

# Remuneration system for the members of the Executive Board (as approved by the Annual General Meeting 2021)

## 1. Link to strategy and principles of the remuneration system

The global skin care market is undergoing deep and dynamic upheavals offering major opportunities. In particular, the changes in consumer expectations and preferences as well as social and environmental responsibility are among the major challenges. These are precisely the issues that Beiersdorf is addressing with its C.A.R.E.+ strategy. For almost 140 years, skin care, caring for other people's wellbeing and also attending to people's needs beyond skin has been at the core of Beiersdorf and its brands. This philosophy is also expressed in the Company's ESG values.

The corporate strategy is rooted in the clear ambition to grow competitively and sustainably through strategic priorities and the will to create greater value for people and society in the long term. In this way, Beiersdorf wants to expand its position in the skincare market and ensure sustained profitability.

The C.A.R.E.+ strategy entails the following strategic priorities:

- Strengthen consumer proximity through new digital channels and technologies;
- Gain consumers' favor with superior skin care innovations and a strong portfolio of global brands;
- Tap new growth markets and business areas and leverage global growth potential;
- Accelerate growth through increased productivity;
- Build on strong foundations: core values (with the four attributes Care, Simplicity, Courage and Trust), culture, sustainability, compliance as well as our employees' capabilities and skills.

The remuneration system for the Executive Board makes a material contribution to furthering and implementing this strategy both in its entirety and with its individual components by creating incentives for sustained and value-oriented corporate development and taking into account the interests of the shareholders, customers, employees, business partners, environment and society (stakeholders). The structure of the remuneration system gives the members of the Executive Board an incentive to pursue and achieve the goals defined in the strategy and thus to work towards achieving sustainable and long-term growth of the Company's enterprise value.

Beyond this strategic link, the Supervisory Board is guided by other factors in structuring the remuneration system and determining the amount of remuneration:

<b>Company's condition</b>	The remuneration system is based on the Company's operating, financial and economic situation as well as its successes and outlook for the future.
<b>Duties and performance of the Executive Board</b>	The remuneration system takes into account the duties and performance of the Executive Board as a whole as well as of the individual members.
<b>Pay for Performance</b>	The remuneration system defines appropriate performance indicators for determining the performance-tied variable remuneration, which accounts for most of the total remuneration, to ensure that the Executive Board's performance is appropriately rewarded, while taking due account of any failure to achieve the defined targets (pay for performance).
<b>Appropriateness</b>	The structure and amount of the Executive Board remuneration reflects customary market practice and is competitive. This is ensured by means of regular benchmarking against the relevant peer groups. In addition, the remuneration for the Executive Board is appropriately balanced in relation to the remuneration for the Company's senior management and employees.
<b>Consistency</b>	The remuneration system for the Executive Board and senior management creates comparable incentives and has predominantly uniform objectives (consistency of the remuneration system). In addition, the corporate targets for employees' variable remuneration are defined on the basis of the corporate goals defined for the remuneration of the Executive Board. This ensures consistent incentives and, hence, a uniform control effect.
<b>Regulatory conformity</b>	The new remuneration system for the Executive Board is consistent with the German Stock Corporation Act and takes account of the recommendations and suggestions of the German Corporate Governance Code.

## 2. Procedure for determining, implementing and reviewing the remuneration

The Supervisory Board draws up and approves the remuneration system in accordance with the statutory requirements and in the light of the recommendations and suggestions of the German Corporate Governance Code. In doing so, it is advised and supported by its Presiding Committee, particularly on questions concerning the appropriateness and market conformity of the amount of the remuneration, and by the Personnel Committee, particularly on questions concerning the remuneration structure. If necessary, the Supervisory Board is assisted by external consultants, who are replaced in appropriate intervals. When external remuneration

consultants are mandated, the Supervisory Board satisfies itself that they are independent of the Executive Board and the Company.

The Supervisory Board regularly reviews the remuneration system, particularly with regard to its appropriateness and also in relation to comparable companies (horizontal comparison, see section 3.2) on the one hand and also within the Company in relation to senior management and the workforce as a whole on the other (vertical comparison, see section 3.3). The review of the remuneration system is prepared by the Presiding Committee, which recommends any necessary adjustments to the remuneration system to the Supervisory Board. The Supervisory Board submits the remuneration system for approval by the Annual General Meeting in accordance with § 120a *AktG* in the event of any material change to the remuneration system, however no less than every four years. If the Annual General Meeting fails to approve the remuneration system submitted, the Supervisory Board will submit a revised remuneration system for approval at the following Annual General Meeting at the latest.

