

Remuneration system for the Management Board members

1. Main features of the system for remunerating the members of the Fielmann Aktiengesellschaft Management Board

The system for remunerating the members of the Fielmann Aktiengesellschaft Management Board is aligned to the company's sustainable and long-term development. As such, it contributes to promoting the corporate strategy and to the long-term development of the company. The system sets incentives for a value-creating and long-term development of the company.

The remuneration system aims to remunerate the Management Board members appropriately in line with their duties and responsibilities, while taking into account the performance of the Management Board members as well as the economic situation and the success of the company. The remuneration system will enable a nationally and internationally competitive remuneration package to be set, thereby creating an incentive for committed and successful work. When determining the total remuneration package, the Supervisory Board ensures that it remains in an appropriate relation to the Management Board members' duties and performance, as well as to the company's situation, and does not necessarily exceed the usual payments.

The Fielmann Aktiengesellschaft remuneration system provides, on the one hand, a fixed remuneration which comes with additional benefits. On the other hand, the remuneration system also provides a success-related variable remuneration consisting of two components: the one-year Short Term Incentive (or STI, internally also known as Bonus I) and the multiple-year Long Term Incentive (or LTI, internally also known as Bonus II). The remuneration system contains financial and non-financial performance criteria based chiefly on strategic objectives as well as operative ones. Customer satisfaction is reflected in both the short-term and long-term variable remuneration as this is a key feature of the Fielmann corporate philosophy.

This remuneration basically covers all activities for the company as well as for the companies affiliated to it as per §§ 15 et seq. of the AktG. Where remuneration has been agreed for positions in affiliated companies, this amount will be credited to the fixed remuneration. The Supervisory Board will decide on this form of crediting in cases of assuming positions outside of the Group or for positions in associations or similar organisations to which the company or one of its affiliates belongs.

The system of remuneration for the Management Board members has been designed to be clear and easy to understand. It complies with the regulations in the Stock Corporation Act in the version of the Act for implementing the second Shareholder Rights Directive of 12 December 2019 (Federal Law Gazette 2019 I p. 2637). If there is no compliance with individual recommendations from the German Corporate Governance Code (DCGK) in the version that was ratified on 16 December 2019 by the German Corporate Governance Code Government Commission and took effect on 20 March 2020, this will be explained and reasoned in the company's declaration of compliance pursuant to § 161 of the AktG.

The current remuneration system differs from the previous remuneration system mainly in that the short-term variable remuneration (STI) is now also linked to customer satisfaction as a further key performance criterion, which combines both financial and non-financial elements. Apart from this, the Supervisory Board has concluded after renewed careful consideration that the previous remuneration system, on which the new one is based with the exception of individual modifications, best corresponds to the Fielmann Aktiengesellschaft business model and corporate philosophy.

The new remuneration system applies to the CEO Marc Fielmann and the Management Board members Dr. Bastian Körber and Georg Alexander Zeiss as of 1 January 2021 and to the recently appointed Management Board member Katja Groß as of 1 March 2021, as well as to all employment contracts that need to be newly agreed with Management Board members and to contract extensions.

In order to implement the remuneration system, the Supervisory Board has acted in the name of Fielmann Aktiengesellschaft to agree corresponding adjustments to employment contracts with the Management Board members and set the figures for the financial year 2021 in line with the present remuneration system.

The Supervisory Board can temporarily depart from the remuneration system (procedure and regulations on the remuneration structure) and its individual components (type, amount and grant date) as well as in regard to individual remuneration components of the remuneration system, including the targets for the variable remuneration components, or introduce new remuneration components or additional or alternative targets if this is necessary in the long-term interests of Fielmann Aktiengesellschaft. The Supervisory Board reserves the right to make such departures to the norm in the event of exceptional circumstances, such as an economic or company crisis, pandemics, natural disasters or similar events. For the CEO or other Management Board members, such departures may lead to a departure from the maximum remuneration and/or the cap for the variable remuneration components.

