



# 21

*Management  
compensation report*

MTU AERO ENGINES AG  
FISCAL YEAR 2021

## *Management compensation report*

The compensation report describes the principles applied in determining the compensation for the Executive Board and Supervisory Board of MTU Aero Engines AG, and states the amount and composition of that compensation. The compensation report complies with the provisions of Section 162 of the German Stock Corporation Act (AktG).

### **Principles of the compensation system for members of the Executive Board**

At the proposal of the Personnel Committee of MTU Aero Engines AG, the Supervisory Board decides on a system of compensation for the members of the Executive Board, including the material components of their contracts such as the amount and breakdown into non-performance-related and performance-related components. The Personnel Committee reviews the appropriateness and alignment with the market of the Executive Board compensation at regular intervals.

To take account of the requirements of the second Shareholders' Rights Directive (ARUG II) and the German Corporate Governance Code (GCGC), the Personnel Committee decided to modify the compensation system for the Executive Board with effect from the 2021 fiscal year. For this purpose, it consulted independent external compensation experts. As a result of the change in the compensation system, in addition to taking into account the achievement of the financial performance targets (adjusted EBIT and free cash flow), payment of the short-term incentive (STI) now includes the achievement of non-financial performance targets, i.e., environmental, social and governance (ESG) targets. Disbursement of the long-term performance-related component, the Restricted Stock Plan (RSP), is now based on the achievement of the performance targets adjusted EBIT and relative total shareholder return (TSR).

This ensures that corporate governance is optimally aligned with the long-term interests of the company, its investors and society. The revised compensation system for the Executive Board was introduced in the 2021 fiscal year and approved by the Annual General Meeting on April 21, 2021.

## Principles of total compensation

### Structure of the compensation system (total target direct compensation)

Non-performance-related components	~ 39%	Fixed compensation	Contractually agreed fixed compensation, paid in 12 equal installments
	~ 1%	Fringe benefits	- Taxable reimbursements of expenses - Cash equivalent of payments in kind - Insurance premiums
Performance-related components	~ 60%	Short-term incentive (STI) (performance-related component excluding long-term incentive)	~ 40% of variable compensation  Financial performance criteria: Adjusted EBIT and free cash flow Cap 0-200% Non-financial ESG targets are taken into account via a multiplier (0.8-1.2).
		Restricted Stock Plan (RSP) (performance-related component as long-term incentive)	~ 60% of variable compensation  Financial performance criteria: Adjusted EBIT and relative Total Shareholder Return Cap 0-200% Effectively granted as MTU shares (4-year holding period)

### Non-performance-related components

Non-performance-related compensation (basic salary), which normally makes up around 40% of the target direct compensation, is paid on a monthly basis and consists of fixed compensation and fringe benefits. Fringe benefits comprise taxable reimbursements of expenses and the cash equivalent of payments in kind, such as the use of a company car for business and private purposes and insurance premiums, including any taxes on such benefits that have been reimbursed. In exceptional circumstances, they also include compensation for remuneration forfeited from a previous employer.

### Performance-related components

Performance-related compensation makes up around 60% of the target direct compensation; it consists of a short-term incentive (STI) and the Restricted Stock Plan (RSP).

### Short-term incentive (STI)

Performance-related compensation is paid in the form of a short-term incentive (STI). It normally comprises approximately 40% of the performance-related components. Its effective calculation depends on the degree of target achievement for two equally weighted key performance indicators at Group level – adjusted EBIT and free cash flow.

To ensure the comparability of the EBIT figure, it is adjusted for amounts that do not form part of the regular operating activities. These include depreciation and amortization of assets that were identified in the purchase price allocation following the carve-out in 2004 from what was then the DaimlerChrysler Group and the program assets relating to the increase in the stake in the V2500 program in 2012, which are accounted for as a reduction in revenue. In addition, adjustments are made for special items resulting from extraordinary effects (special items) resulting from impairment losses (IAS 36) and accrued restructuring expenses (IAS 37). Furthermore, an adjustment is made for the deconsolidation gain in connection with the sale of Vericor Power Systems.

MTU determines its free cash flow by combining its cash flow from operating activities with its cash flow from investing activities and eliminating components of the latter (non-recurring cash flows) that lie outside the operational management of the core business. For the reconciliation of the free cash flow, non-recurring cash outflows – comprising payments for the acquisition of shares in engine programs, payments in connection with interest-bearing loans or with financial assets held for the purpose of liquidity management, the net cash inflow in connection with the sale of Vericor and the sale of the

equity investment in SMBC Aero Engines Lease B.V., and the net cash outflow for the acquisition of the remaining 20% of MTU Maintenance Lease Services B.V. – are eliminated from the cash flow from investing activities.

