



**50th Annual General Meeting of Shareholders
of OC Oerlikon Corporation AG, Pfäffikon
of March 21, 2023**

**Agenda Items 09, 10, 11 and 12:
Remuneration Explanation**

Dear Shareholders

It is my pleasure as the Chairman of the Human Resources Committee (HRC) of OC Oerlikon Corporation AG, Pfäffikon to present you this Remuneration Booklet for the first time. It is part of a broader outreach to our shareholders to increase transparency and understanding around our remuneration/compensation system and the related decisions. Complementary to our 2022 Remuneration Report, and as an additional information to the agenda of the Annual General Meeting of Shareholders 2023, this booklet will provide you with helpful information regarding our remuneration/compensation voting scheme and the proposals for the remuneration/compensation envelopes for the members of our Board of Directors and the Executive Committee.

During 2022, we introduced the Executive Chair Model where the support provided by the HRC was instrumental in ensuring that this new approach was implemented with proper oversight and advice. Furthermore, the HRC registered and acknowledged feedback from shareholders on the 2021 Remuneration Report and remuneration/compensation amounts presented at our AGM 2022 during a broader engagement campaign in fall 2022, where improvements in our overall disclosure, transparency and compensation design were explained and discussed.

Following the regular review of Board remuneration, the HRC and the Board proposed, over ten years after the last adjustment, to increase Board fees to align with peer companies. Due to the difficult global environment and the high inflation in various countries of operation, the HRC also regularly discussed and evaluated amendments to our employees' compensation schemes worldwide.

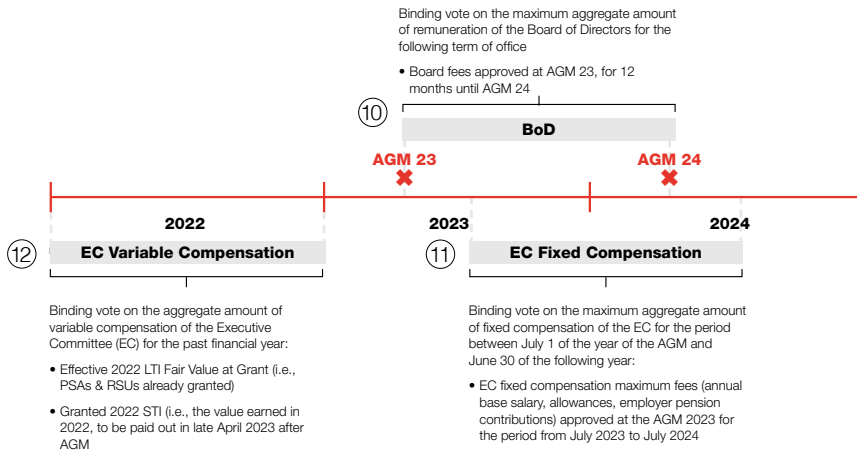
Despite the adverse macroeconomic conditions such as high energy prices, volatile inflation and supply chain disruptions, Oerlikon performed well in 2022. Based on the STI plan rules, the Executive Committee will receive a payout equivalent of, on average, 91.6% of target. In 2022, the weighted average vesting of the LTI (RSUs and PSAs) was 76.6%, reflecting the performance of the company over the past three years.

We herewith present you the Board's proposals for the separate binding votes on the maximum aggregate remuneration for the Board of Directors for its 2022–2023 term of office, the maximum aggregate compensation of the members of the Executive Committee and there will also be a non-binding vote on the 2022 Remuneration Report. You will find an overview on the voting schemes below. During 2023, we will continue to work on our compensation framework, further improve transparency and better integrate Oerlikon's sustainability goals into our compensation system.

Sincerely

Gerhard Pegam
Chairman of the Human Resources Committee

Overview of Remuneration/Compensation Voting Scheme



Explanations of the Remuneration/Compensation-Related Agenda Items

09. Non-Binding, Advisory Vote on the 2022 Remuneration Report

Motion

The Board of Directors proposes to the Annual General Meeting of Shareholders that the Remuneration Report 2022 be endorsed in an advisory vote.

Explanations

The purpose of the Remuneration Report is to inform our shareholders of our Board and Executive Committee remuneration/compensation systems, policies and practices, as well as the remuneration/compensation amounts paid to the members of the Board of Directors and the Executive Committee. While the amended Swiss Stock Corporation Law effective 2023 now introduces the legal requirement of such advisory vote on the Remuneration Report, OC Oerlikon has been submitting its Remuneration Report to a voluntary shareholder vote already since 2012. Such an advisory vote on the Remuneration Report provides shareholders with the opportunity to express their views on the Board and Executive Committee remuneration/compensation systems and amounts as well as on the quality of our disclosures and accountability of the decisions made.

During 2022, OC Oerlikon engaged with its key shareholders and revisited the content of the Remuneration Report and the level of disclosure. Our goal was a significant improvement of the disclosure quality beyond legal requirements, and to increase the understanding of our remuneration schemes, this with a focus on the newly introduced Executive Chair Model and the adjustment of our board fees to align with peer companies. No other changes were made to the compensation scheme.

