

## **8. Resolution on the approval of the compensation system for members of the Executive Board**

In accordance with § 120a (1) German Stock Corporation Act (AktG), the Annual General Meeting of a listed company passes a resolution at least every four years on the approval of the compensation system for members of the Executive Board presented by the Supervisory Board, as well as for every significant amendment to the pay system. The provision has been newly included in the German Stock Corporation Act by the Act for Implementation of the Second Shareholders' Rights Directive (ARUG II) and must be applied pursuant to § 26j (1) Sentence 1 of the Introductory Law of the Stock Corporation Act at the latest for Annual General Meetings which are held after December 31, 2020. The compensation system for the members of the Executive Board is outlined below and can be viewed online at [www.mlp-agm.com](http://www.mlp-agm.com).

Based on a corresponding recommendation by the Personnel Committee, the Supervisory Board recommends that the following resolution be adopted:

The compensation system for the members of the Executive Board passed by the Supervisory Board on March 18, 2021 is approved.

### **"Compensation system for the Executive Board at MLP SE" in accordance with the requirements of § 87a of the German Stock Corporation Act (AktG)**

#### **Introduction**

The present compensation system is based on the stipulations of § 87a of the German Stock Corporation Act (AktG), which was incorporated into the German Stock Corporation Act on January 1, 2020, as well as on the recommendations of the government commission "German Corporate Governance Code" in the version dated December 16, 2019 (GCGC 2019). It applies to all Executive Board service contracts at MLP SE to be newly concluded or extended as of January 1, 2021. Executive Board service contracts concluded before January 1, 2021 remain unaffected by these stipulations and therefore deviate in parts from the MLP SE compensation system described below.

#### **Stipulation of a maximum compensation for members of the Executive Board (§ 87a (1) Sentence 2 No. 1 of the German Stock Corporation Act (AktG) and stipulation of the target total compensation (Principle 1 GCGC 2019)**

The Executive Board service contracts contain the stipulation of a maximum compensation. The maximum compensation of the Chief Executive Officer is set at € 2,700 thsd, while the maximum compensation for the other members of the Executive Board is set at € 1,800 thsd.

The overall target compensation is stipulated by the Supervisory Board for each financial year in the first quarter of the respective financial year on the basis of budget planning.

### **Contribution of compensation to promoting the business strategy and long-term development of the company (§ 87a (1) Sentence 2 No. 2 of the German Stock Corporation Act (AktG))**

The key strategic objective is to bring about profitable and sustainable growth. The sustainable development of the company should be the primary focus and, where necessary, take priority over short-term success. One of the most important prerequisites for ensuring this prioritisation is continuity in the composition of the Executive Board. Executive Board compensation appropriate to the size, sector, and economic situation of the company ensures profits and, in particular, long-term retention of suitable executive personalities.

The Executive Board compensation is generally made up of fixed and variable portions. The level of the fixed portions of compensation is calculated in such a way that there is no significant dependency on the variable portions of compensation. The target and basis of assessment for the variable portion of compensation must be set in a way that encourages the seizing of opportunities but prevents taking disproportionate risks. Furthermore, the predominant portion of the variable compensation is to be set up over several years.

### **Fixed and variable portions of compensation and their respective relative proportion of compensation (§ 87a (1) Sentence 2 No. 3 of the German Stock Corporation Act (AktG))**

The fixed compensation generally consists of the following components:

- Monthly base salary
- Company car, also for private use
- Contribution to occupational pension scheme

The variable compensation comprises the following components:

- Variable compensation linked to EBIT (immediate payment)
- Variable compensation linked to EBIT (deferred payment)

Further fringe benefits in line with standard market practices can be granted within the limits of the agreed maximum compensation.

The variable compensation should amount to 100 % of and no more than 200 % of the fixed compensation. The portion of long-term variable compensation (deferred payment) should exceed the portion of short-term variable compensation (immediate payment). In order to calculate these components, the variable compensation is taken into consideration in the target amount.

The company is subject not only to Stock Corporation Act regulations but also to the special compensation law regulations of the German Banking Act (KWG) and the Ordinance on the Supervisory Requirements for Institutions' Pay Systems (InstitutsVergV). Accordingly, the maximum variable compensation is limited to 200 % of the fixed compensation.

