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PAION AG

Aachen

- ISIN DE000A0B65S3 -

- WKN A0B65S -

Invitation to the Annual General Meeting

We hereby invite our shareholders to the Annual General Meeting 2022 of PAION AG, which will be held on Wednesday, 25 May 2022, at 10:00 a.m. (CEST), as a virtual general meeting without the physical presence of the shareholders or their proxies (with the exception of the Company's proxies) in accordance with the Act on Measures in Corporate, Cooperative, Association, Foundation and Residential Property Law to Combat the Effects of the COVID-19 Pandemic of 27 March 2020. March 2020, as amended by the Reconstruction Assistance Act of 15 September 2021 ("**COVID-19 Act**") will take place and will be transmitted online at <https://www.paion.com/medien-investoren/hauptversammlung/> from Heussstraße 25, 52078 Aachen, Germany.

Please note the special instructions for participation in the virtual Annual General Meeting below.

I. Agenda

- 1. Presentation of the adopted annual financial statements and the consolidated financial statements approved by the Supervisory Board as at 31 December 2021, the management reports for the Company and the Group for the financial year 2021 including the report of the Supervisory Board for the financial year 2021 as well as the explanatory report of the Management Board on the disclosures pursuant to Sections 289a (1) and 315a (1) of**

the German Commercial Code as at 31 December 2021

The Supervisory Board has approved the annual financial statements and the consolidated financial statements prepared by the Management Board; the annual financial statements are thus adopted. A resolution of the Annual General Meeting on this agenda item 1 is therefore not intended and also not necessary. Rather, the aforementioned documents are merely to be made available to the Annual General Meeting and explained by the Management Board or - in the case of the report of the Supervisory Board - by the Chairman of the Supervisory Board.

These documents can be viewed on the internet at <https://www.paion.com/medien-investoren/hauptversammlung/> and will also be accessible during the Annual General Meeting and will also be sent to shareholders without delay and free of charge upon request.

2. Adoption of a resolution to formally approve the actions of the members of the Management Board for the financial year 2021

The Supervisory and Management Boards propose that the actions of the members of the Management Board holding office in the financial year 2021 be formally approved for the financial year 2021.

3. Adoption of a resolution to formally approve the actions of the members of the Supervisory Board for the financial year 2021

The Supervisory and Management Boards propose that the actions of the members of the Supervisory Board holding office in the financial year 2021 be formally approved for the financial year 2021.

4. Adoption of a resolution on the appointment of the auditor and the Group auditor as well as the auditor for a potential review of the abbreviated financial statements and the interim management report and the potential review of additional interim financial information

The Supervisory Board proposes - based on the recommendation of the Audit Committee - that Baker Tilly Holding GmbH & Co KG Wirtschaftsprüfungsgesellschaft, headquartered in Düsseldorf, Munich branch office

(a) as auditor and group auditor for the financial year 2022;

- (b) in case of a review of the abbreviated financial statements and the interim management report (Section 115 para. 5 und 117 no. 2 of the German Securities Trading Act (WpHG)) for the first half year of the financial year 2022 as auditor for such a review; as well as
 - (c) in case of a review of additional interim financial information (Section 115 para. 7 of the German Securities Trading Act (WpHG)) for the first and/or third quarter of the financial year 2022 and/or the first quarter of the financial year 2023, as auditor for such a review.
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5. Presentation of the remuneration report for the financial year 2021 for discussion

Pursuant to the Act Implementing the Second Shareholders' Rights Directive (ARUG II), the Management Board and the Supervisory Board must prepare a remuneration report annually pursuant to section 162 of the German Stock Corporation Act (AktG) and submit it to the Annual General Meeting for approval pursuant to section 120a (4) of the German Stock Corporation Act (AktG) or, under the conditions of section 120a (5) of the AktG, for discussion. The Management Board and the Supervisory Board have prepared a remuneration report on the remuneration granted and owed to each member of the Management Board and the Supervisory Board in the 2021 financial year. The remuneration report was audited by the auditor in accordance with § 162 para. 3 AktG and issued with an audit opinion. Since the company, as a listed small corporation within the meaning of § 267 para. 1 of the German Commercial Code (HGB), fulfils the requirements of § 120a para. 5 of the German Stock Corporation Act (AktG), the remuneration report will not be submitted to the Annual General Meeting for a resolution on approval, but will be discussed under its own agenda item. A resolution of the general meeting on this item 5 of the agenda is therefore not required.

The remuneration report for the financial year 2021, prepared and audited in accordance with section 162 of the German Stock Corporation Act (AktG), and the auditor's report on its audit are printed in section II. ('Further information on the agenda') of this invitation and will be available from the time the Annual General Meeting is convened and during the Annual General Meeting on the company's website at

<https://www.paion.com/medien-investoren/hauptversammlung>

accessible.

6. Elections to the Supervisory Board

Pursuant to Sections 95, 96 (1), 101 (1) of the German Stock Corporation Act (AktG) and Section 12 (1) of the Articles of Association of PAION AG, the Supervisory Board of PAION AG is composed of five members. The Annual General Meeting is not bound by election proposals.

Since Dr Irina Antonijevic resigned from her office as a member of the Supervisory Board in January 2022, the Supervisory Board has been composed of four members. Under this agenda item, a successor for Dr Irina Antonijevic shall be elected. Likewise, a successor for the Supervisory Board member Dr Jörg Spiekerkötter is to be elected, as his current term of office ends at the end of the Annual General Meeting 2022, which is convened with this invitation. Finally, the Supervisory Board member Dr Hans Christoph Tanner shall be re-elected, as his current term of office also ends at the end of the Annual General Meeting 2022, which is being convened with this invitation.

6.1 Election of Dr Hans Christoph Tanner

The term of office of Dr Hans Christoph Tanner ends at the close of the Annual General Meeting on 25 May 2022. Against this background, the Supervisory Board proposes to the Annual General Meeting to resolve the following:

"Dr Hans Christoph Tanner, Swiss citizen, retiree, former Head of Transactions of Cosmo Pharmaceuticals N.V., Amsterdam/Netherlands, and former Chief Financial Officer & Head of Investor Relations of Cassiopea SpA, Milan/Italy, member of the Supervisory Board or comparable controlling bodies of the companies listed below, resident in Horgen, Switzerland, is re-appointed as shareholder representative to the Supervisory Board of the Company with effect from the end of the Annual General Meeting 2022.

The appointment shall be made until the end of the general meeting which decides on the discharge for the third business year after the beginning of the term of office. The financial year in which the renewed term of office begins shall not be included in the calculation of the period. "

The appointment of Dr Tanner is not for the maximum possible term for the period until the end of the Annual General Meeting that resolves on the discharge for the fourth financial year after the beginning of the term of office, as Dr Tanner would reach the age limit of 75 years set by the Supervisory Board during this period.

The general meeting is not bound by election proposals.

Dr Hans Christoph Tanner, born in 1951, is currently also a member of statutory supervisory boards and comparable domestic and foreign supervisory bodies of the following companies:

- DKSH Holding AG, Zurich/Switzerland, Member of the Board of Directors, Chairman of the M&A Committee and Member of the Audit Committee and the Nomination and Compensation Committee
- CureVac AG, Tübingen, Member of the Supervisory Board and Chairman of the Audit Committee
- Joimax GmbH, Karlsruhe, Member of the Advisory Board
- Qvanteq AG, Zurich/Switzerland, Member of the Board of Directors
- LifeMatrix AG, Zurich/Switzerland, Member of the Board of Directors
- Wyss Zurich (ETH Zurich), Zurich/Switzerland, Member of the Evaluation Board

According to the assessment of the Supervisory Board, there are no personal or business relationships between Dr Tanner on the one hand and PAION companies, their corporate bodies or a shareholder directly or indirectly holding more than 10% of the voting shares in PAION AG on the other hand that are relevant for the election decision of the Annual General Meeting.

The Supervisory Board has satisfied itself that Dr Tanner is able to devote the expected amount of time. A curriculum vitae of Dr Tanner, which provides information on relevant knowledge, skills and experience and discloses the main activities of Dr Tanner in addition to his Supervisory Board mandate with the Company, can be viewed at <https://www.paion.com/medien-investoren/hauptversammlung/> and will also be available for inspection during the Annual General Meeting and will continue to be accessible online.

6.2 Election of Mr Michael Schlenk

The Supervisory Board also proposes that the following be resolved:

"Mr. Michael Schlenk, born 1955, business graduate and MBA, resident in Bidingen, is appointed as a representative of the shareholders to the Supervisory Board of the Company with effect from the end of the Annual General Meeting 2022 for a term of office until the end of the Annual General Meeting which resolves on the discharge for the fourth financial year after the beginning of the term of office. The financial year in which the term of office begins shall not be taken into account in the calculation of the term."

Mr Michael Schlenk is currently a member of statutory supervisory boards and comparable domestic and foreign supervisory bodies of the following companies:

- OXID eSales AG, Freiburg: Chairman of the Supervisory Board
- arcensus GmbH, Rostock, Berlin: Chairman of the Advisory Board and co-founder
- University of Potsdam MBA Programme: Member of the Advisory Board

The general meeting is not bound by election proposals.

According to the assessment of the Supervisory Board, there are no personal or business relationships between Mr. Schlenk on the one hand and PAION companies, their corporate bodies or a shareholder directly or indirectly holding more than 10% of the voting shares in PAION AG on the other hand that are relevant for the election decision of the Annual General Meeting.

The Supervisory Board has satisfied itself that Mr Schlenk is able to devote the expected amount of time. A curriculum vitae of Mr Schlenk, which provides information on relevant knowledge, skills and experience and discloses the main activities of Mr Schlenk in addition to his Supervisory Board mandate with the Company, can be viewed at <https://www.paion.com/medien-investoren/hauptversammlung/> and will also be available for inspection during the Annual General Meeting and will continue to be accessible online.

6.3 Election of Mr Gregor Siebert

The Supervisory Board also proposes that the following be resolved:

"Mr. Gregor Siebert, born 1958, Head of Sales and Marketing at Curasan AG, residing in Jugenheim, is appointed as a shareholder representative to the Supervisory Board of the Company with effect from the end of the Annual General Meeting 2022 for a term of office until the end of the Annual General Meeting which resolves on the discharge for the financial year 2022. "

Mr. Gregor Siebert is currently not a member of any other statutory supervisory boards or comparable domestic or foreign supervisory bodies.

The general meeting is not bound by election proposals.

According to the assessment of the Supervisory Board, there are no personal or business relationships between Mr Siebert on the one hand and PAION companies, their corporate bodies or a shareholder directly or indirectly holding more than 10% of the voting shares in PAION AG on the other hand that are relevant for the election decision of the Annual General Meeting.

The Supervisory Board has satisfied itself that Mr Siebert is able to devote the expected amount of time. A curriculum vitae of Mr Siebert, which provides information on relevant knowledge, skills and experience and discloses the main activities of Mr Siebert in addition to his Supervisory Board mandate with the Company, can be viewed at <https://www.paion.com/medien-investoren/hauptversammlung/> and will also be available for inspection during the Annual General Meeting and will continue to be accessible online.

7. Resolution on the adjustment of the remuneration of the Supervisory Board and the remuneration system as well as corresponding amendment of the Articles of Association

Pursuant to section 113 (3) of the German Stock Corporation Act (AktG), which was amended by the Act Implementing the Shareholder Rights Directive (ARUG II), a resolution on the remuneration of the members of the supervisory board of listed companies must be adopted at least every four years. A resolution confirming the remuneration is permissible.

