



Adtran Networks SE

Meiningen

COMPENSATION SYSTEM FOR MEMBERS OF THE EXECUTIVE BOARD

Preamble

On April 26, 2026, the Supervisory Board of Adtran Networks SE ("Adtran Networks" or the "Company") decided, based on the proposal by the Nomination and Compensation Committee, to adjust the compensation system for members of the Executive Board that had been approved by the General Meeting on June 28, 2024 and to submit the revised compensation system to the 2026 General Meeting for approval.

1. Principles of the compensation system for members of the Executive Board

The compensation of the Executive Board considers the size, complexity, and economic position of the Company and the performance of the entire Executive Board. The compensation system for the Executive Board of Adtran Networks is focused on a sustainable and long-term development of the Company and, in its entirety, promotes the business strategy for long-term development of the Company. The compensation system ensures that exceptional performance is rewarded adequately, and that failure to meet targets results in a noticeable reduction of the compensation.

Thus, when establishing the compensation system and determining the compensation amount, the Supervisory Board essentially takes the following guidelines into account:

Size, complexity, and position of the Company

The compensation system takes into account the size and complexity, as well as the operational, financial, and economic position of the Company.

Duties and performance of the Executive Board

The compensation system considers the duties and performance of the Executive Board as a whole and of the individual members of the Executive Board.

Pay for Performance

The compensation system ensures, by way of adequate performance criteria within the scope of the performance-related variable compensation, which makes up the greater part of the overall compensation, that the performance of the Executive Board is rewarded adequately and that failure to meet targets is also considered (Pay for Performance).

Standard of reasonableness	The Executive Board compensation is customary in the market in terms of structure and amount, and competitive. This is ensured by comparing the Executive Board compensation with relevant comparison groups on a regular basis. In addition, the compensation of the Executive Board members is adequate in relation to the compensation of the senior executives and employees.
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Regulatory compliance	The Executive Board compensation system complies with the German Stock Corporation Act (AktG) and takes into account the recommendations and suggestions of the German Corporate Governance Codex to a large extent.
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The present compensation system applies to resolutions of the Supervisory Board regarding the compensation and compensation agreements with the members of the Executive Board that are decided or made on or after June 16, 2026. In the absence of any agreement to the contrary, compensation claims that were established prior to this date shall continue to be governed by the contractual provisions upon which they are based.

The Supervisory Board establishes a total target compensation for each member of the Executive Board for the upcoming fiscal year. When determining the fixed and variable compensations and their regular review, the Compensation and Nomination Committee and the Supervisory Board take into consideration that the compensation is commensurate with the duties and performances of the Executive Board member, as well as with the position of the Company. They also take into consideration that the compensation does not exceed a compensation that is customary in the market without any special reasons.

The structure and the amount of the Executive Board compensation will be determined by the Supervisory Board based on a proposal by the Compensation and Nomination Committee. All members of the Executive Board are committed to the interests of the Company. The applicable regulations for the avoidance of conflicts of interest apply to any decisions regarding the compensation system and its implementation. In particular, each member is obligated to disclose any possible conflicts of interest to the chairperson of the Supervisory Board without delay; any conflicts of interest of the chairperson of the Supervisory Board must be disclosed to the Compensation and Nomination Committee. The Supervisory Board informs about any conflicts of interest in its annual report to the General Meeting.

Within the scope of establishing the specific total target compensation and reviewing its appropriateness, the Supervisory Board uses relevant comparison groups. The following companies are used as external references in future appropriateness tests: Unisys Corporation, Lumentum Holdings, OSI Systems, Kimball Electronics, Extreme Networks, Viavi Solutions, Five9, Methode Electronics, IPG Photonics, Calix, Ribbon Communications, NetScout Systems, 8x8, NETGEAR, Harmonic and Aviat Networks. The Supervisory Board can make changes to the comparison group at its due discretion if the comparability of individual companies – regardless of the reason – changes considerably. The horizontal comparison serves to ensure that the Executive Board receives compensation that is customary in the market and competitive.