## **Financial and nonfinancial performance criteria for granting variable portions of compensation (§ 87a (1) Sentence 2 No. 4 of the German Stock Corporation Act (AktG))**

Group EBIT is used as a measure to calculate the variable compensation. The key figure is therefore earnings before tax (EBT) that would result without deduction of profit-sharing payments. If continuing operations and discontinued operations were to be recognised in the financial year, the total of the EBITs of operations to be continued and discontinued is applicable. Costs and income that are directly related to the discontinuation or sale of business segments are not included.

### Explanation of how these criteria contribute to attaining the goals pursuant to § 87a (1) Sentence 2 No. 2 of the German Stock Corporation Act (AktG)

Profitability essentially results from the correlation of revenue and expenses. It is reflected in EBIT. EBIT as the basis of assessment for the variable compensation of the members of the Executive Board is therefore considered a suitable measure for supporting the key strategic objective. As such, the variable compensation is based on the EBIT achieved by the company. This also ensures the desired holistic thinking within the collegial body of the Executive Board.

### Description of the methods used to determine fulfilment of the performance criteria

EBIT is determined in the process of drawing up the financial statements and is certified by the auditors. The certified financial statements are used as the basis for calculating the variable compensation of the members of the Executive Board and thus establish fulfilment of the performance criteria.

## **Deferred periods for the payment of portions of compensation (§ 87a (1) Sentence 2 No. 5 of the German Stock Corporation Act (AktG))**

The variable portions of compensation which are granted as immediate payment are paid out within the first half of the year following the end of the financial year for which the payment is granted.

The variable portions of compensation which are granted as deferred payment are paid out at the earliest three years and no later than four years after the end of the financial year for which the payment is granted.

## **Possibilities for the company to claim back variable portions of compensation (§ 87a (1) Sentence 2 No. 6 of the German Stock Corporation Act (AktG))**

The service contracts contain a regulation for claiming back variable portions of compensation that have already been paid out (claw-back clause) in the event of serious infringements of legal duties or the rules of procedures for the Executive Board.

The Executive Board service contracts also contain adjustment options whereby the Supervisory Board can adjust the variable compensation upwards or downwards at its discretion for one financial year to take into account the individual performance of the members of the Executive Board or extraordinary

developments in the sense of § 87 (1) Sentence 3 of the German Stock Corporation Act (AktG).

### **Share-based compensation (§ 87a (1) Sentence 2 No. 7 of the German Stock Corporation Act (AktG))**

The variable compensation is generally granted as a monetary benefit; there is no plan to grant share-based variable compensation.

### **Pay-related legal transactions (§ 87a (1) Sentence 2 No. 8 of the German Stock Corporation Act (AktG))**

#### Terms and prerequisites for their termination, including the respective notice periods

The Executive Board contracts usually have a term of three years in the case of initial appointments; extensions are made with a maximum term of five years.

There are no plans for ordinary termination of any of the Executive Board service contracts.

The Supervisory Board can only terminate an Executive Board service contract for an important reason. These important reasons include, in particular, any member of the Executive Board significantly violating any of the provisions of the respective Executive Board service contract, the provisions included in the rules of procedure for the Executive Board or the provisions of the company's Articles of Association, as well as any other breaches of duty that make continuation of the contract with the company appear unreasonable.

In the event of a reduction in compensation, the respective member of the Executive Board can terminate the Executive Board service contract at the end of the subsequent quarter with a notice period of six weeks pursuant to § 87 (2) Sentence 4 of the German Stock Corporation Act (AktG)

Change-of-control clauses are agreed with members of the Executive Board, granting the right to termination for good cause in the event that

- shares with voting rights in the company change as per §§ 33 et seq. of the German Securities Trading Act and the person acquiring the shares thereby exceeds the threshold of 50 % of the shares with voting rights, unless the person acquiring the shares already held more than a 10 % stake in the company at the time signing the respective Executive Board service contract;
- the company is transformed in line with the provisions of the Transformation Act (UmwG). This does not apply if the company changes its corporate form, spin-offs in line with § 123 (3) of the German Reorganisation of Companies Act or for mergers in accordance with the provisions of the Transformation Act (UmwG), in which the company is the incorporating legal entity.