The currently applicable remuneration regulation for the Supervisory Board contained in Section 21 of PAION AG's Articles of Association dates back to a resolution of the Company's Annual General Meeting of 17 May 2017 and a resolution of the Annual General Meeting of 27 May 2021 on the confirmation of the remuneration set out in the Articles of Association and the remuneration system behind it.

The Management Board and the Supervisory Board propose an amendment to the remuneration of the members of the Supervisory Board provided for in the Articles of Association and the remuneration system behind it in order to take into account the increased requirements in the Supervisory Board as well as its committees.

The Management Board and the Supervisory Board propose to increase the remuneration from currently EUR 20,000 per financial year to EUR 25,000 per financial year. In addition, committee work shall be remunerated separately in the future. For committee work, the chairperson of a committee receives EUR 7,000.00 per financial year, the other committee members each receive EUR 1,000.00 per financial year.

The amendment requires a new resolution pursuant to section 113 (3) AktG on remuneration and the remuneration system as well as an amendment to the Articles of Association.

The Management Board and the Supervisory Board therefore propose that the following resolution be adopted:

"The remuneration system set out in Annex II.2 to this invitation as at 30 March 2022 and the remuneration for the members of the Supervisory Board provided for therein are hereby adopted. For the implementation of the remuneration system, § 21 paragraph 1 of the Articles of Association shall be amended as follows:

"(1) In addition to the reimbursement of his expenses, each member of the Supervisory Board shall receive a remuneration of EUR 25,000 per financial year. If a member of the Supervisory Board did not work for the Company as a member of the Supervisory Board for the entire financial year, he/she shall only be entitled to a corresponding proportion of the remuneration in proportion to the actual term of office to the entire financial year. In addition, the members of the Supervisory Board receive EUR 1,000 for each Supervisory Board meeting (attendance fee) they attend in person, but for no more than five meetings per

financial year. The chairperson receives double and the deputy chairperson 1.5 times this remuneration.

For committee work, the chairperson of a committee receives EUR 7,000.00 per financial year, the other committee members each receive EUR 1,000.00 per financial year. If a member of the committee was not active as a committee member for the entire financial year, he/she shall only be entitled to a correspondingly proportional remuneration in the ratio of the actual time as a committee member to the entire financial year.

The remuneration is payable quarterly in arrears.

The provisions of this paragraph 1, as approved by the Annual General Meeting held on 25 May 2022, shall apply for the first time in respect of the financial year commencing on 1 January 2022 and with effect for the period commencing on 1 January 2022."

The remuneration and the remuneration system are also available on the internet at <https://www.paion.com/medien-investoren/hauptversammlung/> and will also be available for inspection during the Annual General Meeting and will continue to be accessible online.

II. Further information on the agenda

II.1 Supplementary information on item 5 of the agenda (remuneration report pursuant to section 162 of the German Stock Corporation Act including audit opinion)

PAION AG

- Remuneration Report 2021 -

I. Preliminary remark

Pursuant to section 162 of the German Stock Corporation Act (AktG) as amended by the Act Implementing the Second Shareholders' Rights Directive of 12 December 2019 ("ARUG II", BGBl 2019 I, p. 2637), the management board and supervisory board of a listed company shall annually prepare a clear and comprehensible report on the remuneration granted and owed by the company and by companies of the same group (section 290 of the German Commercial Code (HGB)) to each individual current or former member of the management board and supervisory board in the last financial year.

This remuneration report describes the main features of the remuneration systems for the Management Board and the Supervisory Board of the Company, the implementation of the remuneration systems in general as well as specifically in the fiscal year 2021 as well as the individually granted and owed remuneration of the members of the Management Board and the Supervisory Board of PAION AG in the fiscal year 2021, i.e. in the period from 1 January to 31 December 2021, pursuant to Section 162 AktG as amended by ARUG II.

II. Remuneration of the members of the Management Board

1. basic features of the previous remuneration system and the new remuneration system

The remuneration of the members of PAION AG's Management Board is currently based on two different remuneration systems:

- By resolution of the Annual General Meeting on 27 May 2021, the Annual General Meeting approved a new remuneration system for the Management Board pursuant to Sections 87a, 120a para. 1 sentence 1 of the German Stock Corporation Act ("**New Remuneration System**"). The New Remuneration System shall apply to all employment contracts of members of the Management Board concluded, extended or amended after 27 May 2021.

- In addition, the previous remuneration system ("**Previous Remuneration System**") shall still apply to employment contracts with members of the Management Board ("**Old Contracts**") that already existed on 27 May 2021 and have not been extended or amended since that date.

Accordingly, two remuneration systems are still applicable for the reporting year 2021. The Company had two acting members of the Management Board in the financial year and reporting year 2021, namely Dr James Neil Phillips and Mr Abdelghani Omari. Mr Phillips' employment contract was extended with effect from 1 October 2021, so that the Previous Remuneration System applied to Mr Phillips in the period from 1 January to 30 September 2021 and the New Remuneration System applied in the period from 1 October to 31 December 2021. There is still an old contract with Mr Omari, so that the New Remuneration System is not yet applicable to Mr Omari in 2021.

The main features of the previous remuneration system and the new remuneration system are presented below.

1.1 General features of the previous remuneration system

The remuneration of Management Board members under the Previous Remuneration System consists of a fixed annual remuneration, a variable bonus, long-term performance-based remuneration components in the form of stock options, as well as fringe benefits in the form of company car allowance and contributions for insurance and pension expenses. All stock options issued to date have a term of ten years. The variable bonus is based on the achievement of long-term and sustainable financial and strategic corporate goals set by the Supervisory Board at the beginning of each financial year. The degree of achievement of the targets and the associated amount of variable remuneration are assessed and determined by the Supervisory Board. The bonus agreements do not provide for a minimum amount and an amount-based limit and are paid out depending on the individual achievement of objectives. In addition, the Supervisory Board may, in exceptional cases, grant special compensation to individual Management Board members at its discretion.

The remuneration of the members of the Management Board also covers their activities as managing directors of the subsidiaries.

Under the Previous Remuneration Scheme, share options were issued to members of the Management Board under various share option schemes, namely under the 2010, 2014, 2016 and 2018 share option schemes.

The stock option agreements concluded with the individual members of the Management Board provide for a quantitative limit. With regard to the performance of the stock options granted, which is directly related to the performance of the PAION share, no limits have been agreed other than minimum increases in value.

In the event of a change of control and termination of employment within a certain period after the change of control, the Management Board members are each entitled to contractual severance payments. The severance payments correspond in each case to the value of two years' fixed remuneration.

All Management Board contracts under the Previous Remuneration System provide that in cases other than a change of control, any severance payments in the event of premature termination of Management Board activities may not exceed the value of two years' fixed remuneration and may not remunerate more than the remaining term of the Management Board employment contract. The Management Board contracts do not provide for transitional payments upon expiry of the Management Board contracts.

In the event of a significant deterioration of the company's situation, the supervisory board is entitled to reduce the total remuneration of the members of the Management Board to the appropriate amount in accordance with the provisions of the German Stock Corporation Act if the continued granting of the remuneration would be inequitable for the company.

The programme conditions of the 2010, 2014, 2016 and 2018 share option programmes provide, in the event of an acquisition of control, that for all share options issued to the Management Board members for which the vesting period has not yet expired, the entitlement to receive shares from the share options issued is converted into an entitlement to cash settlement based on the share price on the day the acquisition of control becomes effective. The corresponding share options expire. Instead of the cash settlement, listed shares in the acquiring company may also be granted at the Company's option.

1.2 General Features of the New Remuneration System

The Supervisory Board of PAION AG has adjusted the existing remuneration system for the members of the Management Board to the extent necessary in 2021 with the New Remuneration System to the new regulations introduced by the ARUG II and has adopted the following principles on this basis. The structure of the remuneration provided for in the New Remuneration System continues to be geared towards the sustainable and long-term development of PAION AG and its group companies (hereinafter "**PAION Group**").

The remuneration of the Management Board comprises both fixed (non-performance-related) components and variable (performance-related) components. Within the framework of the variable remuneration, the Supervisory Board defines performance criteria and targets for the achievement of these performance criteria, the fulfilment of which determines the amount of the variable remuneration.

The New Remuneration System was submitted to and approved by the Annual General Meeting on 27 May 2021 in accordance with § 120a para. 1 AktG.

Remuneration components

The remuneration system basically consists of fixed (non-performance-related) and variable (performance-related) remuneration components.

The fixed, non-performance-related remuneration component consists of the basic remuneration ("**basic remuneration**") as well as benefits in kind and other remuneration (the "**fringe benefits**").

The variable remuneration components consist of a short-term variable component in the form of an annual bonus and a long-term variable component. The latter may be granted in the form of stock options and/or in the form of a bonus based on long-term performance criteria.

For the variable remuneration components, the Supervisory Board sets target criteria before the beginning of each financial year with regard to the strategic goals, the requirements of Sections 87, 87a of the German Stock Corporation Act (AktG) and the German Corporate Governance Code, based on whose degree of achievement the amount of the actual payment or the scope of the allocation of the stock options to be issued is determined on the basis of the fair value at the time of issue. When setting the targets, the Supervisory Board ensures that they are demanding and ambitious and that they are geared towards sustainability. A subsequent change of the target values or the comparison parameters that have been set for the variable remuneration by the Supervisory Board is not permitted.

The sum of the above remuneration constitutes the total remuneration ("**Total Remuneration**") of a member of the Management Board.

Determination of the concrete target total remuneration by the supervisory board, appropriateness of Management Board remuneration

In accordance with the remuneration system, the Supervisory Board determines the performance criteria and targets for the achievement of the target total remuneration ("**target total remuneration**") for each Management Board member for the upcoming financial year. The target total remuneration corresponds to the total remuneration (as previously defined) paid in the event of an assumed 100 % target achievement of the performance criteria for the short-term and long-term variable remuneration. The employment contract may also provide for the Supervisory Board to redefine the amount of the target total remuneration for the upcoming financial year by adjusting the variable remuneration components. The aim here is to ensure that the respective remuneration is commensurate with the tasks and performance of the Management Board member and the situation of the Company, is geared towards the long-term and sustainable development of PAION AG and the PAION Group and does not exceed the usual remuneration without special reasons.

Both external (horizontal) and internal (vertical) comparisons are used to assess the appropriateness of the level of remuneration:

External (horizontal) comparison

In order to assess the appropriateness and customary nature of the specific target total remuneration of the members of the Management Board compared to other companies, the Supervisory Board uses a suitable peer group (horizontal comparison). For this peer group comparison, the market position of the companies compared to PAION AG is decisive.

The companies in the peer group are comparable listed biotechnology and pharmaceutical companies based in Germany that are active in research & development and the marketing of innovative drugs.

In doing so, the Supervisory Board considers the structure of the remuneration, the target total remuneration and the individual components as well as the maximum total remuneration at the peer companies.

Internal (vertical) comparison

The internal (vertical) comparison refers to the relation of the remuneration of the Management Board to the remuneration of the senior management and the workforce of PAION AG. The Supervisory Board has delimited the circle of senior managers for this purpose by defining the department head level and the country managers as the senior management circle.