A. Proposal Related to the Remuneration of the Board of Directors

10. Approval of the Maximum Aggregate Amount of Total Remuneration of the Board of Directors

Motion

The Board proposes to the Annual General Meeting of Shareholders to approve a maximum aggregate remuneration of the Board of Directors for the term of office from the Annual General Meeting of Shareholders 2023 to the Annual General Meeting of Shareholders 2024 of CHF 4.5 million.

Explanations

In accordance with the revised Swiss Stock Corporation Law (effective January 1, 2023, as amended by the provisions of the Ordinance against excessive compensation by public corporations of November 20, 2013) and our Articles of Association, shareholders have the right to bindingly vote on the aggregate maximum remuneration of the Board of Directors for the forthcoming term of office.

The proposed amount is based on the remuneration scheme of the Board of Directors as outlined in the table below:

in CHF 000	AGM 2022 - AGM 2023 ¹	AGM 2021 - AGM 2022	Expense Allowance
Member of the Board of Directors	82.5	75	35
Executive Chairman of the Board of Directors ²	2,000		
Vice Chairman of the Board of Directors	137.5	125	
Chair of a committee ³	55	50	
Member of a committee	33	30	
Restricted stock units (RSUs)	137.5 ⁴	125 ⁴	

¹ The Executive Chairman's remuneration/compensation comprises a Board (fixed) and an Executive (STI and LTI) part. The fixed Board part has no notice period.

² The Chairman of the Board received CHF 375,000 as board remuneration in 2021.

³ The Lead Director does not receive any additional fees in addition to those paid for chairing the Governance Committee.

⁴ The Executive Chairman does not receive any RSU grants as part of his fixed remuneration.

⁵ Chairman of the Board received CHF 280,000 in RSUs.

⁶ Board remuneration was reviewed and adjusted for the 2022-2023 Board term (first time in over 10 years).

The remuneration principles for the members of the Board are described in section IV. of Oerlikon's Articles of Association and in our Remuneration Report. Based on the proposals of the HRC, the Board determines the remuneration of its members considering each member's position and responsibilities. The remuneration of the members of the Board consists of fixed remuneration and restricted shares.

For the first time in over ten years, for Board term 2022–2023, Board fee levels were increased in line with the market peer group disclosed in the Remuneration Report. In order to extend the lock-in period of Board members to two years and align with best governance practice, the Board decided to replace the current one-year restricted stock unit plan with a quarterly restricted share grant with a one-year blocking period. This will first apply for the Board term 2023–2024. No further changes were made to the Board's remuneration structure.

AGM 2023 – AGM 2024

in CHF 000	BoD	GC	AFC	HRC	Board	Committee	Restricted Shares	Other	Total	Budget 22–23
Prof. Dr. Michael Suess	EC	–	–	–	2.000	0	0	35	2.035	2.035
Gerhard Pegam	V	M	–	C	137.5	88.0	137.5	35	398	453
Alexey Moskov	M	–	–	M	82.5	33.0	137.5	35	288	288
Paul Adams	M	C	M	M	82.5	121.0	137.5	35	376	376
Zhenguao Yao	M	M	–	M	82.5	66.0	137.5	35	321	321
Irina Matveeva	M	–	M	–	82.5	33.0	137.5	35	288	321
Jürg Fedler	M	–	M	–	82.5	33.0	137.5	35	288	288
Inka Koljonen	M	–	C	M	82.5	88.0	137.5	35	343	0
Total	8	3	4	5	2.633	462	963	280	4.337	4.082

Since the introduction of the Executive Chair Model, the Executive Chairman's fixed remuneration has been contractually considered a Non-Executive Director fee. There is no notice period for the Executive Chairman's fixed remuneration, meaning that it will not be paid in case the Executive Chairman would not be reelected to the Board. The Executive Chairman's variable compensation elements have been considered and disclosed as executive compensation since they reflect the achievement of annual and multi-year operational objectives. They form part of the pay envelope you are asked to approve in agenda item 12. Pension contributions for the Executive Chairman's executive role are based on his fixed remuneration. Additional information on the Executive Chair remuneration/compensation principles can be found in our Remuneration Report (page 54).

B. Proposals Related to the Compensation of the Executive Committee

Overview of Compensation Elements of the Executive Committee

The compensation system for the Executive Committee is designed to attract, motivate and retain key executives and consists of fixed and variable components. The general compensation principles for the members of the Executive Committee are described in section IV. of the Articles of Association and detailed information on the compensation schemes including information on peer groups used for benchmarking executive compensation can be found in our Remuneration Report (page 55).

11. Binding Vote on the Aggregate Amount of the Fixed Compensation of the Executive Management

Motion

The Board proposes to the Annual General Meeting of Shareholders to approve a maximum aggregate fixed compensation of the Executive Committee for the period starting July 1, 2023, and ending June 30, 2024, in the amount of CHF 4.0 million.

