

Management Board Compensation System 2021+ ESG Targets Methodology



2021, Bad Homburg

General Background

ESG targets in the Management Board compensation system

- The compensation system for the Management Board members (“MB members”) of Fresenius Management SE has been adapted considering the recommendations of the new German Corporate Governance Code 2019 (“GCGC”), regulations of the Shareholders’ Rights Directive (“ARUG II”) as well as investors’ feedback
- The compensation system includes ESG targets for the STI 2021 and 2022. ESG targets are weighted with 15% of the STI.
- The ESG targets relate to the five ESG focus areas



- For the years 2021 and 2022 qualitative annual targets are defined for each ESG focus area
- The ESG target achievement is measured at Fresenius Group level to ensure close cooperation between the business segments
- The Management Board compensation system was approved at the [Company’s AGM on May 21, 2021](#).

General Background

Management Board compensation drives ESG performance and strategy set-up



ESG Focus Areas

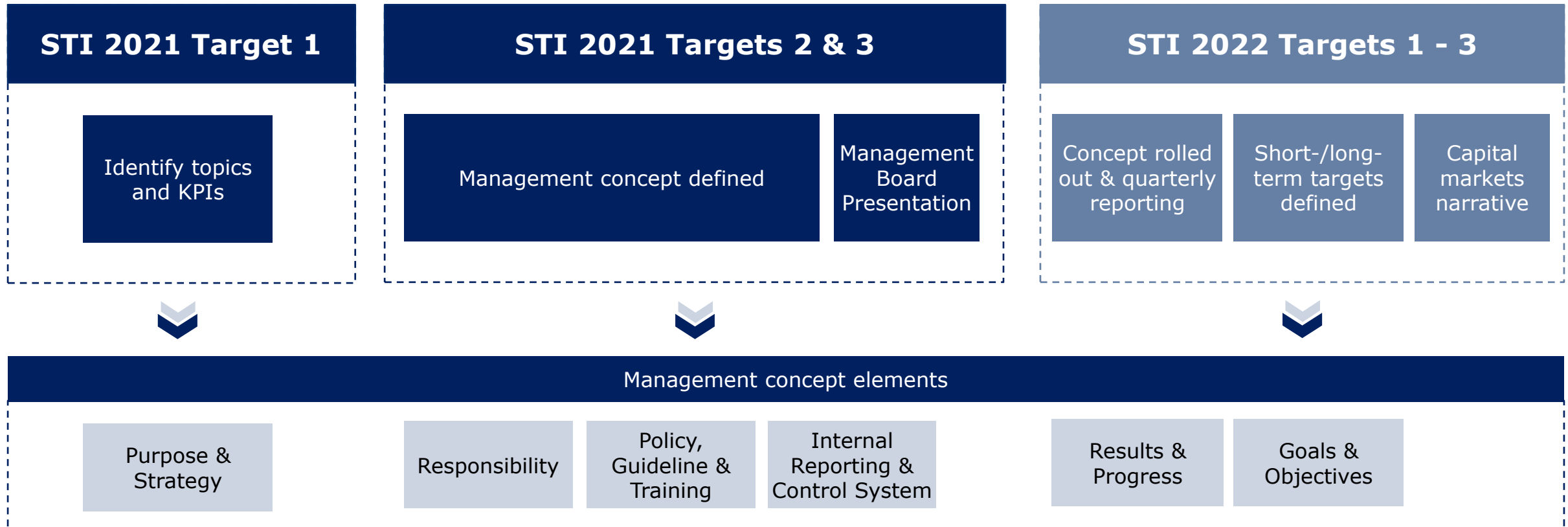
Selection based on materiality analysis 2020

2020 materiality analysis results



ESG Targets 2021 & 2022

Corresponding management concept elements



The ESG Targets 2021 and 2022 for the focus areas Quality, Employees and Innovation can be mapped to corresponding management concept elements, widely based on the Global Reporting Initiative (GRI) Standard 103. GRI is an accepted sustainability reporting standard and can be used as a common reference. The following methodology describes the ESG target requirements in more detail. Where applicable, references to the GRI Standards 103 are made. The focus areas Compliance and Environment follow an adapted approach (see detailed requirements).