The Supervisory Board takes into account the development of the remuneration of the groups described and how the ratio develops over time.

Relation of the individual remuneration components

The percentage of the different remuneration components is shown below. The percentage stated in each case refers to an assumed 100 % target achievement for determining the short-term and long-term variable remuneration. The target values relevant for target achievement are set by the Supervisory Board for the respective financial year.

The share of the remuneration components is stated in a range in each case, so that the Supervisory Board retains the option of differentiating the remuneration of the Management Board members according to function and/or varying the ratios within these ranges in the future, if necessary, as part of an annual review of the remuneration, in particular with regard to market practice.

- Basic remuneration contributes between 40 % and 70 % to the target total remuneration.

- The short-term variable remuneration contributes between 10 % and 25 % to the target total remuneration.

- The long-term variable remuneration contributes between 15 % and 30 % to the target total remuneration.
- The fringe benefits contribute in total up to a maximum of 5% of the target total remuneration.

No share of the target total remuneration is given for the pension benefits granted by the company in the form of continued remuneration to surviving dependants, as these are only paid in the event of the death of the Management Board member and thus do not contribute to the target total remuneration during the term of office.

With regard to the target remuneration structure, the Supervisory Board ensures that the long-term variable components of the remuneration exceed the short-term variable remuneration components so that the remuneration structure is geared towards the long-term and sustainable development of PAION AG.

Maximum limit for the total remuneration ("maximum total remuneration")

In accordance with section 87a (1) sentence 2 no. 1 of the German Stock Corporation Act (AktG), the Supervisory Board has set a maximum amount for the total remuneration of the Management Board members (i.e. the sum of the basic remuneration, fringe benefits and short-term and long-term variable remuneration components) ("**maximum total remuneration**"). This maximum total remuneration amounts to

- For the Chairman of the Board EUR 600,000.00 and
- for the other members of the Management Board EUR 500,000.00 each.

The maximum total remuneration refers to the sum of all values resulting from the remuneration regulations in a business year.

Explanations of the individual remuneration components

Fixed remuneration components

Basic remuneration

The basic remuneration is a fixed remuneration related to the entire year, which is paid in twelve monthly instalments at the end of each month, with statutory deductions being withheld.

When determining the amount of the basic remuneration, the Supervisory Board takes into account the area of responsibility and the tasks of the respective Management Board member.

As part of the basic remuneration, there is the possibility to make use of salary conversion to contribute to a direct insurance policy.

Ancillary services

Each member of the Board of Directors may also receive the following fringe benefits:

- a monthly payment in lieu of the provision of a company car,
- the conclusion of or inclusion in a group accident insurance policy,
- the assumption of any contributions for membership in professional associations,
- the possible assumption or reimbursement of telecommunication costs, relocation costs and expenses for a double household for business reasons,
- the assumption of contributions to health and long-term care insurance up to a fixed amount,
- the conclusion of a D&O insurance policy with a deductible pursuant to section 93 para. 2 sentence 3 AktG.

Pensions

The employment contracts may provide that, in the event of the death of a member of the Management Board, PAION AG will pay the surviving dependants the fixed salary for the month in which the member died and up to three subsequent months, at the latest until the termination of the employment contract. Furthermore, the Company shall pay the proportionate amount of the short- and long-term variable remuneration to the surviving dependants.

Variable remuneration components

The variable remuneration components include both short-term and long-term components. The short-term variable remuneration component in the form of the annual bonus and the long-term variable remuneration component in the form of stock options and/or a bonus based on long-term performance criteria differ in their underlying performance period and the financial performance criteria and non-financial performance criteria used to measure the payout. The selection of the performance criteria is based on the corporate strategy of PAION AG and is oriented towards growth, profitability and competitiveness.

Short-term variable remuneration ("STI")

The short-term variable remuneration (or Short-Term Incentive, "STI") in the form of the bonus is intended to reward the contribution of the Management Board to the success of the company in a specific financial year.

In addition to financial performance criteria, non-financial performance criteria are also used, which take into account the collective and/or individual performance of the board members.

The amount of the bonus is determined depending on the achievement of the targets. If the set targets are exceeded, the maximum amount of the bonus is set at 100 % of the STI target amount.

Financial performance criteria

The amount of the bonus to be paid depends on the extent to which an Management Board member achieves the targets that the Supervisory Board sets for that Management Board member for one or more of the following financial key figures as performance criteria within the meaning of section 87a (1) sentence 2 no. 4 AktG:

- The following table shows the key figures of the financial statements: -sales revenue and related sales ratios, EBIT (Earnings Before Interest and Taxes), EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation), free cash flow and other cash flow figures, equity and debt ratios (e.g. debt-to-equity ratio),
- Share price performance of the PAION AG share and/or earnings per share and total shareholder return,
- Targets with regard to securing, maintaining and/or expanding the financing of PAION AG and PAION Group.

For the aforementioned financial performance criteria, the Supervisory Board determines the degree of target achievement, expressed as a percentage, after the end of each financial year.

In addition to the financial performance criteria, the Supervisory Board may also determine non-financial performance criteria, in particular also personal performance criteria, from the following areas for individual or all Management Board members before the beginning of each financial year:

- Strategic corporate objectives such as the achievement of important strategic projects (including mergers & acquisitions, strategic partnerships), the development of new markets, cooperation with the Supervisory Board or sustainable strategic, technical or structural corporate development, the implementation of any transformation projects, milestones in the area of market access (including pricing & reimbursement) and/or cooperations with pharmaceutical companies,
- conduction and completion of clinical trials,
- achievement of other operational milestones, e.g. in the area of supply chain,
- ESG (Environment, Social, Governance) goals such as occupational health and safety, compliance, energy and environment (such as development of a sustainability roadmap for the company and the group, optimisation of resource use, reduction of waste/emissions), customer satisfaction, employee concerns or corporate culture (such as measures to increase employer attractiveness and employee satisfaction, measures for leadership development, diversity and equal opportunities),
- Organisational and cultural development (e.g. promoting corporate values, strengthening internal cooperation and communication, succession planning).

By also taking into account non-financial performance criteria, the supervisory board shall be given the opportunity to also consider the individual or collective performance of the Management Board, also with regard to the so-called ESG goals.

Long-term variable remuneration ("LTI")

The long-term variable remuneration (long-term incentive, or "LTI") is intended to promote the long-term commitment of Management Board members to the company and its sustainable growth. The long-term variable remuneration component consists of a bonus based on long-term performance criteria and a stock option plan or a combination of both.

LTI Cash Bonus

For the LTI cash bonus, the above explanations regarding the specification of the financial and non-financial performance criteria, the determination of the achievement of the targets as well as the calculation of the STI apply accordingly, with the proviso that the targets are not based on the achievement of the targets in one, but rather several, in any case not less than three financial years.

Stock option plan

The stock options are granted to the members of the Management Board on the basis of stock option plans of the Company. The basis for such a stock option plan is currently the authorisation of the Annual General Meeting of 27 May 2020 under agenda item 5. However, stock options may also be issued on the basis of a stock option plan with a different content, which is based on an authorisation basis yet to be decided by the Annual General Meeting in the future.

Ongoing review and adjustment of performance criteria

The Supervisory Board reviews the appropriateness of the variable remuneration components each year, with particular regard to their intended incentive effect.

Adjustment in the event of extraordinary developments

In the event of extraordinary developments as defined in the New Remuneration System, the Supervisory Board is entitled, even after the beginning of the respective assessment period, to adjust the amount of the individual remuneration components (including the target total remuneration of variable remuneration elements in the event of 100 % target achievement), their relationship to each other, the criteria for target achievement, the respective payment amounts as well as the payment dates, provided that the annual maximum remuneration as well as the upper limits set for the variable remuneration components before the beginning of the financial year are not exceeded.

If there are adjustments due to extraordinary developments, this is disclosed and justified in the remuneration report.

Malus/Claw-Back

In certain cases, the Supervisory Board has the option to reduce variable remuneration components that have not yet been paid out or to reclaim variable remuneration components that have already been paid out ("**malus**" and "**claw-back**").

Remuneration upon termination of Board membership

The employment contracts with members of the Management Board may also include provisions for remuneration in the event of premature termination of the Management Board office or employment contract.

In the event of premature termination of the employment contract (without good cause for termination of the employment contract by the Company), a severance payment may be granted, the amount of which, however, is limited to two years' total remuneration and may not exceed the remuneration for the remaining term of the employment contract ("**severance payment cap**"). Also in other cases of premature termination, any payments are limited to a maximum

amount of two years' total remuneration or the remuneration for the remaining term of the employment contract as a severance payment cap. The employment contracts with Management Board members may provide for an extraordinary termination option for the Management Board members with a notice period of three months to the end of the month, especially in cases of a change of control.

However, extraordinary termination shall only be possible if the occurrence of a change of control results in

- a significant change in the strategy of the company,
- a significant change in their own field of activity and/or
- a relocation of the own place of work by more than 300 km

with the member of the Board of Directors concerned.

In the event of termination, a payment up to the amount of the severance payment cap may be agreed.

Temporary deviations

Pursuant to item 9 of the New Remuneration System, the Supervisory Board may temporarily deviate from individual components of the remuneration system if this is necessary in the interest of the long-term well-being of the Company. This concerns in particular situations in which the deviation from the remuneration system is necessary to serve the long-term interests and sustainability of the Company as a whole or to ensure its profitability. Such situations may be based on macroeconomic as well as company-related exceptional circumstances. Deviations are permitted in particular in economic crises in which the remuneration of the (potential) Management Board members deemed suitable by the Supervisory Board on the basis of the remuneration system and the resulting incentive structure appears to be inadequate in the interests of the company. The components of the remuneration system which may be deviated from in exceptional cases are the basic remuneration (in particular the amount and time of payment), the fringe benefits and pension payments (amount, type and time of granting), the variable remuneration components (in particular the respective bases of assessment, the rules for setting targets, the performance criteria, the rules for determining the achievement of targets and for setting the amounts to be paid out as well as the dates of payment) including the relationship of the remuneration components to each other as well as the maximum total remuneration. If the supervisory board, after due assessment, comes to the conclusion that, in view of the extraordinary situation, the granting of variable remuneration is not in the interest of the long-term well-being of the company, it may temporarily waive the granting of variable remuneration completely in favour of increased fixed remuneration. The deviation from the remuneration system shall only be temporary and shall not exceed a period determined by the supervisory board in its due discretion. Such a deviation from the remuneration system further requires that the supervisory

board, by a majority of the votes cast, (i) determines that a situation exists which requires a temporary deviation from the remuneration system in the interest of the long-term well-being of the company and (ii) determines which specific deviations are required in its view. To the extent that the provisions of the Management Board employment contract allow for a unilateral amendment of the relevant remuneration provisions, the Supervisory Board shall unilaterally implement the deviations deemed necessary; otherwise, it shall endeavour to find an appropriate contractual arrangement with the Management Board member(s) concerned.

2. Remuneration of the members of the Management Board of the Company in the financial year 2021

2.1 Implementation of the remuneration systems in the employment contracts, structure of the remuneration of the Management Board in the financial year 2021

2.1.1 Previous remuneration system in 2021

As set out in section 1 above, the Previous Remuneration System in 2021 applied to Dr Phillips for the period from 1 January to 30 September 2021 and to Mr Omari for the period from 1 January to 31 December 2021, i.e. for Mr Omari for the entire financial year 2021. If and to the extent that the Previous Remuneration System was still applicable to the remuneration of the Management Board members, the remuneration corresponded to the Previous Remuneration System.