Explanations

The fixed component entails a base salary commensurate with the role and local market level and, depending on local practice, includes pension fund contributions, allowances and fringe benefits. The Executive Chairman's fixed remuneration is contractually considered a Non-Executive Director fee and included in the Board remuneration envelope proposed in agenda item 10. The reduction of the amount from CHF 4.6 million in 2022 to CHF 4.0 million in 2023 is driven primarily by the departure of Roland Fischer in 2022. Furthermore, a buffer has been maintained for deferred merit and off-cycle adjustments depending on economic developments.

12. Binding Vote on the Aggregate Amount of the Variable Compensation of the Executive Management for the Financial Year 2022

Motion

The Board proposes to the Annual General Meeting of Shareholders to approve an aggregate variable compensation of the Executive Committee for the period starting January 1, 2022, and ending December 31, 2022, in the amount of CHF 5.3 million.

Explanations

The variable component entails an ambitious performance-related annual cash bonus (Short-Term Incentive, STI) and a three-year performance-related equity program (Long-Term Incentive, LTI) with a retention component. Performance goals for these pay components are derived from Oerlikon's strategic priorities and related operational objectives, reflecting its corporate culture and strive for excellence.

The mix between these variable pay components is defined by the profile, strategic impact and pay level of the role, as described hereinafter.

No changes were made to the compensation scheme of the Executive Committee.

STI Compensation Element

The STI for the Executive Committee members ranges from 50% to 80% of fixed compensation, and is composed of two parts:

1. Financial Targets (70% of total STI):
 - Measured by the KPIs EBIT, Operating Free Cash Flow (OFCF), the weighted average of which is multiplied by the Group's Return on Net Assets (RONA) (EBIT over Net Operating Assets) in the reporting year.
 - The competitive targets are aligned with the company's growth ambitions.
2. Individual/Role & Business-Related Targets (30% of total STI):
 - A mix of role-related (qualitative people and, where appropriate, ESG targets), and business-related quantitative targets.

Individual targets are then multiplied by the divisional (OSS, OPP, Group) ESG metric, total accident frequency rate, tracking the rate of recordable work-related injuries of our employees. This safety modifier was chosen to put management's focus on the well-being of our employees.

Oerlikon has stretched and ambitious targets in the incentive goals, measured by budget, that are connected with providing value for customers, shareholders and employees, as is evident from looking at the 2022 versus 2021:

- In 2022, Oerlikon's sales increased by 10%, from CHF 2 649 million to CHF 2 909 million. Operational EBIT for the year was CHF 277 million (an increase of 16% compared to CHF 240 million in 2021).
- Aligned with these results and the stretching performance goals, the proposed payout of the STI of the EC members for 2022 is 91.6% on average versus target (compared to 105.8% in 2021).
- Despite this improvement, our highest-paid executive for the year under discussion, our former CEO Roland Fischer, earned an effective bonus of CHF 0.928 million in 2022, down from CHF 1.065 million for 2021.
- This demonstrates the level of stretch put into our executive targets, which are set based on internally-aligned budgets.

Further details on the STI and the related granted amounts can be found in our Remuneration Report (page 60).

LTI Component

To support its ambitious long-term strategy, Oerlikon's compensation policy is designed to align a significant portion of compensation of the Executive Committee to the company's long-term performance and to strengthen the Executive Committee's alignment with shareholders' interests.

The LTI award is equally split into two components: half of the award is granted in the form of Restricted Stock Units (RSUs) and the other half of the award is granted in Performance Share Awards (PSAs), both subject to a three-year performance / vesting period. The structure was chosen to balance performance and retention elements. The total grant amount (target amount) for the Executive Chairman represents 75% of his fixed Board income, and 50–80% of the annual base salary of the other members of the Executive Committee. Since the fair value at grant of the LTI is converted into units based on the share price at grant, executives are linked to the success of the company with both RSUs and PSAs.

Further details on the LTI and the related granted amounts can be found in our Remuneration Report (page 60–62).

The proposed amount reflects the outcome of our variable pay policy that sets high-aspiration performance targets, reflecting corporate culture and Oerlikon's striving for excellence. The desired pay for performance relation of this policy is illustrated in the table below, showing target and effective payout levels of the variable compensation elements of the Executive Committee for the last five financial years.

In 2022, one member had his target compensation modified considering the enlargement of his role. However, no other members' target compensation was modified in 2022. The proportion of variable compensation paid to members of the Executive Committee continued to be between 48% and 93% of the base salary for the target STI and between 54% and 76% of the base salary for the target LTI (100% vesting), leading to the following amounts:

Proposed Executive Committee Variable Compensation

In CHF million	STI	LTI (Target Value at Grant Date)	Total Variable Compensation
Executive Committee 2022 (excl. Executive Chairman)	2.3	1.5	3.8
Executive Chairman 2022	0.7	0.8	1.5
Total 2022*	3.0	2.3	5.3
Total 2021	2.8	3.0	6.0

* Differences in total are due to rounding deviations