The targets to be achieved in the respective fiscal year to ensure payment of 100% of the STI are set annually in advance by the Supervisory Board, taking the operational business plan into account. In addition, an entry threshold is set at 80% (previous year: 70%) of the defined target level which, if achieved, corresponds to an STI payment of 50%. There is no STI entitlement below this entry threshold. Similarly, the maximum payment is limited to 200% (previous year: 180%), which is payable if the maximum target achievement of 120% (previous year: 115%) is reached. Between the entry threshold, the 100% level and maximum target achievement, the payment percentage is interpolated on a straight line in each case. The effective STI payment percentage is calculated by taking the arithmetic mean of the degree of achievement of the two performance targets.

The non-financial performance targets of relevance for the STI comprise ESG targets from the areas of environmental management, compliance, social commitment, growth & resilience, product stewardship & quality, innovation, attractiveness as an employer, employees & diversity as well as responsible procurement and digital issues. The ESG targets, their level and the target achievement ranges are defined annually by the Supervisory Board. The corresponding payment percentages are then derived from the achievement of the ESG targets and take the form of a scaled increase or reduction in the STI payment of up to 20%.

### **Restricted Stock Plan (RSP)/Long-term incentive (LTI)**

Target achievement for the long-term incentive (LTI) component, the Restricted Stock Plan (RSP), is calculated as the arithmetic mean of the average achievement of the adjusted EBIT target used for the STI and the average total shareholder return on MTU shares relative to the STOXX Europe Total Market Aerospace & Defense (TSR) index in the fiscal year in which the LTI is granted and the two preceding years. The target range for the LTI is between 80% and 120% and the corresponding payment percentage is between 50% and 200%. The

entry threshold for the TSR has been set at a relative performance versus the reference index of -10 percentage points. This corresponds to a payment of 50%. The maximum TSR target achievement is outperformance of the index by +10 percentage points, corresponding to an LTI payment level of 200%. Analogously to the STI, the TSR target achievement level is interpolated on a straight line between the entry threshold, and a relative performance of zero and maximum target achievement. The LTI is awarded as a taxable cash settlement and is contingent upon reinvestment of the full amount in MTU shares with a holding period of four years.

### **Further rules on compensation**

For new appointments to the Executive Board, the previous defined-benefit pension entitlement will, in the future, be altered to an annual contribution to a personal pension plan.

Further, the new compensation system for the Executive Board contains penalty and claw-back rules. This enables the Supervisory Board, at its discretion, to reduce performance-related components that have not been paid out (penalty clause) or claim reimbursement of performance-related components that have already been paid (claw-back clause). The penalty and claw-back clauses take effect in cases of serious breaches of contract (Code of Conduct or compliance guidelines) and retrospective adjustment of performance-related compensation components that have been determined and/or paid on the basis of inaccurate consolidated financial statements if the amended consolidated financial statements would have resulted in a lower payment.

The share ownership guidelines require the CEO and the other members of the Executive Board to acquire shares in MTU equivalent to 300% (CEO) and 200% (other Executive Board members) respectively of their gross annual basic salary within four years (including shares acquired through the RSP). This individual obligation was complied with in the reporting period in each case. The shares are subject to a two-year lock-up period when a member leaves the Executive Board.

Termination benefits paid to a member of the Executive Board as a result of early termination of their contract, including in the event of a change of control, are limited to two years' total annual compensation (cap on termination benefits) or the compensation due for the remaining term of the contract, whichever is lower. There has not been any change to the members of the Executive Board so the rulings relating to changes on the Executive Board did not apply in the reporting period.

Under Section 87a (2) sentence 2 of the German Stock Corporation Act (AktG), in specific exceptional circumstances (e.g. in the event of a serious financial or economic crisis), the Supervisory Board may temporarily depart from the defined compensation system if this is in the long-term interests of MTU. General unfavorable market developments explicitly do not constitute specific exceptional circumstances permitting temporary departure from the compensation system. Departure from the compensation system is only possible on the basis of a corresponding resolution by the Supervisory Board, based on a proposal by the Personnel Committee, after careful examination of its necessity. Even in such cases, the compensation must still be geared to the long-term and sustainable development of MTU and reflect the success of the company and the performance of the Executive Board.

The components of the compensation system where such departures are permitted in the circumstances outlined above are the performance criteria for the STI and RSP and their weighting, the ranges for possible achievement of the targets and the methods used to determine target achievement. Similarly, the Supervisory Board can temporarily grant additional compensation components or replace individual compensation components by other compensation components if the incentive effect of the compensation of the Executive Board cannot be achieved adequately by adjusting the existing compensation components.

