obliged to disclose possible conflicts of interests without undue delay to the Chair of the Supervisory Board; possible conflicts of interests affecting the Chair of the Supervisory Board must be disclosed to the Remuneration and Nomination Committee. Any conflicts of interests that are material and not merely temporary are described by the Supervisory Board each year in its report to the Annual General Meeting.

When determining the specific target total remuneration and in order to review the appropriateness thereof, the Supervisory Board refers to relevant peer groups, which are selected on the basis of ADVA's market position. The following twelve companies, preferentially from the TecDax/SDax, will be used as an external reference in future reviews of the appropriateness of the remuneration: GFT Technologies SE, Jenoptik AG, Manz AG, Einhell Germany AG, Aixtron SE, LPKF Laser & Electronics AG, Schaltbau Holding AG, R. Stahl AG, Eckert & Ziegler Strahlen- und Medizintechnik AG, Vossloh AG, S&T AG and Pfeiffer Vacuum Technology AG. The Supervisory Board can make changes to the peer group according to its duly exercised discretion if – for whatever reason – there is a material change in the comparability of individual companies. The objective of a horizontal comparison is to ensure that the Management Board receives competitive remuneration that is customary in the market.

In addition to this horizontal – external – comparison, a vertical – internal – comparison of the Management Board's remuneration is also performed in the case of reviews of appropriateness and/or changes in the target remuneration. This entails looking at the remuneration of the Management Board members in comparison with each other as well as with senior management and the relevant total workforce within the Company. When doing so, the Supervisory Board takes into account not only the current remuneration ratios between the different levels, but also in particular how the remuneration of the aforementioned groups has changed over time. The external and internal appropriateness is reviewed at regular intervals. When engaging external remuneration advisors, the Supervisory Board ensures that they are independent of the Management Board and the Company.

The system of remuneration for the Management Board is determined by the Supervisory Board upon the proposal of the Remuneration and Nomination Committee. If required, the Supervisory Board may consult external, independent advisors. Furthermore, the Remuneration and Nomination Committee performs the preparatory work for the Supervisory Board's regular review of the system and of the level of remuneration of Management Board members. Here, too, the Remuneration and Nomination Committee and the Supervisory Board consult an external remuneration expert, if necessary, and ensure that this person is independent in respect of the Management Board and the Company. If required, the expert recommends to the Supervisory Board that changes be made. The provisions of the German Stock Corporation Act and the GCGC that apply to the handling of conflicts of interests are complied with here. In the event of material changes and, in the future, at least every four years, the remuneration system resolved by the Supervisory Board will be submitted to a vote by the Annual

General Meeting. If the Annual General Meeting rejects the submitted remuneration system, a remuneration system that has been reviewed by an independent external advisor and updated if necessary will be submitted at the latest to the following Annual General Meeting for approval.

f required in the interests of the Company and its long-term well-being, the Supervisory Board can, upon the recommendation of the Remuneration and Nomination Committee, resolve to temporarily depart from the existing remuneration system (procedure and rules regarding the structure and level of remuneration as well as in respect of the individual remuneration components). In particular, this may affect the variable components in terms of their structure and the level determined. This allows the Supervisory Board to appropriately take into account extraordinary developments such as a major economic crisis, key acquisitions or disposals of key business units, but not generally unfavourable market developments. Even in the event of a departure from the existing remuneration system, the remuneration must still be focused on a sustainable and long-term development of the Company and must not overstretch the latter's financial capability. Any departure from the remuneration system requires a corresponding Supervisory Board resolution, in which the extraordinary circumstances and the need for the departure are established.

The system of remuneration for Management Board members outlined here applies as of 23 February 2021 to all amendments of current contracts of Management Board members, the extension of these contracts as well as new contracts to be entered into with Management Board members.

2. Overview of the remuneration components

The remuneration of ADVA SE's Management Board members consists of non-performance-related (fixed) and performance-related (variable) components.

Fixed remuneration components

The fixed remuneration components comprise the basic remuneration and fringe benefits.

Variable (i.e. performance-related) remuneration components

The variable remuneration components consist of short-term variable remuneration (the STI) and two long-term variable remuneration components (the LTI and stock options).

