

# ADLER GROUP

ADLER Group S.A.

*Société anonyme*

1B Heienhaff, L-1736 Senningerberg

Grand Duchy of Luxembourg

RCS Luxembourg: B197554

(the “Company”)

**Remuneration policy of the Company as approved by the general meeting of shareholders on  
29 June 2021**

**Document history:**

Version (n°)	Date of approval by the general meeting of shareholders	Date of repeal (due to approval of a new version by the general meeting of shareholders)	Status
Version 1	29 September 2020	29 June 2021	repealed
Version 2	29 June 2021	N/A	in force

## 1. General Overview

### 1.1. Basis, validity and scope of the remuneration policy

This remuneration policy is drawn up in accordance with Luxembourg national legislation transposing the provisions of Directive (EU) 2017/828, namely the Luxembourg law of 24 May 2011 on the exercise of certain rights of shareholders in general meetings of listed companies, as amended (the “**SHR Law**”) and any other applicable laws and regulations of the Grand Duchy of Luxembourg.

This remuneration policy has been approved by the board of directors of the Company (the “**Board**”) on 20 May 2021, upon the recommendation of the Nomination and Compensation Committee (the “**Nomination and Compensation Committee**”).

This remuneration policy has been presented to the advisory vote of, and approved by, the general meeting of shareholders of the Company on 29 June 2021. Notwithstanding that the vote of the general meeting on this policy is advisory only, all remuneration of the members of the Board requires approval of the general meeting.

Every material change to this remuneration policy shall be submitted to the advisory vote of the general meeting of shareholders. Regardless of whether or not there has been a change, a remuneration policy shall be presented to the general meeting of shareholders for an advisory vote, at least every four years.

An up-to-date version<sup>1</sup> of the remuneration policy can be found on the Company's website at all times: <https://ir.adler-group.com/websites/adler-group/English/5000/corporate-governance.html#remuneration>.

The remuneration of the following officers<sup>2</sup> is described in this remuneration policy:

- members of the Board: (i) independent non-executive directors and (ii) executive directors (who may hold a parallel position as daily managers (*délégué(s) à la gestion journalière*) of the Company); and
- members of the senior management of the Company whereby the term “**senior management**” includes any “C-level” officer of the Company (e.g. (co-) chief executive officer, chief legal officer) regardless of whether they hold the legal mandate of daily managers (*délégué(s) à la gestion journalière*) of the Company or not; the terms “**senior manager**” and “**senior managers**” shall be construed accordingly.

A full list of persons/positions within the Company to which this remuneration policy applies is set out in Annex I hereto.

### **1.2. Significant changes to the remuneration policy since the last approved version and overview of how votes and views of shareholders on the previous remuneration policy and the remuneration report for the financial year 2019 have been taken into account in elaborating this revised remuneration policy**

With the aim of ensuring further transparency to its shareholders, the Company has opted to extend the scope of this policy to include not only those senior managers that hold the legal mandate of daily managers (*délégué(s) à la gestion journalière*) of the Company, but also all other members of senior management.

In extending the scope of this policy, certain sections, including but not limited to section 3.4. (*Remuneration framework of the senior management*) and in particular sub-sections 3.4.2. (*Short-term incentives*) and 3.4.3. (*Long-term incentives*) had to be amended, to *inter alia*, describe the various possible remuneration arrangements in a less granular manner. These amendments have the advantage of granting the Company the necessary flexibility to negotiate agreements with potential future senior managers without breaching the provisions of the remuneration policy.

In relation to the above stated changes and, in order to give a concrete overview of the persons and positions to whom/to which this remuneration policy is applicable, the Company has added *Annex I - List of persons to which the remuneration policy applies* to the remuneration policy.

Finally, in view of the Company's strong desire to actively contribute to a more sustainable future, it has been decided to add to the remuneration policy certain specific sustainability and ESG (Environmental, Social & Governance) related focus points and to make sure, that to the extent possible, such points

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<sup>1</sup> An “up-to-date version” shall be construed as the version of the remuneration policy most recently approved by the general meeting of shareholders, or the version of the remuneration policy most recently approved by the general meeting of shareholders, as updated with non-material changes for which no approval by the general meeting of shareholders is necessary.