In accordance with Section 87a (1) sentence 2 no. 1 of the German Stock Corporation Act (AktG), the Supervisory Board has set a maximum level of compensation for each member of the Executive Board. This comprises all fixed and variable components (fixed compensation, annual performance-related compensation and the Restricted Stock Plan). The maximum compensation caps the total compensation granted for a specific fiscal year, irrespective of the time of payment. It is €5.5 million for the Chairman of the Executive Board and €3.0 million for the other Executive Board members.

## Development of performance-related components

### Short-term incentive (STI)

The Supervisory Board set the following performance targets for the performance period: for the short-term incentive (STI), adjusted EBIT of €400 million (actual: €468 million) and free cash flow (FCF) of €170 million (actual: €240 million). Consequently, the entry threshold for target achievement for the STI was exceeded in the reporting period and the payment percentage was therefore 200% (previous year: 0%).

As ESG targets for the reporting period, the Supervisory Board chose the areas of environmental management (criterion: CO<sub>2</sub> emissions relative to production hours) and attractiveness as an employer and employees & diversity (criterion: commitment & leadership). A target range of 80–120% was set for each of these criteria. Both target ranges are included in the determination of the ESG multiplier as an average.

Target achievement for the criterion “CO<sub>2</sub> emissions relative to production hours” is measured by the reduction compared with the reference year 2019 (28.9 kilograms per production hour). The target was an overall reduction of 6% to 27.2 kilogram per production hour, with 5 percentage points of this to be achieved by the purchase of renewable energies and 1 percentage point to be achieved through sustainable operational measures, e.g., to increase energy efficiency or energy generated by the company from renewable resources. Compared with the reference year, 2021 was overshadowed by the coronavirus pandemic. Consequently, MTU purchased green power to offset the exceptional, pandemic-related effects. By contrast, measures geared to the sustained avoidance of CO<sub>2</sub> emissions reduced emissions by 1.8%, so the target of 1 percentage point was exceeded. Renewables accounted for 8.6% of purchased electricity (excluding offsetting of the exceptional pandemic-related effects); therefore, the 5 percentage point target was exceeded. Total CO<sub>2</sub> emissions in the period December 2020 to November 2021 were 26.4 kilograms per production hour.

The target achievement range for the sustainable measures in production was defined as a target achievement contribution of 80% for a target achievement level of up to 0.7% and 120% for a target achievement level of 1.3% or above. The bandwidth for target achievement for the purchase of renewable energies was defined as a target achievement contribution of 80% for a target achievement level of up to 3.5% and a target achievement contribution

of 120% for a target achievement level of 6.5% or above. Since the result was well above the levels set for both of these sub-targets, the maximum target achievement contribution of 120% was achieved for the overall criterion “CO<sub>2</sub> emissions relative to production hours.”

Achievement of the target for the “commitment & leadership” criterion is derived from employee feedback, based on employee surveys (“pulse checks”). For this purpose, only the number of explicitly positive replies is counted. This is then expressed as a percentage of the total number of replies. The total index value calculated in this way is weighted with a target achievement level of 80% for a score of 60%, 100% for a score of 75% ,and 120% for a score of 90%. The overall index for 2021 derived from all three pulse checks was around 73% and thus slightly below the target of 75% positive assessments in the “commitment & leadership” criterion. In view of the pandemic situation in 2021, this was nevertheless a good result and led to a target achievement contribution of 97% for the “commitment & leadership” criterion.

The target achievement levels outlined above for the ESG criteria result in an ESG multiplier of 1.09.

## Restricted Stock Plan (RSP)/ Long-term incentive (LTI)

The value of the Restricted Stock Plan is based on the contractually agreed RSP grant value and the realized multi-year performance level. The latter is calculated for each Executive Board member in the reporting period as the arithmetic mean of the target achievement of the adjusted EBIT and the relative total shareholder return (TSR) measured against the STOXX® Europe Total Market Aerospace and Defense in the reporting period as well as the two previous years (previous year: as an arithmetic mean of the payment percentages of the short-term incentive (STI) in the three fiscal years before the reporting period).

Achievement of the LTI performance targets developed as follows:

Achievement of LTI performance targets (in %)		
	Adjusted EBIT	TSR
2021	185	
2020		175
2019	141	200
<b>3-year target achievement adjusted EBIT</b>	<b>109</b>	<b>125</b>

As a consequence of the change in the measurement of achievement of the LTI target, payment of the performance-related LTI components (RSP) granted for the reporting period will only be paid out in the following year (in the previous year: the LTI/RSP was granted and paid out in the same reporting period).