The employment contracts of Dr Phillips and Mr Omari, who were or are still subject to the previous remuneration system, provide for the payment of an annual fixed remuneration, the payment of an annual performance-related bonus and participation in stock option programmes.

For the 2021 financial year, the Supervisory Board has set performance targets for the two Management Board members for the payment of the annual bonus. More detailed explanations of the specific performance targets and how they promote the long-term development of the company are provided below in section 2.2. No share options were allocated or promised in the 2021 financial year, as the Management Board members had already been allocated share options in 2020, so that the Supervisory Board did not consider an allocation in 2021 to be necessary.

2.1.2 New remuneration system in 2021

As already explained above in section 1, the New Remuneration System was only applicable to the Management Board member Dr Phillips in the 2021 financial year and only for the period from 1 October to 31 December 2021. The New Remuneration System was implemented by the

Supervisory Board in such a way that a new employment contract was concluded with Dr Phillips. In accordance with the New Remuneration System, this employment contract provides for the payment of a fixed remuneration, fringe benefits, a short-term variable remuneration in the form of an annual bonus ("**STI**") as well as the payment of a long-term variable remuneration consisting of a bonus based on long-term performance criteria and/or the allocation of stock options through participation in stock option plans ("**LTI**"). For the procedure of setting the performance criteria for the STI and the LTI, the performance criteria to be set and the determination of target achievement, the regulations of the New Remuneration System apply in accordance with the employment contract. In this respect, reference can be made to the above information on the principles of the New Remuneration System under section 1.2.

Against the background that the new employment contract with Dr Phillips was concluded during the year and three months before the end of the financial year, the Supervisory Board has, however, refrained from applying all regulations of the New Remuneration System already in 2021. The new employment contract with Dr Phillips therefore provides that the new regulations on remuneration are only applicable with effect from 1 January 2022 and that for the period from 1 October 2021 to 31 December 2022 the regulations of Dr Phillips' old contract were still applicable. The deviations from the New Remuneration System resulting from this transitional arrangement are set out below in section 2.

2.2 Amount of the remuneration

2.2.1 Fixed and variable remuneration

The following table shows the remuneration granted and owed to the Management Board members Dr James Neil Phillips and Abdelghani Omari in the 2021 financial year within the meaning of section 162 (1) sentence 1 AktG, broken down into fixed and variable remuneration components, as well as their respective share. It is pointed out that the Company applies the terms "granted" and "owed" as follows in accordance with the legislative justification to the ARUG II:

- A remuneration is "*granted*" within the meaning of section 162 (1) sentence 2 no. 1 AktG if it factually, i.e. actually, accrues to the member of the executive body and thus passes into his or her assets ("**inflow principle**", cf. explanatory memorandum to the government draft ARUG II, BT-Drs. 19/9739, p.111, explanatory memorandum to the resolution recommendation BT-Rechtsausschuss ARUG II, BT-Drs. 19/15153, p. 53). The company therefore states as "granted" remuneration within the meaning of section 162 (1) sentence 2 no. 1 AktG those benefits that actually accrued to the Management Board member in the 2021 financial year, in particular through payment to the Management Board member.
- A remuneration is "*owed*" within the meaning of section 162 (1) sentence 1 AktG if the company has a legally existing obligation towards the member of the executive body

which is due but not yet fulfilled (Explanatory Memorandum to the Government Draft ARUG II, BT-Drs. 19/9739, p.111, Explanatory Memorandum to the Resolution Recommendation of the BT Legal Committee ARUG II, BT-Drs. 19/15153, p. 53).

Accordingly, the following table contains the fixed remuneration paid for the 2021 financial year. The variable remuneration shown in the table relates to the variable remuneration paid in the 2021 financial year for the 2020 financial year ("**bonus for the 2020 financial year**"), as only this variable remuneration was paid in the 2021 financial year and thus "granted" in accordance with the above explanations. The variable remuneration (still) payable for the 2021 financial year ("**bonus for the 2021 financial year**"), on the other hand, is not included in the table below, as this will only be due and paid in 2022 after the determination of target achievement. The variable remuneration payable for the 2021 financial year is therefore neither "granted" nor "owed" in the financial year within the meaning of section 162 (1) sentence 1 AktG. The variable remuneration payable for the 2021 financial year will therefore be reported in the remuneration report for the 2022 financial year.

	Dr James Neil Phillips (EUR)	Percentage share	Abdelghani Omari (EUR)	Percentage share	Dr Jürgen Beck (EUR)	Percentage share
Basic remuneration	305.000,04	approx. 71.33 %	210.000,00	approx. 65.38 %	0,00	0%
Ancillary services	20.598,72	approx. 4.81 %	26.180,16	approx. 8.15 %	0,00	0%
Annual bonus (" Bonus for the 2020 financial year ")	102.000,00	approx. 23.85 %	85.000,00	approx. 26.46 %	59.500,00	100 %
Multi-year variable performance remuneration	0,00	0 %	0,00	0 %	0,00	0 %
Utility expenses	0,00	0 %	0,00	0 %	0,00	0 %
Total	427.598,76	100 %	321.180,16	100 %	59.900,00	100 %

For the variable remuneration, the Supervisory Board specifies performance criteria for the respective fiscal year, on the basis of which the amount of the bonus to be paid is measured. The performance criteria set by the Supervisory Board for the bonus paid in 2021 for the fiscal year

2020 were based on the strategic and operational objectives of the Company and the PAION Group, in particular with regard to the achievement of approvals for the active pharmaceutical ingredients, the achievement of economic and financial objectives and the development of the share price. The performance criteria for the bonus paid in 2021 for the fiscal year 2020 were still based on the previous remuneration system and not yet on the new remuneration system.

The performance criteria specified by the Supervisory Board for the bonus for the 2020 financial year, their weighting as well as the achievement of targets and the resulting payment of the variable remuneration are listed in the table below. The Supervisory Board has set uniform targets for the members of the Management Board for 2020. The details on the targets and target achievement given in the table therefore apply uniformly to all members of the Management Board.

Specified target	Predefined Timeframe for the achievement of objectives	Weighting (in %)	Type of Target achievement (measure)	Degree of target achievement (in %)
First market approval in Japan	Q1/2020	10 %	Approval of Remimazolam by the Japanese Medicines Agency	100 %
FDA approval without requirement for the presence of an anaesthetist	Q2-3/2020	25 % 15%	Remimazolam approval by the FDA with the desired la- bel	100 %
Completion of the EU Phase III General Anaesthesia Study	Q2-3/2020	15 %	Completion of patient re- cruitment and preparation of the Clinical Trial Report	0 %
Positive result of the phase III study in general anaesthesia	Q4/2020	5 %	Achievement of the primary and the essential secondary endpoint of the study.	100 %
Development of share price/market capi- talisation	Q4/2020	20 %	Outperformance of the PAION share price com- pared to the DAX subsector Biotechnology Price Index or an increase in the market	100 %

Specified target	Predefined Timeframe for the achievement of objectives	Weighting (in %)	Type of Target achievement (measure)	Degree of target achievement (in %)
			capitalisation of PAION of at least 20%.	
Pricing, reimbursement and HTA assessments support commercialisation in the EU as described in the business plan	Q2-3/2020	10 %	Supervisory Board approval of the business plan including pricing assumptions	100 %
				Degree of target achievement TOTAL: 85 %

These goals promote the long-term development of the company. The marketing authorisations in Japan and the USA have opened up two important markets for the commercialisation of Remimazolam. The completion and positive results of the EU Phase III study in general anaesthesia were a prerequisite for the submission of the marketing authorisation application for Remimazolam in this indication in the EU. The preparation of a robust business plan with a focus on pricing, reimbursement and HTA assessment was the basis for the commercial strategy and the establishment of commercial distribution infrastructures in selected European countries. The goal of increasing the share price or market capitalisation is important for the company's ability to refinance on the one hand and the increase in value for shareholders on the other hand.

Against the background of the target achievement of 85 % for the respective Management Board member, the following payment of the bonus for the 2020 financial year results for the Management Board members in office in the 2020 financial year:

Board member	In prospect bonus for the Financial year 2020 (maximum, EUR)	Degree of target achievement (in %)	Final bonus for the 2020 fi- nancial year (EUR)
Dr James Neil Phillips	120.000,00	85 %	102.000,00
Abdelghani Omari	100.000,00	85 %	85.000,00
Dr Jürgen Beck	70.000,00	85 %	59.500,00

2.2.2 Granted and awarded shares and share options

a) Share options

In the past, the members of the Management Board of the Company were granted share options on the basis of the previous remuneration system. Under the New Remuneration System, the issuance of stock options is also a component of the remuneration, namely the long-term variable remuneration ("LTI").

The stock option agreements concluded with the individual members of the Management Board provide for a quantitative limit. With regard to the performance of the stock options granted, which is directly related to the performance of the PAION share, no limits have been agreed other than minimum increases in value.

No share options were granted to members of the Management Board in the 2021 financial year. Furthermore, there are no "promised" stock options within the meaning of § 162 para. 1 sentence 2 no. 3 AktG.

b) Shares

In the past, no shares were granted or promised to the members of the Management Board, with the exception of the subscription of shares due to the exercise of stock options. Even under the New Compensation System, the granting or promise of shares, outside of the subscription of shares through the exercise of stock options (cf. section 3.1 above), is not envisaged.

2.3 No clawback of variable remuneration components

In 2021, the Company had no reason to reclaim variable remuneration components and has therefore not reclaimed any variable remuneration components.

2.4 Conformity with the Previous and New Remuneration System

As already stated above in the preliminary remarks to this section II, the Previous Remuneration System applied in the 2021 financial year for the members of the Management Board in office in this financial year with regard to the existing old contracts as follows:

- Mr Dr James Neil Phillips in the period from 1 January to 30 September 2021
- Mr Abdelghani Omari in the period from 1 January to 31 December 2021

The New Remuneration System applied to the members of the Management Board in the 2021 financial year as follows:

- Mr Dr James Neil Phillips for the period from 1 October to 31 December 2021

In view of the fact that the employment contract with Dr Phillips was extended during the year and three months before the end of the 2021 financial year, the Supervisory Board still applied the provisions of his old contract to the remuneration of Dr Phillips for the period from 1 October to 31 December 2021. In this respect, the Supervisory Board has refrained from applying all regulations of the New Remuneration System to the employment contract with Dr Phillips for the transitional period from 1 October to 31 December 2021.

The Supervisory Board considered this transitional arrangement necessary for overriding corporate reasons, as the bonus for the 2021 financial year and its performance criteria promised to the Management Board members prior to the creation of the New Remuneration System were, in the Supervisory Board's opinion, to be maintained in the interest of the Company and no new targets were to be agreed for the short period of three months. It was not in the interest of the Company to change the performance criteria set for Dr Phillips for the short period of three months in the 2021 financial year in which the New Remuneration System applied, or even to provide for new performance criteria and/or remuneration components under the New Remuneration System. In this respect, the deviation, which in the opinion of the Supervisory Board was only minor in any case, was also in the interest of the long-term well-being of the Company, as in this way the continuity of the performance targets previously set for the 2021 financial year was maintained. Therefore, the deviation was justified in accordance with clause 9 of the New Remuneration System (cf. the above explanations on the main features of the New Remuneration System).

