

TecAlliance GmbH

Framework Agreement

Salary

Effective from: 01.02.2017

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Introduction

The objective of this Framework Agreement is to agree on a salary policy within TecAlliance and create a framework to ensure a fair, task-related and performance-based salary determination within the company. The declared goal of TecAlliance are market-related, transparent and performance-based salary structures.

1. Scope

This Agreement applies for all employees of TecAlliance at all sites and for the home office employees assigned to the sites. Executive employees, temporary workers and trainees are exempt from this agreement. For the employees at the Cologne/Kassel site, the "Salary" Company Agreement from 31.01.2017 with identical content applies.

2. Composition of salary

(1) The fixed salary

- a) The salary of an employee is indicated as gross annual target salary (100%).
- b) This salary consists of a fixed and a variable component.
- c) The fixed component is equally divided into 12 monthly salaries and paid out at the end of each calendar month.

(2) The variable salary component

- a) If the company reaches its target to 100%, the variable component should usually amount to 3% of the current gross annual target salary.
- b) The company target is the company's earning power, which is currently measured based on the EBITDA (earnings before interest, taxes, depreciation and amortization).
- c) The level of the company target for the current business year will be determined after the business plan has been approved, which is usually at the beginning of the business year. It will be defined for the following target achievement levels: 50% (floor), 100% (full) and 150% (cap).
- d) During the year, the company target may not be changed.
- e) The achieved company target for the past year will be determined by the CFO and must be announced before the salary review of the current year, stating the target achievement level.
- f) The variable component will be paid out retroactively for the past year during the salary review, however, no later than by the month following the salary review.

- (3) For new hires and employees leaving the company during the year, the variable component will be calculated on a pro rata basis for the applicable months of employment.

- (4) For employees leaving the company during the year, the calculation is based on a company target achievement level of 100%.
- (5) There is no connection between the individual target achievement and the variable component.
- (6) Exempt from this policy are all employees in the field working on a commission basis. A separate system for this will be agreed at a later stage.

3. Transitional arrangements for employees with employment contracts from before 01.01.2017

In order to migrate the salaries in the company to the described policy, the previous salary will be changed from 01.01.2017 as follows:

- a) The previous part of the company target achievement will remain unchanged as variable salary component.
- b) The individual part will be added to the fixed basic salary.

Example employee (share in company 25%): previous variable component 1,000.00 €: 250.00 € will remain as variable component, 750.00 € will be added to the fixed basic salary, i.e. the monthly salary increases by 62.50 €.

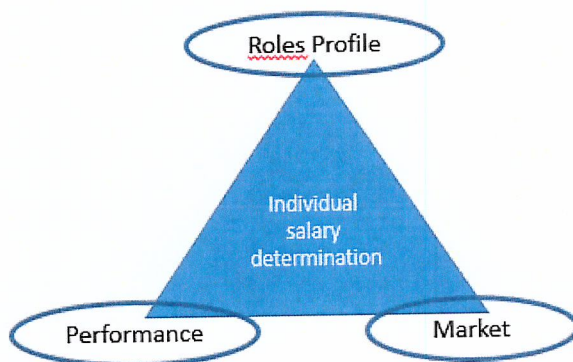
Example management (share in company 33.33%): previous variable component 1,200.00 €: 400.00 € will remain as variable component, 800.00 € will be added to the fixed basic salary, i.e. the monthly salary increases by 66.67 €.

- (1) For employees who end up with a variable salary component of below 3% or above 3% under the new policy, the following rules apply:
 - a) The variable salary component of 3% should be reached after the 2020 salary review at the latest and then remain unchanged according to clause 2. of the Agreement.
 - b) The employee may request an increase or decrease of the variable component until 2020, taking into account the fixed salary. In this case the employee shall inform his/her manager.
 - c) If a salary increase is agreed during the salary review, the variable salary component shall be adjusted. Here, the following applies:
 - I. Salary increases of up to 1.5% of the gross annual salary shall be fully attributed to the fixed salary.
 - II. When the 3% variable salary component is reached, every salary increase shall be attributed to the gross annual salary.
- (2) The Agreement shall not give rise to any right for a salary increase during the salary increase process. Neither party has a right to the 3% variable salary component after the year 2020. In individual cases, the variable component may be above or below 3% even after the 2020 salary review for historic reasons.

4. Principles for salary determination

The salary determination is based on three factors:

- (1) Firstly, it is relevant which function the employee performs in the company. This is defined in a specific role profile.
- (2) Secondly, the employee's performance is considered for the salary determination. The manager is responsible for assessing this. Various leadership tools (e.g. feedback system, 6-box grid, self-evaluation by the employee) will help the manager to perform an objective assessment of the employee.



- (3) A salary benchmark against the market will complement the salary determination and can be used as a reference for the individual salary adjustment. Here, it must be taken into account that the values obtained from the market will never fully match the requirements of the TecAlliance roles and can therefore only be used as a comparative value. A 100% reference to these benchmarks is not possible / reasonable.

5. Salary benchmarks

- (1) The employer agrees to obtain independent salary information from the market by external companies in regular intervals. The salary benchmarks are used as references for the managers and for People&Organisation to complement the salary determination according to clause 4, and to create a market and performance-related salary structure within the company as a whole.
- (2) If it is found that the existing salary benchmarks are outdated, the employer will decide when and to what extent they will be updated. Individual employees may not claim a right for updating.
- (3) Based on the job roles according to the Framework Agreement Job Role Model from 19.09.2016, initially salary benchmarks will be purchased for all defined roles. Those will be used to derive salary bandwidths.
- (4) The salary benchmarks are stored centrally at P&O and will be made available to the managers for the employees of the relevant area of responsibility.
- (5) The factors for the salary determination will be explained and substantiated to the employee within the feedback meetings. The employees do not have a right to view the benchmark data on a group or area level.

6. Protection of existing work relationships

No employee may suffer any direct, monetary disadvantage through the introduction of the new salary determination and/or salary benchmarks.

- (1) If differences are found between the employees' current salary and salary benchmark through the definition of roles, this may not result in a direct decrease of the previous salary.
- (2) Equally, this shall not give rise to any right for positive salary adjustment.
- (3) The manager and employee shall mutually agree on how such discrepancies will be balanced over the long term. A possibility would be for example:
 - a) Reviewing and adjusting the role or the tasks assigned to the role.
 - b) Employee undergoing further training and qualification.
 - c) Mutually agreed salary adjustments over an agreed period, e.g. within the annual salary reviews.

7. Final provisions

This Framework Agreement becomes effective by 01.02.2017 and replaces the Framework Agreement "Target Agreement and Feedback System Annual Dialogue" in clause 4 and any salary-related content.

Ismaning, on 31.01.2017

For
TecAlliance GmbH