#### Granting of severance settlements

If one of the members of the Executive Board resigns on the basis of the conditions of the change-of-control clause, he/she shall receive compensation of no more than two annual salaries, on the condition that the termination takes

place more than two years before the end of contract. After that, a pro-rata-temporis regulation applies.

#### Main features of the retirement salary and early retirement schemes

The occupational pension scheme is granted in the form of an employer-financed, contribution-related performance commitment by relief fund.

#### **Explanation of how the pay and employment conditions of the employees were taken into account when determining the compensation system, including an explanation of which group of employees was considered (§ 87a (1) Sentence 2, No. 9 of the German Stock Corporation Act (AktG))**

The target and maximum compensation as well as the concrete distribution between fixed and variable portions of compensation are defined by the Supervisory Board. Any necessary adjustments are made upon extension of the contracts. Compensation in the sector, business performance, and the special features of MLP's business model are given appropriate consideration. This involves a vertical and a horizontal comparison, as does a review of the adequacy of the Executive Board compensation. For the horizontal comparison, the peer group consists of companies that are comparable to MLP in terms of the criteria "Size", "Sector", "Country", "Recruiting Fit" and "Governing Regulations and Compliance". Comparability in four of the five criteria mentioned is sufficient for inclusion in the peer group.

The following is understood by these criteria:

Size:	Companies of a comparable size in terms of earnings, number of employees, market capitalisation
Sector:	Direct competitors and companies in other sectors with comparable key characteristics (financial sales organisations, banks, insurance providers, other financial services providers)
Country:	German companies with a comparable reputation, comparable economic, financial, and strategic situation, and comparable complexity in the corporate structure
Recruiting Fit:	Companies with which the company competes for qualified executive staff
Governing regulations and compliance:	Companies that move in a similar regulatory environment (finance and insurance sector with special requirements for compensation)

The vertical comparison also takes into account the development of pay for the individual employee groups over time. This includes a comparison both with the average compensation of the senior management level within the MLP Group and with the average compensation of the remaining staff. In each case, the previous year and the previous five-year period are considered.

#### **Description of the procedure for determining/implementing and reviewing the compensation system, including the role of any committees and the**

**measures for preventing and handling conflicts of interest (§ 87a (1) Sentence 2 No. 10 of the German Stock Corporation Act (AktG))**

By law, the Supervisory Board is responsible for determining, implementing and checking both the actual compensation and the compensation system employed for the members of the Executive Board. The Supervisory Board has assigned responsibility for preparation of the respective Supervisory Board decisions to its Personnel Committee. The Supervisory Board and/or the Supervisory Board's Personnel Committee can bring in external consultants as and when necessary. When commissioning external compensation consultants, attention is paid to ensure their independence.

The compensation system must comply with the relevant legal provisions for the compensation of the members of the Executive Board, in particular the special provisions of the Ordinance on the Supervisory Requirements for Institutions' Pay Systems (InstitutsVergV). Compliance with the provisions is reviewed annually and as needed according to § 12 of the Ordinance on the Supervisory Requirements for Institutions' Pay Systems (InstitutsVergV) with the involvement of the relevant controlling units. The result of the check is presented to the Supervisory Board, which then assesses it. Where necessary, changes are made to the compensation system in accordance with responsibilities.

Since the legislation stipulates that the Supervisory Board bears responsibility for determining, implementing and checking the system for compensation of the members of the Executive Board, any risk of conflicts of interest can therefore be ruled out from the outset. However, should any such conflicts of interest ever occur in future, these will be addressed using the standard rules in place and applicable to the Supervisory Board at MLP SE. Accordingly, depending on the nature of the conflict of interest, the member of the Supervisory Board in question will be required to abstain from voting and, if necessary, also from any negotiations on the respective item on the agenda. Should a permanent and non-resolvable conflict of interest occur, the member of the Supervisory Board in question will resign from office.