For appropriateness tests or changes in the target compensation, there is also a vertical – internal – comparison of the Executive Board compensation in addition to this horizontal – external – comparison. The vertical comparison reviews the compensation of the members of the Executive Board among each other and compared to the senior management circle and to the relevant total workforce of the Company. In doing so, the Supervisory Board takes into account, aside from the current relations of the compensation of the different levels to each other, in particular also the development

of the compensation of the described groups over time. The external and internal appropriateness is reviewed at regular intervals. The criteria relevant for the delimitation of the senior management circle and the relevant workforce are established by the Supervisory Board within the scope of the regular review. When mandating external compensation consultants, the Supervisory Board ensures their independence from the Executive Board and the Company.

The Supervisory Board establishes the compensation system for the Executive Board based on a proposal by the Compensation and Nomination Committee. The Supervisory Board can commission external consultants, if necessary. In addition, the Compensation and Nomination Committee prepares the regular review of the system and of the amount of compensation of the Executive Board members by the Supervisory Board. In this case as well, the Compensation and Nomination Committee and the Supervisory Board may commission an external compensation expert, ensuring this expert's independence from the Executive Board and the Company. The expert may recommend that the Supervisory Board make changes, if necessary. The treatment of conflicts of interest must comply with the applicable regulations of the German Stock Corporation Act (AktG) and the German Corporate Governance Codex (DCGK). In case of material changes, and in the future at least every four years, the compensation system decided by the Supervisory Board is submitted to the General Meeting for approval. If the General Meeting rejects the submitted compensation system, a compensation system that has been reviewed by an independent external consultant and, if applicable, updated will be submitted for approval at the next General Meeting at the latest.

Insofar as it is necessary in the interests of the Company and its long-term well-being, the Supervisory Board can decide, based on a recommendation by the Compensation and Nomination Committee, to temporarily deviate from the existing compensation system (procedure and regulations regarding the compensation structure and amount as well as regarding the individual compensation components). This can relate in particular to the configuration of the variable components and the established amount. This grants the Supervisory Board the option to give due consideration, within reasonable limits, to extraordinary developments, for example a severe economic crisis, material acquisitions or disposals of major business units, but not generally unfavorable market developments. Even in case of a deviation from the existing compensation system, the compensation must continue to be aligned with a sustainable and long-term development of the Company and must not overburden its financial performance. Any deviation from the compensation system requires a respective resolution of the Supervisory Board that determines the extraordinary circumstances and the necessity of a deviation.

If senior executives from Adtran Holdings, Inc. ("Adtran") or such other subsidiaries of Adtran (together with Adtran, the "Adtran Group"), also hold a seat on the Executive Board of Adtran Networks, the Supervisory Board of Adtran Networks can arrange for the Executive Board employment at Adtran Networks to be wholly or partly without compensation and/or take the compensation the respective Executive Board member receives in his or her function at the Adtran Group into consideration when establishing the compensation at the Adtran Networks level. This applies in particular if a member of the Board of Directors of Adtran or another senior executive of the Adtran Group holds a seat on the Executive Board at Adtran Networks.

The present compensation system for members of the Executive Board shall apply from June 16, 2026, to all amendments of the existing Executive Board agreements, to their extensions, and to new Executive Board agreements to be entered into.

2. Overview of the components of the compensation system

The compensation of the members of the Executive Board of Adtran Networks comprises non-performance-related (fixed) and performance-related (variable) compensation components.

Fixed compensation components

The fixed compensation components comprise the basic compensation and the fringe benefits.

Variable (i.e. performance-related) compensation components

The variable compensation components comprise a short-term variable compensation as well as long-term variable compensation components (Performance Stock Units ("PSUs") and time-related Restricted Stock Units ("RSUs")). Short term variable compensation component.