<sup>2</sup> The SHR Law refers to “*dirigeant*” when listing the persons for which a remuneration policy shall be established. “*Dirigeant*” is defined under article 1 (6) no 3 of the SHR Law, as “any member of an administrative, management, or supervisory body of a company as well as the chief executive officer (*directeur général*) and, if such a function exists within a company, the deputy chief executive officer (*directeur général adjoint*)”. Pursuant to such definition, the Company deems it appropriate that this policy shall cover the remuneration of members of the Board and senior management regardless of whether a senior manager holds the mandate of a daily manager (*délégué(s) à la gestion journalière*) of the Company or not.

are taken into account when evaluating the performance of the members of senior management and subsequently deciding upon the variable remuneration to be attributed to the senior managers. This shall ensure that the spirit of sustainability will, even more so than is already the case, become embedded into the decision-making process of the members of senior management.

**Note:** Although the previous version of the remuneration policy of the Company was approved by the general meeting of shareholders, the Company has nevertheless decided to adapt the structure, scope and content of the policy so as to make it more transparent and more readable for shareholders, in general.

### **1.3. The remuneration policy and the big picture: sustainability, long term strategy and focus on fair payment and employment conditions**

The remuneration policy of the Company and the remuneration granted to members of the Board and committees, as well as the members of senior management shall, at all times, be in line with the Company's goal of sustainable, future- oriented, environmentally and socially responsible long- term growth and shall reflect such goal accordingly.

The Company's ambition to be, and stay, a leader, both in terms of size as well as quality of service and customer satisfaction, in the German residential real estate market shall be reflected in the remuneration of the members of the Board, committees and senior management. Only an attractive but reasonably structured remuneration package may allow the Company to retain, and further attract, people with the necessary drive, competence, experience and expertise to facilitate the Company in reaching its short- and long-term goals.

Additionally, and no less important, this remuneration policy has taken into account the conditions of remuneration and employment of the Company's employees. The Company is structured in a way that a majority of its core employees and personnel with strategic responsibilities are directly employed by subsidiaries of the Company or companies belonging to the same group (the "**Group**") rather than the Company itself. Nevertheless, the Nomination and Compensation Committee, after consultation with the Company's human resources department, ensures that the remuneration as set out in this remuneration policy and presented to the consultative vote of the annual general meeting of shareholders shall not be disproportionate to the compensation granted to the employees of the Company and the Group.

The Company pursues both the objective of attracting and retaining personnel with the level of professionalism and skills suited to the needs of the Company, and of providing an incentive to strengthen their commitment to improving the Company's performances, through personal satisfaction and motivation. As such, the Company follows the core principle that the remuneration granted to anybody within the Company, whether they are a director, a senior manager, or an employee, shall adequately reflect such person's level of responsibility and position in the Company.

The Company's and the Group's most valuable assets are its employees and they shall be compensated accordingly.

### **1.4. The role of the Nomination and Compensation Committee**

The Board seeks to ensure that the Company's remuneration arrangements are equitable and aligned with the long-term interests and sustainability of the Company and its shareholders. To this end, the Board has established a Nomination and Compensation Committee, currently consisting entirely of independent members of the Board, and the purpose of which is to determine, revise and assist with the implementation of the remuneration policy of the Company, make proposals as to the remuneration of all members of the Board and senior management, and advise on any benefit or incentive schemes. It shall further assist the Board with identification of and recommendations in respect of candidates for

the Board and the committees (noting that, except in case of a co-optation of a Board member to fill a vacancy of another Board member, all appointments to the Board require the approval of the general meeting of the shareholders). The Nomination and Compensation Committee shall furthermore assist with the preparation of any remuneration report of the Company.

The Nomination and Compensation Committee shall ensure that remuneration arrangements support the strategic aims of the business and enable the recruitment, motivation and retention of (i) senior management and (ii) members of the Board, while complying with applicable rules and regulations. The Nomination and Compensation Committee and all members of the Nomination and Compensation Committee are required to adhere to and comply with (i) any and all applicable laws and regulations and (ii) the Company's rules of procedure for committees.

The members of the Nomination and Compensation Committee are appointed by the Board. The members have the relevant expertise and experience, which is required to serve on such a committee.

