



V-ZUG Holding AG

Information on the compensation strategy of the V-ZUG Group

Dear shareholders,

On behalf of the Board of Directors of V-ZUG Holding AG, I am pleased to be able to inform you of the activities of the Human Resources & Compensation Committee focused on compensation and explain the announced changes to the compensation structure in advance of the Annual General Meeting.

Compensation practice remained unchanged in the first few years after V-ZUG Holding AG's flotation on the stock market, but in 2022 and 2023, the Human Resources & Compensation Committee revised the compensation strategy after consulting internal and external stakeholders as well as external specialists. This was based on the corporate and human resources strategy as well as on an external market analysis (benchmarking exercise).

The new compensation strategy is intended to apply to the whole organisation and has been agreed with the full Board of Directors. The primary objectives are:

- To link the compensation strategy with the corporate strategy based on medium-term planning and consideration of a long-term perspective
- To strengthen the culture of responsibility for results and feedback based on ambitious goal-setting
- To uphold in our compensation practice the sustainability rooted in our corporate DNA
- To aim for compensation in line with the market as one way among many of ensuring we are an attractive employer
- To increase transparency around the process and the basis for decisions about compensation ("pay for performance/results")

The benchmarking exercise carried out in 2022 showed that, in terms of the structure and level of compensation for the members of the Executive Committee, the split between basic salary and short-term variable compensation and the absolute amount at comparable SPI companies are essentially in line with the market. However, the lack of a long-term incentive element in compensation represents a gap compared to the market. Care was taken when designing the detailed structure to ensure that the plan is clear, supported by data and facts, and as easy to understand as possible. For measurability, the KPIs were set and applied to two levels of management for the first time in 2023 as a way of gaining experience. An expansion to three levels of management is planned for the 2025 financial year.

The main changes in effect from 2024 include:

- The graduated split between fixed and short-term variable compensation according to the respective level of management (see figure on p. 7)
- The introduction of a uniform weighting for targets according to the level of management for short-term variable compensation (see figure on p. 7) and adjustment of the minimum and maximum degree of target achievement (minimum hurdle at 75% and maximum cap at 150% target achievement). The weighting of financial targets has been increased from 50 to 60% for members of the Executive Committee.

We believe it is important that, as shareholders, you have transparency regarding the basis for the compensation proposals as well as the key factors taken into consideration. This lays the foundation for future votes on the approval of compensation elements. We plan to transition from a combination of prospective (fixed remuneration) and retrospective (short-term variable compensation) approval currently to entirely prospective approval as of the Annual General Meeting in 2025. Approval practice shall remain unchanged at the Annual General Meeting on 23 April 2024 (see approval of compensation for 2024 on p. 3).

In addition, the introduction of a further variable, long-term and share-based incentive is planned at a later date for the Executive Committee and selected key positions as a means of strengthening the long-term orientation of compensation. We will provide you with the details prior to its introduction. The following contains information on the planned changes as well as explanations regarding votes included as agenda items for the Annual General Meeting.

Prisca Hafner

Chair of the Human Resources & Compensation Committee

1 Information on the approval process for the compensation of members of the Board of Directors and Executive Committee

1.1 Compensation governance

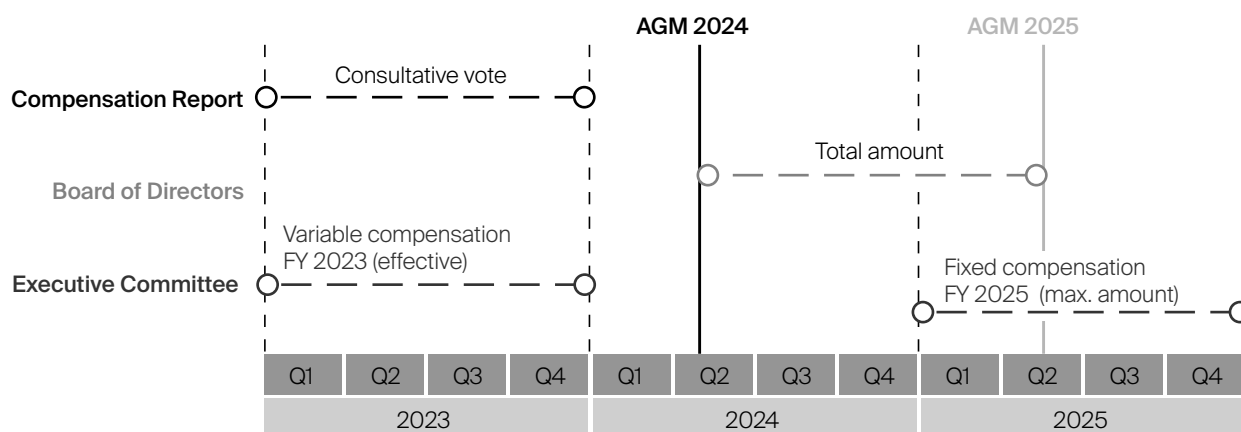
- The basis for compensation decisions is regulated in Art. 24 of the Articles of Association of V-ZUG Holding AG.
- The Human Resources & Compensation Committee supports the Board of Directors by preparing all decisions relevant to compensation with respect to members of the Board of Directors and Executive Committee.
- The maximum total amount for the compensation of members of the Board of Directors and the total amounts of fixed and variable compensation for members of the Executive Committee are approved by the Annual General Meeting (on an exclusively prospective basis from 2025).