Short-term incentive (STI)

Performance criteria	*pro forma* operating result of the Group (40%)
	consolidated revenue (20%)
	free cash flow (20%)
	personal, individually agreed targets for each Management Board member (20%)

Assessment period	one year
Cap	200% of the allocated amount
Payment	in cash, after the end of the performance period

Long-term incentive (LTI)

Performance criteria	80% 1–2 financial targets, e.g. *pro forma* operating result of the Group 20% 1–2 non-financial sustainability targets, e.g. CSAT, NPS, emission reduction, SBTi
Share performance	1) conversion of LTI amount into virtual shares at the share price of the previous quarter at the time of issue 2) multiplication of the virtual shares by percentage of target achievement determines final number of virtual shares 3) conversion of final number of virtual shares at the share price of the previous quarter after end of assessment period
Assessment period	four years
Cap	200% of the allocated amount
Payment	in cash, after the end of the assessment period

Stock option plan

Exercise period	starts after a waiting period of 4 years and ends after expiry of year 7 after the stock options are granted
Exercise threshold	120% of the share price at the time the stock options are granted
Limit on profit	EUR 20 per option

Other contractual components

Malus & clawback	STI and LTI reduced partially or to zero or clawed back in the case of serious breaches of contract, the code of conduct or the law

Share ownership guidelines (SOG)

Investment amount	each Management Board member invests 100% of the gross annual fixed salary in shares of ADVA SE, and the Chair of the Management Board invests 200% (total) of the gross annual fixed salary in shares of ADVA SE
Build-up phase	4 years for 100% 8 years for 200%

Maximum annual remuneration*

EUR 2,000,000 for the Chair of the Management Board

EUR 1,700,000 for each ordinary member of the Management Board

*The maximum remuneration is composed of the basic remuneration and fringe benefits, the variable (i.e. performance-related) remuneration components in the case of maximum target achievement of 200% STI and 200% LTI, as well as 1/7 of the stock options that are exercisable for a maximum of 7 years being sold in the amount of the limit on profit.

The Supervisory Board caps not only the amount of the maximum remuneration (total remuneration) for the respective financial year, but also the amount of all variable remuneration components, i.e. the STI, LTI and SOP.

3. The remuneration components in detail:

3.1. Basic remuneration

The basic remuneration is a fixed, i.e. not variable, remuneration for the entire year which is paid out in equal instalments. It is agreed in individual agreements with Management Board members upon their appointment or an extension of their appointment. No distinction is made between the Chair and the other Management Board members with regard to the amount of the basic remuneration. It ensures that all Management Board members receive an appropriate income.

3.2. Short-term incentive (STI)

As short-term variable remuneration, the STI incentivises the operational development of ADVA, which depends on the Company's business performance in the respective financial year. In this regard, the Supervisory Board ensures that the STI targets are based on ambitious financial, operational and strategic performance parameters, with their degree of achievement determining the actual amount paid out. Thus, for each financial year, an STI with a one-year assessment period is granted on the basis of four targets. The four STI targets are divided into three common – i.e. identical for all Management Board members – financial targets as well as one individual target for each Management Board member, which is composed of several different financial, operational and strategic targets.

The STI always relates to one financial year. At the beginning of the respective financial year, the Supervisory Board sets an individual target remuneration for each Management Board member on the basis of 100% overall target achievement. The overall target achievement for each Management Board member comprises three individual targets applicable to all Management Board members and one personal target, which are weighted as follows for the purpose of assessing the degree of overall target achievement:

- 40%: *pro forma* operating result of the Group
- 20%: consolidated revenue
- 20%: free cash flow
- 20%: personal, individually agreed target for each Management Board member

Any amounts that exceed or fall short of the individual targets are taken into account on a linear basis when assessing the degree of overall target achievement. The minimum target achievement for each of the 4 individual targets is 0% and the maximum target achievement is 250%.

However, the overall target achievement for the STI is limited to a maximum of 200% of the annual target bonus.

In order to allow for performance-based differentiation between the individual members and to take into account the work of the Management Board as a whole, the Supervisory Board assesses the performance of the members of the Management Board after the end of each financial year. As a rule, at its first meeting in the following financial year, the Supervisory Board will, upon the proposal of the Remuneration and Nomination Committee, determine the degree of achievement of the respective individual STI targets and the overall STI target for each Management Board member as a discretionary bonus. Generally, the amount of the STI is to be determined by the Supervisory Board for payment in March, but not before the approval of the annual and consolidated financial statements for the incentivised financial year.

If a Management Board member retires, the STI is determined *pro rata temporis* for the relevant financial year and is paid in accordance with the system.

3.3 Long-term incentive (LTI)

Previously, the Company and the Management Board members agreed on a long-term bonus as the long-term variable remuneration component, payment of which depended on the achievement of the *pro forma* operating result of the Group over a period of three years ("assessment period"). This meant that while the long-term bonus was forfeited in full if the *pro forma* operating result was not achieved in one of the three calendar years of the assessment period, the bonus was not increased if the *pro forma* operating result was exceeded in one or several years. The long-term bonus was therefore based on sustainable Group development, while following the all-or-nothing principle. It took into account a three-year period, but not the development of the share price. This is another reason why, going forward, the existing long-term bonus will be replaced by the long-term incentive (LTI).