All members of the Supervisory Board are committed to preserving the Company's best interests and must refrain from engaging in any personal or third-party interests. Accordingly, the relevant rules for the avoidance of conflicts of interest apply to all decisions made on the remuneration system and the implementation of these decisions. In particular, all members are under a duty to disclose any potential conflicts of interest without undue delay to the Chairwoman/Chairman of the Supervisory Board; the Chairwoman/Chairman must disclose potential conflicts of interest to the Presiding Committee. Members must resign their office if faced with material conflicts of interest that are not merely temporary. The Supervisory Board discloses any conflicts of interest to the Annual General Meeting in its annual report.

### **3. Temporary deviation from the remuneration system**

Under § 87a (2) *AktG*, the Supervisory Board may temporarily deviate from the remuneration system if this is necessary to preserve the Company's long-term interests. Such deviations from the remuneration system require a corresponding resolution by the Supervisory Board specifically stating why the deviation is in the Company's long-term interests. The resolution passed by the Supervisory Board must also state the duration of the deviation and the components of the remuneration system to which the deviation applies. The Supervisory Board will report transparently on any deviation from the remuneration system.

Temporary deviations as defined above are possible with respect to the performance criteria for short-term and long-term variable remuneration elements and the maximum remuneration as well as the ratio between fixed and variable remuneration components and expenses for exceptional benefits. If it is not sufficient to restore the incentive effect of the Executive Board remuneration, the Supervisory Board is able in the event of any extraordinary developments to temporarily grant additional remuneration components or to replace existing remuneration components.

#### **4. Definition of specific target total remuneration and determination of the amount of remuneration**

##### **4.1 Overview**

On the basis of the remuneration system, the Supervisory Board defines the specific target total remuneration for the individual members of the Executive Board comprising all fixed and variable remuneration components for the year (the latter in the case of hundred-percent target achievement in the financial year) including benefits (see section 5). In particular, the Supervisory Board ensures that the target remuneration appropriately reflects the duties and performance of the member of the Executive Board as well as the Company's net assets, financial position and results of operations and prospects for the future and does not exceed the customary remuneration without reason. In assessing market conformity, the Supervisory Board particularly considers the relevant competitive situation. When determining the variable target total remuneration, the Supervisory Board ensures that the amount of the target remuneration under long-term remuneration components is higher than that under the short-term remuneration component.

The Supervisory Board defines the performance criteria for all variable compensation components at the recommendation of its Presiding Committee in the absence of anything to the contrary in the remuneration system, particularly in the light of the long-term variable remuneration. As a rule, the Supervisory Board deals at its final meeting for the financial year with the basic determination of the performance criteria and targets including the relevant target parameters for the following year; if necessary, it defines the target values at the beginning of the new financial year particularly in accordance with the annual planning. When defining the performance criteria, the Supervisory Board also determines the weighting of the individual performance criteria within the specific remuneration component. In addition, it ensures that the target remuneration under the variable remuneration components is generally tied more closely to strategic objectives than to operational ones.

After the end of the financial year (or, in the case of long-term variable remuneration, after the end of the performance period), the Supervisory Board sets the specific target achievement at the recommendation of its Presiding Committee. In this connection, achievement of the financial targets is determined in connection with the preparation and approval of the annual and consolidated financial statements. Achievement of the non-financial targets is determined after detailed consultation as a percentage derived from a comparison of the target/actual achievement of the individual performance criteria. The Supervisory Board sets the variable remuneration and the total remuneration for the previous financial year on the basis of the target achievement. Target achievement and the remuneration granted and accrued are disclosed transparently in the remuneration report for the respective financial year.

#### 4.2 Horizontal comparison

In determining the specific target total remuneration and in reviewing its appropriateness, the Supervisory Board considers relevant peer groups, which are selected on the basis of Beiersdorf's market position (particularly country, sector and size). The peer groups comprise companies listed in the German DAX and MDAX equity indices, on the one hand, and an international sector peer group, on the other. The sector peer group is generally composed of the following twelve international peers: Avon Products, Colgate-Palmolive, Edgewell Personal Care, Estée Lauder, Henkel, Johnson & Johnson, L'Oréal, Procter & Gamble, Reckitt Benckiser, Shiseido, Unilever, and Marico. The Supervisory Board may, at its own due discretion, make changes to the composition of the peer group in the event of any material change in the comparability of individual companies for any reason.