ESG Targets 2021

Quality, Employees, Innovation

Key topics / KPIs identified

- Identification of 1-3 **most relevant topics** and corresponding **KPIs per ESG focus area** at segment level
- Alignment with harmonized Group KPI / Group index per ESG focus area

Management concept defined

- Development of **management and reporting concept** per ESG focus area
- Concept to follow **internal and external standards***, including:
 - Responsibilities
 - Policies & reporting processes
 - Internal control system

Presented & MB sign-off achieved

- **Quarterly Management Board update** on progress towards target achievement of target 1 and 2
- **Final presentation of concept** (outcome of target 1 and 2) to MB and **sign-off by Management Board**

* *Minimum components will be defined by FRE, e.g. based on internal business process standards of the segment and external reporting standards such as GRI, SASB.*

ESG Targets 2021

Environment

Data quality & transparency improvement

- Improvement of **data quality** of **CO₂ emissions scope 1 & 2** and **water management**, following **accepted standards***
- **Identification of material scope 3 emission categories** at business segment level
- Increase internal reporting frequency to **quarterly reporting**

Short-/long-term targets defined

- Development of **short- and long-term performance targets** for CO₂ emissions
- **Alignment** of segment targets with **Group target ambition**
- Perform regular **climate and water risk assessment**

Presented & MB sign-off achieved

- **Quarterly Management Board update** on progress towards target achievement of target 1 and 2
- **Final presentation of carbon and water footprint and target concept** (outcome of target 1 and 2) to MB and **sign off by Management Board**

* e.g. GRI, GHG Protocol, Task Force on Climate Related Financial Disclosure (TCFD)

ESG Targets 2021

Compliance Milestones: Using Compliance Management System Reporting as a basis

Key topics / KPIs identified

- Use **Compliance Management System Reporting** (CMSR) as basis
- Overall goal to continuously improve CMSR scores over time
- Specific business segment target setting based on CMSR with FSE CCOM

Management concept defined

- CMSR methodology serves as **framework** for continuous development of Compliance management approach
- CMSR methodology following **internal and external standards***, including:
 - Policies & Guidelines
 - Processes & Controls
 - Training & Communication
 - Monitoring

Presented & MB sign-off achieved

- **Quarterly Management Board update** on progress towards target achievement of step 1 and 2
- **Final presentation of concept** (outcome of step 1 and 2) to MB and **sign-off by Management Board**

* CMSR is based on ISO-Norms for CMS set-up, IDW PS980, DoJ Guidance and other relevant external standards as well as internal minimum Compliance standards for the group

ESG Target Achievement Scoring

Overall scoring logic for Kabi, Helios & VAMED

The ESG target achievement scoring is based on a simple binary 0/1 scoring methodology. For each ESG target and ESG focus area 1 scoring point is achievable, in total 15 points per business segment and year.

		STI 2021			STI 2022		
		Target 1	Target 2	Target 3	Target 1	Target 2	Target 3
ESG target ESG focus area	Quality	0 ^x /1 [✓]	0 ^x /1 [✓]	0 ^x /1 [✓]	0 ^x /1 [✓]	0 ^x /1 [✓]	0 ^x /1 [✓]
	Employees	0 ^x /1 [✓]	0 ^x /1 [✓]	0 ^x /1 [✓]	0 ^x /1 [✓]	0 ^x /1 [✓]	0 ^x /1 [✓]
	Innovation	0 ^x /1 [✓]	0 ^x /1 [✓]	0 ^x /1 [✓]	0 ^x /1 [✓]	0 ^x /1 [✓]	0 ^x /1 [✓]
	Compliance	0 ^x /1 [✓]	0 ^x /1 [✓]	0 ^x /1 [✓]	0 ^x /1 [✓]	0 ^x /1 [✓]	0 ^x /1 [✓]
	Environment	0 ^x /1 [✓]	0 ^x /1 [✓]	0 ^x /1 [✓]	0 ^x /1 [✓]	0 ^x /1 [✓]	0 ^x /1 [✓]
Σ Points		0-15 points			0-15 points		