Unlike the existing long-term bonus, the new LTI is based not only on financial targets, but also on non-financial sustainable targets and the development of the share price. Thus, the LTI increases the incentives to achieve a sustainable and long-term increase in the Company's value, taking into account internal and external value development over a four-year period (instead of a three-year period), and with the desired variability.

For each financial year, the Supervisory Board determines an LTI for a four-year assessment period. To this end, the target remuneration in EUR defined by the Supervisory Board is converted into a provisional number of virtual shares referred to as performance share units (PSUs) by dividing the target remuneration by the average price of ADVA shares in the fourth quarter of the respective prior year before the start of the LTI in question.

Furthermore, the Supervisory Board determines up to two financial targets at the start of the assessment period, e.g. *pro forma* EBIT, revenue, free cashflow, ROCE and/or TSR. The Supervisory Board also selects up to two non-financial sustainability targets per LTI, such as customer satisfaction according to CSAT/NPS, reduction of greenhouse gases in line with the objectives of the Science Based Targets Initiative (SBTi), e.g. emissions of the company car fleet, electricity purchased and products sold, employee satisfaction, employee development, diversity, succession planning, innovation and compliance. Financial and non-financial targets are weighted at a ratio of 80% to 20%, irrespective of whether one or two targets that must be deemed equal to each other are selected.

At the beginning of the four-year assessment period, the Supervisory Board defines target values that correspond to target achievement of 100%, as well as minimum values and maximum values corresponding to target achievement of 0% and 200% and, if necessary, target achievement curves, for all LTI targets for each calendar year.

At the end of the four-year assessment period, the arithmetic mean of the four 12-month-based degrees of target achievement is calculated. The average degrees of target achievement for the individual LTI targets determined in this manner are combined, in accordance with the defined weighting, to produce a weighted target achievement. The provisional number of PSUs calculated at the start of the LTI is then multiplied by this weighted target achievement to determine the final number of PSUs.

After the end of the LTI, in the year following the assessment period, the final number of PSUs determined using the average target achievement is multiplied by the average price of ADVA shares in the fourth quarter of the prior year. This ensures that the long-term variable remuneration of each Management Board member is granted in share-based form. Lastly, payment of the LTI is capped at 200% of the LTI target amount.

No LTI is granted for calendar year 2021 to current members of the Management Board because the existing long-term bonus is still in effect.

3.4 Ratio of the variable remuneration components to each other

When defining the target total remuneration, the Supervisory Board will endeavour to ensure that variable remuneration components resulting from the achievement of long-term targets exceed those resulting from short-term targets. However, deviations may occur in individual cases (due to e.g. the availability of the options in a given financial year, the value of options at the time of their issuance, etc.), that should be balanced out over the period of work activity of the respective member of the Management Board.

4. Benefits in kind and other additional remuneration (fringe benefits)

In addition to the aforementioned cash remuneration, the members of the Management Board receive various fringe benefits, some of which are granted on an ad hoc basis. Fringe benefits that are usually granted include a company car for business and private use or a corresponding fixed allowance.

In principle, all Management Board members have an equal entitlement to the fringe benefits. However, their amount in particular may vary in individual cases, depending on personal situation and utilisation. The Supervisory Board may grant other or additional fringe benefits that are customary in the market.

The members of the Management Board are covered by a D&O insurance policy taken out by the Company which includes a deductible. For the Management Board, this insurance policy provides for the deductible stipulated in sec. 93 para. 2 sentence 3 *AktG.* The Management Board members must pay tax on some of these benefits as cash benefits.

5. Company pension

The remuneration system does not provide for a company pension for the members of the Management Board.

6. Stock option plan

As a further long-term variable remuneration component, Management Board members have, for many years, been granted stock options at the Supervisory Board's discretion. The stock options entitle the respective Management Board member to acquire an equal number of no-par value shares of the Company as soon as the respective vesting period expires, the agreed performance targets are reached and an increase in the share price of at least 20% is achieved. The other conditions are governed by the respective provisions of the stock option plan under which the options were issued. The stock option plans for Management Board members include profit-limiting clauses of EUR 20 per stock option (cap).

The Supervisory Board can agree that the Management Board members will exercise the stock options at pre-defined times and possibly sell the new shares. This pre-arranged exercise of stock options is intended to prevent the sale of large volumes at particular times. Furthermore, such an arrangement can ensure to a certain extent that decisions on the exercise of options and any related sale of new shares do not have to be made at a time when inside information might exist.