The components of the New Remuneration System that were deviated from are the variable remuneration components of the short-term and long-term variable remuneration ("STI" and "LTI") that were not specified (LTI) or not specified again (STI) for the three-month period from 1 October to 31 December 2021. This concerns the variable remuneration components that were not specified (LTI) or not specified again (STI) for the three-month period from 1 October to 31 December 2021, as well as the relation of the remuneration components that do not comply with the New Remuneration System due to the lack of new specifications for the STI or the lack of granting of the LTI for the aforementioned three-month period.

2.5 Consideration of the resolution of the general meeting pursuant to section 120a (4), (5) AktG

Pursuant to Section 162 (1) sentence 2 no. 6 AktG, an explanation must also be included in the remuneration report as to how the resolution of the general meeting on the remuneration report pursuant to Section 120a (4) AktG or the discussion of the remuneration report pursuant to Section 120a (5) AktG was taken into account. In view of the fact that PAION AG is preparing this remuneration report pursuant to Section 162 AktG in the version of ARUG II in 2022 for the first time and presenting it to the Annual General Meeting, no disclosure pursuant to Section 162 (1) sentence 2 no. 6 AktG can yet be made in this remuneration report.

2.6 Compliance with the maximum remuneration

With regard to the remuneration of the members of the Management Board, the maximum remuneration of the members of the Management Board stipulated in the New Remuneration System was complied with. PAION AG would like to point out that the New Remuneration System and thus also the maximum remuneration provided for therein were only applied to Dr Phillips to a limited extent and only for the period from 1 October to 31 December 2021. Even if the maximum remuneration was not applied to all members of the Management Board and not for the entire period, the Company confirms as a precaution that the maximum remuneration was not exceeded for all members of the Management Board and for the entire period of 2021, irrespective of the question of the applicability of the New Remuneration System:

The New Remuneration System provides for a maximum remuneration of EUR 600,000.00 for the Chairman of the Management Board and a maximum remuneration of EUR 500,000.00 each for the other members of the Management Board.

The remuneration "granted and owed" to the members of the Management Board in 2021 (as detailed above under section 2.1) within the meaning of section 162 (1) sentence 1 AktG amounted to the following amounts:

- Mr Dr James Neil Phillips EUR 427,598.76

- Mr Abdelghani Omari EUR 321,180.16.

The above disclosures are based on the interpretation of the terms "granted" and "owed" in section 162 para. 1 sentence 1 AktG given in section 2.1 and accordingly take into account the variable remuneration paid to the Management Board in the 2021 financial year for the achievement of targets in the 2020 financial year, i.e. the bonus for the 2020 financial year, but not the variable remuneration payable in the 2022 financial year for the achievement of targets in the 2021 financial year, i.e. the bonus for the 2021 financial year.

If, in accordance with the legal literature, compliance with the maximum remuneration pursuant to section 162 para. 2 sentence 2 no. 7 AktG is not based on the bonus for the 2020 financial year, but on the bonus "earned" in 2021, i.e. the bonus for the 2021 financial year (i.e. if the interpretation of the terms "granted" and "owed" set out in section 2.1 is deviated from), the maximum remuneration for the members of the Management Board would also be complied with. Even assuming full achievement of the performance criteria set for the Management Board members for 2021 and corresponding payment of the bonus for the 2021 financial year in the maximum amount, this would result in the following total remuneration for the members of the Management Board:

- Mr Dr James Neil Phillips EUR 418,598.76
- Mr Abdelghani Omari EUR 313,680.16.

2.7 Promises in the event of premature termination of employment

In the event of a change of control and termination of employment within a certain period after the change of control, the Management Board members are each entitled to special termination rights and contractual severance payments. The severance payments correspond in each case to the value of two years' fixed remuneration, limited to the remuneration for the remaining term of the Management Board employment contract. Dr Phillips is only entitled to severance pay in connection with a change of control if, in addition to the change of control, there are significant changes in the corporate strategy, the area of responsibility or the location of the company.

All Management Board contracts provide that in cases other than a change of control, any severance payments in the event of premature termination of Management Board activities may not exceed the value of two years' fixed remuneration and may not remunerate more than the remaining term of the Management Board employment contract. The Management Board contracts do not provide for transitional payments upon expiry of the Management Board contracts.

III. Remuneration of the members of the Supervisory Board

1. basic features of supervisory board remuneration

The remuneration of the members of the Supervisory Board is set out in Article 21 of PAION AG's Articles of Association as follows:

"§ 21 Remuneration of the Supervisory Board

- (1) In addition to the reimbursement of his expenses, each member of the Supervisory Board shall receive a remuneration of EUR 20,000 per financial year. If a member of the Supervisory Board did not work for the Company as a member of the Supervisory Board for the entire financial year, he/she shall only be entitled to a corresponding proportion of the remuneration, in proportion to the actual term of office to the entire financial year. In addition, the members of the Supervisory Board receive EUR 1,000 for each Supervisory Board meeting (attendance fee) they attend in person, but for no more than five meetings per financial year. The chairman receives double and his deputy 1.5 times this remuneration.*
- (2) In addition, the members of the Supervisory Board shall be reimbursed for any value added tax payable on the reimbursement of expenses or the Supervisory Board remuneration, insofar as they are entitled to invoice the value added tax separately to the Company and exercise this right.*
- (3) The members of the Supervisory Board shall be included in a pecuniary loss liability insurance for executive bodies and certain executives maintained by the Company in the interest of the Company in an appropriate amount, insofar as such insurance exists. The premiums for this shall be paid by the Company.*

The remuneration of the members of the Supervisory Board set out in Section 21 of PAION AG's Articles of Association is based on the following considerations which, in the opinion of the Management Board and the Supervisory Board, remain valid:

The remuneration of the Supervisory Board consists of the following elements:

- a fixed remuneration,
- an attendance fee for Supervisory Board meetings,
- reimbursement of the value added tax, if any, payable on the reimbursement of expenses and the remuneration of the Supervisory Board, and

- the inclusion of the members of the Supervisory Board in a pecuniary loss liability insurance policy with the premiums being paid by the Company, if such a policy exists.

The remuneration is payable quarterly in arrears.

The remuneration system for the members of the Supervisory Board takes into account the legal requirements as well as the recommendations of the German Corporate Governance Code.

The remuneration of the Supervisory Board members is balanced overall and is commensurate with the responsibilities and tasks of the Supervisory Board members and the situation of the company. Furthermore, the remuneration of the Supervisory Board is in line with the market and suitable to attract efficient mandate holders and in this way to ensure adequate supervision and consultation of the Management Board.

The remuneration of the Supervisory Board members consists of a purely fixed remuneration. No variable, performance-related remuneration is paid. The company is of the opinion that by limiting itself to a purely fixed remuneration, the supervisory and advisory function of the supervisory board is promoted in the best possible way and thus contributes to the long-term and sustainable development of the company. On the one hand, the renunciation of a performance-related remuneration avoids possible false incentives that could be set for the members of the Supervisory Board. Furthermore, a constant, non-performance-related fixed remuneration also takes into account the fact that the supervisory and advisory expenses of the supervisory board do not necessarily develop synchronously with a positive or negative business development of the company. On the contrary, in the event of a negative business development, the supervisory and advisory expenses often increase. The company is therefore of the opinion that the non-performance-related remuneration best reflects the supervisory and advisory function of the supervisory board. This is also in line with suggestion G.18 of the German Corporate Governance Code in the version of 16 December 2019, according to which the remuneration of the supervisory board should consist of a fixed remuneration.

The higher time expenditure of the Chairman and the Deputy Chairman of the Supervisory Board is taken into account by the fact that the fixed remuneration and the attendance fee for the Chairman of the Supervisory Board are 2.0 times and for the Deputy Chairman of the Supervisory Board 1.5 times the remuneration of ordinary members of the Supervisory Board. This differentiation ensures that the additional work to be performed by the Chairman and Deputy Chairman of the Supervisory Board is appropriately remunerated and that, in addition, a sufficient incentive is created for Supervisory Board members to assume the position of Chairman or Deputy Chairman of the Supervisory Board. In this respect, the differentiation of the remuneration also complies with recommendation G.17 of the German Corporate Governance Code in the version of 16 December 2019, according to which the higher time expenditure of the Chairman and Deputy Chairman of the Supervisory Board shall be adequately taken into account in the remuneration of the Supervisory Board members.

The remuneration of the members of the Supervisory Board at PAION AG is determined by the Annual General Meeting by way of a regulation in the Articles of Association. For this purpose, the Management Board and the Supervisory Board submit a proposed resolution to the Annual General Meeting.

Pursuant to section 113 (3) of the German Stock Corporation Act (AktG), resolutions on the remuneration of supervisory board members must be passed at least every four years in the case of listed companies. A resolution confirming the remuneration is permissible. Furthermore, a new resolution on the remuneration of the supervisory board members is required in case of any changes.

The above provision of the Articles of Association on Supervisory Board remuneration is based on a resolution of the 2017 Annual General Meeting. The Annual General Meeting on 27 May 2021 confirmed the provision of the Articles of Association and the remuneration system behind this provision in accordance with section 113 (3) of the AktG.

2. Supervisory Board remuneration granted and owed 2021

The following table shows the remuneration granted and owed to the members of the Supervisory Board within the meaning of § 162 AktG in the 2021 financial year:

	Basic remuneration (EUR)	Attendance fee (EUR)	Ancillary services (EUR)	TOTAL
Dr Jörg Spiekerkötter (Chairman)	40.000,00	10.000,00	0,00	50.000,00
Dr Karin Dorrepaal (Deputy Chairperson)	30.000,00	7.500,00	0,00	37.500,00
Dr Dr Irina Antonijevic	20.000,00	5.000,00	0,00	25.000,00
Dr Hans Christoph Tanner	20.000,00	5.000,00	0,00	25.000,00
Dr Markus Leyck Dieken	20.000,00	4.000,00	0,00	24.000,00

The remuneration granted and owed to the members of the Supervisory Board in the 2021 financial year complied with the provisions of the Articles of Association and thus also with the remuneration system confirmed by the Annual General Meeting on 27 May 2021.

IV. Comparative representation

The following table shows a comparative presentation of the annual change in the remuneration of the members of the Management Board and the Supervisory Board with the development of the company's earnings over the last five years:

	2021 vis-à-vis 2020 ¹	2020 vis-à-vis 2019 ¹	2019 vis-à-vis 2018 ¹	2018 vis-à-vis 2017 ¹	2017 vis-à-vis 2016 ¹
Development of Management Board remuneration (in %)					
Dr James Neil Phillips	1,16 %	215,63 % ²	-	-	-
Abdelghani Omari	6,13 %	30,94 %	-8,94 %	-2,03 %	10,79 %
Dr Jürgen Beck	-78,33 % ²	12,96 %	-6,76 %	-	-
Dr Wolfgang Söhngen	-	-100,00 % ²	-28,24 % ²	6,94 %	1,10 %
Dr Jürgen Raths	-	-	-	-100,00 % ²	-39,46 % ²
Development of Supervisory Board remuneration (in %)					
Dr Jörg Spiekerkötter	0,00 %	0,00 %	0,00 %	0,00 %	-9,09 %

¹ The total remuneration used as a basis for the financial years 2016 to 2020 is the total remuneration according to the remuneration report of the respective financial year (for the Management Board according to the allocation table of the German Corporate Governance Code in the version of 7 February 2017). The determination of the total remuneration for the Management Board for the financial years 2016 to 2020 according to the allocation table of the German Corporate Governance Code 2017 differs from the determination of the total remuneration for the Management Board for 2021. This is because, in contrast to the principles on the interpretation of "granted and owed" remuneration outlined above in section 2.2.1, under the German Corporate Governance Code 2017 a bonus "earned" in the reporting year was also taken into account in the accrual table, even if it was not yet due or paid in the reporting year.