ESG Target Achievement Scoring

Overall ESG target achievement calculation

STI 2021 & 2022

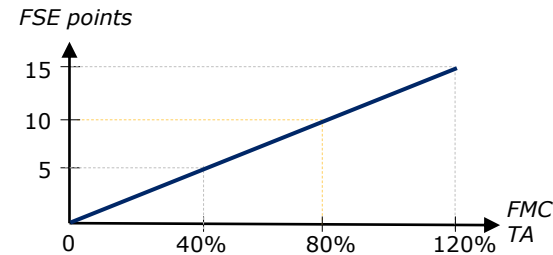


FMC Global Sustainability Program

	Patients	Anti-biobry and corruption	Employees	Data privacy & security	Human rights	Supply chain	Environment	Occupational health & safety
Purpose & strategy	🟡	🟢	🟢	🟡	🟡	🟡	🟡	🟡
Goals & objective	🟡	🟢	🟢	🟡	🟡	🟡	🟡	🟡
Responsibility & ownership	🟡	🟢	🟢	🟡	🟡	🟡	🟡	🟡
Policy/guideline/training	🟡	🟢	🟢	🟡	🟡	🟡	🟡	🟡
Coverage	🟡	🟢	🟢	🟡	🟡	🟡	🟡	🟡
Reporting & communication	🟡	🟢	🟢	🟡	🟡	🟡	🟡	🟡
Results & progress	🟡	🟢	🟢	🟡	🟡	🟡	🟡	🟡



Translation into FSE points



Target Achievement (TA): 0-120%

0-15 points



0-15 points



0-15 points



0-15 points

Weight

25%

25%

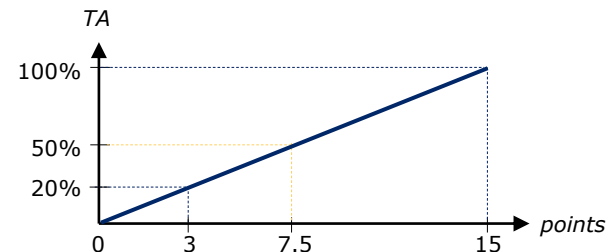
25%

25%

Σ Points

0-15 points

Target Achievement (TA)



Quality criteria for the ESG target scoring

Criteria are based on established quality characteristics

Quality Criteria

Accuracy refers to the accuracy of the provided information and evidence. The provided information and evidence should be clear, unambiguous and should provide sufficient detail to enable the target achievement evaluation.

To assess data accuracy the following guiding questions should be used:

- Check if the provided information and evidence has a sufficient degree of clarity and detail

Completeness refers to the completeness of information provided for the individual ESG target achievement. All necessary information should be provided and all input fields in the ESG target scoring template (excel) shall be completed. If no information is available, N/A shall be used.

To assess completeness the following guiding questions should be used:

- Check if all required fields in the excel template are filled
- Check if all ESG topic areas are covered (Quality, Employees, Innovation, Compliance, Environment)

Consistency refers to the consistent application of the ESG target scoring methodology across the Fresenius business segments Kabi, Helios and Vamed.

To assess data consistency the following guiding questions should be used:

- Check if the evidence provided for the individual ESG target requirement is in line with the methodology requirements
- Check if the information provider and validator received sufficient training on the methodology and rationales of the ESG target scoring

Validity refers to the validity of the provided information. To ensure valid information the business segments should involve internal experts for the respective ESG topic area and back-up the final target achievement by the required documented examples.

To assess data validity the following guiding questions should be used:

- Check if documented evidence for each target requirements is provided

Timeliness of the information provided in the ESG target scoring. All information should be gathered in the current year of the ESG target achievement, respectively 2021 and 2022.

To assess timeliness the following guiding questions should be used:

- Check if the information provided refers to the actual year

The information provider and validator have to perform documented quality controls on the provided information and evidence.

Quality controls will be documented in the ESG Target Scoring Excel File.

Safe Harbor Statement

This presentation contains forward-looking statements that are subject to various risks and uncertainties. Future results could differ materially from those described in these forward-looking statements due to certain factors, e.g. changes in business, economic and competitive conditions, regulatory reforms, results of clinical trials, foreign exchange rate fluctuations, uncertainties in litigation or investigative proceedings, and the availability of financing. Fresenius does not undertake any responsibility to update the forward-looking statements contained in this presentation.