Compensation System for the Management Board of All for One Group SE

I. Basic compensation system principles

The compensation system for the management board is a key element in the corporate strategy of All for One Group SE and is designed specifically to further the implementation of the same. It adheres to the stipulations of the German Stock Corporation Act (Aktiengesetz, AktG) and the recommendations of the German Corporate Governance Code (GCGC) which came into force on 20 March 2020. Any deviations of the compensation system from the individual recommendations in the GCGC are discussed and explained in the declaration of compliance as per Section 161 AktG.

The chosen compensation structure is designed to promote the sustainable and long-term development of the company. One key aim of the management board compensation system is to motivate its members to pursue the strategic objectives of All for One Group effectively and consistently. Compensation is determined by the size, complexity and economic situation of the Group and its potential development opportunities. It is designed to reasonably reflect the area of responsibility and performance of each individual management board member. Further aims of this system of remunerating the management board are to align the interests of the management board, workforce and shareholders, and to drive the ongoing increase in corporate performance.

To promote these basic principles, the compensation system includes both non-performance-related (fixed) and performance-related (variable) components. The fixed basic salary, fringe benefits and annual pension contribution comprise the non-performance-related components. Performance-related components include one-year variable compensation (short-term incentive (STI) plan) and a multi-year compensation component (long-term incentive (LTI) plan). As part of this policy of short-term and long-term compensation, the possibility to set individual financial and non-financial target components for the members of the management board is provided for.

In keeping with statutory regulations, the compensation system provides for a cap on compensation and is supplemented by appropriate rules governing the start and end of management board activity.

II. Components of the compensation system

The system comprises non-performance-related (fixed) and short- and long-term performance-related (variable) compensation components.

Under the compensation system, variable and fixed compensation components account in each case for 40 – 60% of total target compensation (subject to 100% target achievement). Of the performance-related compensation components, short-term variable components (STI) and long-term variable components (LTI) in turn account for 20 – 30% of total target compensation in each case (subject to 100% target achievement). These shares can vary within the indicated limits in future to reflect functional differentiation, differentiation due to the seniority of individual management board members and/or following the review of the compensation and adjustment to market conditions.

If the set targets are exceeded, the variable compensation components can amount in total to no more than double the non-performance-related compensation for the financial year in question. The relative share of variable components to maximum compensation in such instances is two-thirds of the total compensation.

Overview and relative shares (subject to 100% target achievement):

1.	Non-performance-related compensation components	Share of total target compensation: Cap:	40% - 60% KEUR 550 per financial year
	Basic salary		
	Fringe benefits		
	Pension	*Cap:*	*Max. 30% of basic salary*
2.	Performance-related compensation components	Share of total target compensation: Cap:	40% - 60% 200% of the agreed non-performance-related compensation per financial year
	STI: Short-term (one year) compensation	*Share of total target compensation:*	*20% - 30% of total compensation*
	LTI: Long-term (multi-year) compensation	*Share of total target compensation:*	*20% - 30% of total compensation*

Note: The relative share of each compensation component to the actual remuneration achieved by a management board member in a financial year may deviate from these estimated relative shares as they may change depending on actual target achievement.

III. Individual compensation components

1) Non-performance-related components

Prior to entering into a new, or extending an existing management board contract, the supervisory board will review the non-performance-related compensation and adjust it to reflect this compensation system. When specifying the non-performance-related compensation, the supervisory board may, at its due discretion, differentiate between function, area of responsibility and seniority of the management board members. Total non-performance-related compensation can be set at up to EUR 550,000 each year.

A) Basic salary

The basic salary is a fixed amount for an entire financial year that is paid in twelve equal monthly installments.

B) Fringe benefits

All management board members also receive fringe benefits. These include but are not limited to the provision of a company car that may also be used privately, insurance benefits, contributions to health and nursing care insurance and the payment of other costs – as is customary in the market – including D&O insurance premiums paid by the company with a deductible for the management board members as per the German Stock Corporation Act (AktG).