The horizontal comparison is also intended to ensure that the Executive Board receives competitive remuneration that conforms to standard market practice.

#### 4.3 Vertical comparison

To ensure appropriate Executive Board remuneration in conformance with standard market practice, the Supervisory Board also considers its relationship to the Company's internal remuneration structure. To this end, it compares the amount of the average annual target remuneration paid to senior management, comprising the first and second management group of the Consumer Business Segment in Germany below the Executive Board, with the Executive Board remuneration. Moreover, the Executive Board remuneration is compared with the amount of the average annual

remuneration across all employees in the Consumer Business Segment in Germany (including senior management). The ratio thus determined is also reviewed over time.

#### 4.4 Duties and performance of the member of the Executive Board

With the remuneration system, the Supervisory Board is able to take account of the duties, including division responsibilities, as well as the performance of the individual members of the Executive Board at its due discretion when determining the target total remuneration. In addition to distinctions based on specific functions, e.g. the position of Chairman of the Executive Board, the Supervisory Board may also take account of other criteria such as location, experience and length of service.

### 5. Remuneration structure and elements

#### 5.1 Overview

The total remuneration payable to the members of the Executive Board is composed of fixed and variable elements. The fixed remuneration, which is not tied to performance, comprises the base remuneration plus benefits. The variable remuneration is composed of a short-term variable bonus with annual targets ("variable bonus") and a long-term variable bonus with strategic targets ("LTP"). It may also contain a multi-annual bonus ("MAB") that is tied primarily to the targets defined for the area of responsibility of that member of the Executive Board. In the case of new appointments, the Supervisory Board may guarantee variable remuneration in an appropriate amount for the initial period of the appointment. Furthermore, compensation may be paid to cover particular burdens sustained by the member of the Executive Board by joining Beiersdorf. In addition, the members of the Executive Board may be granted a re-appointment bonus, which may also be tied to performance.

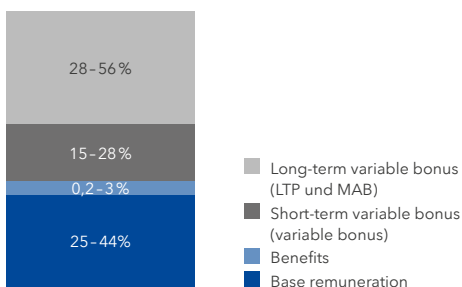
The LTP can be converted into a defined contribution benefit commitment (see section 5.5.3). Other than this, there are no pension commitments for members of the Executive Board.

## Remuneration Components

<b>Non-performance-tied remuneration</b>	<b>Base remuneration</b>	Fixed annual amount paid in twelve equal instalments at the end of the calendar month.	
	<b>Benefits</b>	Customary benefits such as the provision of a company car, standard insurance benefits, reimbursement of job-related relocation costs. In addition, secondment-related benefits may be granted.	
<b>Performance-tied remuneration</b>	<b>Retention and claw-back</b>	<b>Variable bonus</b>	<ul style="list-style-type: none"> <li>- Period: One year</li> <li>- Performance criteria: Performance of the Consumer Business Segment; joint (financial/non-financial) and individual targets</li> <li>- Cap: 200%</li> </ul>
		<b>Long-term variable bonus</b>	<ul style="list-style-type: none"> <li>- Period: Four years</li> <li>- Performance criteria: Strategy-related, non-financial targets</li> <li>- Cap: 200%</li> </ul>
		<b>Multi-annual bonus</b>	<ul style="list-style-type: none"> <li>- Period: Duration of the appointment or at least three years</li> <li>- Performance criteria: annual growth and increase in market shares or other KPIs from the respective EB members area of responsibility</li> <li>- Cap: 200%</li> </ul>
<b>Maximum remuneration</b>		The maximum total remuneration of € 9 million per year for the Chairman of the Executive Board and € 6 million per year for each ordinary member of the Executive Board.	