Annual Target Incentive Cash Bonus

Performance criteria	Adjusted EBIT of the Adtran Group/Total revenue of the Adtran Group
Assessment period	The target amount of the bonus is set for one fiscal year. Targets will be set and reviewed at the beginning of an assessment period to be determined. This assessment period currently consists of the entire fiscal year, but can be adjusted in accordance with the applicable requirements of the Adtran Group.
Cap/Profit Limitation	200% of the target value
Disbursement	The bonus is paid out after the end of the respective assessment period following the issuance of audited financial statements of Adtran for the respective financial year.

Long-term variable compensation components

Annual Restricted Stock Units

Vesting	Annual determination of the target amount for the grant of RSUs. During a period of four years, 25% of the target amount will be converted into shares on each respective anniversary of the disbursement.
Exercise requirements	Existing employment relationship on the respective vesting date.
Cap/Profit limitation	Exchange limitation in case of a value increase to 300% between disbursement and conversion, taking into consideration all RSUs allocated within a tranche.
Disbursement	Conversion into Adtran shares after vesting.

3-Year Plan Performance Stock Units (three-year plan)

Performance criteria	Adjusted EBIT of the Adtran group, but subject to adjustment based on TSR of Adtran compared to the NASDAQ Telecommunications Index.
Assessment period	Three years.
Issuance of Performance Stock Units	The Company will determine the total number of PSUs to be issued at the beginning of the 3-year term ("Total 3-Year PSU Award"). 1/3 rd of the total 3-Year PSU Award may be issued in each year of the three-year term, with all

	grants becoming immediately vested at the end of the three-year performance period, provided that the performance criteria are met.
Cap/Profit limitation	Exchange limitation in case of a share value increase to 300% of the originally allocated PSUs between disbursement and conversion, taking into consideration all PSUs originally allocated.
Disbursement	Delivery of Adtran shares and disbursement of dividend credits, if declared by the Adtran Board of Directors, in cash.

Other contractual components

Malus & Clawback	Partial or complete reduction or clawback of variable compensation components in case of serious breaches of contract, violations of code of conduct or the law, specific required amendments of financial statements or to the extent that relevant laws or rules of a securities exchange require withholding or clawback arrangements.
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Maximum annual compensation*

2,900,000 EUR	For the chairperson of the Executive Board.
2,800,000 EUR	For every ordinary member of the Executive Board.

*The maximum compensation is comprised of the basic compensation and the fringe benefits, the variable (i.e. performance-related) compensation components in case of maximum target achievement and taking into consideration any applicable caps. For the PSUs, the achievable maximum amounts are distributed evenly over the individual years of the term. As a precautionary measure, any compensation that Adtran pays the members of the Executive Board of the Company with regard to their service on the Executive Board of the Company (in particular RSUs as well as PSUs) will also be considered. If members of the Board of Directors or other senior managers of the Adtran Group also hold a seat on the Executive Board of the Company at the same time, any amounts that are not paid by the Company or its dependent companies and that are not paid specifically for the service on the Executive Board at the Company will not be taken into consideration.

When determining the compensation, the Supervisory Board checks whether and which compensation components the members of the Executive Board will receive with regard to their service on the Executive Board of Adtran, and whether these are consistent with the present compensation system for the Executive Board. If this is not the case, the Supervisory Board will not approve the granting of such compensation components. In addition to limiting the amount of the maximum compensation (total compensation) for the respective fiscal year, the Supervisory Board will also limit all variable compensation components.

3. Compensation components in detail:

3.1. Basic compensation

The basic compensation is a fixed, i.e. non-variable, compensation based on the full year paid out in equal installments. The amount of the basic compensation is based on the responsibility and experience of the respective member of the Executive Board. It is agreed with the respective member of the Executive Board in individual contracts upon the member's appointment or in case of an extension. It ensures that all members of the Executive Board receive an

adequate income. Members of the Executive Board may voluntarily waive part of their basic compensation at any time without any further requirements.