1.2 Current approval practice – 2024 Annual General Meeting

As in previous years, the following proposals shall be put to the vote at the Annual General Meeting on 23 April 2024 in accordance with the Articles of Association of V-ZUG Holding AG (proposals 1.3 and 5.1–5.3 invitation to the Annual General Meeting):

- Advisory vote on the 2023 compensation report
- Binding vote on the total amount proposed by the Board of Directors for the compensation of members of the Board of Directors for the term of office until the next Annual General Meeting (2024 to 2025)
- Binding vote on the total amount proposed by the Board of Directors that will be available to members of the Executive Committee as fixed compensation in 2025
- Binding vote on the total amount proposed by the Board of Directors for the short-term variable compensation of members of the Executive Committee for the financial year from 1 January to 31 December 2023

Current practice in 2024



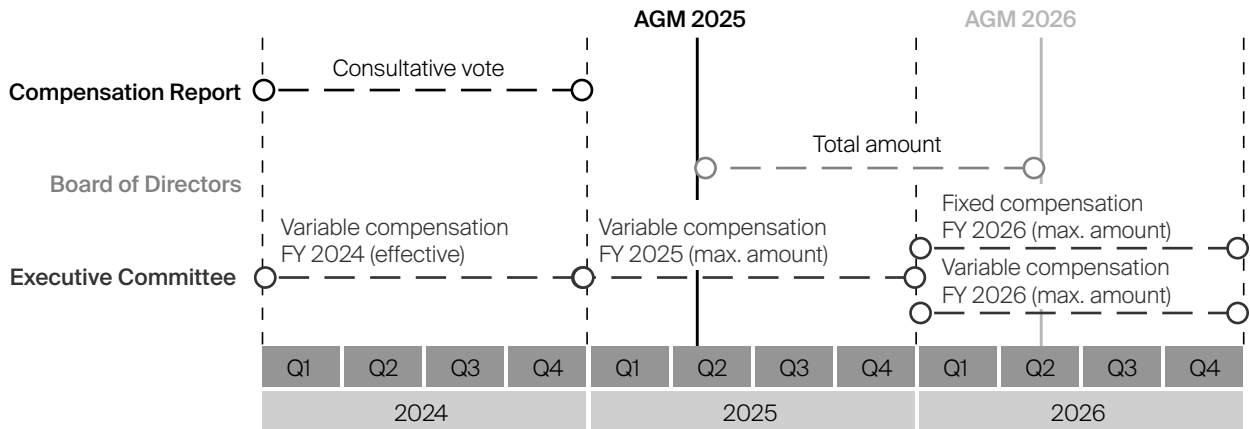
1.3 Prospective approval practice from the 2025 Annual General Meeting

Art. 24 of the Articles of Association stipulates that the approval of compensation is granted prospectively for members of the Board of Directors for the term of office following the Annual General Meeting as well as in the case of the fixed compensation for the Executive Committee for the financial year following the Annual General Meeting. The variable compensation for members of the Executive Committee may be approved for the financial year following or preceding the Annual General Meeting or for the current financial year.

Following the changes to the compensation strategy, as of the 2025 Annual General Meeting, the Board of Directors shall present to the shareholders the compensation elements by way of a maximum total amount for prospective approval.