The Nomination and Compensation Committee makes decisions by a simple majority with no member having a casting vote.

#### **1.5. Exceptional circumstances and limited possibility to derogate from the principles of the remuneration policy**

The Company, as well as the members of the Board, committees and senior management, pledge to abide by this remuneration policy insofar as doing so is in the best interests of the Company.

In exceptional circumstances, the Company may temporarily derogate from any element of this remuneration policy, subject to compliance with applicable law and the articles of association of the Company (the "**Articles**"). These exceptional circumstances cover situations in which the derogation from this remuneration policy is necessary to serve the long-term interests and sustainability of the Company as a whole or to assure its viability.

A deviation from this remuneration policy requires the prior approval of the Nomination and Compensation Committee who shall then submit a reasoned request for such derogation to the Board for approval. It is noted that any change in the amount of directors' remuneration would, in any case, require the approval of the general meeting of shareholders.

The remuneration report relating to the relevant financial year will include information on any derogation from the applicable version of the remuneration policy, including a justification for any such derogation.

#### **1.6. Transparency and handling of conflicts of interest in respect of remuneration**

The Company pledges to be transparent with respect to the remuneration granted to the persons falling within the scope of this remuneration policy and to abide by all applicable laws relating to the disclosure of such remuneration.

In 2020, the Company sought advice on remuneration from Kienbaum Consultants International, a reputable German human resources and management consultancy firm that has issued an extensive independent remuneration report, the results of which have largely influenced and contributed to the drafting and preparation of this remuneration policy.

Generally, the Company has established effective processes to avoid conflicts of interest and allowing members of the Board and senior managers to inform the Company of any such potential conflicts of interest. The same is true in respect of the elaboration of this remuneration policy and the determination and granting of remuneration and compensation in general.

To guarantee a fair and independent assessment of all aspects related to remuneration (including, in particular, the drawing up of this remuneration policy), the Nomination and Compensation Committee

shall, to the extent possible, be composed entirely, at all times, of independent non-executive directors, as is the case at the date of adoption of this remuneration policy. As regards any potential conflict of interest arising from the fact that the Nomination and Compensation Committee must consider the remuneration of its own members, it is noted that the final decision on such remuneration is adopted by the Board, of which the members of the Nomination and Compensation Committee are only a minority.

## **2. Overview of Board remuneration**

### **2.1. Contracts and arrangements with members of the Board**

The Articles of the Company provide that members of the Board are elected by the general meeting of shareholders by a simple majority of votes cast for a duration that may not exceed six years. Any director may be removed at any time with or without cause, without need for prior notification, by the general meeting of shareholders by a simple majority of votes cast.

A member of the Board that has resigned or has been removed by a valid decision of the general meeting of shareholders of the Company shall have no claim against the Company as a consequence of the termination of his mandate.

In the event that a vacancy arises on the Board for any reason, the remaining members of the Board may, by a simple majority, fill such vacancy and appoint a successor to act until the next general meeting of shareholders.

Neither the removal of a member of the Board by a valid decision of the general meeting of shareholders nor the resignation by a member of the Board shall, in principle, automatically lead to the termination of any other positions or mandates that the removed or resigning member of the Board may hold within the Company or any subsidiary of the Company.

The relations between members of the Board and the Company are not governed by any specific contractual arrangements. Instead, such relations are embodied by non-written mandates, governed by the Articles, the general Luxembourg Civil Code provisions on mandates (Art. 1984 et seq.), the Luxembourg law of 10 August 1915 on commercial companies, as amended (the “**1915 Company Law**”) and any other applicable laws.

Executive directors who also hold a parallel senior management position may from time to time enter into agreements in respect of such position and in respect of their positions as daily managers (*délégué(s) à la gestion journalière*).

### **2.2. Remuneration structure for members of the Board**

The remuneration structure for the members of the Board is always subject to the approval of the annual general meeting of shareholders. The annual general meeting of shareholders held on 29 September 2020 approved the current remuneration structure.

Board remuneration is based on annual fees comprising a basic fixed remuneration, to which additional fees are added for each attendance at a meeting of the Board.