² Not comparable due to an entry/exit (during the year).

	2021 vis-à-vis 2020 ¹	2020 vis-à-vis 2019 ¹	2019 vis-à-vis 2018 ¹	2018 vis-à-vis 2017 ¹	2017 vis-à-vis 2016 ¹
Dr Karin Dorrepaal	0,00 %	0,00 %	0,00 %	0,00 %	-9,09 %
Dr Dr Irina Antonijevic	0,00 %	0,00 %	0,00 %	77,87 % ²	-
Dr Hans Christoph Tanner	0,00 %	0,00 %	0,00 %	77,87 % ²	-
Dr Markus Leyck Dieken	-4,00 %	76,47 % ²	-	-	-
Dr John Dawson	-	-100,00 % ²	-58,80 % ²	-4,00 %	-3,85 %
Earnings development (in %)					
Annual result³	323,34%	-28,71%	-407,80%	-547,95%	-90,77%
EBIT (Group)⁴	-1.432,28%	-116,97%	-25,12%	-21,53%	-36,72%

Pursuant to section 26j para. 2 sentence 2 of the Introductory Act to the Stock Corporation Act (EgAktG), a comparison with the average remuneration of employees on a full-time equivalent basis over the last five financial years pursuant to section 162 para. 1 sentence 2 no. 2 of the Stock Corporation Act (AktG) is currently not yet to be included in the remuneration report. Pursuant to section 26j para. 2 sentence 2 EgAktG, the first comparison with the remuneration of employees on a full-time equivalent basis will be made as of the remuneration report for the 2022 financial year for the development between the 2021 financial year and the 2022 financial year and then successively for the subsequent years (i.e. in the remuneration report for the 2023 financial year both the development between the 2021 financial year and the 2022 financial year and the development between the 2022 financial year and the 2023 financial year will be reported, etc.).

³ The net result for the year is the net profit or loss of PAION AG (separate financial statements) in accordance with section 275 (2) no. 17 HGB.

⁴ PAION AG defines EBIT at Group level as follows: Operating result before financial result and taxes.

Report of the independent auditor on the audit of the remuneration report pursuant to section 162 (3) AktG

To PAION AG, *Aachen*

Audit opinion

We have formally audited the remuneration report of PAION AG for the financial year from 1 January 2021 to 31 December 2021 to determine whether the disclosures pursuant to section 162 (1) and (2) AktG have been made in the remuneration report. In accordance with section 162 (3) AktG, we have not audited the content of the remuneration report.

In our opinion, the accompanying remuneration report complies, in all material respects, with the disclosures required by section 162 (1) and (2) of the AktG. Our audit opinion does not cover the content of the remuneration report.

Basis for the audit opinion

We conducted our audit of the remuneration report in accordance with section 162 (3) AktG and IDW Auditing Standard: The audit of the remuneration report in accordance with section 162 (3) AktG (IDW PS 870(08.2021)). Our responsibility under that provision and standard is further described in the Auditor's Responsibility section of our report. As an auditing practice, we have complied with the requirements of the IDW Quality Assurance Standard: Requirements for Quality Assurance in Auditing Practice (IDW QS 1). We have complied with the professional duties pursuant to the Auditors' Code and the Professional Statutes for Auditors / Sworn Auditors including the requirements for independence.

Responsibility of the Management Board and the Supervisory Board

The Management Board and the Supervisory Board are responsible for the preparation of the remuneration report, including the related disclosures, which complies with the requirements of § 162 AktG. They are further responsible for such internal control as they determine is necessary to enable the preparation of the remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

Responsibility of the auditor

Our objective is to obtain reasonable assurance about whether the disclosures pursuant to § 162 (1) and (2) AktG have been made in all material respects in the remuneration report and to express an opinion thereon in an audit report.

We planned and performed our audit to obtain evidence about the formal completeness of the remuneration report by comparing the disclosures made in the remuneration report with the disclosures required

by section 162 (1) and (2) AktG. In accordance with section 162 (3) AktG, we did not audit the accuracy of the disclosures, the completeness of the individual disclosures or the fair presentation of the remuneration report.

Munich, 29 March 2022

Baker Tilly GmbH & Co KG
Auditing firm
(Düsseldorf)

Weissinger
German Public Accountant

Hanfland
German Public Auditor

II.2 Supplementary information on item 7 of the agenda (remuneration system for the Supervisory Board)

1. Remuneration of the members of the Supervisory Board

The remuneration of the members of the Supervisory Board is set out in Article 21 of PAION AG's Articles of Association as follows:

"§ 21

Remuneration of the Supervisory Board

(1) In addition to the reimbursement of his expenses, each member of the Supervisory Board shall receive a remuneration of EUR 25,000 per financial year. If a member of the Supervisory Board was not active as a member of the Supervisory Board for the entire financial year, he/she shall only be entitled to a corresponding proportion of the remuneration in proportion to the actual term of office to the entire financial year. In addition, the members of the Supervisory Board receive EUR 1,000 for each Supervisory Board meeting (attendance fee) they attend in person, but for no more than five meetings per financial year. The chairperson receives double and the deputy chairperson 1.5 times this remuneration.

For committee work, the chairperson of a committee receives EUR 7,000.00 per financial year, the other committee members each receive EUR 1,000.00 per financial year. If a member of the committee was not active as a committee member for the entire financial year, he/she shall only be entitled to a correspondingly proportional remuneration in the ratio of the actual time as a committee member to the entire financial year.

The remuneration is payable quarterly in arrears.

The provisions of this paragraph 1, as approved by the Annual General Meeting of 25 May 2022, shall apply for the first time in respect of the financial year commencing on 1 January 2022 and with effect for the period commencing on 1 January 2022.

(2) In addition, the members of the Supervisory Board shall receive a refund of any value added tax payable on the reimbursement of expenses or the Supervisory Board remuneration, insofar as they are entitled to invoice the value added tax separately to the Company and exercise this right.

(3) The members of the Supervisory Board shall be included in a pecuniary loss liability insurance policy for executive bodies and certain executives maintained by the Company in the interest of the Company at an appropriate level, insofar as such a policy exists. The premiums for this shall be paid by the Company.

2. Remuneration system

The remuneration of the members of the Supervisory Board set out in Section 21 of PAION AG's Articles of Association is based on the following considerations which, in the opinion of the Management Board and the Supervisory Board, remain valid:

The remuneration of the Supervisory Board consists of the following elements:

- a fixed remuneration,
- an attendance fee for Supervisory Board meetings,
- a reimbursement of expenses including a reimbursement of the value added tax, if any, payable on the Supervisory Board remuneration
 - a fixed remuneration for chairmanship and membership in committees of the Supervisory Board and
- the inclusion of the members of the Supervisory Board in a pecuniary loss liability insurance policy with the premiums being paid by the company, if such a policy exists.

The remuneration is payable quarterly in arrears.

The remuneration system for the members of the Supervisory Board takes into account the legal requirements as well as the recommendations of the German Corporate Governance Code in the currently applicable version of 16 December 2019 (published in the Federal Gazette on 20 March 2020).

The remuneration of the Supervisory Board members is balanced overall and is commensurate with the responsibilities and tasks of the Supervisory Board members and

the situation of the company. Furthermore, the remuneration of the Supervisory Board is in line with the market and suitable to attract efficient mandate holders and in this way to ensure adequate supervision and consultation of the Management Board.

The remuneration of the Supervisory Board members consists of a purely fixed remuneration. No variable, performance-related remuneration is paid. The company is of the opinion that by limiting itself to a purely fixed remuneration, the supervisory and advisory function of the supervisory board is promoted in the best possible way and thus contributes to the long-term and sustainable development of the company. On the one hand, the renunciation of a performance-related remuneration avoids possible false incentives that could be set for the members of the Supervisory Board. Furthermore, a constant, non-performance-related fixed remuneration also takes into account the fact that the supervisory and advisory expenses of the supervisory board do not necessarily develop synchronously with a positive or negative business development of the company. On the contrary, in the event of a negative business development, the supervisory and advisory expenses often increase. The company is therefore of the opinion that the non-performance-related remuneration best reflects the supervisory and advisory function of the supervisory board. This is also in line with suggestion G.18 of the German Corporate Governance Code in the version of 16 December 2019, according to which the remuneration of the supervisory board should consist of a fixed remuneration.

The higher time expenditure of the Chairman and the Deputy Chairman of the Supervisory Board is taken into account by the fact that the fixed remuneration and the attendance fee for the Chairman of the Supervisory Board are 2.0 times and for the Deputy Chairman of the Supervisory Board 1.5 times the remuneration of ordinary members of the Supervisory Board. This differentiation ensures that the additional work to be performed by the Chairman and Deputy Chairman of the Supervisory Board is appropriately remunerated and that, in addition, a sufficient incentive is created for Supervisory Board members to assume the position of Chairman or Deputy Chairman of the Supervisory Board. In this respect, the differentiation of the remuneration also complies with recommendation G.17 of the German Corporate Governance Code in the version of 16 December 2019, according to which the higher time expenditure of the Chairman and Deputy Chairman of the Supervisory Board shall be adequately taken into account in the remuneration of the Supervisory Board members.

Additional remuneration is provided for the assumption of the chairmanship and membership in committees of the Supervisory Board. This additional remuneration is intended to adequately take into account the additional time and effort involved in assuming the chairmanship and memberships in committees and, at the same time, to create an incentive to assume these positions. This is in line with the recommendation in G.17 of the German Corporate Governance Code, according to which the higher time expenditure for taking on the chairmanship and membership of committees should also be appropriately taken into account in the remuneration.

The remuneration of the members of the Supervisory Board at PAION AG is determined by the Annual General Meeting by way of a regulation in the Articles of Association. For this purpose, the Management Board and the Supervisory Board submit a proposed resolution to the Annual General Meeting.

Pursuant to section 113 (3) of the German Stock Corporation Act (AktG), resolutions on the remuneration of supervisory board members must be passed at least every four years in the case of listed companies. A resolution confirming the remuneration is permissible. Furthermore, a new resolution on the remuneration of the supervisory board members is required in case of any changes.

If the remuneration system presented is not approved by the general meeting, a revised remuneration system shall be presented at the following ordinary general meeting at the latest.

The Management Board and the Supervisory Board shall take into account any conflicts of interest that may arise during the preparation of the remuneration system for submission to the Annual General Meeting by the Management Board and the Supervisory Board, the implementation of the remuneration system and any subsequent review and amendment. If conflicts of interest arise, the Management Board and the Supervisory Board shall take appropriate measures. For the determination of the remuneration of the Supervisory Board, the Management Board and the Supervisory Board may also consult external advisors, but have not made use of this option so far."