3.2. Annual Target Incentive Cash Bonus

The members of the Executive Board receive a so-called Annual Target Incentive Cash Bonus according to the Variable Incentive Compensation Plan or Variable Incentive Cash Compensation Plan ("VICC Plan") of the Adtran Group as a short-term variable compensation.

The Annual Target Incentive Cash Bonus rewards the success of the operational development in the respective fiscal year. This ensures that targets are based on demanding financial, operational, and strategic success parameters, upon the achievement of which the amount of the actual disbursement depends.

At the beginning of a respective fiscal year, the Supervisory Board establishes an individual target compensation for 100% of total target achievement for each member of the Executive Board. This amount is calculated by multiplying the fixed annual salary of the members of the Executive Board with the individually set incentive target in percentage. Furthermore, performance criteria are established according to the VICC Plan at the beginning of each fiscal year. According to previous and current practice, the Adjusted EBIT of the Adtran Group and the total revenue of the Adtran Group are used as relevant criteria. The "Adjusted EBIT" is the EBIT as determined from the audited financial statements of Adtran, adjusted by restructuring costs, acquisition-related costs, amortizations of intangible assets, costs for share-based compensation, non-cash changes in the value of investments within the framework of the Deferred Compensation Plan, and other exceptions established in the individual case. However, according to the VICC Plan, other key figures can also be used as performance criteria.

The assessment period is a maximum of one year and is based on the applicable requirements of the Adtran Group. At the beginning of each assessment period, minimum, target, and maximum amounts are set for each performance criterion for the respective assessment period. In order to receive the pro rata bonus for the respective assessment period, the minimum target has to be achieved for the respective performance criterion. The member of the Executive Board receives 100% of the annual target bonus if the target amount for both targets is achieved for the relevant fiscal year (respectively for the four quarters if the assessment period is a quarter, and for the two half-years if the assessment period is half a year). If the maximum targets are achieved, the member of the Executive Board receives 200% of the annual target bonus. Values between the thresholds are in each case calculated linearly. The payment of a bonus does not require the minimum target to be achieved for both performance criteria, as each performance criterion is independent of the other for achievement determination. For each performance criterion, a maximum of 100% of the annual target bonus can be earned at maximum target achievement. After target achievement has been determined in the respective subsequent assessment period and following the issuance of audited financial statements of Adtran for the respective financial year, the payments owed for the respective previous assessment period become due.

In the event of a change of control of Adtran, the VICC Plan stipulates a payment to be made within 30 days of the change of control, in an amount equal to that portion of the then expected annual bonus for the entire fiscal year attributable to the period up to the change of control.

If a member of the Executive Board leaves during the year, the entitlement regarding the Annual Target Incentive Cash Bonus depends on the existence of the employment relationship throughout the entire assessment period relevant for the bonus. The annual bonus is paid out by the Company with which the Executive Board service agreement exists.

3.3 Long-term variable compensation components

Within the scope of the incentive plans of the Adtran Group, Adtran pays the members of the Executive Board annual time-related RSUs and three-year strategic plan related PSUs in order to offer a competitive compensation that adequately acknowledges the contributions of the members of the Executive Board to the success of the company. The

long-term variable compensation instruments serve to establish appropriate incentives for talent retention and achievement of long-term strategic growth and profitability objectives. The costs for the disbursements and their management are borne by Adtran.

a) Annual Restricted Stock Units

The members of the Executive Board receive a certain sum for the allocation of Restricted Stock Units or RSUs each year. The allocation takes place regularly during the first quarter of the fiscal year. A later allocation is also possible in case of entry during the year, changes in the duties, or for other factual reasons. The number of RSUs to be allocated is calculated by dividing this sum by the value of the Adtran shares according to the NASDAQ closing price on the day of Adtran's approval of the allocation. If, for objective reasons, the allocation is made after the decision to determine the specific cash amount for the allocation of the RSUs, the number of RSUs may be determined by dividing the cash amount by the value of the Adtran share, using the NASDAQ closing price on the date of the decision to determine the specific cash amount for the allocation of the RSUs.