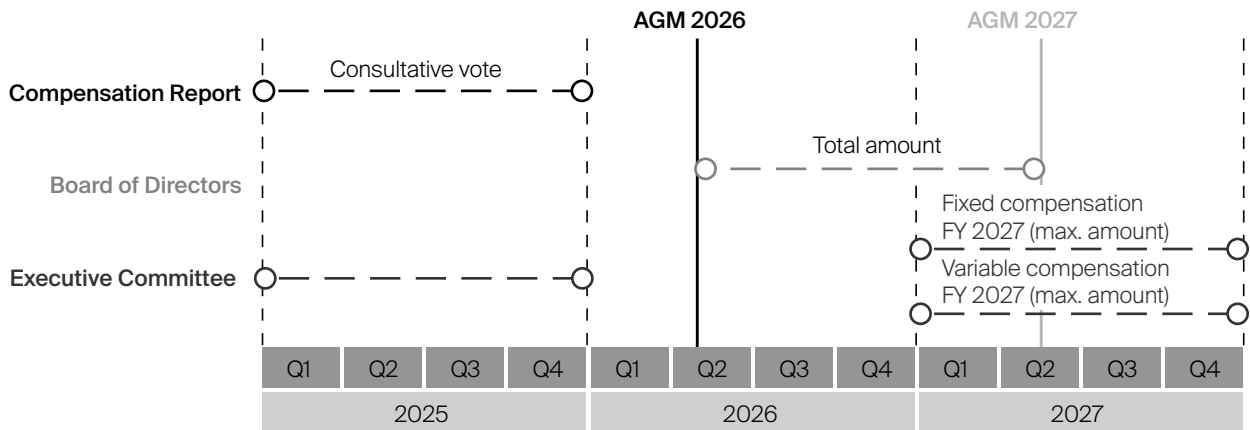
In the 2025 transition year, this means that the maximum total compensation for the 2025 and 2026 financial years shall each be put to the vote for the first time in addition to the advisory vote on the 2024 compensation report and the final retrospective approval of the short-term variable compensation for members of the Executive Committee. As this will then concern a maximum amount, the amount put to the vote for the 2025 variable compensation could be higher than in the past. The vote on the approval of the compensation for members of the Board of Directors shall remain unchanged.

2025 transition year



As of the 2026 Annual General Meeting, approval of the remuneration for members of the Executive Committee shall be granted prospectively for the financial year following the Annual General Meeting. The vote on the approval of the compensation for members of the Board of Directors shall remain unchanged.

As of the 2026 Annual General Meeting



2 Explanations on the advisory vote on the 2023 compensation report – 2024 Annual General Meeting

In accordance with the Articles of Association, the Board of Directors proposes the approval of the 2023 compensation report in an advisory vote (proposal 1.3 invitation to the Annual General Meeting).

As outlined above, the compensation practice remained unchanged in the initial years following the independence of V-ZUG. The reporting for the 2023 financial year is thus consistent.

In view of these changes and the development of a consistent compensation system for the V-ZUG Group, the compensation report covering the 2024 financial year will be redesigned with the aim of giving shareholders even more detailed information for the 2025 Annual General Meeting.

3 Explanations on the vote on the total amount for the compensation of members of the Board of Directors – 2024 Annual General Meeting

The Board of Directors proposes the maximum amount of CHF 750,000 for the remuneration of the six members of the Board of Directors (proposal 5.1 invitation to the Annual General Meeting). The total amount shall be used for the compensation of six members of the Board of Directors. The amount has not changed compared to previous years.

This amount includes a fixed compensation, a lump-sum expense allowance and a fixed amount for the additional responsibility of chairing or participating in a committee (including statutory social security contributions). Members of the Board of Directors who perform special tasks (e.g. activities on the Board of Directors for subsidiaries and chairing committees) receive an additional fee for these special roles/tasks.

Role-related compensation

Role/responsibility	Fixed (gross), in CHF	Lump-sum expenses, in CHF	Total, in CHF
Basic amount (BoD member)	63,000	12,000	75,000
Additional amount (BoD Chair)	92,000	3,000	95,000
Additional amount (BoD committee Chair/DAB Chair)	20,000	-	20,000
Additional amount member BoD committee	10,000	-	10,000

4 Explanations on the compensation model of the members of the Executive Committee – 2024 Annual General Meeting

Compensation principles of the V-ZUG Group

- As a Swiss company with high-quality products and services, continuity and sustainability are important to us.
- Our compensation strategy reflects an ambitious focus on results, which promotes collaboration towards goals aligned with the strategy and recognises the resulting achievements.
- The compensation strategy supports an inspiring, contemporary and collaborative environment, takes into account company performance and respects individual performance and conduct based on our values and management principles.
- It forms the basis for transparency regarding expectations and recurring performance feedback. We regularly consult internal and external comparisons for compensation decisions, taking into account the market median.

“Pay for performance”/target-setting and performance assessment

The setting and achievement of targets as well as the individual performance assessment of members of the Executive Committee are evaluated by the Human Resources & Compensation Committee at the proposal of the CEO and submitted to the Board of Directors. The targets and performance assessment of the CEO are prepared by the Chair of the Board of Directors in collaboration with the Human Resources & Compensation Committee and submitted to the Board of Directors.