III. Further information on the convening of the Annual General Meeting

Virtual Annual General Meeting

The Management Board of the Company has decided, with the consent of the Supervisory Board, that this year's Annual General Meeting of the Company will be held as a virtual Annual General Meeting, as in the previous year, without the physical presence of the shareholders or their proxies, in accordance with § 1 para. 1, para. 2 of the Act on Measures in Company, Cooperative, Association, Foundation and Residential Property Law to Combat the Effects of the **COVID-19** Pandemic of 27 March 2020, as amended by the Reconstruction Assistance Act of 15 September 2021 ("**COVID-19 Act**"). The Annual General Meeting shall be held in the presence of the Chairman of the Supervisory Board, the members of the Management Board, the proxies and - with the addition of a video conference - the other members of the Supervisory Board at the offices of the Company, Heussstraße 25, 52078 Aachen. A notary commissioned to record the minutes of the Annual General Meeting will also be present.

Due to the holding of the General Meeting in the form of a virtual General Meeting, a physical attendance of the shareholders or their proxies (with the exception of the proxies of the Company) at the place of the meeting is not possible.

As in the previous year, the holding of the Annual General Meeting 2022 as a virtual Annual General Meeting in accordance with the COVID 19 Act will lead to modifications, particularly in the registration for the Annual General Meeting and in the procedures of the Annual General Meeting as well as in the rights of the shareholders. The Annual General Meeting will be broadcast in its entirety in video and audio on the Internet, and shareholders will be able to exercise their voting rights via electronic communication (postal vote) and by granting power of attorney through appropriate authorisation and instruction of the Company's proxies to the extent indicated below. Shareholders will be granted the right to ask questions via electronic communication and shareholders who have exercised their voting rights may object to resolutions of the Annual General Meeting via electronic communication.

We ask our shareholders again this year to pay special attention to the following information on registration, the exercise of voting rights and other shareholder rights.

1. Requirements for participation in the virtual general meeting and the exercise of voting

rights

Only those shareholders who have registered in due time are entitled to participate in the virtual general meeting and to exercise their voting rights. The registration must be received by the Company no later than Wednesday, 18 May 2022, 24:00 hours (CEST), at the following address

PAION AG
c/o BADER & HUBL GmbH
Friedrich-List-Strasse 4a
70565 Stuttgart

or by e-mail to: hauptversammlung@baderhubl.de

and the shareholders must have provided the Company with specific proof of share ownership that they were shareholders of the Company at the beginning of Wednesday, 4 May 2022, 0:00 hours (CEST) (record date). For this purpose, a proof of shareholding in text form by the ultimate intermediary pursuant to section 67c para. 3 of the German Stock Corporation Act (AktG) is required.

Like the registration, the proof of shareholding must be received by the Company at the aforementioned address no later than Wednesday, 18 May 2022, 24:00 hours (CEST). The registration and the proof of shareholding must be in text form (section 126b of the German Civil Code) and must be in German or English.

After receipt of registration and proof of entitlement by the Company at the above address or e-mail address, the registered shareholders will receive so-called access cards on which the number of their votes is recorded and the required log-in data (access card number and PIN) for the internet-based shareholder portal ("**AGM shareholder portal**") are printed. Access to the AGM shareholder portal is provided via the following website:

<https://www.paion.com/medien-investoren/hauptversammlung/>

The instructions for the application procedure can also be found on this website.

2. Information on data protection for shareholders

The Company, as the controller within the meaning of Article 4 No. 7 of the General Data Protection Regulation, processes personal data (surname, first name, address, e-mail address, number of shares, class of shares, type of ownership of shares, number of the access card, PIN and votes) on the basis of the applicable data protection laws. In addition, the Company also processes the personal data of any proxy appointed by a shareholder (in particular his name and place of residence). If a shareholder or proxy contacts the Company, the Company will also process the personal data necessary to respond to any requests (such as contact details provided by shareholders or their proxies, such as telephone numbers).

Depending on the individual case, other personal data may also be considered. For example, the company processes information on motions, questions and election proposals. In the case of countermotions and election proposals to be made accessible, these, including the name of the shareholder, are also published on the internet at

<https://www.paion.com/medien-investoren/hauptversammlung/>

published.

The processing of shareholders' personal data is mandatory pursuant to §§ 118 et seq. German Stock Corporation Act (AktG), in order to prepare, conduct and follow up the Annual General Meeting and to enable the shareholders to exercise their rights within the framework of the Annual General Meeting. Without the provision of this personal data, it is not possible for shareholders to participate in the Annual General Meeting and exercise their voting rights and other rights related to the meeting. The legal basis for the processing is the German Stock Corporation Act (Aktengesetz) in conjunction with Art. 6(1)(c) of the General Data Protection Regulation. Since all shares of the Company are bearer shares, however, the Company points out that shareholders may be represented by proxies pursuant to Section 135 of the German Stock Corporation Act (intermediaries, proxy advisors, shareholders' associations or persons acting in a business-like manner) while maintaining their anonymity or without providing their personal data. The Company may also process personal data in order to comply with other legal obligations, such as regulatory requirements as well as obligations to retain data under share, securities, commercial and tax law. The legal basis for the processing is the respective statutory regulations in conjunction with Art. 6 (1) sentence 1 lit. c) of the General Data Protection Regulation.

In the context of answering questions during the Annual General Meeting, the name of the questioner will generally be disclosed (insofar as questions are answered individually). The legal basis for this processing is the legitimate interest pursuant to Art. 6 para. 1 lit. f) of the German Data Protection Regulation (DSGVO). If a shareholder does not wish his/her name to be disclosed, the shareholder may object to this at any time, e.g. by submitting a corresponding note together with the question.

The Company's service providers, which are used for the purpose of organising the Annual General Meeting by way of commissioned processing, shall only receive such personal data from the Company as are necessary for the performance of the commissioned service and shall process the data exclusively in accordance with the instructions of the Company.

Apart from that, personal data will be made available to shareholders and shareholder representatives within the framework of the legal provisions, namely via the list of participants.

The Company does not use the personal data collected in connection with the Annual General Meeting to make decisions based on automated processing (profiling).

The Company or the service providers commissioned with this receive the personal data of the shareholders as a rule via the registration office and the latter via the shareholder's credit institution which the shareholders have commissioned with the safekeeping of their shares in the Company (so-called custodian bank).

For the data collected in connection with the Annual General Meeting, the storage period is regularly up to three years, unless legal proof and storage regulations oblige the Company to further storage or the Company has a justified interest in storage, for example in the event of judicial or extrajudicial disputes arising from the Annual General Meeting. After expiry of the relevant period, the personal data will be deleted. Within the scope of the inspection of the list of participants of the general meeting, other participants and shareholders may gain insight into the data recorded in the list of participants regarding the shareholders or their proxies participating in the general meeting, provided that they are included in the list of participants. Also in the context of requests for additions to the agenda, countermotions or nominations for election that require publication, some of your personal data will be published in compliance with the provisions of the Stock Corporation Act, if you submit such requests.

For the virtual general meeting, additional personal data is processed in so-called "log files" to make the virtualisation technically possible and to simplify its administration. This concerns, for example, your IP address, the web browser you use and the date and time of the call. The personal data will be stored as long as this is required by law or the Company has a legitimate interest in storing it, for example in the event of legal disputes arising from the Annual General Meeting. Subsequently, the personal data will be deleted unless we are obliged by law to retain it for a longer period of time (e.g. under the German Stock Corporation Act, the German Commercial Code, the German Fiscal Code or the German Money Laundering Act). The company does not use this data for any other purposes than those stated here.

Under certain legal conditions, shareholders have a right of access, rectification, restriction, objection and deletion with regard to their personal data or its processing. If shareholders' personal data is incorrect or incomplete, they have the right to have it corrected and completed. Shareholders may at any time request the deletion of their personal data, unless the Company is legally obliged or entitled to further process their data. Furthermore, shareholders have a right to data portability pursuant to Article 20 of the General Data Protection Regulation.

Shareholders may exercise these rights against the Company free of charge via the following contact details, which shareholders may also use to contact the Company for questions regarding data protection:

PAION AG
Heussstrasse 25
52078 Aachen

In addition, shareholders have a right of appeal to the data protection supervisory authorities pursuant to Art. 77 of the General Data Protection Regulation.

The data protection supervisory authority responsible for the Company is:

LDI NRW
Kavalleriestrasse 2-4
40213 Düsseldorf
Tel.: + 49 (0) 211 38424-0

E-mail: poststelle@ldi.nrw.de

The Company's Data Protection Officer can be contacted at:

Ms Michaela Genderka
Blumenstraße 13
47918 Tönisvorst
Tel.: + 49 (0) 2151 94 22 060
E-mail: m.genderka@emge-data.de

3. Significance of the record date

In relation to the Company, for the exercise of shareholder rights, in particular voting rights within the scope of this year's virtual Annual General Meeting, only those shareholders shall be deemed shareholders who have provided proof of share ownership. The entitlement to exercise shareholder rights and the scope of voting rights shall be determined exclusively by the shareholder's proven shareholding on the record date. The record date does not imply any block on the saleability of the shareholding. In particular, sales or other transfers of shares after the record date in relation to the Company shall have no significance for the entitlement to exercise shareholder rights and the scope of voting rights. The same applies to the acquisition of shares after the record date. Persons who acquire shares only after the record date cannot derive any rights as shareholders, in particular no voting rights, from these shares for this year's virtual general meeting. The record date has no significance for dividend entitlement.

If there is any doubt as to the accuracy or authenticity of the proof, the Company shall be entitled to require suitable further proof. If such evidence is not provided or is not provided in due form, the Company may reject the shareholder.

4. Voting by postal ballot

Shareholders may again exercise their voting rights by postal vote this year. In this case, too, timely registration and timely proof of share ownership are required.

Votes to be cast by postal ballot may be cast via the AGM shareholder portal via the Internet or by using the postal ballot form provided for this purpose together with the access cards, which is also available on the Company's website at

<https://www.paion.com/medien-investoren/hauptversammlung/>

is available.

Voting by postal vote via the internet-based AGM shareholder portal must be completed at the latest by the start of voting at the AGM. A revocation or a change of the vote is also possible up to this point in time. In order to be able to cast the postal vote via the internet, the access card is required, on which the necessary log-in data (access card number and PIN) are printed. Access to the AGM shareholder portal is via the following website:

<https://www.paion.com/medien-investoren/hauptversammlung/>

For organisational reasons, votes cast by means of the postal voting form must be received by the Company at the following postal address or electronically at the following e-mail address by no later than the end of Tuesday, 24 May 2022 (24:00 CEST):

PAION AG
c/o BADER & HUBL GmbH
Friedrich-List-Strasse 4a
70565 Stuttgart

E-mail: hauptversammlung@baderhubl.de

For a revocation of the vote by postal vote, the above information on the possibilities of transmitting the vote and on the deadlines shall apply accordingly. Proxies, including intermediaries, shareholders' associations and proxy advisors pursuant to section 134a of the German Stock Corporation Act (Aktengesetz) as well as persons equivalent to these pursuant to section 135 para. 8 of the German Stock Corporation Act (Aktengesetz), may also use postal voting.

In connection with the entitlement to exercise voting rights, attention is drawn to any reporting obligations pursuant to §§ 33 et seq. German Securities Trading Act (Wertpapierhandelsgesetz).