As a general rule, the allocations will be converted into Adtran shares over the course of four years in equal installments (25% per year) after the time has lapsed. Within the four-year vesting period, the members of the Executive Board earn a quarter of the originally allocated RSUs for each full year they have been on the Executive Board of the Company since allocation of the RSUs.

Vesting requires an active service agreement between the member of the Executive Board and the Company or any other company of the Adtran Group on the respective vesting date. Once an RSU is vested into Adtran shares, the member of the Executive Board becomes the owner of the shares. Aside from general restrictions, such as insider trading rules and "blackout periods" existing pursuant to the guidelines of the Adtran Group, there are, in principle, no further disposal restrictions after acquisition of the shares. The RSUs motivate the members of the Executive Board to maintain the service relationship with the Company and to promote the growth of the Group and the share performance.

Exchange restrictions are defined for the members of the Executive Board in the event of a value increase of the shares to 300% between allocation and conversion, taking into account all RSUs allocated within a tranche (i.e. 100% of the RSUs allocated for a total of four years). Hence, the conversion of vested RSUs is possible until the ceiling is reached. Should the ceiling be reached, any RSUs exceeding the ceiling have to be returned.

b) 3-Year Plan Performance Stock Units

The members of the Executive Board participate in a Long-Term Strategic Plan of Adtran, according to which the members of the Executive Board are allocated a specific sum for the allocation of PSUs within the scope of a three-year plan. PSUs allocated in the first year can be converted after three years; PSUs allocated in the second year can be converted after two years, and PSUs allocated in the third year can be converted after one year.

The value of the PSUs to be granted is determined at the beginning of the three-year period and is intended to be distributed in three equal tranches over the term, each subject to annual approval. The number of Performance Stock Units to be allocated is calculated by dividing this amount by the value of the Adtran shares according to the NASDAQ closing price on the day of the Adtran approval of the allocation at the beginning of the three-year period. If, for objective reasons, the allocation is made after the decision to determine the specific cash amount for the allocation of the PSUs, the number of PSUs may be determined by dividing the cash amount by the value of the Adtran share, using the NASDAQ closing price on the date of the decision to determine the specific cash amount for the allocation of the PSUs.

The earning of the PSUs depends on the achievement of a target for the Adjusted EBIT (as defined above) through the end of the three-year term as further adjusted based on a comparison of the position of Adtran's Total Shareholder

Return ("TSR") relative to the position of the TSR of the NASDAQ Telecommunications Index (such adjustment, the "TSR Adjustment"). The instrument thus rewards the long-term Adjusted EBIT growth of the Group. Subject to the adjustment based on the position of Adtran's TSR, the following applies:

- If the Adjusted EBIT reaches 75% of the target amount, the entitled individuals receive 50% of the target number of PSUs.
- If the Adjusted EBIT reaches 100% of the target amount, the entitled individuals receive 100% of the target number of PSUs.
- If the Adjusted EBIT reaches 110% of the target amount, the entitled individuals receive 125% of the target number of PSUs.
- If the Adjusted EBIT reaches 120% of the target amount, the entitled individuals receive 150% of the target number of PSUs.

If the actual Adjusted EBIT is between any of the above-mentioned thresholds, then the target number is calculated by linear interpolation between such two thresholds.

Following the determination of the number of PSUs that shall become vested and earned pursuant to the Adjusted EBIT based allocation (the "EBIT PSUs"), the EBIT PSUs will then be adjusted based on the TSR Adjustment. The EBIT PSUs will be adjusted based on Adtran's relative TSR performance during the assessment period in accordance with the sliding scale set forth below. For actual relative TSR performance during the assessment period which falls between the specified amounts in the table below, target percentage achievement will be interpolated between the achievement levels.