As a rule, the relative share of the base remuneration, on the one hand, and the short-term and long-term variable remuneration, on the other, breaks down as follows (including regular benefits but excluding any secondment-related benefits and re-appointment bonuses):

## Relative Shares of the Remuneration Components



In the description of the relative shares, long-term variable remuneration components (MAB and LTP) are included with an annual target value on a prorated basis notwithstanding the fact that they are not due for payment until the end of the period.

If a member of the Executive Board is granted a re-appointment bonus, this is generally up to 50% of the annual target total remuneration at the beginning of the first appointment period. The secondment-related benefits may equal an amount up to 100% of the base remuneration depending on the location (see section 5.3 for a breakdown of benefits).

The relative shares accounted for by the other remuneration components are modified correspondingly in these cases.

The variable remuneration is predominantly measured over a multi-year period. In addition, the share of variable remuneration from long-term targets exceeds the share from short-term targets. The possible total remuneration is capped at a maximum amount for each member of the Executive Board (maximum remuneration, see section 5.6).

## 5.2 Base remuneration

The base remuneration is a fixed annual amount paid in twelve equal installments at the end of each calendar month.

## 5.3 Benefits

Each member of the Executive Board receives the customary perquisites and other benefits. The regular benefits may include:

- provision of a company car, which may also be used for private purposes. In accordance with the Group's "Green Car Policy", the emissions produced by the company car must not exceed a certain carbon threshold. In lieu of a company car, a monthly "cash for car" allowance may also be granted;
- customary insurance cover, including contributions to health and accident insurance, as well as to any invalidity and surviving dependents policies;
- reimbursement of job-related relocation costs;
- allowance for school expenses.

If, at the request of the Company, a member of the Executive Board relocates his or her work location or residence or does not maintain them at the headquarters of the Company, other benefits may be granted. Such secondment-related benefits may particularly include:



- foreign-secondment allowance to cover the cost of accommodation at the place of residence;
- cost of flights for the member of the Executive Board and his or her family to and from the place of residence;
- further health insurance expenses.

## 5.4 Re-appointment

In individual cases, the Supervisory Board may agree on a bonus at the beginning of an initial appointment payable in the event of re-appointment. This re-appointment bonus is due upon the re-appointment taking effect ("re-appointment bonus").

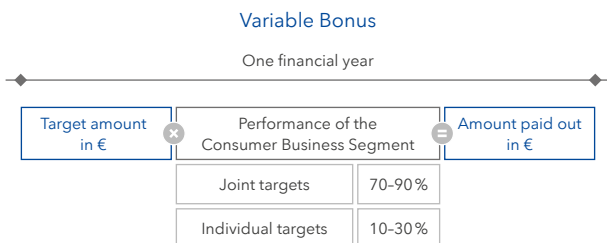
The Supervisory Board may at its own due discretion determine the structure of the re-appointment bonus, in particular as a variable, performance-tied bonus, to which the performance criteria defined for the variable bonus (see section 5.5.1) or the MAB (see section 5.5.2) apply.

## 5.5 Variable remuneration

### 5.5.1 Variable bonus

The members of the Executive Board receive for each financial year a variable bonus tied to the performance of the Consumer Business Segment, which is paid out after the Annual General Meeting of the year following the financial year in question.

The variable bonus is composed of joint and individual performance criteria which are tied to the Company's financial and non-financial performance as well as its strategic and operational development. The joint targets are given a weighting of 70-90% and the individual targets a weighting of 10-30%; as a rule, the weighting is 80% to 20%.



The Supervisory Board determines the selection and weighting of the individual performance criteria at the recommendation of the Presiding Committee for the new financial year. With respect to the total variable bonus, the individual performance criteria for the joint targets generally have a weighting of 10-40% and the individual targets a weighting of 5-20%.