The chairman of the Board as well as the vice-chairman of the Board shall be entitled to a higher basic fixed remuneration than the other members of the Board, in accordance with market standards.

As a general rule, in order to ensure sound corporate governance and to avoid the arising of any potential conflicts of interest, members of the Board shall not receive any variable remuneration for their role as directors of the Company.

Members of the Board shall be entitled to reimbursement by the Company of any reasonable costs incurred within the scope of their duties as directors of the Company, upon presentation of proof of payment by the member of the Board of such incurred costs.

The remuneration structure is reviewed periodically or on an as-needed basis by the Nomination and Compensation Committee, which makes recommendations to the Board taking into consideration benchmarks against peer companies (e.g. companies of a similar size and structure competing in the same or very similar industries and markets) to attract and retain high-quality and experienced directors.

### **2.3. Committees established by the Board**

The Board has established certain committees, (an audit committee, an ad hoc committee, an investment and financing committee and the Nomination and Compensation Committee), and may in the future establish further committees, if deemed necessary.

The Board has appointed certain directors to these respective committees and may, in the future, appoint further directors to each of the established or the to-be-established committees. Each of the established committees shall be chaired by a chairman, who, if also a member of the Board, shall be entitled to an annual fixed remuneration.

Attendance at a meeting of one of the established or future committees shall entitle each member (if such member is a director) of such committee to an attendance fee.

Members of each existing or future committee shall be entitled to reimbursement by the Company of any reasonable costs incurred within the scope of their duties as members of a duly established committee, upon presentation of proof of payment by the member of the respective committee of such incurred costs.

As with Board remuneration, the committee remuneration structure is reviewed periodically or on an as-needed basis by the Nomination and Compensation Committee, which makes recommendations to the Board taking into consideration benchmarks against peer companies (e.g. companies of a similar size and structure competing in the same or very similar industries and markets) to attract and retain high-quality and experienced directors.

Generally, membership of any of the established or future committees shall be embodied by a non-written mandate and governed by the Articles, the general Luxembourg Civil Code provisions on mandates (Art. 1984 et seq.), the 1915 Company Law and any other applicable laws.

## **3. Overview of senior management remuneration**

### **3.1. Legal and contractual framework for the senior management**

Members of the Company's senior management may (but shall not necessarily) also hold the mandate of daily managers under the 1915 Company Law, who are entrusted with the day-to-day management (*gestion journalière*) of the Company.

Members of the senior management are appointed and dismissed by the Board. Members of senior management may only act on behalf of the Company within the limits of the authority granted to them by the Board.

The members of the senior management shall, in principle, have fixed term agreements, for their roles as daily managers, where applicable, and for their respective positions as members of senior management, which shall, in general, run for periods between 3 and 4 years, terminate automatically on the end date, but which are renewable. The agreements generally contain notice periods of 90 calendar days. However, future agreements may include longer or shorter notice periods where such longer or shorter notice periods are deemed appropriate and to be in the best interest of the Company.

Notwithstanding the above, nothing would prevent the Company from, in the future, concluding fixed term or open-ended agreements with current or to be appointed senior managers, where the conclusion of such agreements would constitute the most appropriate approach, comply with all applicable laws and be in the corporate interests of the Company.

The Company does not provide for specific early retirement schemes. The Company does however provide reasonable payments linked to termination of the agreements of senior management beyond what is required by national legislation.

### **3.2. Scope of the senior management remuneration policy**

This remuneration policy applies to all members of the Company's senior management (as listed in part B of Annex I hereto) and shall automatically apply to any senior managers that may be appointed in the future. In order to ensure maximum transparency for its shareholders, the Company has opted to include in the scope of this remuneration policy not only those senior managers that hold the mandate of daily managers (*délégué(s) à la gestion journalière*) under the 1915 Company Law, but also the senior managers that do not hold such mandate.

### **3.3. Remuneration philosophy as regards the senior management**

The Company's remuneration philosophy for its senior managers is based on the following principles:

- Provision of a total remuneration competitive with executive remuneration levels of a peer group composed of a selection of German real estate companies of a similar size and scope;
- Encouraging and rewarding of performance that will lead to long-term and sustainable enhancement of company and shareholder value;
- Promotion of internal pay equity and provision of "market" median (determined by reference to its identified peer group) base pay levels for the Company's senior managers.
- Performance evaluation based on a set of non-quantifiable and quantifiable objectives, agreed upon periodically depending on the micro- and macro-economic circumstances and the objectives of the Company.
- Determination of bonuses depending on the Company's financial performance and the individual performance.