5. Representation by third parties; Company proxies

Granting of power of attorney and voting by proxy

Shareholders may also have their voting rights exercised in the virtual general meeting by a proxy, for example a bank, a shareholders' association or another third party, after granting the corresponding power of attorney. Even in the case of representation of the shareholder, the timely registration of the shareholder and, in addition, the timely proof of share ownership as described above are required. However, the proxy may also only exercise the rights of the shareholder by way of postal vote or by granting a power of attorney (also to the proxies) as specified in these conditions of participation.

If the shareholder authorises more than one person, the Company may reject one or more of them.

The granting of the proxy, its revocation and the proof of authorisation vis-à-vis the Company generally require text form (§ 126b BGB) pursuant to § 134 para. 3 sentence 3 of the German Stock Corporation Act, if no proxy is granted pursuant to § 135 of the German Stock Corporation Act. A proxy form that can be used for granting the power of attorney will be sent to the shareholders together with the access cards and is also available under

<https://www.paion.com/medien-investoren/hauptversammlung/>

available for download. In the case of authorisation to exercise voting rights pursuant to section 135 of the German Stock Corporation Act (granting of proxy to intermediaries, voting advisors, shareholders' associations or persons acting in a business-like manner), the proxy declaration must be recorded by the authorised person in a verifiable manner. The proxy declaration must be complete and may only contain declarations related to the exercise of voting rights. In these cases, shareholders should consult with the proxy about the form of the proxy.

For organisational reasons, proxies may be submitted by the shareholder or the relevant proxy to the Company at the latest by the end of Tuesday, 24 May 2022, 24:00 hours (CEST) at the following address

PAION AG
c/o BADER & HUBL GmbH
Friedrich-List-Strasse 4a
70565 Stuttgart
E-Mail: hauptversammlung@baderhubl.de

be transmitted, amended or revoked. The time of receipt by the Company shall be decisive.

As of 04 May 2022, proxies may also be submitted, amended or revoked by uploading them to the internet-based AGM shareholder portal.

On the day of the virtual AGM, proxies can only be submitted, amended or revoked via the internet-based AGM shareholder portal.

Proxy of the Company

In addition, we offer our shareholders the opportunity to be represented at the Annual General Meeting by proxies appointed by the Company and bound by instructions.

Proxies may be issued in writing, by e-mail or otherwise in text form (see address data below). For the transmission of the proxy to the proxies of the Company, the proxy and instruction form submitted together with the access card and completed accordingly may be used by sending it by post or in electronic form by e-mail as an attachment (if possible in the file formats "PDF"- or "TIF"). Even in the case of authorisation of proxies, timely registration and transmission of proof of share ownership in the form described above are required. The proxies appointed by the Company shall only be available for voting by proxy, but not for exercising any other rights. The proxies of the Company are obliged by the power of attorney to exercise the voting right on the agenda items exclusively in accordance with the instructions of the shareholder. The proxies of the Company shall not accept any powers of attorney to file objections against resolutions of the General Meeting or to exercise the right to ask questions. The proxies shall not have any discretionary power of their own in exercising the voting right. In the case of votes for which no express instructions have been issued, the proxies shall abstain from voting.

A form that can be used to authorise and instruct the Company's proxies will be sent to shareholders together with the access cards and is also available on the Company's website at

<https://www.paion.com/medien-investoren/hauptversammlung/>

available for download.

For organisational reasons, the power of attorney and the instructions for the proxies appointed by the Company must be received by the Company at the following address by the end of Tuesday, 24 May 2022, 24:00 hours (CEST):

PAION AG
c/o BADER & HUBL GmbH
Friedrich-List-Strasse 4a
70565 Stuttgart

E-Mail: hauptversammlung@baderhubl.de

This does not affect the possibility to authorise the proxies appointed by the Company via the AGM Shareholders' Portal, as described below, even during the current AGM.

Proxies and instructions issued via the shareholder portal to the proxies appointed by the Company must be issued in full by the start of voting at the Annual General Meeting. A revocation of

the powers of attorney or a change of instructions is also possible up to this point in time. In order to use the AGM shareholder portal, the necessary log-in data printed on the access card (access card number and PIN) are required. Shareholders can access the portal via the following website:

<https://www.paion.com/medien-investoren/hauptversammlung/>

The information on the Annual General Meeting and on the authorisation of the proxies appointed by the Company can also be found on the internet at

<https://www.paion.com/medien-investoren/hauptversammlung/>

can be viewed.

6. Right to ask questions by means of electronic communication; statement of objection

Right to ask

Pursuant to § 1 para. 2 of the COVID 19 Act, shareholders are granted the right to ask questions by way of electronic communication. The Management Board has specified that shareholders registered for the Annual General Meeting may submit their questions to the Company by means of electronic communication via the AGM Shareholders' Portal no later than Monday, 23 May 2022, 24:00 hours (CEST).

The Management Board will use its dutiful discretion in deciding how to answer questions. In doing so, the Management Board may summarise answers. There is no right to information for shareholders during the virtual general meeting pursuant to § 131 AktG.

Explanation contradiction

Shareholders who have exercised their voting rights by postal vote or through a proxy, as explained above, may, notwithstanding section 245 no. 1 of the Stock Corporation Act, declare an objection to one or more resolutions of the general meeting by electronic communication to the certifying notary without appearing at the general meeting. In addition to the requirement to vote, a valid declaration of objection requires that the shareholder or the proxy sends the objection, stating the resolution against which the objection is directed, by e-mail to the following e-mail address by the end of the Annual General Meeting:

peters@muesgen-peters.de

The declaration of objection must also be accompanied by the relevant access card number as proof of shareholder status.

7. Motions by shareholders for additions to the agenda pursuant to § 122 (2) of the German Stock Corporation Act (AktG)

Shareholders whose shares together amount to at least one-twentieth (5%) of the share capital or the pro rata amount of EUR 500,000.00 (this corresponds to 500,000 shares) may, pursuant to section 122 (2) of the Austrian Stock Corporation Act, request that items be placed on the agenda and published. Each new item must be accompanied by a statement of reasons or a draft resolution.

Such a request for a supplement must be addressed in writing to the Management Board and must be received by the Company at least 30 days prior to the meeting; the day of receipt and the day of the Annual General Meeting shall not be included in this calculation. The last possible date of receipt is therefore Sunday, 24 April 2022, 24:00 hours (CEST). Requests for supplements received after this time will not be considered.

The shareholders concerned shall prove that they have held the shares for at least 90 days prior to the date of receipt of the request by the Company and that they will hold the shares until the decision of the Management Board on the supplementary request, whereby section 70 of the Stock Corporation Act shall apply to the calculation of the shareholding period. Section 121 (7) of the Stock Corporation Act shall be applied accordingly.

Any requests for supplements must be submitted in writing to the following address by the aforementioned deadline:

PAION AG
Management Board
Heussstrasse 25
52078 Aachen

The announcement and submission of requests for supplements in due form and time shall be made without delay and in the same manner as at the time of convocation, unless they have already been announced with the convocation. They shall also be published without delay on the internet at

<https://www.paion.com/medien-investoren/hauptversammlung/>

made accessible.

8. Countermotions and election proposals by shareholders pursuant to Sections 126 (1) and 127 of the German Stock Corporation Act (AktG)

Every shareholder has the right to submit a counter-motion against the proposals of the Management Board and/or the Supervisory Board on certain items of the agenda and to make nominations for the election of the auditor (agenda item 4) and the election of the members of the Supervisory Board (agenda item 6). Counter-motions and election proposals need not be substantiated.

Countermotions and election proposals from shareholders received by the Company at the address given below at least 14 days prior to the Annual General Meeting, not including the day of receipt and the day of the Annual General Meeting, i.e. no later than 24:00 (CEST) on Tuesday, 10 May 2022, will be published without undue delay on the Company's website at

<https://www.paion.com/medien-investoren/hauptversammlung/>

made available to the shareholders. Information on countermotions and election proposals pursuant to Sections 126, 127 of the German Stock Corporation Act (AktG) as well as any statements by the administration can also be found at

<https://www.paion.com/medien-investoren/hauptversammlung/>

be inspected. Countermotions will be made available including the name of the shareholder and any justification.

In section 126, paragraph 2 of the Stock Corporation Act and section 127, sentence 1 in conjunction with section 126, paragraph 2 of the Stock Corporation Act, the law states reasons why a counter-motion and its substantiation or a nomination need not be made available on the website. In particular, a statement of grounds for a counter-motion need not be made available if it exceeds 5,000 characters in total. Furthermore, election proposals of shareholders do not have to be made available if they do not contain the name, the profession and the place of residence of the proposed person. Section 127, sentence 3, in conjunction with section 125, paragraph 1, sentence 5, of the German Stock Corporation Act (Aktengesetz), lists further reasons why shareholders' election proposals do not have to be made available on the website.

The following address shall be decisive for the transmission of countermotions and election proposals:

PAION AG
Investor Relations Department
Heussstrasse 25
52078 Aachen

E-mail: investor.relations@paion.com

Countermotions and election proposals addressed elsewhere will not be made available.

Motions or election proposals of shareholders which are to be made accessible pursuant to section 126 of the Austrian Stock Corporation Act or pursuant to section 127 of the Austrian Stock Corporation Act, i.e., in particular, which have been made or submitted by the aforementioned date, shall be deemed to have been made at the General Meeting pursuant to section 1 para. 2 of the COVID 19 Act if the shareholder making the motion or submitting the election proposal is duly authorised and registered for the General Meeting. It is not possible, but also not necessary, to make the motions or submit the election proposals separately at the general meeting.

9. Publications on the website

As of the convening of the Annual General Meeting, the following documents in particular are available together with this invitation on the Company's website at

<https://www.paion.com/medien-investoren/hauptversammlung/>

available:

Regarding agenda item 1:

- The adopted annual financial statements and the consolidated financial statements approved by the Supervisory Board as at 31 December 2021, the management reports for the Company and the Group for the 2021 financial year, including the report of the Supervisory Board to the Annual General Meeting on the 2021 financial year, and the explanatory report of the Management Board on the disclosures pursuant to Sections 289a (1) and 315a (1) of the German Commercial Code as at 31 December 2021.

Regarding agenda item 5:

- Remuneration report pursuant to § 162 AktG including audit opinion

Regarding agenda item 7:

- Remuneration system for the Supervisory Board

The aforementioned documents and other legally required documents will also be accessible during the Annual General Meeting on Wednesday, 25 May 2022. The legal obligation is fulfilled by making them available on the Company's website.

Any countermotions, election proposals and requests for supplements from shareholders received by the Company in good time within the meaning of the aforementioned deadlines and subject to publication will also be made available via the aforementioned website.

The invitation to the Annual General Meeting was published in the Federal Gazette on Tuesday, 12 April 2022. On the same day, it was forwarded for publication to such media as may be expected to disseminate the information throughout the European Union.

10. Total number of shares and voting rights at the time of convening the Annual General Meeting

At the time of convening the Annual General Meeting, the share capital of the company amounts to EUR 71,336,992.00 and is divided into 71,336,992 no-par value shares. Each no-par share grants one vote at the Annual General Meeting. The total number of shares entitled to participate and vote at the time of convening is therefore 71,336,992. The company does not hold any treasury shares at the time of convening.

PAION AG has no shareholding of a credit institution in the Company that is subject to notification pursuant to Section 33 of the German Securities Trading Act (Wertpapierhandelsgesetz).

Aachen, April 2022

PAION AG

The Board of Directors