The following table shows the basis for determining the multi-year target achievement level for the performance-related components:

<b>Variable compensation payment percentages</b>					
	2021	2020	2019	2018	2017
STI	218		180	161	180
RSP/LTI	117	174	165	168	158
<b>Price of RSP shares purchased</b>					
Purchase price per share	<sup>1)</sup>	119	209	143	131

<sup>1)</sup> Purchase will take place in 2022.

## Compensation of individual members of the Executive Board

### Compensation for the reporting period

The following table contains an individual breakdown of the compensation of each Executive Board member for the reporting period. The non-performance-related compensation is reported as compensation granted and corresponds to the amounts paid in the reporting period.

The performance-related compensation is reported as compensation granted and owed and corresponds to the expected amount of performance-related compensation based on the consolidated financial statements for the reporting period.

### Total compensation granted and owed

	Reiner Winkler Chief Executive Officer	Peter Kameritsch Chief Financial Officer and Chief Information Officer	Michael Schreyögg Chief Program Officer	Lars Wagner Chief Operating Officer	Total
Members of the Executive Board	2021	2021	2021	2021	2021
in €					
Fixed compensation	924,000	525,000	525,000	525,000	2,499,000
Fringe benefits <sup>1)</sup>	26,668	13,522	31,742	10,639	82,570
<b>Total non-performance-related compensation</b>	<b>950,668</b>	<b>538,522</b>	<b>556,742</b>	<b>535,639</b>	<b>2,581,570</b>
<b>Proportion of non-performance-related compensation in %</b>	<b>27%</b>	<b>30%</b>	<b>30%</b>	<b>30%</b>	
STI <sup>2)3)</sup>	1,449,700	709,590	709,590	709,590	3,578,470
RSP/LTI <sup>2)</sup>	1,064,412	564,337	564,337	564,337	2,757,424
<b>Total performance-related compensation</b>	<b>2,514,112</b>	<b>1,273,927</b>	<b>1,273,927</b>	<b>1,273,927</b>	<b>6,335,894</b>
<b>Proportion of performance-related compensation in %</b>	<b>73%</b>	<b>70%</b>	<b>70%</b>	<b>70%</b>	
<b>Total compensation granted and owed</b>	<b>3,464,780</b>	<b>1,812,449</b>	<b>1,830,669</b>	<b>1,809,566</b>	<b>8,917,464</b>
Service cost (IAS 19) <sup>4)</sup>	260,938	379,670	415,951	469,147	1,525,706
<b>Total compensation</b>	<b>3,725,718</b>	<b>2,192,119</b>	<b>2,246,620</b>	<b>2,278,713</b>	<b>10,443,170</b>

<sup>1)</sup> Fringe benefits include charges to taxable income covering benefits in kind amounting to €75,573 (previous year: €78,246) and premiums for insurance policies taken out on behalf of members of the Executive Board amounting to €6,997 (previous year: €6,997).

<sup>2)</sup> The amount reported for the variable compensation corresponds to the amount promised for 2021, to be paid out in 2022 after adoption of the annual financial statements.

<sup>3)</sup> Non-financial ESG targets are included using a multiplier of 1.09.

<sup>4)</sup> The service cost takes into account the effects of the adjustment of the fixed compensation adopted in the reporting period with effect from January 1, 2022.

In the reporting period, former Executive Board members received €3,650,605 of their pension entitlement (Dr. Rainer Mertens: pension of €225,811; Dr. Weingartner: lump sum of €3,424,794). Members of the Executive Board did not receive any compensation for board appointments in Group companies. The Group did not grant any loans to members of the Executive Board in the reporting period or the previous year. The compensation of the Executive Board did not have to be adjusted due to a penalty or claw-back ruling in either the reporting period or the previous

year. Moreover, there was no need to temporarily depart from the defined compensation system due to specific exceptional circumstances. The agreed maximum compensation of €5.5 million for the CEO and €3.0 million for each of the other Executive Board members was not exceeded.

The individual compensation of the Executive Board and Supervisory Board members, the earnings indicators for the company and the Group and the average compensation of the workforce changed as follows:

#### Vertical comparison

	Change 2021 vs. 2020	Change 2020 vs. 2019	Change 2019 vs. 2018	Change 2018 vs. 2017
<b>Compensation granted and owed to present Executive Board members</b>				
Reiner Winkler	37%	-31%	20%	4%
Peter Kameritsch	31%	-28%	52% <sup>1)</sup>	-
Michael Schreyögg	31%	-28%	2%	4%
Lars Wagner	32%	-28%	52% <sup>1)</sup>	-
<b>Compensation of former Executive Board members</b>				
Dr. Rainer Martens	- <sup>2)</sup>			
Dr. Stefan Weingartner	- <sup>2)</sup>			
<b>Compensation granted and owed to present Supervisory Board members</b>				
Klaus Eberhardt (Chairman of the Supervisory Board, Personnel Committee and Nomination Committee)	-6%	9%	1%	0%
Josef Mailer (Deputy Chairman of the Supervisory Board)	-6%	1%	-1%	3%
Dr. Joachim Rauhut (Chairman of the Audit Committee)	-5%	-6%	1%	0%
Roberto Armellini	-4%	79%	- <sup>3)</sup>	
Dr. Christine Bortenlänger	17%	-9%	35%	- <sup>4)</sup>
Thomas Dautl	3%	-9%	0%	0%
Dr.-Ing. Jürgen M. Geißinger	2%	2%	-3%	4%
Anita Heimerl	0%	-7%	105%	- <sup>5)</sup>
Heike Madan	-6%	-7%	2%	0%
Dr. Rainer Martens	- <sup>6)</sup>			
Prof. Dr. Marion A. Weissenberger-Eibl	3%	-9%	0%	0%
Michael Winkelmann	48%	- <sup>7)</sup>		
<b>Earnings indicators</b>				
Adjusted Group EBIT (IFRS)	13%	-45%	13%	11%
Net profit of MTU Aero Industries AG (German Commercial Code [HGB]) <sup>8)</sup>	50%	64%	-69%	-8%
<b>Average compensation of the workforce</b>				
Employees in Germany <sup>9)</sup>	8%	-7%	1%	1%

<sup>1)</sup> Executive Board member since January 1, 2018.

<sup>2)</sup> First-time payment in reporting period.

<sup>3)</sup> Supervisory Board member since June 13, 2019.

<sup>4)</sup> Supervisory Board member since April 11, 2018.

<sup>5)</sup> Supervisory Board member since July 17, 2018.

<sup>6)</sup> Supervisory Board member since January 26, 2021.

<sup>7)</sup> Supervisory Board member since May 1, 2020.

<sup>8)</sup> Not relevant for compensation; does not provide a very meaningful insight into the economic development of MTU Group.

<sup>9)</sup> Includes the active workforce in Germany (permanent employees, including employees on parental leave working part-time) standardized to full-time equivalents (FTEs) based on the following compensation elements: basic salary and, depending on employment group, collectively agreed one-time payments or variable compensation (profit-sharing bonus, bonuses I and II, STI and LTI).

In view of the extensive operating activities of the national companies in the MTU Group and the fact that MTU Aero Industries AG performs central tasks for the MTU Group, for example financing and its role as a tax group, the net profit of MTU Aero Engines AG for individual reporting periods is produced on a technical basis and are not a good reflection of the performance of the MTU Group. Accordingly, the suitability of the net profit as a reference base for performance-related compensation components is low. Therefore, the adjusted EBIT for the Group was included in the vertical comparison as an additional earnings indicator as it is used as the financial performance indicator for the STI and RSP. In all compensation groups evaluated, the calculation of the annual changes in compensation excludes company pension schemes.

### Rules when terminating the contracts of members of the Executive Board

The active members of the Executive Board are given defined benefit commitments whose structure corresponds to that of pension commitments for members of governing bodies of peer-group companies. Executive Board members appointed from January 1, 2021, will receive a pension allowance as a contribution to a pension plan, paid out annually in cash, instead of the pension entitlements outlined above. This enables Executive Board members to take personal responsibility their pension provision. By granting this annual pension allowance, MTU no longer bears any interest rate risks and other biometric risks associated with the financing of pensions.

### Retirement and survivors' pensions

The members of the Executive Board earn company pension entitlements in accordance with the "MTU Pension Capital" plan, which governs the post-employment benefits for members of the Executive Board of MTU Aero Engines AG. The benefit target is to provide a pension amounting to 60% of the basic salary after 15 years of service on the Executive Board. When the previous plan was replaced, the benefits earned up until December 31, 2009, were transferred to the new plan as the initial transfer amount. This entitlement represents the benefits payable under the old plan at the age of 60, adjusted by the ratio of actual years of service with the Group to the number of years from joining the Group until the age of 60. The initial transfer amount corresponds to the pension equivalent converted into a one-time capital amount.