7. Share ownership guidelines

From calendar year 2021, the Management Board members are obliged to build up a self-financed investment in ADVA shares and to hold it for the duration of their appointment (personal investment). This personal investment means that the interests of the Management Board and of the shareholders are even further aligned and the sustainable and long-term development of ADVA is further strengthened. The amount to be invested is based on the respective Management Board member's gross annual fixed salary.

The personal investment by each Management Board member is equal to 100% of the (gross) basic remuneration after a build-up phase of 4 years, while the Chair of the Management Board invests 200% (total) of the basic remuneration after an extended build-up phase of 8 years. An annual minimum amount to be invested until the full investment volume is reached has deliberately not been set.

The build-up phase also applies to members of the Management Board who were already members of the Management Board on 1 January 2021, regardless of when they were initially appointed, with the proviso that the build-up phase for reaching 100% of the basic remuneration ends on 31 December 2024. The additional build-up phase that enables the Chair of the Management Board to reach 200% of the basic remuneration ends at the close of the eighth calendar year following the Chair's initial appointment, or on 31 December 2028 for the Chair of the Management Board appointed on 1 January 2021.

Proof of compliance with the share ownership guidelines must be provided each year as of 31 December.

The shares must be acquired by Management Board members from their taxed net income.

8. Malus and clawback clause

Management Board members' contracts of service also include the following malus and clawback provisions, which enable variable remuneration components that have already been paid out and/or have not yet been paid out to be clawed back and/or reduced subject to certain criteria. This clawback/reduction option covers all variable components of Management Board remuneration, i.e. both the STI and the LTI and stock options granted after the effective date of this remuneration system.

In the event of serious breaches of duty or compliance violations or serious unethical conduct, the Supervisory Board can, in future, both review the amount of the STI or LTI paid out and, according to its duly exercised discretion, reduce the amount down to zero depending on the extent of the transgression. In these cases, the Supervisory Board likewise has the option – depending on the severity of the breach/violation – to cancel without replacement all or part of the STI, LTI and stock options granted after the effective date of this remuneration system.

In the event of a grossly negligent or wilful breach of the duty of diligence of a prudent and conscientious manager pursuant to sec. 93 para. 1 *AktG* by a Management Board member, the Company is entitled to claw back from that person all or part of the variable remuneration components (STI, LTI and/or stock options granted) paid out for the respective assessment period in which the breach of duty took place, and/or to cancel the stock options.

If the variable remuneration components were wrongly paid out on the basis of incorrect data, the Company is entitled to claw back the difference resulting from the recalculation of the amount of the variable remuneration in comparison with the amount paid out. The Company must demonstrate that the data used as the basis for calculating the remuneration were incorrect and that, as a result, the Management Board member's variable remuneration was too high.

The clawback options exist even if the Management Board member's term of office or employment relationship has already ended at the time the clawback right is determined. Claims for damages against the Management Board member remain unaffected. The clawback right expires at the latest three years after the remuneration is paid out.

9. Relative proportions of the remuneration components and remuneration caps

The individual remuneration components account for approximately the following relative proportions of the target total remuneration of Management Board members*:

Fixed remuneration	31–43%
Regular fringe benefits	1–3%
Short-term incentive (STI)	27–36%
Long-term incentive (LTI)	9–12%
Stock options	17–26%

* The remuneration is composed of the basic remuneration and fringe benefits, the variable (i.e. performance-related) remuneration components in the case of maximum target achievement of 100% STI and 100% LTI, as well as 1/7 of the stock options that are exercisable for a maximum of 7 years being sold. Minor differences could arise due to rounding.

The ratio of fixed and variable remuneration components is not fixed exactly, but should be within the ranges given. The system provides for function-specific differentiation according to the duly exercised discretion of the Supervisory Board based on the following criteria: market conditions, experience, function and area of responsibility of the Management Board member. For example, a senior Management Board member such as the Chair of the Management Board may receive remuneration that is, in total, higher than the other Management Board members' remuneration. Furthermore, a Management Board member appointed for the first time may receive lower overall remuneration or may have their remuneration components reduced during their first term of office. In addition, it is possible for the Supervisory Board to adjust individual remuneration components instead of all remuneration components if necessary, as part of the review of the Management Board remuneration, taking into account the market and the appropriateness of the remuneration components. For example, this could enable the short-term or long-term variable remuneration to be specifically adjusted to reflect changes in what is customary in the market, and therefore allow the total target remuneration to be optimized according to market requirements. The possibilities for differentiation described above mean that the individual remuneration components can account for varying proportions of the total target remuneration.