Adtran's TSR Performance relative to NASDAQ Telecommunications Index (expressed as a percentile)	Adjustment Percentage to EBIT PSUs
30 th Percentile or below	Decrease by 20%
55 th Percentile	No change (0%)
80 th Percentile or above	Increase by 20%

The member of the Executive Board receives a corresponding number of Adtran shares based on the PSUs earned at the end of the three-year period in each case. The respective PSUs are earned at target if the performance target is already reached by the end of the first or second fiscal year, as adjusted based on the TSR Adjustment as of the end of the performance period. However, a conversion into shares cannot be made before expiration of the three-year period and requires that the entitled individual is still in a service relationship with the Company or any other company of the Adtran Group. If the target amount of the Adjusted EBIT is already reached before expiration of the three-year period, an adjusted target may be established as an incentive for further improvements regarding the out-performance that is still possible.

Aside from general restrictions, such as insider trading rules and "blackout periods" existing pursuant to the guidelines of the Adtran Group, there are, in principle, no further disposal restrictions after acquisition of the shares. In the event of a change of control at Adtran and the involuntary separation from service on a member of the Executive Board without cause within twenty-four (24) months following consummation of the change of control, any incomplete performance period shall end on the date of such separation ("Separation Date"), and the portion of granted PSUs shall be the greater of the amounts calculated according to the following options: (a) the number of PSUs actually earned as of the Separation Date, or (b) the target number of PSUs, provided that the number of earned PSUs is calculated pro rata based on the number of days the Executive Board member was appointed during the three-year period. Exchange restrictions are defined for the members of the Executive Board for the maximum amount that is the result of an increase in value of the shares to 300% between allocation and conversion, taking into account all PSUs allocated within a tranche. Hence, the conversion of vested PSUs is possible until the ceiling is reached. Should the ceiling be reached, any PSUs exceeding the ceiling have to be returned.

3.4 Ratio of variable compensation components to each other

Within the scope of the definition of the total target compensation, the Supervisory Board ensures that the variable compensation resulting from the achievement of long-term oriented targets exceeds the portion of short-term oriented targets. However, there can be deviations in the individual case (e.g. due to the availability of RSUs or PSUs in a given fiscal year), which should balance out over the service term of the member of the Executive Board.

4. Compensation in kind and other additional compensation (fringe benefits)

In addition to the aforementioned cash compensation, the members of the Executive Board receive various fringe benefits that are in part event-related fringe benefits. The fringe benefits regularly granted may comprise a company car for business and private use or a corresponding lump-sum payment for a company car. Furthermore, members of the Executive Board receive the usual employer's share of any statutory social security contributions, health insurance, and a standard employer retirement plan (US 401k). All members of the Executive Board are in principle entitled to fringe benefits in the same way; however, these can vary in the individual case depending on the personal or contractual situation and utilization, in particular in terms of the amount. The Supervisory Board can grant different or additional fringe benefits that are customary in the market.

The members of the Executive Board are included in the coverage provided by a financial loss liability insurance policy (directors & officers insurance), subject to a deductible, taken out by the Company. This insurance provides for a statutory deductible for the Executive Board required pursuant to Section 93 para. 2 sentence 3 German Stock Corporation Act (AktG). Some of these benefits are taxable as non-cash benefits for the members of the Executive Board.

5. Withholding and recovery clause (malus and clawback clause)

The following malus and clawback provisions are also part of the variable compensation components. Based on these provisions, clawback or reduction of variable compensation components already or not yet been paid out is possible under certain conditions. This clawback or reduction option applies to all variable components of the Executive Board compensation.

The Supervisory Board can, in case of serious duty or compliance violations or serious unethical conduct, review both the amount of the disbursement of the variable compensation and, depending on the extent of the violation, possibly even reduce it to zero at its due discretion. In these cases, the Supervisory Board also has the option – depending on the severity of the violation – to void variable compensation components in their entirety or in part. In case of a grossly negligent or intentional violation of the duty of care of a prudent and conscientious business manager pursuant to Section 93 para. 1 German Stock Corporation Act (AktG) by a member of the Executive Board, the Company has the right to demand repayment in whole or in part of any variable compensation components paid out for the respective assessment period in which the violation of duty occurred.