C) Pension

Management board members receive a company pension commitment in the form of a defined contribution scheme that can include pension, disability and surviving dependants' benefits. The pension benefits are reinsured by a life insurance policy. Once vested under statutory regulations, the company assumes responsibility for paying the premiums for statutory protection against insolvency (pension protection association). The resulting benefits are intended solely for the management board member or their eligible surviving dependants.

The annual contribution must not exceed 30% of the respective basic salary. In individual instances, the supervisory board may refrain from paying pension contributions – during a first term of office, for example.

The supervisory board may agree to a different pension scheme for individual management board members, which can be specified in the management board contract. Again, the pension contributions may not exceed 30% of the respective basic salary.

2) Performance-related components

The supervisory board believes that the following performance criteria offer management board members the incentive to strive for the long-term and sustainable success of the company, to implement the agreed strategy, to safeguard the interests of shareholders and employees, and to promote the company's environmental and social responsibility and its compliance culture.

The performance-related variable compensation consists of two components: short-term, one-year compensation (short-term incentive (STI) plan) and long-term, multi-year compensation (long-term incentive (LTI) plan).

Variable compensation	Performance criteria	Payout
STI (40-60% of variable compensation)	- EBT as per consolidated financial statements (share: 70-100%) - Individual targets (share: 0-30%)	Following finalisation of the consolidated financial statements for the respective financial year
LTI (40-60% of variable compensation)	- Cum. free cash flow (ratio: 30-50%) - Cum. dividend (share: 30-50%) - Individual targets (share: up to 30%)	Following finalisation of the last consolidated financial statements for the agreed assessment period

A) STI: Short-term, one-year compensation

The supervisory board believes that the annual earnings before taxes (EBT) achieved by the Group is a key indicator for evaluating the success of the corporate strategy and the successful development of the company over the long term. The supervisory board has therefore defined EBT as the key performance criterion for the one-year variable compensation.

EBT (as per the IFRS consolidated financial statements) for the respective financial year accounts for 70 – 100% of the one-year variable compensation based on a target bonus defined individually for each management board member (subject to 100% target achievement). Individual targets set for each management board member account for a further share of up to 30% of the defined target bonus. Depending on the management board member in question, these targets can differ and can focus on the following aspects:

» Strategic corporate development
» Special projects (e.g. transformations; integrations)
» Organisational and cultural progress
» Employee concerns
» Customer development
» Area-specific KPIs

The respective EBT target and the individual targets are defined by the supervisory board at its due discretion prior to the start of the respective financial year and are aligned to the implementation of the strategy and the corporate budgets. EBT targets are identical for all management board members.

Target achievement is determined after the close of the financial year and the approval of the consolidated financial statements for the respective financial year, based on the previously defined EBT target and the individual criteria. The degree of target achievement always commences at 0%. Various corridors are defined for the EBT target. A threshold has been fixed for EBT. Any result below it constitutes target achievement of 0%. Above the threshold, management board members are paid previously determined amounts based on the various corridors within which actual EBT lies. The maximum individual share achievable by each management board member is 200% of the target.

The maximum target achievable for performance-related compensation (STI and LTI aggregated) is capped at twice the non-performance-related compensation.

STI amounts are paid out after determination of target achievement which, in turn, occurs after the finalisation of the consolidated financial statements for the respective financial year. The supervisory board's human resources committee can approve payment of an initial instalment of up to 50% of the anticipated STI payout amount at the end of the respective financial year.

B) LTI: Long-term, multi-year compensation

Management board members are entitled to multi-year variable compensation under a long-term incentive (LTI) plan.

Of the key performance criteria for the LTI,

- the cumulative free cash flow (cash flow before financing activities, adjusted for cash inflows and outflows from the disposal and/or acquisition of companies or business units) generated over a multi-year period accounts for 30 – 50%,
- the cumulative dividend over a multi-year period (aggregate of all (gross) dividend amounts paid to shareholders per share in all financial years in the assessment period) accounts for 30 – 50%, and
- long-term advancements in corporate social responsibility or other individual targets account for up to 30%.