At the Supervisory Board's discretion, the variable bonus may particularly be based on the following performance criteria:

### Joint Targets

<b>Financial targets</b>	<b>Revenue</b>	Revenue growth in the Consumer Business Segment subject to elimination of exceptional effects, e.g. currency-translation effects and M&A.
	<b>EBIT margin</b>	Increase in earnings before interest and tax in the Consumer Business Segment as a percentage of revenues subject to elimination of exceptional effects, e.g. currency-translation effects and M&A. In addition, spending on marketing and research and development may be taken into account if it exceeds the annual planning, i.e. the EBIT margin is increased by one basis point for every basis point above the plan.
	<b>Market shares and position</b>	Increase in market shares and position in the relevant categories, particularly skin care, also in new channels and markets.
<b>Non-financial targets</b>	<b>Innovations</b>	Implementation of strategic initiatives and innovations for skin care.
	<b>Digitalization</b>	Implementation of one or more strategic digitalization initiatives, e.g. share of digital media, e-commerce, infrastructure, data analytics and processes.
	<b>Sustainability</b>	Implementation of the sustainability agenda, particularly with a view to the seven focus areas, e.g.: <ul style="list-style-type: none"> <li>- Reduction of carbon emissions</li> <li>- Increase in the proportion of recyclable resources and packaging</li> <li>- Use of renewable raw materials</li> </ul>

## Individual Targets

<b>Non-financial targets</b>	<b>Human resources and succession planning</b>	<p>Implementation of the measures in connection with human resources management, e.g.</p> <ul style="list-style-type: none"> <li>- Succession planning, including identification and development of suitable candidates for the Executive Board and management</li> <li>- Reinforcement and development of Beiersdorf employees' skills and capabilities</li> </ul>
	<b>Diversity</b>	<p>Implementation of measures for enhancing diversity, e.g.</p> <ul style="list-style-type: none"> <li>- Increase in the proportion of internationally active employees or foreign transfers</li> <li>- Promotion of gender diversity</li> </ul>
<b>Other personal targets</b>		<p>Contribution to joint targets from functional or regional responsibilities or other personal targets.</p>

The performance criteria underlying the variable bonus create an incentive for the Executive Board to increase the Company's enterprise value on a sustained and long-term basis in line with the C.A.R.E.+ strategy. In particular, revenues are to be increased by opening up new growth markets and areas of business, while profitability is to be improved by means of simultaneous investments in innovations. Market shares are to be widened and market positions strengthened by reinforcing the global brands and improving consumer proximity as well as through new digital channels and technologies. The performance criteria defined in the sustainability agenda and those related to diversity also reflect – in line with the core values underlying the strategy – the responsibility that the Executive Board has for creating value for people, the environment and society.

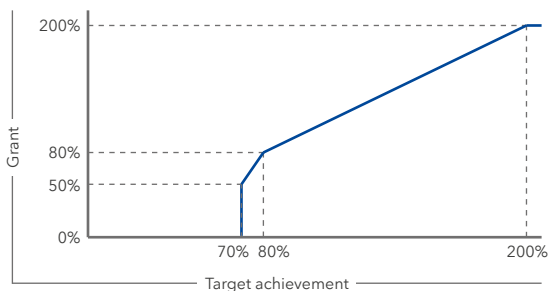
As a general rule, the targets defined for the performance criteria, e.g. revenues, are based on the applicable annual planning. Similarly, measurable criteria are defined for the non-financial targets as far as possible. Depending on the individual case, these may be derived from the annual planning, strategic projects or other activities. The achievement of non-financial targets is determined by comparing actual with target achievement.

On this basis, the Supervisory Board defines percentage target-achievement levels for the components of the variable bonus after the end of the financial year. The following target-achievement levels apply:

- The applicable components are omitted if target achievement is less than 70%.
- 50% of the target amount defined for the component in question is granted for target achievement of 70%.

- 80% of the target amount defined for the component in question is granted for target achievement of 80%.
- 200% of the target amount defined for the component in question is granted for target achievement of 200%. A cap is applied to target achievement of above 200%.
- The intermediate values are interpolated on a linear basis.

Target Achievement Level Multi-Annual Bonus



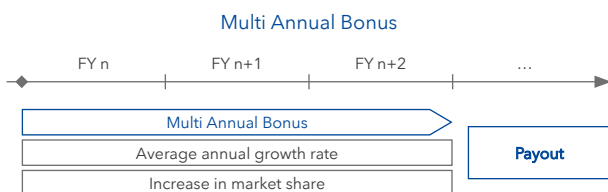
Subsequently, the total target achievement for and the amount of the variable bonus is calculated on the basis of the target achievement for the individual components.

To allow for extraordinary developments, the Supervisory Board may at its own due discretion raise or lower the variable bonus by up to 20%. As well as this, the members of the Executive Board are able to transfer bonus entitlements to the long-term variable remuneration LTP (see section 5.5.3).