If the variable compensation components were wrongly paid out on the basis of incorrect or amended data, the Company has the right to demand repayment of the difference amount resulting from the recalculation of the amount of the variable compensation compared to the payment already made. The Company must demonstrate that the data, upon which the calculation of the compensation was based, was incorrect and the variable compensation of the member of the Executive Board was therefore too high.

The clawback options also exist if the position or employment relationship with the member of the Executive Board has already ended at the time of the right of recovery. Claims for damages against the member of the Executive Board remain unaffected thereby. The clawback option becomes time-barred three years after disbursement at the latest. To the extent the variable compensation components that Adtran specifically grants for service on the Executive Board at Adtran Networks do not contain any corresponding withholding or clawback clauses, the members of the Executive

Board are obligated to waive payment of the variable compensation or repay any variable compensation components already received.

In addition, the Adtran Policy for the Recovery of Erroneously Awarded Incentive Based Compensation applies. According to this policy, variable remuneration components must be repaid if significant corrections to accounting documents are required, insofar as they have been paid out in excess due to incorrect accounting documents. Insofar as future statutory regulations or rules of a securities exchange, which are relevant for the appointed members of the Executive Board, require further withholding or clawback provisions, the respective withholding or clawback rules will be agreed with the members of the Executive Board.

6. Relative portions of the compensation components

The relative portions of the individual compensation components in the total target compensation of the members of the Executive Board are approximately as follows*:

Fixed compensation	24-37%
Regular fringe benefits	2-4%
Annual Target Incentive Cash Bonus	15-22%
Annual Restricted Stock Units	18-28%
3-Year Plan Performance Stock Units	14-43%

*The compensation is comprised of the basic compensation and the fringe benefits, the variable (i.e. performance-related) compensation components. Achievement of the target amount (100%) is used as the basis for calculation in each case. For the PSUs under the 3-year plan, the amounts are distributed evenly over the individual years of the term. The ratio of the fixed and variable compensation components should not be firmly established, but should be within the aforementioned ranges, subject to the adjustment options provided for in this compensation system. The system provides that a function-specific differentiation can be made at the dutiful discretion of the Supervisory Board based on the criteria market conditions, experience, function and area of responsibility of the member of the Executive Board. This means, for example, that a prominent member of the Executive Board, like the chairperson of the Executive Board, can receive a higher total compensation. In addition, in case of a first-time appointment of a member of the Executive Board, an overall lower compensation or a reduction of compensation components can be established for the first appointment period. Furthermore, within the scope of reviewing the compensation of the Executive Board, the Supervisory Board has the option of adjusting the aforementioned compensation components, if required, taking into consideration the market and adequacy, insofar as this does not significantly change the compensation system. This means, for example, that the short-term or long-term compensation can be specifically adjusted to a changed standard industry practice, thereby optimizing the total target compensation in line with market requirements. The result of the described differentiation options is that the portions of the individual compensation components in the total target compensation can vary.

Within the scope of the definition of the total target compensation, the Supervisory Board ensures that the variable compensation resulting from the achievement of long-term oriented targets exceeds the portion of short-term oriented targets. However, there can be deviations in the individual case (e.g. due to the availability of RSUs or PSUs in a given fiscal year), which should balance out over the service term of the member of the Executive Board.

7. Maximum annual compensation

Pursuant to Section 87, para. 1 sentence 2 no. 1 German Stock Corporation Act (AktG), the Supervisory Board has established a maximum compensation for the chairperson of the Executive Board and for an ordinary member of the Executive Board. From the date of validity of this Executive Board compensation system, the compensation amounts to

EUR 2,900,000 for the chairperson of the Executive Board and EUR 2,800,000 for an ordinary member of the Executive Board.

The Supervisory Board points out that these amounts do not constitute the total target compensation deemed appropriate by the Supervisory Board, but merely an absolute upper limit that could be achieved by a member of the Executive Board in the event of optimum target achievement.