When defining the target total remuneration, the Supervisory Board will endeavour to ensure that variable remuneration components resulting from the achievement of long-term targets exceed those resulting from short-term targets. However, deviations may occur in individual cases (due to e.g. the availability of the options in a given financial year, the value of options at the time of their issuance, etc.), that should be balanced out over the period of work activity of the respective member of the Management Board.

Maximum annual remuneration

Pursuant to sec. 87a para. 1 sentence 2 number 1 AktG, the Supervisory Board has determined a maximum level of remuneration for the Chair of the Management Board and an ordinary Management Board member. As of the effective date of this remuneration system, this maximum level amounts to EUR 2,000,000 for the Chair of the Management Board and EUR 1,700,000 for an ordinary Member of the Management Board.

The Supervisory Board points out that these amounts do not constitute the total target remuneration deemed appropriate by the Supervisory Board, but merely an absolute upper limit that could be achieved by a member of the Management Board at most in the event of optimum target achievement (including an increase of the share price of the company of EUR 20 between the grant and the exercise of the option).

The maximum remuneration is composed of the basic remuneration and fringe benefits, the variable (i.e. performance-related) remuneration components in the case of maximum target achievement of 200% STI and 200% LTI, as well as 1/7 of the stock options that are exercisable for a maximum of 7 years being sold in the amount of the limit on profit. Minor differences could arise due to rounding.

The amount of the annual remuneration of a Management Board member is capped not only by the setting of the maximum level of remuneration. Setting a cap for the STI and LTI as well as a maximum profit per stock option means that the amount of all variable remuneration components is limited, too.

10. Term of office on the Management Board and termination benefits

The Supervisory Board ensures that, when Management Board members are initially appointed, both the duration of the appointment and the term of the Management Board member's contract of service are generally no longer than two years. As a rule, at the first ordinary meeting of the Supervisory Board in the calendar year, the proposals by the Nomination and Remuneration Committee are discussed and reappointments and/or extensions of contracts of service are resolved for the following year. Therefore, the maximum duration is generally shorter than the requirement of five years under stock corporation law.

Severance payment arrangements that refer to the following provisions are agreed in the contracts of service entered into with Management Board members:

If a service relationship is terminated by way of ordinary termination in accordance with the contractual term agreed in the contract of service, the Management Board member receives a severance payment in the amount of an STI whose term has ended, but which has not yet been paid out, for the past financial year as well as an LTI whose term has ended, but which has not yet been paid out, and additionally, for LTIs whose terms have not yet ended, calendar-based *pro rata* amounts that must be granted if the target is achieved.

If a service relationship is terminated prematurely by the Company before the expiry of the agreed contractual term and if the termination is not due to a breach or violation that enables a malus/clawback (see above), the Management Board member receives a severance payment in the amount of an STI whose term has ended, but which has not yet been paid out, for the past financial year as well as an LTI whose term has ended, but which has not yet been paid out, and additionally, for LTIs whose terms have not yet ended, calendar-based *pro rata* amounts that must be granted if the target is achieved, as well as the basic remuneration up to the end of the agreed contractual term.

If a service relationship is terminated prematurely at the instigation of a Management Board member prior to the expiry of the agreed contractual term, the Management Board member receives a severance payment in the amount of an STI whose term has ended, but which has not yet been paid out, for the past financial year as well as an LTI whose term has ended, but which has not yet been paid out.

In all the aforementioned cases, any forfeiture of stock options is governed by the terms and conditions of the SOP.

Each of the aforementioned severance payments is capped with regard to the STI and the LTI in such a manner that, taking into account any outstanding basic remuneration including fringe benefits and other non-cash benefits, neither the value of two annual salaries nor the remuneration for the remaining term of the contract of service is exceeded under any circumstances (severance payment caps).

The total remuneration for the past financial year and, if appropriate, the expected total remuneration for the current financial year are used as the basis for calculating the severance payment caps.

11. Change of control

No benefits arising from the early termination of contracts of service by Management Board members as a result of a change of control are agreed in Management Board members' contracts.

12. Deduction for secondary activities

As a rule, the Supervisory Board may not approve more than two supervisory board positions or similar functions of Management Board members at listed companies outside the ADVA Group. The Supervisory Board decides at its own discretion on a case-by-case basis whether and to what extent the remuneration for approved positions held by Management Board members at listed companies outside the ADVA Group leads to the reduction of the respective Management Board member's remuneration.

Meiningen, May 2021

ADVA Optical Networking SE

The Management Board