The supervisory board will select targets aimed at promoting the long-term and sustainable success of the company, safeguarding the interests of shareholders and employees, and promoting the company's environmental and social responsibility and its compliance culture.

With regard to corporate social responsibility or other individual targets under the LTI, individual management board members may be set non-financial targets in future that focus on the following areas and take their respective function and area of responsibility into consideration:

- Environment (developing a sustainability roadmap for the company, for instance, or optimising the use of resources or reducing emissions)
- Social/employees (measures to increase employer attractiveness and employee satisfaction, for instance, or programmes to develop executive talent or to increase diversity and equal opportunities)
- Governance/compliance (measures to assure and sustain a compliance management system, for instance)
- Specific operational and/or strategic targets of great relevance for the long-term and sustainable development of the company.

The LTI runs for at least three years. The amount of LTI compensation (subject to 100% target achievement) differs for each member of the management board. The performance criteria are identical and/or coordinated for all management board members. The weighting may vary.

The respective »cumulative free cash flow« and »cumulative dividend« targets as well as the targets aimed at advancing long-term corporate social responsibility and the other individual targets are set by the supervisory board, at its due discretion. prior to the start of the respective assessment period.

Whether or not the multi-year targets have been achieved is decided after the close of the last financial year in the review period and after finalisation of the consolidated financial statements for that same year. When measuring the »cumulative dividend« target achievement, the management board's dividend proposal to the supervisory board for the final financial year in the review period will be applied to enable the timely analysis of target achievement after the end of the review period. The supervisory board's human resources committee already determines the annual achievement of interim targets.

The degree of target achievement always commences at 0%. Various corridors will be defined for the »cumulative free cash flow« and »cumulative dividend« targets. A threshold has been fixed for both targets. Any result below it constitutes target achievement of 0%. Above the threshold, management board members are paid previously determined amounts based on the various corridors within which actual target achievement lies. The maximum target achievable by each management board member as an incentive to advance corporate social responsibility or meet other individual targets is 200% of the target.

The maximum target achievable for performance-related compensation (STI and LTI aggregated) is capped at twice the non-performance-related compensation.

LTI amounts are granted after determination of target achievement which, in turn, occurs after finalisation of the consolidated financial statements for the last financial year in the assessment period. Payment is made in cash, albeit not until four years have passed, starting with the beginning of the first financial year in the assessment period. If the assessment period is shorter than four years, payment is subject to an appropriate period of deferral that is added to the end of the assessment period. Advance payment instalments are not possible.

IV. Further regulations relevant to the compensation system

Maximum compensation

The absolute total compensation granted to management board members for any one financial year (aggregate of all compensation amounts accrued in the respective financial year, including basic remuneration, variable compensation components, pension contributions and fringe benefits) – irrespective of whether paid in the same financial year or at a later date – is capped (»maximum compensation«). The amount granted under the LTI is included pro rata temporis for each financial year in the assessment period. Maximum compensation for all management board members is capped at EUR 1,650,000 per year. Of this amount, annual non-performance-related remuneration (aggregate of basic salary, fringe benefits and pension contributions) is capped at EUR 550,000 and total annual variable remuneration (STI and LTI) is capped at twice the non-performance-related remuneration of each management board member, i.e. EUR 1,100,000.

The maximum compensation may deviate from this specification in the first year in which a new member joins the management board, if the supervisory board in exceptional instances pays compensation to the new management board member to make up for payments forfeited from their previous position as a result of joining the company. In such instances, the maximum compensation for this one financial year may increase by up to 25%.

Payments in the event of termination of management board activity

When appointing members to the management board or extending their contracts, the supervisory board observes the term regulations prescribed by stock corporation law and by the recommendations of the GCGC and the company's articles of association. The term of appointment to the management board and the term of a member's contract are synchronised. Initial appointments to the management board should not, as a rule, exceed a term of three years. Extensions of appointments to the management board must not exceed a term of five years.

Management board contracts should not contain an ordinary termination option, notwithstanding the statutory option for extraordinary termination.