The criteria and metrics under point 4.1 form the basis for the setting and achievement of targets.

Decision-making process

Nov/Dec	Jan/Feb	Feb/March	March	May
Definition of the fixed basic salary and STI target for the following year (in accordance with the amount approved by the AGM)	Definition of financial and strategic/individual targets for the financial year	Approval of the personal bonus plans for the financial year	Evaluation of STI target achievement based on the results of the previous year Definition of the STI payout amount	STI payout (following approval by the AGM and in accordance with the maximum approved amount)

The compensation of the Executive Committee comprises the following elements:

- Fixed basic salary in cash;
- Benefits such as pension and social security contributions;
- Performance-dependent short-term variable compensation (STI) in cash.

4.1 Overview of the compensation elements of members of the Executive Committee (from 2024)

	Fixed compensation elements		Variable compensation elements
	Fixed basic salary	Benefits	Short-term variable compensation (STI)
Purpose	Securing fixed basic compensation	Covering basic subsistence in old age or in the event of death/ disability	Recognition based on achievement of clearly measurable performance criteria with a 1-year performance period
Criteria	Scope and complexity of the role, personal profile, market practice	Local legislation and market practice	Financial and strategic annual targets of the Group EC: 50 %/CEO: 80 % of the basic salary for 100 % target achievement (minimum hurdle 75 % / maximum target achievement 150 %)
Measurability (weighting)	Skills, experience as well as performance and conduct of the individual		Financial targets - Revenue target (1/3) - Profit margin/EBIT margin (1/3) - Operating cashflow (1/3) (weighting 60 %) with the KPIs ¹⁾ Strategic targets quantifiable, relevant annual targets incl. sustainability target (weighting 20 %) Department/individual targets quantifiable targets (weighting 20 %)
Focus	Monthly	Contributions to social security, pension fund and insurance (illness/ accident allowance)	One-time cash payment in May, following the preceding financial year

¹⁾ KPI = key performance indicator

The compensation of members of the Executive Committee is regularly reviewed on the basis of compensation surveys, which are conducted by independent specialist consultancies, as well as publicly accessible compensation information from comparable industrial companies.

Fixed basic salary

The fixed basic salary is primarily defined on the basis of the following factors:

- Scope and complexity of the role and the skills required for performing the role
- Additional relevant skills and experience
- Performance and conduct of the individual holding the role
- External market value of the role/internal comparison (internal equity)

The fixed basic salaries of members of the Executive Committee are periodically reviewed on the basis of these factors and adjustments made according to market development.

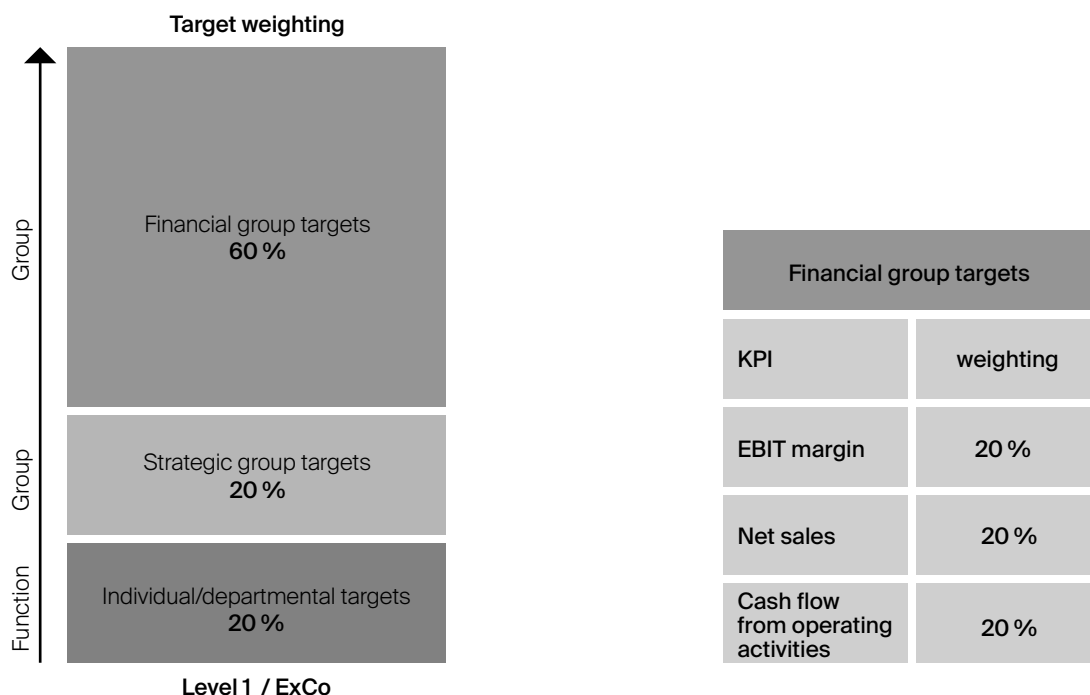
Short-term variable compensation (STI)

The short-term incentive (STI) is a variable compensation component that promotes and honours the achievement of the defined business targets of the V-ZUG Group as well as the fulfilment of individual performance targets over a period of one year as part of the target agreement process.