### **3.4. Remuneration framework of the senior management**

Proposals for the remuneration packages of the senior managers (both for current and future candidates) developed by the Nomination and Compensation Committee for the Board include the following components:

- an annual base compensation;
- short-term incentives as well as short-term targets and potential short-term incentive bonuses ("**STI-Bonus**"); and
- long-term incentives as well as long-term targets and potential long-term incentive bonuses ("**LTI-Bonus**").

STI-Bonuses and LTI-Bonuses will be distributed to the senior managers only upon termination of the respective calculation periods, which are provided for in the respective senior manager's agreements with the Company. The STI-Bonus and LTI-Bonus payments to be distributed to the senior managers will depend on the individual achievements taken into account for the calculation of the STI-Bonus and LTI-Bonus.

In case of termination by the Company of the agreement entered into between the Company and a senior manager, for any reason other than for reasons for which the senior manager is responsible, the latter shall be entitled to receive an STI-Bonus and LTI-Bonus in accordance with the conditions set out for such scenario in the respective agreement.

In the event of a serious misconduct for which a senior manager is responsible and that has resulted in a damage to the Company, the Board is entitled to withhold any STI-Bonus and/or LTI-Bonus payments or to demand repayment of any amounts paid out to a senior manager during the year in question.

The total remuneration target of senior managers is structured to attract and retain talented and capable leaders; the amount of the remuneration received is dependent on the achievement of the business and individual performance and on generating sustained shareholder value from relative performance.

In case of extraordinary events resulting in a significant change in the STI-Bonus and/or LTI-Bonus variables and/or parameters used (e.g. the purchase or sale of a part of the Company or of a subsidiary, the merger with other companies or similar business transactions), the Board is entitled to adjust the targets of the STI-Bonus as well as the targets of the LTI-Bonus to an appropriate extent, taking into account the interests of all stakeholders but also the interests of the senior managers. This may result in an increase or a decrease in the variable remuneration.

The achievement of the various targets for the STI-Bonus and LTI-Bonus will be initially assessed and determined by the finance department of the Company and then submitted for consideration of the Nomination and Compensation Committee that will issue a recommendation to the Board on same. To the extent considered necessary by the Company's finance department, the Nomination and Compensation Committee or the Board, the target achievements may be submitted for review and validation by an independent statutory auditor (*réviseur d'entreprises agréé*).

#### **3.4.1. Annual base compensation**

*The aim of the annual base compensation is to attract and retain high-quality and experienced senior managers.*

Each senior manager is entitled to receive an annual base compensation to be paid in 12 equal instalments at the end of each calendar month. The annual base compensation for each senior manager is determined by the Nomination and Compensation Committee on the basis of a market analysis in respect of remuneration paid by a selected group of peers.

#### **3.4.2. Short-term incentives**

*The aim of the short-term incentives is to motivate senior managers to achieve certain determined quantifiable and/or non-quantifiable targets.*

STI-Bonus calculations for each senior manager reflect the performance of the Company but also take into account the contribution that the particular senior manager has made to such performance.

In determining the quantifiable targets, the corresponding thresholds and STI-Bonus pay-outs, the Nomination and Compensation Committee and the Board ensure that such quantifiable targets, thresholds and corresponding STI-Bonus pay-outs are structured so as to incentivize the senior managers to a maximum, while at the same time making sure that the senior managers avoid any unnecessary risks. A balance shall be found so as to make sure that reasonable target objectives and corresponding targets are set but which encourage senior managers to take sustainable and well-structured decisions. Where possible and to the extent this is in the best interests of the Company, the STI remuneration system, and specifically the threshold structure relating to the quantifiable targets, is designed to reward over-performance adequately.

The concrete target objectives related to the quantifiable short-term incentive targets shall be decided by the Board on the basis of historical financial/other relevant data, the Company's budget and budget predictions as well as the financial outlook, which shall, in principle, be presented to it in the first half of each financial year.