2. Maximum remuneration for the Management Board members

The Management Board's total remuneration due for one financial year (the company's highest amount from the sum of all the outlaid remunerations for the respective financial year, including the fixed annual salary, additional benefits, variable remuneration components, but without termination benefits) is capped ("Maximum remuneration") – regardless of whether it is paid in this financial year or at a later date. The maximum remuneration for the CEO amounts to € 3,800,000 and for the other Management Board members to € 2,000,000 each.

3. Presentation of the procedure for determining, implementing and reviewing the remuneration system

The remuneration system is determined by the full Supervisory Board, which is also supported by the Supervisory Board's HR Committee. For this purpose, the HR Committee develops the structure and individual components of the remuneration system, and reports on this to the full Supervisory Board in order to prepare its discussion and resolution. Both the HR Committee and the full Supervisory Board may call upon external remuneration experts, who must be independent. The assistance of external consultants may also be sought.

The remuneration system is regularly checked every three years and in the event of an impending agreement on Management Board remuneration by the HR Committee, which makes any proposals to adjust the remuneration system available to the Supervisory Board.

The General Meeting adopts a resolution on the remuneration system upon every significant change to the remuneration system, and at least every four years. If the General Meeting has not approved the remuneration system, a reviewed remuneration system must be presented for resolution at the following ordinary General Meeting at the latest.

As part of the development of the present remuneration system, the Supervisory Board, with the support of the HR Committee, has submitted the previous structure of the company's Management Board remuneration to an appropriateness test.

On the one hand, the extensive scrutiny of the Management Board remuneration included a horizontal remuneration comparison, in which the amount of the target and maximum remuneration of the Management Board members was considered in relation to the remunerations paid by companies listed on the SDAX and MDAX, due to Fielmann Aktiengesellschaft's long-term affiliation to the MDAX. The comparison was made in consideration of the Fielmann Group's turnover profitability, net profit, sales revenue and number of employees.

On the other hand, the Supervisory Board carried out a vertical remuneration comparison which took the remuneration and employment conditions of the company's and the Fielmann Group's employees into account. The relevant comparative groups were taken to be the first management level below the Management Board as well as the workforce of all German companies in the Fielmann Group.

After careful consideration of the company's business model, the Supervisory Board decided to standardise the criteria for granting variable remuneration components for all members of the Management Board. For individual parameters relevant to the amount of the remuneration, the remuneration system provides ranges within which the relevant figures can be determined for the individual Management Board member.

So far, there have been no conflicts of interest for the individual Supervisory Board members regarding the decision on the remuneration system for the Management Board. In the event of conflict of interest when determining, implementing and reviewing the remuneration system, the Supervisory Board will treat this in the same way as other conflicts of interest on the part of a Supervisory Board member, so that the Supervisory Board member in question will not take part in the resolution or, in the case of a serious conflict of interest, in the discussions. Should there be a permanent and unresolvable conflict of interest, the Supervisory Board member in question will resign. An early disclosure of conflicts of interest will ensure that the decisions taken by the full Supervisory Board and the HR Committee are not influenced by any adverse considerations.

The target total remuneration for each member of the Management Board is made up of the sum of all remuneration components that are relevant to the total remuneration. The target total remuneration can be determined for a period of several years and confirmed by the Supervisory Board for each upcoming financial year, subject to any extraordinary developments. No absolute figure is provided for determining the target remuneration of the variable remuneration components. The connecting factor for each member of the Management Board is an individually determined percentage of the Fielmann Group's adjusted net profit.

4. Fixed and variable remuneration components

The remuneration system provides fixed and variable remuneration components.

Fixed remuneration components		Variable remuneration components	
Fixed remuneration	Ancillary benefits	STI	LTI

Besides their fixed remuneration, which includes the fixed salary and ancillary benefits, each Management Board member receives a variable remuneration for their activities based on an individually determined percentage of the Fielmann Group's adjusted net profit. The variable remuneration is divided into an STI based on the short-term success of the Fielmann Group and an LTI based on the Fielmann Group's long-term success.