### 5.5.2 Multi-annual bonus ("MAB")

The long-term variable remuneration for the members of the Executive Board may additionally include a multi-annual bonus. The MAB particularly has the strategic purpose of strengthening Beiersdorf in regional growth markets or specific business segments.

The performance criteria for the MAB are derived from the targets defined for the areas of responsibility assigned to the members of the Executive Board. In particular, target achievement may be measured on the basis of growth according to annual or multi-annual corporate planning and by reference to the growth in market shares in the applicable region or business segment during the appointment of the relevant member of the Executive Board or over a period of at least three years.



Percentage target achievement is also measured in accordance with the arrangements for the variable bonus (see description of “Target achievement levels for the variable bonus” in section 5.5.1). To allow for any extraordinary developments, the Supervisory Board may at its own due discretion raise or lower the MAB by up to 20%.

The MAB becomes due for payment after the Annual General Meeting at which the adopted annual financial statements of Beiersdorf AG and the approved consolidated financial statements for the final financial year of the Executive Board member’s appointment or the measurement period are submitted. The Supervisory Board may stipulate that the member of the Executive Board is to receive an advance towards the MAB at the end of the financial year before the expiry of his or her appointment or the MAB measurement period. This is netted against the final MAB determined after it becomes due for payment.

### 5.5.3 Long-term bonus (“LTP”)

The members of the Executive Board receive a multi-year bonus tied to strategic targets (“LTP”).

The LTP makes a material contribution to advancing the Company’s C.A.R.E.+ strategy by giving the Executive Board an incentive for securing sustainable and profitable growth particularly by strengthening the focus on skin care, sustainability, digitalization, opening up new growth markets and business areas, innovations as well as human resource development. In order to implement and strengthen the strategy, the performance indicators for the long-term variable remuneration are to be supplemented or replaced by the performance indicators under the C.A.R.E.+ strategy with fundamentally the same targets for a transitional period from 2021 to 2024. After this transitional period, the performance indicators are to be updated and revised on the basis of the conditions prevailing at the Company or in the market.

The LTP is measured on the basis of the targets for the achievement of strategic criteria after the expiry of a four-year bonus period, initially for the years 2021 through 2024 (“LTP 2021–2024”).

## Long-term Bonus



Joint targets for all members of the Executive Board apply to the LTP and are tied to the Company's strategic development. They can be weighted individually depending on the duties involved. For this purpose, the Supervisory Board defines measurable criteria which are primarily derived from the implementation of the C.A.R.E.+ strategy and the multi-annual planning required to be submitted to the Supervisory Board for approval. Specifically, these criteria are:

### Targets for Long-Term Bonus



Development of a multi-year plan for the financial years 2021 to 2024 and for the ensuing period



Positioning of Beiersdorf as a global leader in skin care, including through product innovations (by means of own research and development as well as through M&A and venture capital), range of products and services, reinforcement of the brand purpose, expansion of market shares and positions



Digitalization of all business activities, including e-commerce, direct interaction with consumers, social media



Opening-up of new growth markets and areas of business, particularly in Northeast Asia, North America and the main Emerging Markets, also via digital channels



Sustainability, including raw materials, packaging and production



Development of employees' skills and capabilities by encouraging and recruiting talent as well as diversity and inclusion

The Supervisory Board determines the selection and weighting of the individual performance criteria at the recommendation of its Presiding Committee. After the expiry of the bonus period, the Supervisory Board defines the percentage target achievement levels between 0 and 200% for LTP 2021-2024. The LTP becomes due for payment after the Annual General Meeting following the final year of the relevant bonus period. The Supervisory Board may stipulate that the members of the Executive Board are to receive an advance towards the LTP before the expiry of the bonus period. This is netted against the final LTP determined after it becomes due for payment.

In addition, the Supervisory Board may at its own due discretion raise or lower the target achievement for the LTP and the resultant bonus by up to 20% for objective reasons in response to extraordinary developments for example.

The members of the Executive Board also have the option of converting all or part of the long-term LTP into a pension commitment in the form of a defined contribution commitment for which a reinsurance policy can be concluded.