The below list includes a non-exhaustive enumeration of possible quantifiable STI target objectives, which may vary (i) from one senior manager to another and (ii) depending on micro- and macro-economic circumstances and the objectives of the Company. Any variables, which are or may be introduced into the agreements are carefully selected to (i) incentivise senior managers in the best possible but sustainable way, while (ii) reflecting actual valuable and achievable objectives.

#### **Variable\***

Net rental income

Funds from the operations per share – FFO 1 per share

EBITDA from sales activities

Impact of new financing and re-financing transactions on the overall financial situation of the Company

Project development achievements – yield-on-cost

*\*As regards any key performance indicator which is calculated on a per share basis, such calculations shall be based on the weighted average number of shares over the relevant period.*

Generally, in addition to the quantifiable target objectives, the Board may set qualitative target objectives or soft goals, which vary from one senior manager to another and in particular from one field of responsibility to another. These qualitative target objectives, if any, shall cover those fields for which measuring results cannot, or can practically not, be quantified but where other factors determine successful progression. The weighting of any such qualitative target objective is determined by the Board in a reasonable proportion to the quantifiable target objectives.

Any variables, which are or may be introduced into the agreements are carefully selected to (i) incentivise senior managers in the best possible but sustainable way, while (ii) reflecting actual valuable and achievable objectives.

Weightings for each target basis shall be set periodically by the Board, may vary between senior managers and may be adjusted, with the agreement of the Board and the senior managers in case one or several variables that have previously been agreed upon become obsolete or inappropriate in certain situations. An example where such adjustment may be decided upon by the Board could be a macroeconomic crisis, but during which the senior managers have shown above average leadership qualities, and through which they have guided the Company in the best possible way.

#### **3.4.3. Long-term incentives: share-based incentives**

*The aim of the long-term incentives is to motivate senior managers to achieve certain determined quantifiable and/or non-quantifiable targets with a view of sustainably and durably strengthening the Company's long-term position and situation.*

LTI-Bonus calculations for each senior manager reflect the performance of the Company but also take into account the contribution that the particular senior manager has made to that such performance.

In determining the quantifiable targets, the corresponding thresholds and LTI-Bonus pay-outs, the Nomination and Compensation Committee and the Board ensure that such quantifiable targets, thresholds and corresponding LTI-Bonus pay-outs are structured so as to incentivize the senior managers to a maximum, while at the same time making sure that the senior managers avoid any unnecessary risks. A balance shall be found so as to make sure that reasonable target objectives and corresponding targets are set but which encourage senior managers to take sustainable and well-structured decisions. Where possible and to the extent this is in the best interests of the Company, the LTI remuneration system, and specifically the threshold structure relating to the quantifiable targets, is designed to reward over-performance adequately.

The concrete quantified target objectives related to the quantifiable long-term incentive targets shall be decided by the Board on the basis of historical financial/other relevant data, the Company's budget and budget predictions, the financial outlook, micro- and macro-economic expectations and any other information deemed to be necessary for the Board to take a decision in this respect, which shall, in principle, be presented to it in the first half of each financial year.

The below list includes a non-exhaustive enumeration of possible quantifiable LTI target objectives, but which may vary (i) from one senior manager to another and (ii) depending on micro- and macro-economic circumstances and the objectives of the Company. Any variables, which are or may be introduced into the agreements are carefully selected to (i) incentivise senior managers in the best possible but sustainable way, while (ii) reflecting actual valuable and achievable objectives.

#### **Variable\*\*\*\***

Development of the Company's share price in relation to the share price of its most comparable competitors\*\*\*\*\*

Development of the ratio between the Company's NAV (net asset value) per share and its share price versus the development of the ratio between the Company's most comparable competitors'\*\*\*\*\* respective NAVs per share and share prices.