The maximum amount of variable remuneration (cap) amounts to 220% of the fixed remuneration for the CEO and a maximum of 200% of the fixed remuneration for the other members of the Management Board, irrespective of the maximum remuneration.

The share of fixed remuneration (fixed annual salary and ancillary benefits) stands at approximately 32% to 42% of the maximum remuneration, and the share of variable remuneration at approximately 58% to 68% of the maximum remuneration. The share of the STI (based on the cap) in the maximum remuneration is approximately 40% to 48% and the share of the LTI (based on the cap) in the maximum remuneration is approximately 17% to 20%.

There may be some deviation to the stated shares due to the development of the costs of the contractually agreed ancillary benefits and in the event of new appointments.

4.1 Fixed remuneration components

4.1.1 Fixed remuneration

Each member of the Management Board receives a performance-related fixed remuneration, which is paid monthly in twelve equal parts. They also receive a thirteenth salary worth one month's salary, half of which is paid with the salary for May and the other half with the salary for November.

4.1.2 Ancillary benefits

The members of the Management Board receive ancillary benefits in addition to their fixed remuneration. Besides the refund of appropriate expenses, these are mainly the provision of a company car which may also be used for private journeys, in accordance with the applicable regulations. Furthermore, the following insurance policies are taken out for each member of the Management Board:

- Accident insurance which can also make payments to the Board member's heirs in the event of death.
- Directors and officers liability insurance (D&O insurance) with consideration of § 93 Para. 2 (3) of the AktG (provided the taking out of such an insurance is regarded as a remuneration component as defined by stock corporation law).

The respective Management Board member is liable for any taxation resulting from these ancillary benefits.

4.2 Variable remuneration components

The performance-related variable remuneration consists of a short-term variable remuneration component, the STI, and a long-term variable remuneration component, the LTI.

The STI and the LTI are calculated by multiplying the Fielmann Group's adjusted net profit for the respective financial year in line with the weightings determined for the STI and the LTI by the Management Board member's individually determined percentage, and then by using a correction factor (= customer satisfaction indicator, see below) to value and adjust the basic amount.

The Fielmann Group's adjusted net profit is calculated as follows:

The Fielmann Group's net profit is reported as in the consolidated accounts for the respective year

± Expense/Earnings from bonus provisions

± Extraordinary expense/earnings (in line with § 277 Para. 4 of the German Commercial Code (HGB) in the version applicable before 23.07.2015, even if there is no separate reporting as per IAS)

± Material non-recurring effects from company acquisitions/sales etc., which, according to the directives from the Supervisory Board, are to be distributed linearly over the anticipated period of use

The underlying factor for evaluating and adjusting the basic amount as part of the bonus calculation is (with different measurement periods) the customer satisfaction indicator ("correction factor") both for the STI and for the LTI. All business influencing factors for the Fielmann Group are recorded via this factor. Customer satisfaction is the measure of success for the current financial year and, at the same time, the basis of future success via customer retention and repurchases. The customer satisfaction target system is also a control parameter for sales, stores, HR management, procurement, logistics and quality assurance. This target system is developed based on current analyses and continuously refined and adjusted based on detailed market analyses and data collections. Securing and, where possible, increasing customer satisfaction is a key orientation point for the actions taken by the Management Board. The weighting takes into account the framework of expected customer satisfaction and the significance of changes to the current and future earnings performance. The significant deviation values and the weighting for bonus calculation purposes are both determined by the Supervisory Board in the context of annual planning in consideration of the targeted customer satisfaction index. This is continuously measured by an independent market research institute. Key to achieving the target is the assessment of a questionnaire whose results are scaled and weighted in line with the directives stipulated by the Supervisory Board before the financial year.

4.2.1 STI

The remuneration system uses the STI as a short-term variable remuneration component. This is based on a one-year measurement period. The Fielmann Group's adjusted net profit (as described above) is weighted at 70% for the respective financial year and multiplied by each Management Board member's individually determined percentage.

The unweighted average of the accumulated customer satisfaction level for the respective financial year is decisive as the correction factor for the STI: [sum of customer satisfaction for the months 01 to 12] / 12).