## 5.6 Capping of the variable remuneration and maximum remuneration

The amount of all variable remuneration elements (variable bonus, LTP and, if granted, MAB) is capped at 200% of the applicable individual target amount. The amount of the maximum total remuneration is determined on the basis of this relative cap taking into account all fixed and other remuneration components that may be granted to a member of the Executive Board depending on the individual case.

The maximum remuneration is €9 million per year for the Chairman of the Executive Board and €6 million per year for each ordinary member of the Executive Board. This maximum remuneration contains the amounts of the long-term remuneration (MAB and LTP) with an annual target value on a prorated basis notwithstanding the fact that they are not due for payment until the end of the period. In addition, some components of the remuneration of the Executive Board members that continue to be granted on the basis of the previous compensation system are not included in this maximum remuneration.

## 6. Other contractual and remuneration-related arrangements

### 6.1 Application of the new remuneration system

The new remuneration system applies to all newly signed service contracts. In accordance with the underlying legal framework, the service contracts currently in force with the members of the Executive Board are fundamentally not affected. The Supervisory Board may enter into an agreement with each of the present members of the Executive Board for the new remuneration system to apply to their remuneration, specifically the LTP. In this connection, the Supervisory Board decides at its own due discretion on transitional arrangements to adjust the current long-term remuneration components. In doing so, it may in particular define caps and floors for the long-term variable components to prevent unreasonably high remuneration under the old and the new system.

## 6.2 Retention and claw-back arrangements

The Supervisory Board has the possibility of reducing or retaining at its own due discretion the variable remuneration by up to 20% to appropriately take account of exceptional circumstances.

Variable remuneration components that have already been determined or paid may be retained or claimed back by the Supervisory Board if the basis for calculating the original target achievement, particularly the applicable consolidated financial statements, subsequently proves to be materially incorrect due to new facts or evidence ("claw-back"). However, this possibility is barred no later than three years after payment. This does not prejudice any other remedies that the Company may have to recover damages from the member of the Executive Board particularly under § 93 (2) AktG.

## 6.3 Secondary employment

All business activities outside the activities of the member of the Executive Board for the Company and all other secondary employment require the Supervisory Board's approval. If a member of the Executive Board accepts a mandate on a non-Group supervisory board, the Supervisory Board determines on the merits of the individual case whether and to what extent the remuneration granted must be deducted from the Executive Board remuneration.

# 7. Duration and arrangements in connection with the termination of the seat on the Executive Board

## 7.1 General rules

The Supervisory Board ensures that, when the members of the Executive Board are appointed for the first time, the duration of such appointment and the term of the Executive Board service agreement generally do not exceed three years. In the event of a re-appointment or the renewal of the service agreement, the maximum period is five years in accordance with the requirements of the German Stock Corporation Act (*AktG*).

In the event of the premature termination of the office or activities of a member of the Executive Board for reasons beyond that member's control, the Executive Board service agreements provide for a cap on the termination benefits or other payments of twice the value of the base remuneration and twice the value of the annual variable bonus and any MAB or a cap equaling the total target remuneration for the remaining period of the service agreement.



If the contract of a member of the Executive Board is terminated, the disbursement of any remaining variable remuneration components attributable to the period up until the termination of the contract is based on the originally agreed targets and comparison parameters as well as the due dates or holding periods stipulated in the contract. In individual cases, the Supervisory Board may provide a lump-sum payment to cover any outstanding variable remuneration components in the event of the premature termination of the service contract.

Upon the premature termination of the Executive Board member's duties at the Company's request except in the case of termination for good cause for reasons within the member's control, the variable bonus (depending on entitlement) and the MAB as well as the LTP are granted on a time-proportionate basis. If the member of the Executive Board resigns at his or her own instigation or for good cause for reasons within his or her control, all claims under the MAB and the LTP will lapse. Claims under the variable bonus for the year of resignation will also lapse unless higher target achievement can be clearly demonstrated.

There are no commitments covering the premature termination of the contract of a member of the Executive Board due to a change of control.

## 7.2 Post-contractual noncompete agreement

For the duration of the post-contractual noncompete agreement of 24 months, the relevant members of the Executive Board are entitled to claim compensation equaling half the most recently agreed annual base remuneration and their short-term variable bonus. The Company may waive enforcement of the post-contractual noncompete undertaking at any time, however no later than six months before the termination of the contract and, in the event of its premature termination, also waive this six-month period. In this respect, no compensation may be claimed.