Development of the NAV per share as being targeted by the Board

ESG developments and achievements\*\*\*\*\*

*\*\*\*\*As regards any key performance indicator, which is calculated on a per share basis, such calculations shall be based on the weighted average number of shares over the relevant period*

*\*\*\*\*The Board shall determine a list of most comparable competitors on the basis of which the above variable shall be calculated.*

*\*\*\*\*\*The ESG developments variable may be composed of quantitative and/or qualitative elements/target objectives.*

Generally, in addition to the quantifiable target objectives, the Board may set qualitative target objectives, which may vary from one senior manager to another and in particular from one field of responsibility to another. These qualitative target objectives, if any, shall cover those fields for which measuring results cannot, or can practically not, be quantified but where other factors determine successful progression. The weighting of any such qualitative target objective is determined by the Board in a reasonable proportion to the quantifiable target objectives.

In the event of extraordinary events that occur after the decision by the Board on the quantified target objectives and/or the qualitative target objectives, which result in a significant change of the LTI-Bonus parameters, the Board may adjust the quantified target objectives and/or the qualitative target objectives and/or their weighting (if applicable) to reflect such events.

The LTI-Bonus granted to the senior managers shall be settled in shares of the Company (if the Company can issue said shares) or in cash (if the Company cannot issue shares).

If paid in shares, the amount of the shares to be paid shall be equal to the achieved volume of the LTI-Bonus divided by the Company's share value calculated as at the average closing price over the last 90 trading days prior to the termination date of the relevant agreement/relevant pay-out date.

While there is a possibility of a pay-out under the LTI in the form of shares, the LTI is not a share option scheme. Therefore, there is no "vesting period" within the meaning of the SHR Law.

The achievement of the LTI targets shall be assessed, and the corresponding LTI-Bonus entitlements shall be determined on the basis of a period sufficiently long to allow for significant and meaningful evaluation of such achievements and to encourage sustainable and long-term goal oriented actions and decisions by the senior managers. The LTI-Bonus shall be distributed to the senior managers at termination of the relevant agreement (or shortly before the final termination date, if necessary, due to applicable corporate law requirements for the issue of free shares). There are no contractual retention periods imposed on the senior managers in respect of shares, which they may receive as an LTI-Bonus.

#### **3.4.4. Discretionary Bonus**

In addition to the STI-Bonus and LTI-Bonus, the Board may, in its reasonable discretion, grant senior managers an additional bonus for outstanding performances without a prior agreement. A legal claim to such a discretionary bonus does not exist.

#### **3.4.5. Other Benefits**

In addition to the primary elements of compensation described above, other benefits may be provided to senior managers, such as, *inter alia*, rental allowances, company cars, private health insurance and other insurance policies, which will be in line with relevant local market and peer-group practices.

The Nomination and Compensation Committee and the Board shall ensure that the above listed other benefits that may be provided to senior managers are of a reasonable nature, scale and scope.

Senior managers shall be entitled to reimbursement by the Company of any reasonable costs incurred within the scope of their duties as senior managers of the Company, upon presentation of proof of payment by the senior manager of such incurred costs.

## ANNEX I – List of persons to which the remuneration policy applies<sup>3</sup>

### A. Board of directors

Name	Title (for the purposes of section A of Annex I)	Date of first appointment	Date of applicability of current version of the remuneration policy (with respect to section A of Annex I)
Dr Peter Maser	Chairman of the Board and independent director	10 December 2019	29 June 2021
Ms Arzu Akkemik	Independent director	10 December 2019	29 June 2021
Mr Thierry Beaudemoulin	Executive director	10 December 2019	29 June 2021
Dr Michael Bütter	Independent director	22 July 2015	29 June 2021
Mr Claus Jorgensen	Independent director	29 September 2020	29 June 2021
Mr Maximilian Rienecker	Executive director	28 April 2020	29 June 2021
Mr Thilo Schmid	Independent director	29 September 2020	29 June 2021
Mr Thomas Zinnöcker	Independent director	29 September 2020	29 June 2021

### B. Senior management

Name	Title (for the purposes of section B of Annex I)	Date of first appointment	Date of applicability of current version of the remuneration policy (with respect to section B of Annex I)
Mr Thierry Beaudemoulin	Co-chief executive officer	10 December 2019	29 June 2021
Mr Maximilian Rienecker	Co-chief executive officer	9 April 2020	29 June 2021
Mr Sven-Christian Frank	Chief legal officer	1 September 2020	29 June 2021

<sup>3</sup> To be updated every time there is a change on the level of the Board or senior management.