The STI is expressed as a percentage target of the annual fixed basic salary. The target STI amounts to 50 % for members of the Executive Committee and 80 % of the annual basic salary for the CEO and is limited to 150 % of the target. Due to the findings of the compensation survey in the market comparison, the maximum target for all employees participating in the STI programme has been increased from a maximum of 125 % to 150 %. The minimum hurdle of at least 75 % target achievement now applies to all targets and reflects the high ambitions and expectations.

The targets for achieving the STI are subdivided and defined as follows, whereby as of 2024 the weighting of the financial targets for members of the Executive Committee has increased from 50 to 60 %:

STI criteria and weighting for the Executive Committee



- Financial targets

These include revenue targets (without acquisitions and disposals), profit margin (EBIT margin) and operating cash flow. The annual targets for these business targets are determined by medium-term planning. In addition, the actual results of the previous year as well as the budget and forecast for the following year are taken into account in target-setting.

- Set based on strategically relevant business targets

These are shared business targets as well as corresponding department, team or individual targets. They are measurable, supported by data and do not overlap with the financial targets. They are defined in a number of different categories based on the strategic areas of focus. One strategic target is selected specifically from the sustainability targets. The annual targets for the STI are discussed by the Human Resources & Compensation Committee and the Board of Directors and are subject to its approval.

V-ZUG Holding AG may demand full or partial repayment of variable compensation already paid for a business period 30 months following disbursement or deduct a corresponding amount from the variable compensation for a following period if it becomes evident following disbursement of the variable compensation that the member of the Executive Committee has seriously violated applicable statutory regulations, contractual provisions or internal policies in the period under review or if the member has influenced target achievement in the period under review through actions contrary to the interests of the V-ZUG Group in sustainable business development (clawback).

Benefits

Benefits primarily constitute pension and insurance plans that offer adequate income in retirement as well as suitable protection against risks such as death and disability. All members of Group management have a Swiss employment contract and are insured in V-ZUG AG's pension fund. The pension fund exceeds the statutory minimum requirements of the Federal Law on Occupational Old Age, Survivors' and Invalidity Pension Provision (OPA) and corresponds with customary market practice. A supplementary pension plan exists for the top two levels of management. Retirement typically takes place once ordinary retirement age is reached.

Members of the Executive Committee are entitled to a lump-sum representation compensation and reimbursement of business costs in accordance with the regulatory provisions applicable to all employees in Switzerland. They also receive a lump-sum mileage allowance. These compensations are defined in the applicable expense policy for V-ZUG AG and have been approved by the competent cantonal tax authorities.

4.2 Explanations on the proposal of the Board of Directors regarding the fixed compensation of members of the Executive Committee

The Board of Directors proposes the maximum amount of CHF 3,950,000, which shall be available for the compensation of members of the Executive Committee in 2025, subject to any additional amount for newly appointed members of the Executive Committee in accordance with Art. 24 of the Articles of Association. The total amount remains unchanged compared to the previous year and shall be used for the remuneration of eight members of the Executive Committee as before (proposal 5.2 invitation to the Annual General Meeting).

4.3 Explanations on the proposal of the Board of Directors regarding the variable compensation of members of the Executive Committee for 2023

The Board of Directors proposes the maximum amount of CHF 860,000 (including social security contributions), which shall be available for the variable compensation of members of the Executive Committee in 2023. The total amount shall be used for the remuneration of eight members of the Executive Committee, whereby two members left the Executive Committee as of the end of August 2023. The departed members shall be entitled to the variable compensation on a pro rata basis. The maximum amount that may be paid out according to the regulations is CHF 1,702,000.

Compared to the previous year, the total amount is higher due to a greater degree of target achievement. In the case of target achievement for 2023, a distinction is made between financial and strategic business targets, each with a weighting of 50%. While the degree of achievement of financial targets in the 2023 financial year was 18.5%; the strategic targets were almost achieved overall at 90% (50% weighting). The result was a total degree of target achievement of around 62.5% (proposal 5.3 invitation to the Annual General Meeting).