Once the initial transfer amount has been determined, a pension account is opened for each member of the Executive Board, to which further capital units are credited annually. The annual capital units are determined on the basis of the individual Executive Board member's contribution and an age-related factor. The age-related factor represents an interest rate of 6% p.a. until the age of 60. The contribution period is normally limited to 15 years of service on the Executive Board and ends at the age of 60. From the age of 61, the pension account earns interest at 4% p.a. until the pension is drawn (= bonus amount). The total of accrued capital units, plus the initial transfer amount and any bonus amounts credited, make up the pension capital available to finance post-employment benefits. If benefits are payable because a member of the Executive Board becomes disabled or dies before reaching the fixed retirement age of 60, 50% of the benefits earnable up to the fixed age limit are added to the accrued balance on the pension account, taking into account the promised contribution period. The amount credited is based on the contribution paid at the time of exit.

When an insured event occurs, the pension capital is generally granted as a one-time payment. However, at the request of the Executive Board member and subject to the Group's approval, the balance accumulated on the pension account may either be drawn as capital in ten installments (with a 4% increase in the balance accumulated) or as a life annuity with annual increments of 1%. When an insured event occurs, the pension account is topped up to the level of benefit commitment under the previous plan (guaranteed capital). Pension benefits do not become payable until an insured event occurs (i.e., on reaching pensionable age, or in the event of disability or death), even if the insured party leaves the Executive Board. The pension entitlement is vested from inception.

Basic details of the above-mentioned commitments and benefits are shown in the following table:

<b>Pension commitments</b>					
Members of the Executive Board in €	Initial transfer amount <sup>1)</sup>	Guaranteed capital <sup>2)</sup>	Annual contribution <sup>3)</sup>	End of contribution period	Lump-sum payment <sup>4)</sup>
Reiner Winkler	1,625,140 <sup>5)</sup>	2,510,788	400,000	Aug. 1, 2021 <sup>6)</sup>	8,537,538 <sup>7)</sup>
Peter Kameritsch	461,573	461,573	226,027	April 1, 2029	5,096,879
Michael Schreyögg	365,627	365,627	215,478	Aug. 1, 2026	4,801,945
Lars Wagner	207,344	207,344	211,965	Jan. 1, 2033	6,939,676

<sup>1)</sup> Credit for past service up to date of changeover to new system – Reiner Winkler: December 31, 2009; Michael Schreyögg: July 1, 2013; Peter Kameritsch and Lars Wagner: January 1, 2018.

<sup>2)</sup> Level of benefits to which the insured party would have been entitled under the previous pension plan.

<sup>3)</sup> This contribution will change in 2022 in line with the adjustment to the fixed compensation adopted in the reporting period with effect from January 1, 2022.

<sup>4)</sup> All entitlements to company pension benefits (including the individual employee-funded capital account [“Pension Capital Aufbaukonto”]) taking into account the maximum contribution period.

<sup>5)</sup> Under the previous pension plan, Reiner Winkler was promised that his years of service with former Group companies would count toward his pension. In connection with the transfer of his pension entitlements to the new plan, he was promised a special transfer amount of € 575,065 in 2010

<sup>6)</sup> As part of the contract extension in 2018, the contribution period was extended to the age of 60.

<sup>7)</sup> Based on interest of 4% p.a., the one-time payment at the end of the settlement period on September 30, 2024, will amount to €9,511,228.

The differences in the annual contributions to the pension accounts result from the remaining periods of service until the end of the respective maximum contribution period, the respective age-related factors, and the individual amounts of pensionable compensation.

The following table shows the service cost for the reporting period and the previous year, and the corresponding levels of provisions, recognized in accordance with IFRS and the German Commercial Code (HGB) for members of the Executive Board:

<b>Additions to pension provisions and total amounts</b>					
Members of the Executive Board in €	Year	Service cost (IFRS)	Service cost (German Commercial Code [HGB])	Carrying amount of pension provisions as of Dec. 31 (IFRS) <sup>1) 2)</sup>	Carrying amount of pension provisions as of Dec. 31 (German Commercial Code [HGB]) <sup>2)</sup>
<b>Reiner Winkler</b>	<b>2021</b>	<b>260,938</b>	<b>243,774</b>	<b>8,711,581</b>	<b>8,444,796</b>
	2020	255,395	234,398	8,608,974	7,905,351
<b>Peter Kameritsch</b>	<b>2021</b>	<b>379,670</b> <sup>3)</sup>	<b>124,774</b>	<b>4,275,046</b>	<b>3,947,779</b>
	2020	138,191	118,398	4,051,864	3,404,331
<b>Michael Schreyögg</b>	<b>2021</b>	<b>415,951</b> <sup>3)</sup>	<b>114,999</b>	<b>4,423,074</b>	<b>4,203,142</b>
	2020	124,184	110,046	4,115,516	3,649,182
<b>Lars Wagner</b>	<b>2021</b>	<b>469,147</b> <sup>3)</sup>	<b>240,408</b>	<b>2,254,645</b>	<b>1,933,896</b>
	2020	299,930	223,804	1,938,897	1,435,098
<b>Total</b>	<b>2021</b>	<b>1,525,706</b>	<b>723,955</b>	<b>19,664,346</b>	<b>18,529,613</b>
<b>Total</b>	<b>2020</b>	<b>817,700</b>	<b>686,646</b>	<b>18,715,251</b>	<b>16,393,962</b>

<sup>1)</sup> The service cost and provisions take into account the effects of the adjustment to the basic salary adopted in the reporting period with effect from January 1, 2022.