In summary, the STI is calculated based on the following formula:

STI = basic amount (= Fielmann Group's adjusted net profit for the respective financial year x 70% x individual percentage) x correction factor (= customer satisfaction indicator over one-year measurement period)

The STI is due at the close of the day when the Supervisory Board has determined Fielmann Aktiengesellschaft's net profit and approved Fielmann Aktiengesellschaft's consolidated accounts.

There can be no retrospective amendments to the financial and non-financial performance criteria.

4.2.2 LTI

The remuneration system uses the LTI as a long-term variable remuneration component. With regard to the correction factor, this is based on a three-year measurement period. The Fielmann Group's adjusted net profit (as described above) is weighted at 30% for the respective financial year and multiplied by each Management Board member's individually determined percentage.

The unweighted average of the accumulated customer satisfaction level for the respective financial year and the following two financial years ("performance period") is decisive as the correction factor for the LTI, whereby the average for each calculation period must be determined, as with the STI (see 4.2.1). The LTI is determined on a rolling basis so that, for purposes of a preliminary calculation, the customer satisfaction is cumulatively updated as the financial year progresses.

In summary, the LTI is calculated based on the following formula:

LTI = basic amount (= Fielmann Group's adjusted net profit for the respective financial year x 30% x individual percentage) x correction factor (= customer satisfaction indicator over three-year measurement period)

The final entitlement to the LTI arises and is due for payment at the close of the day when the Supervisory Board has determined Fielmann Aktiengesellschaft's net profit, which is decisive for the end of the measurement period, and approved Fielmann Aktiengesellschaft's consolidated accounts. The preliminary LTI, determined based on the basic amount, will be paid to 90% and is due for payment as soon as the Supervisory Board has determined Fielmann Aktiengesellschaft's net profit for the relevant financial year and approved Fielmann Aktiengesellschaft's consolidated accounts. The final determination of the customer satisfaction level over the measurement period and the final calculation are done once the Supervisory Board has determined the net profit and approved the consolidated accounts of Fielmann Aktiengesellschaft for the last financial year of the measurement period decisive for the LTI. If the final payout figure exceeds the initial payment, the company will pay the difference to the Management Board member. If the initial payment exceeds the final payout figure, the Management Board member will pay the difference to the company. While the existing employment contracts are adapted to the new remuneration system, there may be some deviations with regard to the due date and calculation period of the LTI.

There can be no retrospective amendments to the financial and non-financial performance criteria.

4.2.3 Possibilities for the company to demand the return of variable remuneration components

The company is entitled to offset and retain variable remuneration components as well as to demand the return of advance LTI payments whenever it is established, after the end of the measurement period decisive for the respective remuneration component, that the Management Board member has breached the valid statutory provisions and/or compliance regulations, leading to compensation claims by the company as per § 93 Para. 2 of the AktG.

5. Terms and termination of the Management Board employment contracts

The Management Board termination contracts are valid for the duration of the current appointments (three years each) and have the following terms at the time of the resolution on the remuneration system:

- Employment contract for Marc Fielmann: 30 June 2024
- Employment contract for Katja Groß: 29 February 2024
- Employment contract for Dr. Bastian Körber: 31 March 2024
- Employment contract for Georg Alexander Zeiss: 30 June 2022

In the event that the Supervisory Board dismisses a Management Board member, it can be arranged that the Supervisory Board releases the Management Board member from his/her duties while the contract remains otherwise valid.

An ordinary termination of the Management Board employment contract is excluded. Termination for good cause, however, is possible for both the Management Board member concerned and the company.

6. Performance in the event of a termination of the Management Board employment contract

In the event of a Management Board employment contract beginning or being terminated during the year, both the fixed remuneration as well as the STI and LTI will only be paid on a pro rata temporis basis. Variable remuneration components (STI and LTI) which are still open will be paid in line with the originally agreed targets and performance criteria, and based on the due dates stated in the contract.

The remuneration system does not provide for a special regulation for a settlement in the event of a change of control.