If a management board contract is terminated prematurely, any payments to the relevant management board member may not exceed, in total, either the equivalent of two years' pay (severance cap) or the compensation for the residual term of the contract. Severance caps are calculated on the basis of the total compensation owed for the past financial year.

If a member of the management board is permanently unable to perform their duties, they are entitled to the non-performance-related basic salary and the variable compensation for a reasonable period from the date on which they are unable to perform their duties, as determined by the supervisory board in the respective management board contract, but for no longer than the remaining term of said contract.

If a post-contractual non-competition clause with compensation is agreed with a member of the management board, any severance payment must be offset against said compensation. Said compensation should not exceed half of the total compensation owing for the past financial year. No agreement exists governing payment commitments in the event of a premature termination of management board activity due to a change of control.

If the employment relationship ends due to the death of the management board member, their dependants shall be entitled to the basic salary for an appropriate period after the end of the employment relationship, as determined by the supervisory board in the respective management board contract, but for no longer than the remaining term of said contract.

Adjustment to reflect extraordinary developments

The criteria for determining the performance-related compensation and the annual targets to be set by the supervisory board prior to the start of a financial year may not be changed as the financial year progresses. Retrospective adjustment of the targets or of material parameters is excluded under this compensation system.

Extraordinary developments whose effects on management board compensation are not adequately reflected in the target achievement may be taken into account by the supervisory board to an appropriate extent in determining target achievement for the STI and LTI in justified exceptional cases. This may result in higher or lower compensation. Extraordinary developments in the course of a financial year can include, for example, extraordinary changes in the economic situation (e.g. as a result of economic crises) or extraordinary transactions of considerable magnitude, which render the original corporate objectives obsolete unless they were specifically foreseeable. By contrast, generally unfavourable market developments within normal limits do not constitute extraordinary developments in this respect. If extraordinary developments do occur and necessitate adjustment, the supervisory board's reporting of the same will be transparent.

Reduction of variable compensation and clawbacks

If a member of the management board commits a demonstrably intentional gross violation of their statutory or contractual obligations, a material principle of the company's internal polices, or applicable law while performing their duties as a management board member, the supervisory board is entitled, at its due discretion, to reduce the variable compensation for the financial year in question.

If, as a result of such intentional violation by a management board member, variable compensation components were paid out incorrectly, the company is entitled to demand repayment of the amounts paid out without justification. In this context, the company bears the burden of proof and, if necessary, the burden of demonstrating that the aforementioned requirements have been met.

At its due discretion, the supervisory board may agree details of the reduction and clawback provisions individually with the members in their respective management board contracts. The aforementioned is without prejudice to any statutory claims that the company may assert for reduction, clawback and compensation.

Offsetting compensation from secondary employment

If a management board member wishes to take on professional work elsewhere, they must first obtain the supervisory board's consent. Any payment for intra-Group supervisory board mandates or other double mandates is offset against the management board compensation. In the case of external mandates, the supervisory board, at its due discretion, decides on a case-by-case basis whether compensation is to be offset.

V. Procedure for setting and reviewing the compensation system

In accordance with the statutory provisions of Sections 87 (1), 87a (1) AktG, the supervisory board sets and regularly reviews the structure and appropriateness of the system governing management board compensation. The human resources committee, which currently comprises three members – including the chairman and deputy chairman of the supervisory board – prepares proposals for decision by the supervisory board and submits corresponding recommendations, bearing in mind the specifications of the compensation system, stock corporation law, and the German Corporate Governance Code in its respective current version. To this end, both the human resources committee and the supervisory board can seek external counsel, whereby the necessary impartiality from the company and the management board must be assured.

The compensation system enables the supervisory board to consider both function and area of responsibility, and seniority of the individual management board members. Within the boundaries set by the compensation system, the supervisory board can, at its due discretion, differentiate total compensation based on these factors, thus assuring appropriate compensation for each management board member. The financial and individual targets that determine the performance-related compensation components are selected by the supervisory board to ensure that management board members strive to advance the business strategy and to promote the sustainable and long-term development of the company. The targets governing short-term variable compensation, for example, are designed to act as incentives to drive sustainably positive progress in the performance of the company. The supervisory board has chosen the targets governing long-term variable compensation particularly to promote the healthy growth of the company while pursuing the mid- to long-term strategy. All compensation components taken together are intended to contribute towards the positive and sustainable development of the company in line with the corporate strategy.