<sup>2)</sup> Where appropriate, the provisions include obligations relating to claims arising from the individual employee-funded capital accounts (‘‘Pension Capital Aufbaukonto’’) from previous service periods.

<sup>3)</sup> The service cost comprises past service cost in line with the adjustment to the fixed compensation adopted in the reporting period with effect from January 1, 2022.

The defined benefit obligations for former members of the Executive Board, measured in accordance with International Financial Reporting Standards (IFRSs), amount to €14,554,392 (previous year: €19,480,470).

### **Severance payments on premature termination of contracts of service with members of the Executive Board**

If the appointment of an Executive Board member is terminated by MTU for cause and termination of the contract takes place with immediate effect, the STI will not be paid for that fiscal year. If the contract of service is terminated by MTU or the Executive Board member subject to the period of notice, the Executive Board member is entitled to a pro-rata STI payment for the remaining term of the contract.

If, before the end of the holding period for shares under the RSP, the Executive Boards contract of service ends as a result of extraordinary termination by MTU for cause pursuant to Section 626 (1) of the German Civil Code (BGB) or due to the resignation of the Executive Board member without reaching mutual agreement, or if the appointment is revoked by the Supervisory Board for cause pursuant to Section 84 (3) of the German Stock Corporation Act (AktG) before the end of the holding period, or if the Executive Board member resigns before the end of the holding period, the Executive Board member must refund the (gross) value of the RSP that has been paid out.

### **Severance payments on premature termination of contracts of service with members of the Executive Board in the event of a change of control or changes of shareholders of MTU Aero Engines AG**

Under the contracts of service for members of the Executive Board in effect since January 1, 2021, a change of control is deemed to have occurred if a shareholder, alone or on the basis of the voting rights attributable to him or her pursuant to Section 22 of the German Securities Trading Act (WpHG), acquires the majority of the voting rights and this results in significant disadvantages for the Executive Board. Material disadvantages are, in particular, if the Executive Board member is removed, if the member's responsibilities and duties are significantly altered, or if the Executive Board member is asked to accept a reduction in employment benefits or to agree to premature termination of the respective contract of service. In such case, each member of the Executive Board shall have a special right of termination, which is to be exercised within a period of six months, with a period of notice of three months to the end of a month. If a member of the Executive Board makes use of the special right of termination, or if the Executive Board member's contract of service is terminated by mutual consent within nine months of the change of control, the Executive Board member receives a severance payment corresponding to the benefits still to be awarded up to the end of the contract term originally agreed. For the calculation of the severance payment, 100% target fulfillment is agreed for the variable compensation components. However, payments may not exceed two years' total annual compensation. If the cap on termination benefits is exceeded, the severance payment is reduced to the amount of the cap or the compensation due for the remaining term of the contract, whichever is lower.

### **Compensation of the Supervisory Board**

The rules governing Supervisory Board compensation are laid down in the articles of association of MTU Aero Engines AG. The compensation is relative to the size of the Group and the duties and responsibilities of the Supervisory Board members.

Pursuant to Article 12 of the current articles of association of MTU Aero Engines AG, members of the Supervisory Board receive fixed annual compensation of €50,000, payable after the end of the fiscal year. The chair of the Supervisory Board receives three times and the deputy one-and-a-half times the amount of fixed compensation. In addition to this compensation, members serving on one of the Supervisory Board's committees receive an additional €10,000 for the fiscal year and a further

€20,000 for the fiscal year if they chair a committee. Furthermore, members of the Supervisory Board receive an attendance fee of €3,000 per meeting of the Supervisory Board and its committees, limited to €3,000 per day. The attendance fee is halved for meetings convened by the chair or deputy chair if they are conducted by means of telecommunication (telephone or videoconference). Expenses incurred in connection with the exercise of their office are reimbursed, as is any value-added tax payable on compensation.

The members of the Supervisory Board do not receive any share-based compensation.

The following table contains an individualized breakdown of the compensation of each Supervisory Board member in the reporting period (figures exclude value-added tax). The fixed annual payment and compensation for committee membership are disclosed as compensation owed and comprise the compensation for the reporting period paid out at the start of the following year.