The maximum compensation is comprised of the basic compensation and the fringe benefits, the variable (i.e. performance-related) compensation components for maximum target achievement and taken into consideration applicable caps. For the PSUs, the achievable maximum amounts are distributed evenly over the individual years of the term. As a precautionary measure, any compensation that the parent company of the Group pays the members of the Executive Board with regard to their service on the Executive Board at the Company (in particular RSUs as well as market- and company-related PSUs) will also be considered. If members of the Board of Directors or other senior managers of Adtran also hold a seat on the Executive Board at the Company at the same time, any amounts that are not paid by the Company or its dependent companies and that are not paid specifically for service on the Executive Board at the Company will not be taken into consideration.

In addition to limiting the amount of the maximum compensation (total compensation) for the respective fiscal year, the Supervisory Board will also limit all variable compensation components.

8. Term and payments upon termination of the Executive Board mandate

The Supervisory Board pays attention that in case of a first appointment of Executive Board members, both the appointment term and the term of the Executive Board service agreement do not exceed two years at the most. Regularly, in the first ordinary meeting of the Supervisory Board in a calendar year, proposals of the Nomination and Compensation Committee are discussed, and reappointments or extensions of the service agreements for the subsequent year are decided. The maximum term is thus in principle shorter than the five years required under stock corporation law.

Executive Board service agreements include severance pay provisions that refer to the following regulations:

In case of an ordinary termination of the service relationship pursuant to the contract term agreed in the Executive Board agreement, the variable compensation components owed to the member of the Executive Board on the basis of temporally completed assessment periods are paid out to the member of the Executive Board on the regular due dates. In case of temporally not completed assessment periods, a pro-rata disbursement for the lapsed portion of the assessment period is made on the regular due date, assuming complete target achievement (100%).

If the Company terminates the service relationship prior to expiration of the agreed contract term, and such termination is not due to a violation that allows for a malus/clawback (see above), the variable compensation components owed on the basis of temporally completed assessment periods are paid out to the member of the Executive Board on the regular due date. In case of temporally not completed assessment periods, a pro-rata disbursement for the lapsed portion of the assessment period is made on the regular due date, assuming complete target achievement (100%). In addition, the member of the Executive Board receives the basic compensation through the end of the agreed contract term.

If a member of the Executive Board terminates the service relationship prematurely prior to expiration of the agreed contract term, the variable compensation components owed on the basis of temporally completed assessment periods are paid out to the member of the Executive Board on the regular due date. In case of temporally not completed assessment periods, a pro-rata disbursement for the lapsed portion of the assessment period is made on the regular due date, assuming complete target achievement (100%).

In all aforementioned cases, the expiry of RSUs and PSUs is subject to the conditions of the respectively applicable plans of the Adtran Group.

All aforementioned severance payments, as well as any severance payment agreed in case of mutually agreed resignation is limited to the extent that they neither exceed the value of two annual basic compensations nor the compensation for the remaining term of the employment contract in any case, taking into consideration the basic compensation including fringe benefits yet to be disbursed and any other non-cash benefits ("Severance Caps"). Calculation of the Severance Caps is based on the total compensation of the previous fiscal year and, if applicable, also on the expected total compensation of the current fiscal year.

9. Change of control

The Executive Board service agreements of the Company do not contain any commitments for benefits in the event of premature termination of the employment contract by the member of the Executive Board due to a change of control. Reference is made to the change of control provisions in the VICC Plan and regarding the PSUs described above, as well as the relevant incentive plans of the Adtran Group.

10. Deduction for secondary activities

As a general rule, the Supervisory Board must not approve more than two Supervisory Board mandates or comparable functions of the Executive Board members with listed companies outside the Adtran Group. The Supervisory Board decides at its sole discretion on a case-by-case basis whether and to what extent the compensation for approved positions of the Executive Board members with listed companies outside the Adtran Group results in a reduction of the compensation of the respective Executive Board member.