The option to set further individual targets for each management board member gives the supervisory board the opportunity to provide further incentive in future with regard to certain corporate performance areas – such as developing the personnel structure, environmental protection, compliance and corporate culture – in an effort to counteract undesirable trends and encourage areas of development focus.

The compensation system adopted by the supervisory board will be submitted for approval by the annual general meeting as required by law. If the annual general meeting refuses to approve the compensation system submitted for consideration, a revised compensation system will be submitted for approval again, at the next annual general meeting at the latest, as specified in Section 120a (3) AktG. To this end, the human resources committee is responsible for preparing the compensation system for regular review by the supervisory board and for recommending adjustments as it deems necessary. The compensation system must be submitted to the annual general meeting for approval every time it is substantially amended, but at least every four years.

Upon recommendation by the human resources committee, the supervisory board may, in compliance with Section 87a (2) sentence 2 AktG, temporarily deviate from the specifications of the compensation system (with regard to structure and amounts of individual compensation components, and to procedure) in particularly extraordinary circumstances (especially in the event of a serious economic or corporate crisis) if necessary to safeguard the long-term well-being of the company.

According to the specifications of the compensation system, the supervisory board determines the parameters for target achievement for the performance-related compensation components and the amount of total target compensation for each management board member prior to the start of the respective financial year. Target achievement is evaluated and the corresponding payout amounts determined after the close of the financial year in the case of the STI and after the close of the assessment period in the case of the LTI. The human resources committee is, in each case, responsible for preparing the resolution for adoption by the supervisory board.

The members of the supervisory board and of the human resources committee are obligated to disclose conflicts of interest in the supervisory board. Any conflicts of interest that arise must be disclosed by the supervisory board in its report to the annual general meeting, together with details of how they were dealt with. These principles also apply to the procedure for specifying/implementing and reviewing the compensation system.

The supervisory board reviews and assesses whether management board compensation is commensurate. In doing so, the supervisory board compares the compensation horizontally to the management board compensation of other companies and vertically to the compensation paid to the workforce within the Group and at senior management level to ensure that management board compensation is commensurate with the size, complexity and state of the company and is not unjustifiably substantially higher or lower than standard market compensation levels. This procedure aims to ensure that the company expenditure on management board compensation is not unreasonably higher than necessary, but at the same time facilitates the recruitment and retention of suitable candidates for management board positions.

Horizontal comparison
To verify whether the total target compensation of the management board is in line with the market and commensurate compared with other companies (»peer group comparison«), the supervisory board has compiled a peer group of eight other companies that it believes to be suitable and comparable to All for One Group SE in respect of their market standing and strategic development. The supervisory board intends to regularly repeat this procedure when reviewing management board compensation and, in doing so, to also examine whether any adjustment to the peer group is necessary.

Vertical comparison
In order to assess whether management board compensation is reasonable by vertical comparison within the Group, it is analysed relative to the payroll of the entire workforce and to the compensation paid to the senior management level. The progression of salaries over time is also taken into consideration. To ensure the underlying data is as comparable as possible, salary data is drawn from all Group companies in Germany. The senior management level comprises those employees within the Group who report directly to the management board. They include the managing directors and management board members of all All for One Group SE subsidiaries in Germany.

It is intended that the provisions of the compensation system will be applied in the context of any new contracts, amendments, modifications or extensions of management board contracts from 12 March 2021 onwards, unless there are important reasons for an exception and an exception is permitted by law. The present contracts of the two current management board members – Lars Landwehrkamp and Stefan Land – are not affected by the provisions of this compensation system. The contracts of both management board members expire on 30 September 2023.

In its compensation report for the financial year just ended, the supervisory board discusses the performance criteria determined for this financial year and target achievement of the same.