The attendance fees are disclosed as compensation granted and are the amounts paid to each member in the reporting period.

#### Compensation granted and owed to the Supervisory Board for 2021

Supervisory Board members	Fixed annual payment		Compensation for committee membership		Attendance fees		Total compensation	
	in €	in %	in €	in %	in €	in %	in €	in %
Klaus Eberhardt (Chairman of the Supervisory Board, Personnel Committee and Nomination Committee) <sup>3)</sup>	150,000	64%	63,083	27%	21,000	9%	234,083	100%
Josef Mailer (Deputy Chairman of the Supervisory Board) <sup>1) 2) 4)</sup>	75,000	66%	20,000	17%	19,500	17%	114,500	100%
Dr. Joachim Rauhut (Chairman of the Audit Committee)	50,000	53%	30,000	32%	15,000	16%	95,000	100%
Roberto Armellini <sup>1) 6)</sup>	50,000	69%	10,000	14%	12,000	17%	72,000	100%
Dr. Christine Bortenlänger <sup>4)</sup>	50,000	73%	6,917	10%	12,000	17%	68,917	100%
Thomas Dautl	50,000	83%			10,500	17%	60,500	100%
Dr.-Ing. Jürgen M. Geißinger <sup>1) 5)</sup>	50,000	57%	20,000	23%	18,000	20%	88,000	100%
Anita Heimerl <sup>4)</sup>	50,000	83%			10,500	17%	60,500	100%
Heike Madan <sup>2) 6)</sup>	50,000	67%	10,000	13%	15,000	20%	75,000	100%
Dr. Rainer Martens (since January 26, 2021)	46,528	82%			10,500	18%	57,028	100%
Prof. Dr. Marion A. Weissenberger-Eibl	50,000	83%			10,500	17%	60,500	100%
Michael Winkelmann <sup>4)</sup>	50,000	83%			10,500	17%	60,500	100%
<b>Total</b>	<b>721,528</b>		<b>160,000</b>		<b>165,000</b>		<b>1,046,528</b>	

<sup>1)</sup> Member of the Personnel Committee.

<sup>2)</sup> Member of the Audit Committee.

<sup>3)</sup> Member of the Audit Committee until April 21, 2021.

<sup>4)</sup> Member of the Audit Committee since April 22, 2021.

<sup>5)</sup> Member of the Nomination Committee.

<sup>6)</sup> These employee representatives have declared that they will donate their Supervisory Board compensation to the Hans-Böckler-Stiftung, in accordance with the guidelines of the Confederation of German Trade Unions.

## Independent auditor's report

### To MTU Aero Engines AG, Munich

We have audited the attached remuneration report of MTU Aero Engines AG, Munich, prepared to comply with Sec. 162 AktG ["Aktiengesetz": German Stock Corporation Act] for the fiscal year from 1 January 2021 to 31 December 2021 and the related disclosures.

### Responsibilities of the executive directors and the supervisory board

The executive directors and supervisory board of MTU Aero Engines AG, Munich, are responsible for the preparation of the remuneration report and the related disclosures in compliance with the requirements of Sec. 162 AktG. In addition, the executive directors and supervisory board are responsible for such internal control as they determine is necessary to enable the preparation of a remuneration report and the related disclosures that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on this remuneration report and the related disclosures based on our audit. We conducted our audit in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report and the related disclosures are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts in the remuneration report and the related disclosures. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the remuneration report and the related disclosures, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of the remuneration report and the related disclosures in order to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the accounting policies used and the reasonableness of accounting estimates made by the executive directors and supervisory board, as well as evaluating the overall presentation of the remuneration report and the related disclosures.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Opinion

In our opinion, on the basis of the knowledge obtained in the audit, the remuneration report for the fiscal year from 1 January 2021 to 31 December 2021 and the related disclosures comply, in all material respects, with the financial reporting provisions of Sec. 162 AktG.

### Other matter – formal audit of the remuneration report

The audit of the content of the remuneration report described in this auditor's report comprises the formal audit of the remuneration report required by Sec. 162 (3) AktG and the issue of a report on this audit. As we are issuing an unqualified opinion on the audit of the content of the remuneration report, this also includes the opinion that the disclosures pursuant to Sec. 162 (1) and (2) AktG are made in the remuneration report in all material respects.

### Limitation of liability

The "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" as issued by the IDW on 1 January 2017, which are attached to this report, are applicable to this engagement and also govern our responsibility and liability to third parties in the context of this engagement.

Munich, 8 March 2022

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft

Baur  
Wirtschaftsprüfer  
[German Public Auditor]

Stummer-Jovanovic  
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